



Bafna Pharmaceuticals Limited

Wellness beyond boundaries



16th Annual Report

Financial Year 2010 -11



Mr. Bafna Mahaveer Chand, Chairman & Managing Director, Bafna Pharma receives IDMA Quality Excellence Silver Award 2010 – in the category of Formulation Units IDMA Award



Mr. Bafna Mahaveer Chand, Chairman & Managing Director, Bafna Pharma receives National Level Entrepreneurship Excellence Award in the manufacturing sector from Small & Medium Business Development Chamber of India (SME Chamber of India)

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Disclaimer

Statements in this annual reports appearing in some sections including "Key Message from MD" 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 Highlights

Key Financial Indicators

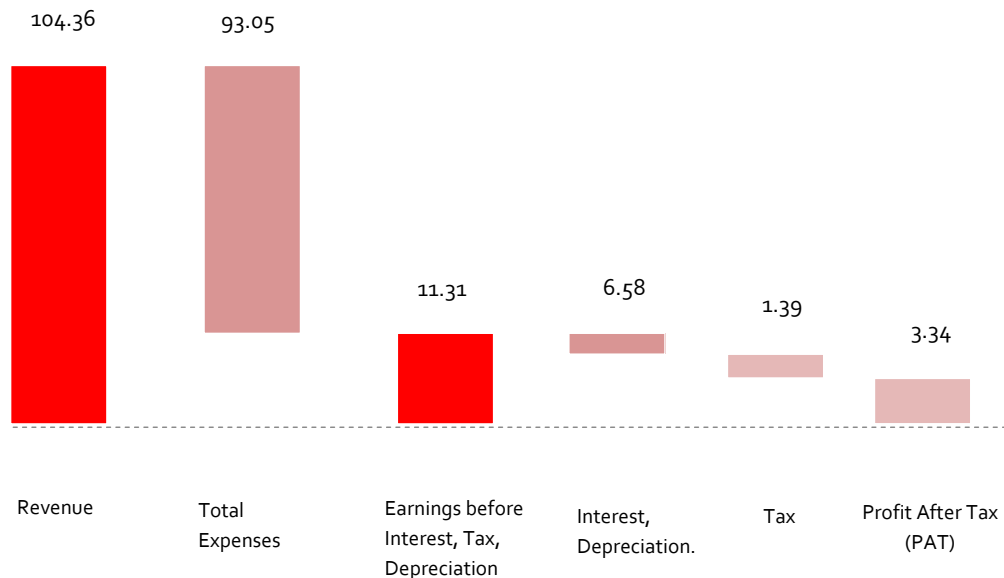
Company has achieved a Year Over Year (YOY) revenue growth of 36%. Domestic sales contributed Rs. 77.42 Cr and exports contribute to Rs.23.87 Cr. While the ratio of domestic sales has increased to about 51%, the EBIDTA margins have improved by 5%

An improved EBIDTA margin in spite of less - margin institutional business dominating sales, underlines the fact that business from regulated markets brought in better margins.

- ▲ Achieved Rs. 100 Cr Turnover with an YOY growth of 36%
- ▲ Improved EBIDTA margins at 4.1% compared to that of 3.6% in FY 10
- ▲ Growth In PBT and PAT at 19% And 35% Respectively

Profitability Statement

(Rupees in Crores)



Company Snapshot

Name of Company	:	Bafna Pharmaceuticals Limited
Incorporation	:	1995
Initial Public offering	:	2008
Total Revenue	:	Rs. 104.36 Cr
Net Profit	:	Rs. 3.34 Cr
Listing	:	Bombay Stock Exchange

Registered Office

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

Bankers

State Bank of India

Leather International Branch
Chennai

Export – Import Bank of India

Rajaji Salai, Chennai – 600 001

IDBI Bank

Specialised Corporate Branch, T.Nagar, Chennai

Bank of Ceylon

Poonamallee High Road, Chennai

Share Transfer Agents

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

Auditors

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

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

Shri. Bafna Mahaveer Chand
Chairman & Managing Director

Shri. Paras Bafna
Whole time Director

Shri. Sunil Bafna
Non-Executive Independent Director

Shri. V. Rajamani
Non-Executive Independent Director

Shri. R. Dwarakanathan
Non-Executive Independent Director

Shri. A.Sahasranaman
Non-Executive Independent Director

Audit Committee

Shri. V. Rajamani

Shri. R. Dwarakanathan

Shri. Bafna Mahaveer Chand

Investor Grievance and Share Committee

Shri. Bafna Mahaveer Chand

Shri. Paras Bafna

Shri. Sunil Bafna

Board of Directors & CEO - Brief Profile

Shri. Bafna Mahaveer Chand | Chairman & Managing Director

Being the main promoter of the company, 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. He is a chemistry graduate from Madras University. Backed up an experience that spans for more than three decades, he has spearheaded the company with diligence and vision that transformed the company from a proprietary firm to a listed entity, 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, setting up the State – of – the art R&D center and receiving the National Level Entrepreneurship Excellence award in 2010 are just a few glimpses of His success sojourn, at Bafna Pharma.

Shri. Shyam Sundar Bharti | CEO

He brings a vast experience in general management and financial management backed by his vast experience from banking Industry. He has done his MBA from Jamnalal Bajaj Institute of Management Studies, Mumbai (JBIMS) and law graduation from Lucknow University. He also has CAIIB to his credit. A banker by profession for over 3 decades, he has held various positions including being a Senior Vice President of Centurion Bank of Punjab. After having transcribed a success story in leading a chemical company to greater heights as COO, he joined the senior management of Bafna Pharma to lead the company to next orbit of growth. He is specialized in mobilizing the internal resources, strategic management and plays vital role in dealing with the Financial Institutions and Human Resources.

Shri. Paras Bafna | Whole time Director

He is one of the Promoter - Director of the Company. He is a Commerce Graduate and MBA with 22 years of experience in Planning & Production. At present he is the Whole Time Director of the Company. His innate understanding of emerging pharmaceutical market trends has helped us to advance technically by innovative methods. His astute thinking and management skills are largely responsible for the smooth functioning of our factories.

Shri. V. Rajamani | Independent Director

He is a greatly experienced, specialized in Financial Management, Secretarial Department and Company Accounts. He is a Graduate in Arts and a FICWA and ACS and has over three decades of experience in the areas of Finance and Administration. Prior to joining Bafna Pharma, he has served as the Company Secretary and Chief Vigilance Officer of M/s. Manganese Ore India Limited at Nagpur from 1980 to 1986. From 1986 to 1988 he worked as Additional / General Manager (co-ordination) and as Director of M/s. Neyveli Lignite Corporation. He is a Director in Morgan Industries

Limited. He brings with him rich experience on account of the various positions held in the secretarial and financial departments held in the Central Government undertakings where he worked earlier.

Shri. R. Dwarakanathan | Independent Director

He is greatly experienced, specialized in Financial Planning & Management. Shri. R. Dwarakanathan is post graduate in Arts from Madras University and an MBA from Wichita State University, Kansas, USA and also has to his credit CAIIB, Diploma in Industrial Finance and Corporation. He has over 36 years of experience in the field of banking and finance. He started his career in State Bank of India and rose to the level of General Manager (Operations), Local Head Office, General Manager cum Vice Principal, State Bank Staff College at the time of his retirement in April, 2000. He is specialized in various areas such as Financial Management, Corporate Credit, Foreign Exchange, Organisational Development, Inspection and Management Audit and Rehabilitation of Sick Units. Presently he is serving as a Senior Faculty in Loyola Institute of Business Administration, Chennai.

Shri. A. Sahasranaman | Independent Director

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. Sunil Bafna | Independent Director

He is B.A. (Corporate Secretaryship) Graduate from Madras University and he has completed a specialized course in Financial Management. He brings with him over 16 years of experience in functions of financial planning and management.

Key Message from MD

Dear Shareholders,

I am elated to share that Bafna Pharma has achieved more feats in last fiscal. Financial year 2011 could be termed as eventful that has laid base for value - based growth that the company has always envisaged.



I would like to share you some important events and indicators that underline the business focus and commitment of the management,

- Company has joined Rs.100 Cr revenue club in Pharma space registering Rs.104.36 Crores in this fiscal achieving a YOY growth of 36%.
- Our endeavours to progress towards high margin business have resulted in improved EBDITA margins from 35% in last fiscal to 41% in this fiscal. The YOY growth in PBT and PAT margins are 19% and 35% respectively.
- Number of product approvals in both regulated and non-regulated markets has increased from 80 to 109. This includes the 12 site variation approvals from Europe. Company has applied for 12 more site variation approvals.
- As reiterated in the last Annual General Meeting, company sees launch of brands in domestic market as one of major growth drivers of the business. Since Bafna Pharma's growth was driven by exports to global markets and domestic institutional business, management realised that domestic brand business requires different kind of skill sets, resources and strategic focus.
- Recent acquisition of iconic brand "Raricap" from Pharma Major Johnson & Johnson associate company N.R. Jet Enterprises is a major shot in the arm for the company's endeavours in domestic market.
- Formulation R&D plant that was launched this year is currently developing 12 products.

As outlined earlier, the company's main drivers of growth has some good progress.

1. CRAMS (Contract Research and Manufacturing Services) business is growing steadfast and is still the major contributor of business. 29 new product approvals including 1 site variation approval from UK will support growth in this segment. Apart from new product applications in existing regions, we have entered into new geographies like Columbia, Taiwan, Costarica, Myanmar, Panama, Cambodia and Peru.
2. Launch of brands in non-regulated market continues with launch of brands in Anti Hypertensives, Anti Asthmatics, Arthritis therapeutic segments in Srilankan market.
3. Company's acquisition of the brand Raricap has helped to launch the domestic brand business by grabbing the considerable 'Mind Share' of medical fraternity. As a strategic move, Raricap will be used as launch pad for our domestic brands. Company has lined up product launches in Tamil Nadu, Andhra Pradesh, West Bengal and Maharashtra in FY 12.

Our experienced management constantly scans the environment to draft future course of action. We strongly feel that growing private consumption in India will boost the future growth in healthcare and pharma market.

I look next year as 'Year of Brand Business' with much of resources focussed on capitalising the new found boost and attention that Bafna Pharma has garnered. As a constant strive to improve share holders' value, the company is streamlining its business to improve the margins. I thank you all for the constant support for our endeavours and the faith you have reposed on us.

Warm Regards,

Bafna Mahaveer Chand
Chairman & Managing Director



Annual Report 2010-11

Directors' Report

To

The Shareholders,

Your Directors have pleasure in presenting the Sixteenth Annual Report of your Company together with Audited Accounts for the Financial Year ended 31st March, 2011.

Financial Performance:

The summarized Audited Financial Results for the year ended 31st March, 2011 along with comparative figures for the previous year is as under:

(Rupees in Lakhs)		
Particulars	2010	2011
Total income	7600.05	10,435.85
Total Expenditure	7029.74	9,735.49
Profit before Depreciation & Taxation	570.31	700.37
Less: Depreciation	173.79	226.59
Profit before Tax	396.52	473.78
Less: Provision for Taxation	50.40	78.00
Less: FBT	-	-
Less: Provision for Deferred Tax	97.98	60.97
Profit after Tax for the year	248.13	334.80

The company's revenue for the FY '11 is Rs. 104.35 Crore as against Rs. 74.40 Crore in FY '10 registering a YOY growth of 36 %. Domestic sales contributed Rs. 77.42 Cr and exports contribute to Rs.23.87 Cr.

Awards and Achievements:

- Inauguration of State of Art Formulation R&D facility
- Receipt of Good Manufacturing Practices (GMP) approval from Ethiopia's Drug Administration and Control Authority (DACA)
- UK MHRA approval for Paracetamol & Loperimide tablets
- Approval from Australian Therapeutic Goods Administration (TGA) approval for manufacturing both prescription and non – prescription products

- Ghana FDA approval for hypertension drug
- Mr. Bafna Mahaveer Chand, Chairman & Managing Director, Bafna Pharma has been conferred with the National Level Entrepreneurship Excellence Award in the manufacturing sector from Small & Medium Business Development Chamber of India (SME Chamber of India)
- Bafna Pharma received IDMA Quality Excellence Silver Award 2010 – in the category of Formulation Units IDMA Award
- Shri. Bafna Mahaveer Chand, Chairman & Managing Director of the Company has received "Udyog Rattan Award" and the Company has received "Excellence Award" from the Institute of Economic Studies Delhi



Bafna Pharma receives "Excellence Award" & Shri. Bafna Mahaveer Chand, Chairman & Managing Director, Bafna Pharma receives "Udyog Rattan Award" from the Institute of Economic Studies Delhi.

Fixed Deposits:

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

Dividend:

Considering the resource requirements for the planned activities particularly for product promotion for domestic brand building, other capital infrastructure, 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. The Company has made an application to National Stock Exchange of India Limited for Listing its Equity Shares and awaiting its approval.

Depository System:

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

Directors:

Shri. V.Rajamani and Shri. Sunil Bafna, Directors retire by rotation. They being eligible, seek reappointment.

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.

Reply to auditor's remarks:

SI no	Particulars	Reply
1	Point No. 4(b) of Notes to Accounts	The company is taking steps to comply with the provisions of the Gratuity Act.

Preferential Issue of Shares & Warrants:

To augment and achieve the long term plans of the Company and to meet the funds requirements for expansion, product & market diversification, brand acquisition, working capital and general corporate purposes, etc., the Company has in accordance with the Statutory provisions including SEBI {Issue of Capital and Disclosure Requirements} Regulations, 2009 any other Guidelines or Regulations of SEBI, Listing Agreement entered into with the Stock Exchange(s), where the shares of the Company are listed, and any other applicable laws/rules/regulations and with the approval of members at the Extra-Ordinary General Meeting held on 3rd day of January, 2011, has issued and allotted 15,00,000 Equity Shares of Rs.10/- each at a premium of Rs.37.30/- and 23,18,000 Warrants convertible into 23,18,000 Equity Shares of Rs.10/- each at a premium of Rs.37.30/- to promoters & others on preferential basis. The aforesaid Shares & Warrants are subject to lock-in period as prescribed under SEBI guidelines. With respect to allotment of warrants in terms of the said Guidelines these entities have paid 25% of the warrant price on subscription to the warrants and the balance issue price is payable upon exercise of the right to apply for the Equity Shares within a period of 18 months from the date of issue of the warrants.

The Statement of utilization of proceeds of 15,00,000 Equity Shares and 23,18,000 Warrants convertible into 23,18,000 Equity Shares:

1. Nature of Issue

Issue of 15,00,000 Equity Shares of Rs.10/- each at a premium of Rs.37.30/- and 23,18,000 Warrants convertible into 23,18,000 Equity Shares of Rs.10/- each at a premium of Rs.37.30/- to promoters / promoters group & others on preferential basis.

2. Size of the Issue

15,00,000 Equity Shares and 23,18,000 Warrants convertible into 23,18,000 Equity Shares.

3. Aggregate amount of the Issue

SI No	Particulars	Rs. (In lakhs)
1	15,00,000 Equity Shares	709
2	23,18,000 Warrants convertible into 23,18,000 Equity Shares	274
	TOTAL	983

4. Objects of the Issue

To augment and achieve the long term plans of the Company and to meet the funds requirements for expansion, product & market diversification, brand acquisition, working capital and general corporate purposes.

5. Utilization of the Issue

Funds have been utilized as per the objects of the issue as stated below:

SI No	Particulars	Rs. (In lakhs)
1	RARICAP Brand Acquisition	707
2	Working Capital – RARICAP marketing division	276
	TOTAL	983

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.2404.51 lakhs (previous year Rs.2338.62 lakhs) from exports and the foreign exchange outgo was Rs. 341.92 lakhs (previous year Rs.164.66 lakhs) on account of international travel and purchase of foreign currency during the year ended 31st March, 2011.

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

The Company is continuously focusing on managing talent and increasingly systematizing the HR processes. We have excellent industrial relations across all facilities including corporate office and strongly believe that the workers will continue to work towards profitable and productive company.

During the economic downturn, the Human resources played a key role of strategic influencer, and in alignment with business goals, delivered on numerous initiatives. We believe that employee's engagement with higher expectations leads to maximum contributions. Acquisition and retention of talent continues to be a major thrust area. With an eye on long term, the company has begun several programmes and engages employees to enhance their knowledge / skills in line with Company's goals.

As on 31st March, 2011 the number of employees were 307 including managerial staff.

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. The Company has taken few measures in relation to conservation of energy and technology absorption. In production process we are using steam boilers in addition to use of certain drying system. This together with other measures that are taken by the Company is expected to result in conservation of energy consumed and reduction in power and fuel charges

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.

Directors' Responsibility Statement:

Your Directors wish to inform that the Audited Accounts contains Financial Statements for the financial year ended 31st March, 2011 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, Export-Import Bank of India, Bank Of Ceylon and IDBI Bank 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 LTD.

Bafna Mahaveer Chand
Chairman & Managing Director

Date : 30.05.2011
Place: Chennai

Annexure- I | Corporate Governance

For the year ended 31st March, 2011

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	1.RCL Foods Limited (Formerly Passari Cellulose Limited) 2. Bafna Lifestyles Remedies Limited	RCL Foods Limited (Formerly 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. 2. Bhartiya Investments Ltd. 3. Chennai Environmental Management Company of Tanners.	NIL

The number of Board Meetings and the attendance of directors as well as their attendance at the last AGM during the financial year 2010-2011 is as mentioned below:

Name of Directors	No. of Meetings Attended	AGM Date & Attendance - 23rd August, 2010
Shri Bafna Mahaveer Chand	9	P
Shri Paras Bafna	9	P
Shri U. Sunil Bafna	8	A
Shri V. Rajamani	8	P
Shri R. Dwarakanathan	5	P
Shri A. Sahasranaman	5	A

P = Present A = Absent

Nine Board Meetings were held during the year 2010-2011 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows,

1. 26.04.2010
2. 28.05.2010
3. 29.07.2010
4. 09.08.2010
5. 23.10.2010
6. 06.12.2010
7. 12.02.2011
8. 16.03.2011
9. 17.03.2011

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. 5000/- 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, as amended, as well as in Section 292A 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, 2011 is as follows:

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

In 2010-11, 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 attended
Shri V. Rajamani	Chairman	4
Shri R. Dwarakanathan	Member	4
Shri Bafna Mahaveer Chand	Member	4

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

1. 28.05.2010
2. 29.07.2010
3. 23.10.2010
4. 12.02.2011

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 23rd August, 2010 and provided clarifications to the shareholders' queries.

All directors attending meetings of the Audit Committee are entitled to a sitting fee of Rs. 5,000/- 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, 2011 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 re-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.

During the year Remuneration committee meeting held on 26.04.2010 and all the members attended the meeting

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, 2011 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.
- All Shareholder complaints received during the year 2010-11 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, 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
March 31, 2010	23.08.2010	12.00 Noon	Factory at 147, Madhavaram – Redhills High Road, Grantlyon Village, Vadakarai Post, Chennai-600 052	No

During the year under review, an Extra-Ordinary General Meeting was held on 03.01.2011 and three special resolutions were passed.

No special resolution was passed last year through postal ballot.

Disclosures

- a) The transactions with related parties are disclosed in Point No. 11 of Schedule P Notes to accounts.
- b) 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.
- c) The Company does not have a formal whistle blower policy. However, no person has been denied access to the Audit Committee.
- d) 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/ Convertible Instruments Held 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. 5000/- for every Board and its Audit Committee meetings attended by them.

On behalf of the Board of Directors
for BAFNA PHARMACEUTICALS LTD.

Bafna Mahaveer Chand
Chairman & Managing Director

Date: 30.05.2011
Place: Chennai

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
Chennai**

We, Bafna Mahaveer Chand, Chairman and Managing Director, S.S.Bharti, CEO and M.Sridhar, Manager Accounts & Finance 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 2010 – 2011:
 - 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 & Managing Director
Date: 30.05.2011
Place: Chennai

S.S.Bharti
CEO
Date: 25.05.2011
Place: Chennai

M.Sridhar
Manager Accounts & Finance
Date: 30.05.2011
Place: Chennai

Annexure- II | Management Discussion and Analysis

Global Economy - Signs of Vibrancy

The world economy is in amidst of crisis of two major economic machines, created by US Debt Trap and Euro zone bailout. Yet there have been some indicators that support the thesis that the shocks of western giants may not shake the growth fundamentals of emerging economies.

IMF estimates world economy to grow at about 4.5 % in 2011 driven by the growth of emerging and developing economies at 6.5% compared to that of 2.5% of advanced economies.

Fears of global gloom and impending stagflation shows up time and again with events in US and Euro zone hitting the news headlines, but global economy has shown considerable resilience. The major fear that the recovery funded by federal fiscal stimulus will not sustain longer was countered by demand. Commodity prices, sovereign debts, unemployment and overheating & inflation of emerging economies are the major threats. Though there has been no well - orchestrated response by global leaders there are signs that the growth stimulus and demand will counter the growth spoilers.

Inflation, inclusive growth to avoid social conflicts, commodity prices are still posing challenges to emerging economies. India's growth story is now outweighed by policy paralysis, corruption charges, food inflation, higher interest rates that hamper increasing production capacities. However, domestic demand, favorable demographics, strong private sector balance sheets and reasonably strong banking sectors are steering the growth.

India's GDP growth is still estimated to be in 7-8% range next only to that of China that is above 9% in spite of uncertain global recovery trends. But, country requires more political will to sustain and drive the growth engine for double digit growth to avoid slowing down in medium term.

Indian Economy - Consumer is king

The Asian elephant that reached the trillion dollar GDP club about two years before is expected to surpass Asian dragon, China in terms of GDP growth rate in a decade. Increasing per capita income, improving rural income, upwardly mobile middle class and relatively younger population are the glowing signposts that boost investor confidence in the country.

Capital formation boosted by government spending and private sector investments continues to drive the growth. The investment in infrastructure is expected to increase to 8.37 % in the final year of the 11th Plan and is likely to touch 10 per cent of GDP in the 12th Five Year Plan (2012-2017). With the increasing investment, the share of private sector in the total investment on infrastructure has increased rapidly.

A recent study by investment banking firm Edelweiss estimates that Total Private Final Consumption Expenditure is expected to grow from INR 30 Mn in FY 09 to INR 113 Mn in FY 20. Key beneficiary sectors are Education, Pharma & Healthcare, Media & Entertainment, Urban Housing, and Organized Retail & Automobiles.

Indian Pharma Market Growth - Home based prescription

Global pharma market has taken note of demand from E7 countries that include BRIC nations along with Indonesia, Mexico and Turkey. With a projection of GDP to triple in about next 10 years, E7 countries are expected to account for one fifth of global pharma sales.

A study by PwC sheds light on the following important trends that could define the pharma market in next decade. These trends throws open many opportunities to Indian Pharma Industry too.

- *Aging global population boosts future pharma market:* While the global population is expected to rise from 6.5 bn in 2005 to 7.6 bn in 2020, it is also aging rapidly with the share of aged population is estimated to reach about 9.4% of world's inhabitants compared to that of about 7.0% in 2005. As older population consumes more health care than younger people, the companies, healthcare delivery models and the government have to equip themselves to face the challenges.
 - *Changing disease patterns pose additional challenges:* Demand for new generation anti-infectives are increasing with the development of drug resistant strains of causatives of some existing illness. Also, mutated forms of old diseases have to be handled
-

- *Chronic diseases:* Chronic diseases have replaced Infectious disease as biggest killers except for Sub - Saharan Africa and South Asia. The pattern appears to exist and grow stronger while the global population is aging. For instance, incidence of chronic diseases like Diabetes and Cardio Vascular Diseases are increasingly becoming the reasons for deaths in India. Incidence of Diabetes in India is expected to reach 73.5 mn in 2025. At the approximate combined direct and indirect cost of \$ 450 per person, India's total bill will be about USD 33 Bn.

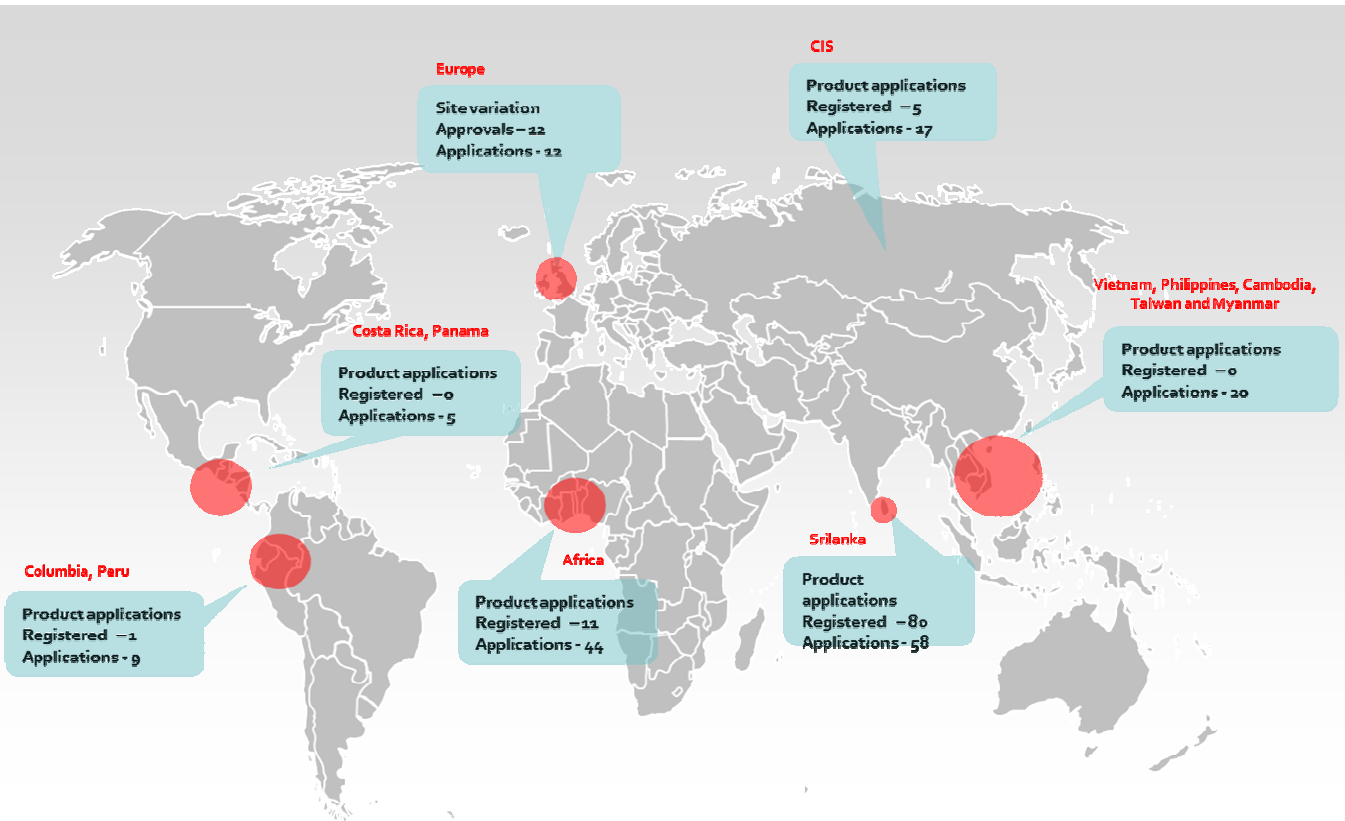
Bafna Pharma's prescription for growth

Bafna Pharma that was driven by export focus and had built capacities and capabilities to reach out to regulated market has achieved an important milestone of achieving Rs.100 Cr in FY 11. The company has explored various growth drivers and has uniquely chosen to balance the drive between exports and domestic market. Recent acquisition of iconic brand Raricap was one such bold move to gain a strong foot hold in domestic brand business. Management's strategic focus for growth could be underlined by the following trends in business

- Bafna pharma has taken note of all trends in pharma market. It is focusing to build strong brands in domestic market with focus on lifestyle drugs that are classified as high profile general practice drugs, cardiovascular, gynaecology, paediatric and diabetic segments etc.,
- Improving margins is the current focus of the company. All steps including efforts to increase the share of regulated market sales in export and the endeavors to launch own brands in domestic market and to reduce the share of less – margin institutional sales are yielding results gradually.
- Meanwhile, the focus to expand the geographic spread both horizontally and vertically has gained momentum. It is witnessed by increased number of product approvals in both regulated and non-regulated markets from 80 to 109. Approvals includes the 12 site variation approvals from Europe. Company has applied for 12 more site variation approvals in Europe.

Apart from new product applications in existing regions, the company has entered into new geographies like Columbia, Taiwan, Costarica, Myanmar, Panama, Cambodia and Peru.

Spreading the global presence



Internal Control Systems and their Adequacy

The Company internal control system, commensurate with its size and spread, with defined guidelines on compliance, enable it to run its factories and office with a fair degree of comfort. Continuous monitoring, routine reporting, checks and balances, purchase policies, authorization and delegation procedures, audits, are periodically reviewed by the Audit Committee. The Audit Committee itself meets on a routine basis and extensively covers operational matters in addition to statutory matters.

Financial Performance with respect to Operational Performance

On the revenue front, the Company's turnover recorded a 36% growth when compared to previous year and crossed the 100 crore milestone. The exports grew at 4% and the domestic sales grew at 51%.

The Company was able to achieve top line growth despite the slow down in the economy. The margins could have been further improved but for inflationary pressures in raw materials. The Company continues to focus on improving product mix, cutting cost and improving service level to customers so as to retain its competitive edge.

Capital Structure

During the year under review, the Company has issued 15,00,000 equity shares on Preferential basis at a price of Rs.47.30/- each (including premium of Rs.37.30/- per share) and issued 23,18,000 warrants convertible into 23,18,000 Equity Shares. The warrants will be converted into Equity Shares at Rs.47.30/- each (including premium of Rs.37.30/- per share). The amount raised has been shown as Equity Share Warrant in the Balance Sheet. These Warrants will be converted to Equity Shares as per SEBI Guidelines.

Material Development in Human Resources/Industrial Relations Front

During the economic downturn, the Human resources played a key role of strategic influencer, and in alignment with business goals, delivered on numerous initiatives. We believe that employee's engagement with higher expectations leads to maximum contributions. Acquisition and retention of talent continues to be a major thrust area. With an eye on long term, the company has begun several programs and engages employees to upgrade their knowledge / skills in line with Company's goals.

The Company is continuously focusing on managing talent and increasingly systematizing the HR processes. We have good industrial relations across all plants and strongly believe that the workers will continue to work towards profitable and productive company.

As on 31st March, 2011 the number of employees were 307 which includes managerial staff.

Cautionary Statement

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied.

On behalf of the Board of Directors
for BAFNA PHARMACEUTICALS LTD.

Bafna Mahaveer Chand
Chairman & Managing Director

Date: 30.05.2011

Place: Chennai

Annexure III | General Shareholders' Information

Annual General Meeting : On Friday the 23rd day of September, 2011 at 12.00 Noon

Venue : Hotel Ashoka,
No 47, Pantheon Road, Egmore,
Chennai, 600008.

Financial Year: : The Accounting year covers the period from
1st April, 2010 to 31st March, 2011.

Financial reporting for the quarters ending on:

30th June, 2011 - By 31st July, 2011

30th September, 2011 - By 31st October, 2011

31st December, 2011 - By 31st January, 2012

31st March, 2012 - By 30th April, 2012

Book Closure Dates : 21.09.2011 to 23.09.2011

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. The Company has applied for listing of the shares at the National Stock Exchange (NSE) and waiting for its approval.

Stock code : 532989 (BSE)

Bafna Pharmaceuticals Ltd.

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. : INE878l01014

Number of Shareholders : 5574 (As at 31st March, 2011)

Shareholding Pattern :

(As at 31st March, 2011)

Particulars	Holding (%)
Promoters & Promoters Group	41.17
Non Resident Individuals	2.53
Financial Institutions	-
Insurance Companies	-
Resident Individuals	42.12
Bodies Corporate	11.45
Nationalized banks & Mutual funds	-
Others	2.73
Total	100.00

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

(Amount in Rupees)

Month	High	Low
Apr-10	44.80	36.10
May-10	46.95	38.00
Jun-10	54.80	41.35
Jul-10	52.20	42.00
Aug-10	47.85	40.30
Sep-10	54.00	42.45
Oct-10	60.00	47.10
Nov-10	57.70	41.20
Dec-10	51.00	40.00
Jan-11	53.50	46.00
Feb-11	49.30	36.60
Mar-11	49.85	38.70

Share Transfer System:

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

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

23,18,000 Warrants convertible into 23,18,000 Equity Shares.

Plant Location : This information forms part of the 'Company Snapshots' section in the Annual Report.

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.Premnatha, 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 LTD.

Bafna Mahaveer Chand
Chairman & Managing Director

Date: 30/05/2011

Place: Chennai

Auditor's Certificate on Compliance

(Auditors' Certificate regarding compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement)

To the Members of Bafna Pharmaceuticals Limited

We have examined the compliance of the conditions of Corporate Governance by the company with the Stock Exchange in India.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the 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 explanations 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 grievances received during the year ended 31st March 2011, no investor grievances are pending against the company for the period exceeding one month as per records maintained by the company 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

Date : 30/05/2011
Place : Chennai

Auditor's Report and 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, 2011 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;
 - (i) Further to our comments in the annexure referred to above, we report that: We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for of the audit; In our opinion proper books of accounts as required by law have been kept by the company, so far as appear from the examination of the books.
 - (ii) The Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
 - (iii) 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.

(iv) On the basis of the written representations from the directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

(v) 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:

- a) In the case of the Balance Sheet of the state of affairs of the company as at 31st March 2011: and
- b) In the case of the Profit and Loss Account of the Profit for the year ended on that date.
- c) In the case of Cash Flow Statement of Cash Flow for the Year ended as of that date.

For ABHAY JAIN & CO
Chartered Accountants

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

Date: 30.05.2011
Place: Chennai

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 2011.

- (i) 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 being maintained.

 - (ii) 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. The Company has not disposed off any substantial part of fixed assets so as to affect its going concern status.

 - (iii) (a) According to information and explanation given to us, 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) According to Information and Explanation given to us, the company has not taken any loan secured/ Unsecured from the company/ firm/or other
-

parties covered in the Register Maintained U/S 301 of the Companies Act 1956.

(b) According to the information and explanation given to us, during the year, the company has granted loan of Rs.16,10,376/- to a company covered in the Register maintained U/S 301 of the Companies Act 1956. The year end balance of the loan so granted to such company was Rs.16,10,376/-.

(c) According to information and explanations given to us, the loans and advances granted is interest free and in the opinion of the Management of the company, it is not prima facie prejudicial to the interest of the company.

(d) According to information and explanations given to us, There is no over due 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 weakness 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, income tax, 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 2011 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 or 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 to the company.
 - (xv) In our opinion, the terms and conditions on which the company has given guarantees Rs.6.50 Crores for loans taken by M/s. BAFNA LIFESTYLES
-

REMEDIES LIMITED from M/s. AXIS Bank is not prejudicial to the interest of the company.

- (xvi) In our opinion the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explain given to us and on an overall examination of the balance sheet of the company, we report that the 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 except permanent working capital.
- (xviii) (a)According to the information and explanation given to us, the company has made preferential allotment of 15,00,000 Equity Shares to the Strategic Investors on 17th March, 2011 of the face value of Rs.10/- each at a premium of Rs.37.30/- per share aggregating to Rs.7,09,50,000/-.
- (b) Further, 23,18,000 Convertible Share Warrants have been allotted to Promoters & Strategic Investors on 17th March, 2011 convertible into equal number of Equity Shares of face value of Rs.10/- each and premium of Rs.37.30 Per Share. For the aforesaid Share Warrants, the allottee has already paid Rs.11.83/- per Warrant aggregating to Rs.27410350/-. For the aforesaid Warrants right to exercise conversion option is available within 18 months from the date of allotment of Warrants.
- (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 the provision of Paragraph 4(xx) of the Companies (Auditor's Report) order 2003 is not applicable.
- (xxi) According to information and explanation given to us, that no fraud on or by the company have been noticed or reported during the year.

For ABHAY JAIN & CO
Chartered Accountants

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

Date: 30.05.2011
Place: Chennai

Balance Sheet

(Amount in Rupees)

Particulars	Schedule	March 31 st 2011	March 31 st 2010
Sources Of Funds			
Share Holders Funds			
Share Capital	A	174,813,350	159,813,350
Reserves & Surplus	B	339,663,865	250,232,954
EQUITY SHARE WARRANT		27,410,350	-
		541,887,565	410,046,304
LOAN FUNDS			
Secured Loan	C	510,474,129	297,552,151
Unsecured Loan	D	-	390,000
		510,474,129	297,942,151
DEFERRED TAX LIABILITY		28,176,738	22,080,165
		1,080,538,432	730,068,620
APPLICATION OF FUNDS			
FIXED ASSETS	E		
Gross Block		544,986,214	437,132,569
Less : Depreciation		74,574,155	51,915,343
		470,412,059	385,217,226
CURRENT ASSETS, LOANS & ADVANCES	F		
Inventories		147,476,482	93,381,634
Sundry Debtors		349,864,398	203,283,616
Cash & Bank Balances		117,799,522	18,412,297
Loans & Advances		260,606,090	125,904,219
		875,746,492	440,981,766
LESS: CURRENT LIABILITIES	G	275,674,304	111,211,648
		600,072,189	329,770,118
MISCELLANEOUS	H		
(To the extent not written off) Preliminary & Public Issue Expenses		10,054,184	15,081,276
		1,080,538,432	730,068,620
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.Premnatha
Company SecretaryDated: 30/05/2011
Place: Chennai

Profit and Loss account

(Amount in Rupees)

Particulars	Schedule	March 31 st 2011	March 31 st 2010
Income			
Sales & Other Income	I	1,019,242,030	751,813,481
Increase/Decrease in Stock	J	24,343,456	8,191,550
		1,043,585,486	760,005,031
EXPENDITURE			
Material & Manufacturing Expenses	K	859,884,778	629,741,544
Administrative Expenses	L	20,378,857	13,607,877
Payment to Employees	M	30,912,949	23,530,489
Financial Expenses	N	42,963,309	23,186,225
Selling & Distribution Expenses	O	11,523,309	7,362,983
Preliminary Expenses Written off	H	5,027,092	5,187,192
Earlier Year Income Tax		2,858,898	357,954
		973,549,191	702,974,264
Profit before Depreciation & Taxation		70,036,295	57,030,767
Less: Depreciation		22,658,812	17,379,069
Profit before Taxation		47,377,482	39,651,698
Less: Provision for Taxation		7,800,000	5,040,000
Less: Provision for Deferred Tax		6,096,573	9,798,234
Profit for the Year		33,480,909	24,813,464
Balance Brought Forward		45,338,417	23,006,300
Profit Available For Appropriation		78,819,329	47,819,764
Transfer to General Reserve		3,348,091	2,481,346
Balance Carried to Balance Sheet		75,471,235	45,338,417
Notes forming part of accounts	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

K.Premnatha
Company Secretary

Dated: 30/05/2011
Place: Chennai

Cash Flow Statement & Schedules

(Amount in Rupees)

Particulars	March 31 st	
	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	47,377,482	39,651,698
Add: Depreciation	22,658,812	17,379,069
Add: Preliminary Expenses	5,027,092	5,187,192
Add : Interest Paid	42,963,309	23,186,225
Less: Interest Received	(2,843,765)	(1,957,870)
Less: Other Income	-	-
Operating Profit before change of Working Capital	115,182,931	83,446,314
Adjustment For:		
Change of Inventories	(54,094,848)	(46,814,395)
Change in Debtors	(146,580,782)	39,288,989
Change in Other Current Assets	(134,701,871)	(46,288,994)
Change in Current Liabilities	164,462,656	(30,538,168)
Cash generated from Operation	(55,731,914)	(906,254)
Less: Tax Paid	(7,800,000)	(5,040,000)
Net Cash From Operating Activity	(63,531,914)	(5,946,254)
Cash Flow from Investing Activities:		
Sale of Fixed Investments	-	-
Purchase of Fixed Assets	(35,133,690)	(1,640,432)
Increase in Work in Progress	(72,719,955)	(32,007,285)
Project Expenses	-	-
	(107,853,645)	(33,647,717)
Rent	-	-
Interest Received	2,843,765	1,957,870
Net Cash used in Investing Activities	(105,009,880)	(31,689,847)
Cash Flow from Financing Activities		
Issue of Shares & Application Activities:	98,360,350	-
Proceed from Secured Loan	212,921,978	70,599,080
Proceed from Unsecured Loan	(390,000)	(11,683,053)
	310,892,328	58,916,027
Interest Paid	(42,963,309)	(23,186,225)
Share Issue Expenses	-	-
Net Cash from Financing Activities	267,929,019	35,729,802
Net Increase/ (Decrease)	99,387,225	(1,906,299)
In Cash or Cash Equivalents	99,387,225	(1,906,299)
Opening Balance of Cash & Cash equivalents	18,412,297	20,318,596
Closing Balance of Cash & Cash Equivalents	117,799,522	18,412,297

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.Premnatha
Company Secretary

Dated: 30/05/2011
Place: Chennai

Schedules

(Amount in Rupees)

Particulars	Schedules	March 31 st 2011	March 31 st 2010
<u>SHARE CAPITAL</u>	A		
Authorised			
20,000,000 Equity Share of Rs.10/- each		200,000,000	200,000,000
<u>Subscribed, Issued & Paid Up</u>			
17481335 Equity Shares of Rs.10/- each fully paid up in cash.		174,813,350	159,813,350
Of the above 100000 Equity Shares of Rs.10/- each were issued as fully paid up Shares pursuant to an agreement with out payment being received in cash.			
Of the Above 1500000 equity shares of Rs.10/- Each were issued at a premium of Rs.37.30/- per share(allotted on preferential basis)			
Of the above 5429014 Equity Shares of Rs. 10/- each were issued as fully paid up Bonus Shares by capitalisation of General Reserve.			
TOTAL		174,813,350	159,813,350
<u>RESERVES & SURPLUS</u>	B		
<u>CAPITAL RESERVE</u>			
Balance Brought Forward		1,498,430	1,498,430
State Capital Special Reserve (Government of Tamilnadu)		-	-
<u>SHARE PREMIUM ACCOUNT</u>			
Balance Brought Forward		200,906,180	200,906,180
Add: During the year		55,950,000	-
		258,354,610	202,404,610
<u>GENERAL RESERVE</u>			
Balance Brought Forward		2,489,926	8,580
Transfer From Profit & Loss A/C		3,348,091	2,481,346
		5,838,017	2,489,926
<u>Profit & Loss Account</u>			
Profit/Loss as per Balance Sheet		75,471,235	45,338,417
		75,471,235	45,338,417
TOTAL		339,663,865	250,232,954

(Amount in Rupees)

Particulars	Schedules	March 31 st 2011	March 31 st 2010
Secured Loan	C		
State Bank of India (Cash Credit a/c)		-	55,763,796
(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 one of the Director of the Company)			
State Bank of India (Bills Discounting)		40,971,826	52,483,284
(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 one of the Director of the company).			
State Bank of India (Export Packing Credit)		37,945,935	63,088,593
(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 One of the Director of the Company)			
State Bank of India (Term Loan)		124,842,911	125,658,265
Interest Accrued but not due		-	-
(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 One of the Director of the Company)			
PCFC		44,026,749	-
(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 One of the Director of the Company)			
SBI (SLC)		17,580,213	-
(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 One of the Director of the Company)			
Exim BANK LTD		168,000,000	-
(Secured by Pari Pasu First Charge on the entire Fixed Assets and proposed to be acquired out of Term Loan and also personally guaranteed by Managing Director and One of the Director of the Company)			

IDBI LIMITED		29,914,507	-
(Secured by Pari passu charge, 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 One of the Director of the Company)			
Corporate Loan- I		11,007,870	-
(Secured by Pari passu Charge, 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 one of the Director of the Company)			
Corporate Loan- II		5,834,107	-
(Secured by Pari Passu Charge, 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 one of the Director of the Company)			
BANK OF CEYLON		29,697,452	-
(Secured By Parri Pasu Charge on Stocks and Book Debts of the company and Personal guarantee by the Managing Director and one of the Director of the Company)			
State Bank of India (CAR LOAN)		350,902	558,213
(Secured by hypothecation of car under Hire Purchase Agreement)			
AXIS BANK (CAR LOAN)		301,656	-
(Secured by hypothecation of car under Hire Purchase Agreement)			
TOTAL		510,474,129	297,552,151
UNSECURED LOAN:	D		
Loan from Banks and Others		-	390,000
TOTAL		-	390,000

SCHEDULE - E FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	Cost as on 01.04.2010	Additions During the Year	D e l e t i o n	Total As on 31.03.2011	As on 01.04.2010	For the Year	For the Year	D e l e t i o n	Total As on 31.03.2011	As on 31.03.2011	As on 31.03.2010
Land	1931985	0	0	1931985	0	0	0	0	0	1931985	1931985
Good Will	1000000	0	0	1000000	1000000	0	0	0	1000000	0	0
Factory Building	121725176	6701150	0	128426326	8933102	4311495	42226	0	13286823	115139503	112792074
Light Ceiling	812400	0	0	812400	305962	81240	0	0	387202	425198	506438
Aluminium Partition	232119	0	0	232119	87420	23212	0	0	110632	121487	144699
Plant & Machinery	102364689	10728689	0	113093378	20733567	7144316	327005	0	28204888	84888490	81631122
Lab Equipments	38627502	8082095	0	46709597	4805810	2249613	326521	0	7381944	39327654	33821692
Factory Equipments	6730176	755802	0	7485978	792551	367067	52880	0	1212498	6273480	5937625
Pollution Control Devices	932809	0	0	932809	165443	78693	0	0	244136	688673	767366
Power Factor Controller	66950	0	0	66950	48875	9313	0	0	58188	8762	18075
Bottle Washing & Filling Machinery	1971055	0	0	1971055	1360541	274174	0	0	1634715	336340	610514
Electrical Equipment & Installations	32162484	0	0	32162484	2933983	1567019	0	0	4501002	27661482	29228501
Electrical Fixtures & Fittings	255196	0	0	255196	123835	35498	0	0	159333	95863	131361
Generator	4541170	0	0	4541170	560831	239763	0	0	800594	3740576	3980339
Air Floating & Circulating System	42110767	2803706	0	44914473	4881170	2183038	192011	0	7256219	37658254	37229597
Boiler	761676	0	0	761676	114450	47721	0	0	162171	599505	647226
Camera	2856765	0	0	2856765	237561	135696	0	0	373257	2483508	2619204
Air Conditioner	1088552	40800	0	1129352	444009	120232	4963	0	569204	560148	644543
U.P.S	3841763	1008020	0	4849783	468265	238471	61355	0	768091	4081692	3373498
Office Equipments	1174734	34731	0	1209465	214143	91520	4456	0	310119	899346	960591
Cell Phone	76868	8600	0	85468	30732	9466	0	0	40198	45270	46136
Dies & Punches	1621175	2197257	0	3818432	705467	358600	107423	0	1171490	2646942	915708
Computer	3443262	1588330	0	5031592	1963375	966055	397268	0	3326698	1704894	1479887
Furniture & Fittings	2067763	47250	0	2115013	806264	307061	2169	0	1115494	999519	1261499
Vehicle	823157	453577	0	1276734	197987	213115	58291	0	469393	807341	625170
Accessories	0	683683	0	683683	0	0	29866	0	29866	653817	0
Work In Progress	63912376	72719955	0	136632331	0	0	0	0	0	136632331	63912376
TOTAL	437132569	107853645	0	544986214	51915343	21052378	1606434	0	74574155	470412059	385217226
Previous Year	435492137	1640432	0	437132569	34536274	17379069	51915343	0	74574155	385217226	

(Amount in Rupees)			
Particulars	Schedule	March 31 st 2011	March 31 st 2010
Current Assets, Loans & Advances	F		
INVENTORIES:			
Raw Material (Valued at Cost)		52,835,239	37,351,368
Work-in-Process (Valued at Cost)		22,147,488	19,210,481
Finished Product (Valued at Cost or market value whichever is lower)		23,604,952	2,198,503
Packing Material (Valued at Cost)		32,895,206	21,673,293
Stores & Spares in Hand		15,993,597	12,947,989
		147,476,482	93,381,634
SUNDRY DEBTORS:			
(Unsecured Considered Good)			
Due for more than 6 months		48,470,501	38,207,082
Other Debts		301,393,897	165,076,534
		349,864,398	203,283,616
CASH & BANK BALANCES:			
Cash on Hand		2,026,810	179,104
Balances with Schedule Bank in			
In Current Account		82,748,394	308,818
Fixed Deposit		33,024,319	17,924,375
		117,799,522	18,412,297
LOANS AND ADVANCES			
(Unsecured considered good, recoverable in cash or in kind or for value to be received)			
Advance to Suppliers		147,386,352	35,201,351
Advances Others		51,896,707	28,689,397
Deposits with Govt. or Semi Govt. Dept.		5,253,369	4,922,221
Other Deposits		18,767,083	25,982,620
Interest Accrued But Not Due on Fixed Deposits		709,814	2,917,313
Prepaid Expenses		347,147	14,398
DEPB Licence in Hand		1,143,041	1,143,041
Income Tax/TDS		380,116	309,005
Cenvat Credit & PLA Account		19,486,835	9,279,719
Product Registration Charges		2,117,592	705,462
Sales Tax Refund Account		6,655,210	10,276,870
Brand Building (International)		6,462,823	6,462,823
		260,606,090	125,904,219
TOTAL		875,746,492	440,981,766
CURRENT LIABILITIES & PROVISIONS :	G		
CURRENT LIABILITIES :			
Sundry Creditors		254,754,438	98,435,295

Outstanding Expenses		6,454,056	5,440,623
Sales Tax		315,276	37,051
TDS Payable		1,462,084	65,907
Trade Deposits		526,000	525,000
Advance from Customers		4,362,450	1,667,772
Rent Advance		-	-
		267,874,304	106,171,648
PROVISIONS :			
Income Tax		7,800,000	5,040,000
		7,800,000	5,040,000
TOTAL		275,674,304	111,211,648

(Amount in Rupees)

Particulars	Schedule	March 31 st 2011	March 31 st 2010
PRELIMINARY EXPENSES:	H		
Preliminary Expenses		15,081,276	20,268,468
Less: Written off during the year		5,027,092	5,187,192
TOTAL		10,054,184	15,081,276
SALES & OTHER INCOME:	I		
SALES			
Sales		779,205,169	524,055,912
Less: Excise Duty On Local Sales		4,966,258	10,540,144
		774,238,912	513,515,768
Sales (Export)		240,451,229	231,655,272
Less: Excise Duty On Export Sales		1,658,214	1,156,944
		238,793,015	230,498,328
		1,013,031,927	744,014,096
Other Income			
Interest Received Bank		364,172	311,025
Interest Received Others		2,843,765	1,646,845
Gain or (Loss) on Exchange		2,004,382	1,109,051
Export Incentive		975,118	1,304,959
Discount Received		22,666	5,847
Miscellaneous Receipt		-	3,421,658
		6,210,103	7,799,385
TOTAL		1,019,242,030	751,813,481
INCREASE/DECREASE IN STOCK:	J		
Closing Stock			
Finished Goods		23,604,952	2,198,503
Work-in-Progress		22,147,488	19,210,481
		45,752,440	21,408,984

Opening Stock			
Finished Goods		2,198,503	7,606,824
Work-in-Progress		19,210,481	5,610,610
		21,408,984	13,217,434
Increase / Decrease in Stock		24,343,456	8,191,550

(Amount in Rupees)

Particulars	Schedules	March 31 st 2011	March 31 st 2010
<u>MATERIAL & MANUFACTURING EXPENSES</u>	K		
Purchases		537,776,693	366,968,818
		537,776,693	366,968,818
<u>RAW MATERIAL CONSUMED:</u>			
Opening Stock		37,351,368	22,564,864
Purchases		251,449,755	218,038,542
		288,801,123	240,603,406
Less: Closing Stock		52,835,239	37,351,368
Raw Material Consumption		235,965,884	203,252,038
<u>PACKING MATERIAL CONSUMED :</u>			
Opening Stock		21,673,293	10,253,938
Purchases		55,525,808	38,179,813
		77,199,101	48,433,751
Less: Closing Stock		32,895,206	21,673,293
Packing Material Consumption		44,303,895	26,760,458
Freight		2,523,025	1,287,926
<u>MANUFACTURING EXPENSES:</u>			
Consumable Stores		1,209,794	351,126
Analytical Expenses		2,016,141	1,614,866
Power & Fuel		14,360,342	16,834,537
Machinery Maintenance		1,587,985	3,020,717
Factory Maintenance		434,021	364,804
Chemical Purchase		2,174,765	2,540,307
Security Charges		982,176	976,054
Repairs & Maintenance		1,664,643	1,337,101
Contract Labours		14,885,414	4,432,792
		39,315,281	31,472,304
TOTAL		859,884,778	629,741,544

(Amount in Rupees)

Particulars	Schedules	March 31 st 2011	March 31 st 2010
<u>ADMINISTRATIVE EXPENSES</u>	L		
Rent		1,136,115	366,779
Postage & Telegram		574,907	413,730
Telephone		553,478	531,119
Insurance		2,369,532	2,972,367
Conveyance		1,581,638	1,034,231
Travelling Expenses		1,263,077	1,158,756
Printing & Stationery		1,285,754	1,049,180
Subscription & Membership		111,649	34,800
Office Maintenance		510,113	60,966
Donation		51,500	202
Licence & Other Fees		933,241	964,870
Vehicle Maintenance		252,233	77,889
Miscellaneous Expenses		697,771	481,889
Professional Charges		5,987,102	1,157,834
Books & Periodicals		110	38,358
Computer Maintenance		1,209,560	635,168
Directors Salary		1,320,000	1,320,000
Directors Sitting Fees		142,500	60,000
Audit Fees		330,900	275,750
MHRA Audit Expenses		-	868,492
Registrar Charges		67,677	105,497
TOTAL		20,378,857	13,607,877
<u>PAYMENT TO EMPLOYEES</u>	M		
Salary		25,672,246	19,461,758
Bonus		2,537,949	1,946,175
PF Companies Contribution		1,390,128	826,419
ESI Companies Contribution		431,678	235,953
Staff Welfare		880,948	1,060,184
TOTAL		30,912,949	23,530,489
<u>FINANCIAL EXPENSES</u>	N		
Interest to Bank		29,033,963	18,832,831
Bank Charges		6,590,376	4,139,697
Interest-Others		7,338,970	213,697
TOTAL		42,963,309	23,186,225

(Amount in Rupees)

Particulars	Schedules	March 31 st 2011	March 31 st 2010
SELLING & DISTRIBUTION EXPENSES	0		
Freight & Transportation		4,592,271	4,229,858
Advertisement		936,497	781,520
Sales Promotion		2,078,452	672,584
Commission/Liasoning Charges		-	55,140
MOT & Inspection Charges		-	69,600
Bad Debts		-	98,311
Service Tax		32,429	34,474
Discount Allowed		9,620	20,298
Sales Tax		-	158,132
Packing Charges		154,491	282,773
Liquidation Charges		3,461,676	524,457
Registration New Products		257,873	435,836
TOTAL		11,523,309	7,362,983

Notes to the accounts

Schedule P

Notes to the accounts forming part of the Balance Sheet and Profit & Loss account for the year ended 31st March 2011.

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. SHARE CAPITAL & SHARE WARRANTS

- (i) The 15,00,000 Equity Shares have been allotted to Strategic Investors on 17th March, 2011 of the face value of Rs.10/- each at a premium of Rs.37.30/- per share aggregating to Rs.7,09,50,000/-. The said issue of shares resulted in decrease in Promoters holding from 49.40% in December, 2010 to 41.17% in March, 2011. Earning per share has been calculated considering the increase in Equity Share Capital due to the issue of above said shares during the year.
- (ii) 23,18,000 Share Warrants have been allotted to Promoters & Strategic Investors on 17th March, 2011 convertible into equal number of Equity Shares of face value of Rs.10/- each including the premium of RS.37.30/-. For the aforesaid Share Warrants, the allottee has already paid 25% of the Share Warrant Price of 11.83/- per Warrant aggregating to Rs.27410350/-. For the aforesaid Warrants right to exercise conversion option is available within 18 months from the date of allotment of Warrants.

- (iii) According to the information and explanations given to us and on the basis of the records examined by us, price for the aforesaid allotment of shares & warrants is not prejudicial to the interest of the Company.
3. **REVENUE RECOGNITION:**
- a) Revenue is recognized based on the nature of activity when 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.
 - e) Sales either Domestic or Export are shown net of Excise duty.
4. **EMPLOYEE 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.
5. **DEPRECIATION**
- a) Depreciation on all assets 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) Pre-operative expenses amounting to Rs.106,329,572/- up to 30th June 2008 have been capitalized to the total value of assets in respect of Grantlyon unit and depreciation for this unit has been calculated on Straight Line Method as provided in Schedule XIV of the Companies Act,1956.
 - d) Depreciation for additions to / deletions from owned assets is calculated prorata from/to the day of addition /deletion.
 - e) Work on Research & Development unit though inaugurated is under progress and amount is spend till 31.03.2011 Rs.13,66,32,331/- on Research and Development including Machinery and Building Expenses there on.
-

6. INTANGIBLE ASSETS AND AMORTISATION:

- a) Product Registration charges: The Company has not written off the Product Registration Charges incurred during the year since, the business did not commenced business in the product registered Area It was explained to us that the product registration charges will be written off in the ensuing 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 is spend Rs.64,62,823/- on Brand Building in International Market and showing on work-in-progress.
- d) A Sum of Rs.12,386,196/- of Interest of Term Loan and Salary was Capitalized and included in Work In Progress of R& D Facility.

BORROWING COST

- a) The Company has got Term Loan for Setting Up of R& D facility and Paid Rs.71,24,831/- as Interest till 31st March 2011.

7. 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)

8. 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 2011 is made for Rs.NIL (Previous Year Rs. 43,43,155/-).
- b) Provision for Current tax is made for Rs.78,00,000/- after consideration of benefits admissible under Section 115JAA of the Income Tax Act,1961.

- c) 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.60,96,573/- (Previous Year Rs.97,98,234/-).
9. **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 or losses on the exchange transactions Rs.20,04,382/- are recognized in the Profit & Loss account.
10. **CONTINGENT LIABILITIES AND PROVIDED FOR:**
- a) In respect of Letter of Credit and Bank Guarantee Rs.6,22,12,563/- (previous year Rs.3,15,77,447)
- b) Bonds have been executed in favour of customs authorities for Rs.5,70,00,000/- for the purchase of materials and capital goods without payment of duty (previous year 4,20,00,000/-).
11. **RELATED PARTY DISCLOSURES:**
- I) List of Directors
- Mr.Bafna Mahaveer Chand
 - Mr.Paras Bafna
 - Mr. Sunil Bafna
- II) Directors' Interest
- 1. Bafna Lifestyles Remedies Limited
 - 2. Bafna Life Line Private Limited
 - 3. Bhansilal & Co (HUF)
-

(Amount in Rupees)

Sl. No	Particulars	Associate	Key Managerial Person	Relative of Key Managerial Person	Total
1	Purchase of Goods	Bafna Life styles Remedies Ltd			4,842,438
2	Sale of Goods				0
3	Sale of Fixed Assets				0
4	Rendering of Services		Mr.Bafna Mahaveer Chand and Mr.Paras Bafna		1,598,400
5	Agency Arrangements				0
6	Leasing or Hire Purchase	Bafna Life styles Remedies Ltd		Mr.Bhansilal Bafna (HUF)	2,925,000
7	Transfer of R& D				0
8	License Agreements				0
9	Finance(Loans and equity in cash or Kind)	Bafna Life styles Remedies Ltd and Bafna Life Line Private Ltd			12,110,376
10	Guarantee and Collaterals	Bafna Life styles Remedies Ltd			65,000,000
11	ManageContracts including for Deputation of Employees				0
12	Rent		Mr.Bafna Mahaveer Chand	Mr.Bhansilal Bafna (HUF)	420,000

12. SECONDARY SEGMENT /GEOGRAPHICAL SEGMENT :

The Company has identified manufacture of medicine and drugs as the only primary reportable segment.

(Rs.in lakhs)

PARTICULARS	INDIA	ASIA	UK	AFRICA	TOTAL
Sales	7742.39	1591.18	727.67	69.07	10130.32
Operating Expenses	8461.96	6398.03	292.24	27.74	9413.20
Operating Income/Loss	(719.57)	957.33	437.80	41.56	717.12
Unallocable Income					62.10
Unallocable Expenses					(305.45)
Net Profit before tax					473.77
Income Taxes					138.97
Net Profit after taxes					334.80

13. MISCELLANEOUS EXPENSES:

- a. Preliminary expenses and Public Issue Expenses Rs.50,27,092/- written off during the year (Previous year Rs.5,187,192/-).

14. CENVAT

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

15. MANAGERIAL REMUNERATION:

(Amount in Rupees)

	2010-11		2009-10	
	Bafna Mahaveer Chand, Managing Director	Paras Bafna, Whole Time Director	Bafna Mahaveer Chand, Managing Director	Paras Bafna, Whole Time Director
Salary	720000	600,000	700,000	580,000
Contribution to PF	86,400	72,000	84,000	69,600
Lease Rent for car	60,000	60,000	60,000	60,000
Total	866,400	732,000	844,000	709,600

16. REMUNERATION TO AUDITORS:

(Amount in Rupees)

	2010 – 11	2009 – 10
Audit Fees	300,000	250,000
IT matters & Certificates	-	-
Service Tax	30,900	25,750
Total	3,30,900	275,150

17. EARNINGS PER SHARE (EPS)

(Amount in Rupees)

Particulars	2010-11	2009 – 10
Net Profit After Tax	3,34,80,909	24,813,464
Net Profit After Tax Available to Equity Shareholders	3,34,80,909	24,813,464
Weighted Average Number of Equity Shares	17481335	15981335
Basic & Diluted Earning Per Share	2.09	1.55
Face Value Per Share	10	10

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) Advances given to suppliers for supply of materials and others remain unconfirmed. It was explained that supply will be made in the ensuing year.
- d) Loans and advances include outstanding balance of deposits with Corporate Bodies is given below.

(Amount in Rupees)

Particulars	2010 - 11	2009 - 10
Alliance Intermediateries and Network P. Ltd.,	-	10,200,000
JPM Shelters P.Ltd	-	1,134,590
JPM Dakshim	-	2,267,570
Sethia Global Finance Ltd	-	8,500,000
Tamilnadu Steel Tubes Limited	14,445,183	-

- e) The fixed Deposit of sum of Rs. 330,24,319/- (Previous Year Rs. 17,924,375/-) lying with the State bank of India are under the lien against Bank Guarantee Margin / LC Margin money and loan against deposit.
- f) 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.
- g) The Company has raised Rs.983 lakhs through preferential allotment and deployed an amount of Rs. 707.72 lakhs as Advance as on 31.03.2011 towards Brand Acquisition 'RARICAP' from M/s. N.R.Jet Enterprises-an associate of M/s. Johnson & Johnson Limited and the balance amount was utilized towards setting up of Marketing division of the Company.
- h) The Company has not provided for Cess as Specified in Section 441 A of the Companies Act in the absence of any Notification by the Central Government.
- i) 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.

A) Capacity and Production

(Amount in Rupees)

As certified by the Management	2010-2011		2009-2010	
Licensed Capacity	N.A		N.A	
Installed Capacity	N.A		N.A	
	As on 31.03.2011		As on 31.03.2010	
	Quantity	Amount (Rs)	Quantity	Amount (Rs)
A) Production				
Tablets (In strips of 10)	79312683		109414938	
Capsules (In Strips of 10)	28625835		24989327	
Syrups (In Lts)	301786		239926	
B) Purchase				
Tablets (In strips of 10)	0	0	0	0
Capsules (In Strips of 10)	0	0	0	0
Syrups (In Lts)	0	0	0	0
Inhaler (In Numbers)	0	0	0	0
Powder(Kgs)	6343631	269343092	5186781	286345352
Kits(In Numbers)	766025	264911049	237395	80623465
C) Turnover				
Tablets (In strips of 10)	76889178	195132256	142092052	194545777
Capsules (In Strips of 10)	27621905	146304627	26659022	135954879
Syrups (In Lts)	301845	23522175	246190	17366176
Inhaler (In Numbers)	0	0	0	0
Powder(Kgs)	6343631	265501175	5186781	324993497
Kits(In Numbers)	766025	389196166	237395	82850855
D) Stocks				
Opening				
Tablets (In strips of 10)	4318831	1309672	36995945	53788350
Capsules (In Strips of 10)	467072	581052	2136767	1878226
Syrups (In Lts)	3151	307780	9415	350428
Closing				
Tablets (In strips of 10)	6742336	18117142	4318831	1309672
Capsules (In Strips of 10)	1471002	5215462	467072	581052
Syrups (In Lts)	3092	272349	3151	307780
Consumption of Raw Materials				
Indigenous		215069085		195975615
		90.06%		96.42%
Imports		23746312		7276423
		9.94%		3.58%
Packing Materials store				
100 % Indigenous		44312253		26760458

B) Earnings in Foreign Currency

	As on 31.03.2011		As on 31.03.2010	
Export Sales (CIF Value)	USD	3661741	USD	2945182
	INR	167684005	INR	146172611
	POUNDS	1037234	POUNDS	1190218
	INR	72767219	INR	87689378

C) Expenditure in Foreign Currency

	As on 31.03.2011		As on 31.03.2010	
Imports of Raw Material	USD	456098	USD	161085
	INR	21827560	INR	7819815
	GBP	23256		
	INR	1553768		
	EURO	5933		
	INR	364984		
Capital Goods	USD	131220	USD	95750
	INR	6250240	INR	6979253
	JPY (YEN)	4710000	YEN	7745000
	INR	2575313	INR	1121517
	EURO	9500		
	INR	602566		
	SWISS FRANCE (CHF)	17500		
	INR	800678		
Overseas Travel	INR	216853	INR	545935

Notes : Sales Figures Includes Excise Duty

- j) Previous year's figures have been rearranged and regrouped wherever found necessary to confirm to current year's figures.

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

K.Premnatha
Company Secretary

Dated: 30/05/2011
Place: Chennai

Balance Sheet Abstract And Company's General Business Profile

I. REGISTRATION DETAILS

Registration No.

3	0	6	9	8
---	---	---	---	---

 State Code:

1	8
---	---

Balance Sheet Date

3	1		0	3		2	0	1	1
---	---	--	---	---	--	---	---	---	---

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue

N	I	L
---	---	---

Bonus Issue

N	I	L
---	---	---

Rights Issue

N	I	L
---	---	---

Private Placement
(including premium)

7	0	9	5	0
---	---	---	---	---

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Amount in Rs. Thousands)

SOURCES OF FUNDS

Total Liabilities

	1	0	8	0	5	3	8
--	---	---	---	---	---	---	---

Paid-up Capital

	1	7	4	8	1	3
--	---	---	---	---	---	---

Secured Loans

	5	1	0	4	7	4
--	---	---	---	---	---	---

Deferred Tax Liability

	2	8	1	7	7
--	---	---	---	---	---

Total Assets

	1	0	8	0	5	3	8
--	---	---	---	---	---	---	---

Reserves & Surplus

	3	3	9	6	6	4
--	---	---	---	---	---	---

Unsecured Loans

					0	0
--	--	--	--	--	---	---

Equity Share Warrant

		2	7	4	1	0
--	--	---	---	---	---	---

APPLICATION OF FUNDS

Net Fixed Assets

	4	7	0	4	1	2
--	---	---	---	---	---	---

Net Current Assets

	6	0	0	0	7	2
--	---	---	---	---	---	---

Investments

N	I	L
---	---	---

Misc. Expenditure

	1	0	0	5	4
--	---	---	---	---	---

IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Gross Turnover

1	0	1	9	2	4	2
---	---	---	---	---	---	---

Profit/(Loss) Before Tax

	4	7	3	7	7
--	---	---	---	---	---

Earnings per share

		2	.	0	9
--	--	---	---	---	---

Total Expenditure

9	7	1	8	6	5
---	---	---	---	---	---

Profit/(Loss) After Tax

	3	3	4	8	1
--	---	---	---	---	---

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY

(as per monetary terms)

Item Code No. (ITC Code)

3	0	0	4	9	0	6	9
---	---	---	---	---	---	---	---

Product description

S	I	M	V	A	S	T	A	T	I	N		T	A	B	L	E	T
---	---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---

Item Code No. (ITC Code)

3	0	0	4	1	0	3	0
---	---	---	---	---	---	---	---

Product description

A	M	A	X	Y	C	I	L	L	I	N		C	A	P	S	U	L	E	S
---	---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---

Item Code No. (ITC Code)

3	0	0	4	2	0	1	9
---	---	---	---	---	---	---	---

Product description

M	E	T	F	O	R	M	I	N		T	A	B	L	E	T
---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---



Annual Report 2010-11

AGM Notice

Notice

Notice is hereby given that the Sixteenth Annual General Meeting of the Company will be held at Hotel Ashoka, No 47, Pantheon Road, Egmore, Chennai, 600008 at 12.00 Noon on Friday, the 23rd Day of September, 2011 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 31.03.2011 and the Balance Sheet as at 31.03.2011 together with the Directors' Report and Auditor's Report thereon.**
- 2. To appoint a Director in the place of Shri. V.Rajamani, 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. Sunil Bafna 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 as a Special Resolution:**

"RESOLVED THAT in accordance with the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, provisions of the Securities and Exchange Board of India Act, 1992 ('SEBI Act') and Guidelines and other applicable provisions including any statutory modification(s) or re-enactment thereof, for the time being in force, the provisions of the Memorandum and Articles of Association of the Company, the relevant Guidelines for Preferential Issue of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('ICDR

Regulations, 2009') any other Guidelines or Regulations of SEBI, Listing Agreement entered into with the Stock Exchange(s), where the shares of the Company are listed, and any other applicable laws / rules / regulations and subject to the consent / approval of any other authority / institution, consent of the Company be and is hereby accorded to create, offer, issue and allot up to 11,00,000 (Eleven Lakhs) Warrants on a preferential basis to the following Promoters and Promoters Group as set out herein below (herein after referred to as "Warrants") with each Warrant convertible into one Equity Share of the Company of nominal value of Rs.10/- each at a premium of Rs.40/- per share so that the total number of Equity Shares to be issued by the Company upon conversion of the Warrants does not exceed 11,00,000 (Eleven Lakhs) Equity Shares, on such terms and conditions as may be decided and deemed appropriate by the Board of Directors of the Company (hereinafter referred to as the "Board" which shall be deemed to include any duly authorized Committee thereof) at the time of the issue or allotment:

SI No.	Names of the Proposed Allottees	No. of Warrants
1.	Chetna Bafna	11,00,000
	TOTAL	11,00,000

RESOLVED FURTHER THAT the "Relevant Date" in relation to the issue of the Warrants in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 would be 24.08.2011, being 30 days prior to the date of passing of this resolution.

RESOLVED FURTHER THAT the aforementioned issue of Warrants shall be subject to the following terms and conditions:

1. The Warrants shall be convertible (at the sole option of the Warrant Holders) at any time within a period of 18 months from the date of allotment of Warrants.
2. Each Warrant shall be convertible into one Equity Share of nominal value of Rs.10/- each of the Company.
3. The Warrant holder(s) shall, on the date of allotment of Warrants, pay an amount equivalent to 25% of the total consideration per Warrant viz., Rs.12.50/- per Warrant, each Warrant priced at Rs. 50/-.

4. The Warrant Holder(s) shall, before the date of conversion of the Warrants into Equity Shares, pay the balance 75% viz., Rs.37.50/- per Warrant, of the balance consideration towards the subscription to each Equity Share.
5. The amount referred to in (3) above shall be forfeited, if the option to convert in to the Shares is not exercised subject however, to the enabling powers being vested in the Board herein.
6. The number of Warrants and the price per Warrant shall be appropriately adjusted, subject to the Companies Act, 1956 and SEBI Guidelines, for corporate actions such as bonus issue, right issue, stock split, merger, de-merger, transfer of undertaking, sale of division or any such Capital or corporate restructuring.
7. The Equity Share shall be under lock in for a period of three years and the lock in date commence from the date of conversion of Warrants into Equity Shares.
8. In the event of the Warrant Holder(s) not subscribing to all or any of the Equity Shares relating to the Warrants within the stipulated period viz., 18 months from the date of allotment of the Warrants, the Board shall, in its absolute discretion, offer such Shares to any other person(s) subject to the prevailing guidelines and in case such offer is declined by such person(s) or the Equity Shares are not subscribed to, within the stipulated period, such Shares shall lapse.

RESOLVED FURTHER THAT the Board of Directors be authorized to deal with any issue arising out of the proposed issue including powers to dispose off the Warrants not exercised in any manner whatsoever including powers to forfeit the application monies on account of the unexercised Warrants and to settle any questions, difficulties or doubts that may arise in regard to any such issue, offer or allotment of Equity Shares and in complying with any Regulations, as it may in its absolute discretion deem fit, without being required to seek any further clarification, consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution in the best interest of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or Officer(s) of the Company to give effect to this resolution.”

6. To consider, and if thought fit, to pass with or without modifications, the following as a Special Resolution:

“RESOLVED THAT in accordance with the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, provisions of the Securities and Exchange Board of India Act, 1992 ('SEBI Act') and Guidelines and other applicable provisions including any statutory modification(s) or re-enactment thereof, for the time being in force, the provisions of the Memorandum and Articles of Association of the Company, the relevant Guidelines for Preferential Issue of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('ICDR Regulations, 2009) any other Guidelines or Regulations of SEBI, Listing Agreement entered into with the Stock Exchange(s), where the shares of the Company are listed, and any other applicable laws / rules / regulations and subject to the consent / approval of any other authority / institution, consent of the Company be and is hereby accorded to create, offer, issue and allot upto 25,00,000 (Twenty Five Lakhs) Warrants on a preferential basis to the following strategic investors, as set out herein below (hereinafter referred to as “Warrants”) with each Warrant convertible into one Equity Share of the Company of nominal value of Rs.10/- each at a premium of Rs.40/- per share so that the total number of Equity Shares to be issued by the Company upon conversion of the Warrants does not exceed 25,00,000 (Twenty Five Lakhs) Equity Shares, on such terms and conditions as may be decided and deemed appropriate by the Board of Directors of the Company (hereinafter referred to as the “Board” which shall be deemed to include any duly authorized Committee thereof) at the time of issue or allotment:

SI No.	Names of the Proposed Allottees	No. of Warrants
1	Mindset Technologies Pvt. Ltd.	500000
2	Nisha J Mehta & Jignesh J Mehta	300000
3	Viral V. Shah H.U.F	170000
4	Nandita Naresh Chheda & Naresh Bhavanji Chheda	100000
5	Nitin K Kothari H.U.F	150000
6	Fidelity Management & Services Pvt. Ltd.	100000
7	Meghna Bhavesh Mehta	100000
8	Altina Securities Pvt. Ltd.	100000

9	T.S. Jathan H.U.F	100000
10	Gunwantlal Manubhai Mehta	100000
11	Rajnikant Chunilal Shah H.U.F	100000
12	Dinesh P. Kothari H.U.F	75000
13	Falguni Nilesh Parekh	50000
14	Niraj Mansuklal Ved & Swapna Niraj Ved	50000
15	Bhadresh Jaswantlal Parekh	50000
16	Deepak Hasmukh Mehta	50000
17	Nitin Thacker	60000
18	Deena Dedhia	60000
19	Shama Khan	10000
20	Khushali Shah Jayesh	100000
21	Siddarth Bubna	50000
22	Marisha Rajesh Shah	125000
	Total	2500000

RESOLVED FURTHER THAT the "Relevant Date" in relation to the issue of Warrants in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 would be 24.08.2011, being 30 days prior to the date of passing of this resolution.

RESOLVED FURTHER THAT the aforementioned issue of Warrants shall be subject to the following terms and conditions:

1. The Warrants shall be convertible (at the sole option of the Warrant Holder(s)) at any time within a period of 18 months from the date of allotment of Warrants.
2. Each Warrant shall be convertible into one Equity Share of nominal value of Rs.10/- each of the Company.
3. The Warrant Holder(s) shall, on the date of allotment of Warrants, pay an amount equivalent to 25% of the total consideration per Warrant viz., Rs.12.50/- per Warrant, each Warrant priced at Rs.50/-
4. The Warrant Holder(s) shall, before the date of conversion of the Warrants into Equity Shares, pay the balance 75% viz., Rs. 37.50/- per Warrant, of the balance consideration towards the subscription to each Equity Shares.

5. The amount referred to in (3) above shall be forfeited, if the option to convert in to the Shares is not exercised subject however, to the enabling powers being vested in the Board herein.
6. The number of Warrants and the price per Warrant shall be appropriately adjusted, subject to the Companies Act, 1956 and SEBI Guidelines, for corporate actions such as bonus issue, right issue, stock split, merger, de-merger, transfer of undertaking, sale of division or any such Capital or corporate restructuring.
7. The Equity Shares shall be under lock in for a period of one year and the lock in date commences from the date of conversion of Warrants into Equity Shares.
8. In the event of any of the Warrant Holder(s) not subscribing to all or any of the Equity Shares relating to the Warrants within the stipulated period viz., 18 months from the date of allotment of the Warrants, the Board shall, in its absolute discretion, offer such shares to any other person(s) subject to the prevailing guidelines and in case such offer is declined by such person(s) or the Equity Shares are not subscribed to, within the stipulated period, such Shares shall lapse.

RESOLVED FURTHER THAT the Board of Directors be authorized to deal with any issue arising out of the proposed issue including powers to dispose off the Warrants not exercised in any manner whatsoever including powers to forfeit the application monies on account of the unexercised Warrants and to settle any questions, difficulties or doubts that may arise in regard to any such issue, offer or allotment of Equity Shares and in complying with any Regulations, as it may in its absolute discretion deem fit, without being required to seek any further clarification, consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution in the best interest of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or Officer(s) of the Company to give effect to this resolution."

7. To consider, and if thought fit, to pass with or without modifications, the following as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, provisions of the Securities and Exchange Board of India Act, 1992 ('SEBI Act') and Guidelines and other applicable provisions including any statutory modification(s) or re-enactment

thereof, for the time being in force, the provisions of the Memorandum and Articles of Association of the Company, the relevant Guidelines for Preferential Issue of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('ICDR Regulations, 2009) any other Guidelines or Regulations of SEBI, Listing Agreement entered into with the Stock Exchange(s), where the shares of the Company are listed, and any other applicable laws / rules / regulations and subject to the consent / approval of any other authority / institution, consent of the Company be and is hereby accorded to create, offer, issue and allot up to 9,00,000 (Nine Lakhs) Equity Shares of Rs.10/- each at a premium of Rs.40/- per share on a preferential basis to strategic investors as set out herein below, on such terms and conditions as may be decided and deemed appropriate by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall include any duly authorized Committee thereof):

SI No.	Names of the Proposed Allottees	No. of Shares
1	Mindset Technologies Pvt. Ltd.	200000
2	Nisha J Mehta & Jignesh J Mehta	425000
3	Nandita Naresh Chheda & Naresh Bhavanji Chheda	50000
4	Viral V. Shah H.U.F	45000
5	Dinesh P. Kothari H.U.F	30000
6	Falguni Nilesh Parekh	50000
7	Bhadresh Jaswantlal Parekh	50000
8	Niraj Mansukhlal Ved & Sapna Niraj Ved	50000
	TOTAL	900000

RESOLVED FURTHER THAT the "Relevant Date" in relation to the issue of Equity Shares in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 would be 24.08.2011 being 30 days prior to the date of passing of this resolution.

RESOLVED FURTHER THAT the issue of Equity Shares as above shall be subject to the following terms and conditions:

- a. The said issue of Equity Shares is for cash.

b. The number of Shares and the price per share shall be appropriate adjusted, subject to the Companies Act, 1956 and SEBI Guidelines for corporate actions such as bonus issue, rights issue, stock split, merger, demerger, transfer of undertaking, sale of a division or any such capital or corporate restructuring.

c. The Shares to be allotted on Preferential Basis shall be subject to lock in for one year from the date of allotment in terms of the SEBI Guidelines in this behalf.

RESOLVED FURTHER THAT the Board be and is hereby authorised in its entire discretion to decide to proceed with the issue of the Equity Shares and for the purpose of giving effect to this issue or allotment of Shares, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including but without limitation, appointment of consultants, solicitors, merchant bankers, or any other agencies as may be required and entering into arrangements for listing, trading, depository services and such other arrangements and agreements, as may be necessary and also to seek listing of the Equity Shares representing the same in any Stock Exchange(s) with power on behalf of the Company, to settle any questions, difficulties or doubts that may arise in regard to any such issue, offer or allotment of Equity Shares and in complying with any Regulations, as it may in its absolute discretion deem fit, without being required to seek any further clarification, consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board of Directors be authorized to deal with any issue arising out of the proposed issue in the best interest of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee Of Directors or Officer(s) of the Company to give effect to this resolution.”

By Order of the Board
for BAFNA PHARMACEUTICALS LTD.

Bafna Mahaveer Chand
Chairman & Managing Director

Date : 24.08.2011

Place: Chennai

Notes:

1. A member entitled to attend and vote at the General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself / herself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than forty-eight 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 21.09.2011 to 23.09.2011. (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. In accordance with the Green Initiative taken by The Ministry of Corporate Affairs, Members are requested to register their email address for sending the corporate communications like General Meeting notices, etc...
 7. The Company has given option to receive Annual Report in soft copy to those members whose email ids are available / registered with the Registrar and Share Transfer Agents M/s. Cameo Corporate Services Limited.
 8. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
 9. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
 10. ***Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Items No. 5, 6 & 7 is annexed herewith.***
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Annexure to the Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

ITEM NO.5, 6 & 7

The Shareholders are aware that, the Board of Directors of the Company at its meeting held on 7th June, 2011 had decided to issue on preferential basis:

- (a) 12,00,000 Warrants to Promoters of face value of Rs.10/- each at a price of Rs. 50.00/- per warrant.
- (b) 27,00,000 Warrants to strategic investors of face value of Rs.10/- each at a price of Rs. 50.00/-per Warrant.
- (c) 15,00,000 Equity Shares of Rs10/- each to strategic investors at a price of Rs. 50/- per share (i.e. a premium of Rs. 40.00/- per share).

The same was approved by the shareholders in the Extra-Ordinary General Meeting held on 7th July, 2011. However as some of the proposed allottees have withdrawn their consent, after due consideration the Management and the Board of Directors have decided to cancel and withdraw the aforesaid preferential issue of shares & warrants i.e. item nos. 3, 4 & 5 of the resolutions passed in the Extra-Ordinary General Meeting held on 07.07.2011 at their meeting held on 24.08.2011.

The Board of Directors at its meeting held on 24.08.2011 has decided to issue on preferential basis:

- (a) 11,00,000 Warrants to Promoters of face value of Rs.10/- each at a price of Rs. 50.00/- per warrant.
- (b) 25,00,000 Warrants to strategic investors of face value of Rs.10/- each at a price of Rs. 50.00/-per Warrant.
- (c) 9,00,000 Equity Shares of Rs10/- each to strategic investors at a price of Rs. 50/- per share (i.e. a premium of Rs. 40.00/- per share).

As you are aware that, your company has acquired the Brand "RARICAP" with the legacy of over four decade from Johnson & Johnson associate company N.R.Jet Enterprises, the entire process of Brand acquisition is completed. Your company has started placing the team in various States for marketing of the Brand. The full team is in place for marketing in Maharastra, Tamilnadu, West Bengal, Orissa & North East, teams will be placed in the rest of the States in India in a phased manner.

Considering the Brand marketing, 109 plus registrations abroad, optimized mix of formulations and initiatives into branded products, your company has opted for expansion program – organic and inorganic. To augment and achieve the long term plans of the Company and to meet the funds requirements for expansion, product & market diversification, brand acquisition(s), repayment of Term Loan(s) / Debt, working capital and general corporate purposes, your Directors have decided after due consultation with advices to opt for Equity.

Accordingly talks were held with certain Strategic Investors and a mix of Share Warrants & Equity Shares is being proposed to be issued as follows:

- 11,00,000 Warrants to Promoters / Promoters Group
- 25,00,000 Warrants to Strategic Investors.
- 9,00,000 Equity Shares to Strategic Investors.

Your approval is sought in terms of Section 81(1A) of the Companies Act, 1956 for the resolutions 5, 6 & 7.

Considering the above, the Board has recommended these Resolutions for your consideration and approval.

The details are as under:

Objects of the issue:

The proposed preferential issue of securities is being made to augment and achieve the long term plans of the Company and to meet the funds requirements for expansion, product & market diversification, brand acquisition(s), repayment of Term Loan(s) / Debt, working capital and general corporate purposes.

The existing Promoters and Management Team will continue to remain in the management of the company as in the past without any changes. Further, the composition of the present Board of Directors will remain unaltered.

Intention of Promoters / Directors / key management persons to subscribe to the offer:

Promoters or any person belonging to Promoters Group intend to subscribe to 11,00,000 (Eleven Lakhs) Warrants under Resolution No.5.

Shareholding pattern before and after the offer proposed at Resolution Nos. 5, 6 & 7 are based on the shareholding pattern as on 30.06.2011

Category Code	Category of Shareholder	Pre allotment of Equity Shares		Post allotment of Warrants & Shares	
		Number of Shares	%	Warrants post conversion into Equity Shares	
				Number of Shares	%
A	Promoter & Promoter Group				
1	Indian				
a	Individual / HUF	7059990	40.39	9077990	37.36
b	Foreign Promoters	-	-	-	-
c	Others	-	-	-	-
	Sub – total A	7059990	40.39	9077990	37.36
B	Public Shareholding				
1	Institutions	-	-	-	-
2	Non- Institutions				
a	Bodies Corporate	2242047	12.83	3742047	15.40
b	Individuals				
i	Individuals holding nominal share capital upto Rs.1 Lakh	1925298	11.01	1935298	7.97
ii	Individuals holding nominal share capital in excess of Rs.1 Lakh	5424075	31.03	7944075	32.69
C	Others				
i	Clearing Members	12839	0.07	12839	0.05
ii	Hindu Undivided Families	353270	2.02	1123270	4.62
iii	Non Resident Indians	463816	2.65	463816	1.91
	Sub – Total B	10421345	59.61	15221345	62.64
	GRAND TOTAL (A+B)	17481335	100.00	24299335	100.00

Note:

1. The above shareholding pattern has been arrived on the assumption that 14,00,000 Warrants to Strategic Investors and 9,18,000 Warrants to Promoters / Promoters Group allotted on 17.03.2011 would be converted into Equity Shares and
2. the above shareholding pattern has been arrived on the assumption that 25,00,000 Warrants to Strategic Investors and the 11,00,000 Warrants to Promoters / Promoters Group proposed to be issued would be converted into Equity Shares.

Proposed time limit within which the allotment shall be complete

Within 15 days from the date of passing of this resolution or within 15 days from the date of receipt of any approval of any regulatory authority or Central Government, whichever is later as per SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009, as amended from time to time.

The identity of the proposed allottee(s) and the percentage of post preferential issue capital that may be held by the allottee(s) would be as follows:

A) Promoters & Promoters Group – Warrants

SI No	Names of the Proposed Allottees	Category	Pre Issue Holdings	% of Total Equity	Post Issue Holdings	% of Total Equity
1	Chetna Bafna	Promoter Group	1191305	6.81	3209305	13.21
	TOTAL		1191305	6.81	3209305	13.21

B) Strategic Investors – Warrants

SI No	Names of the Proposed Allottees	Category	Pre Issue Holdings	% of Total Equity	Post Issue Holdings	% of Total Equity
1	Mindset Technologies Pvt. Ltd.	Non-Promoter	0	0.00	500000	2.06
2	Nisha J Mehta & Jignesh J Mehta	Non-Promoter	0	0.00	300000	1.23
3	Viral V. Shah H.U.F	Non-Promoter	0	0.00	170000	0.70
4	Nandita Naresh Chheda & Naresh Bhavanji Chheda	Non-Promoter	0	0.00	100000	0.41
5	Nitin K Kothari H.U.F	Non-Promoter	0	0.00	150000	0.62

6	Fidelity Management & Services Pvt. Ltd.	Non-Promoter	100000	0.57	200000	0.82
7	Meghna Bhavesh Mehta	Non-Promoter	0	0.00	100000	0.41
8	Altina Securities Pvt. Ltd.	Non-Promoter	0	0.00	100000	0.41
9	T.S. Jathan H.U.F	Non-Promoter	0	0.00	100000	0.41
10	Gunwantlal Manubhai Mehta	Non-Promoter	0	0.00	100000	0.41
11	Rajnikant Chunilal Shah H.U.F	Non-Promoter	0	0.00	100000	0.41
12	Dinesh P. Kothari H.U.F	Non-Promoter	0	0.00	125000	0.51
13	Falguni Nilesh Parekh	Non-Promoter	0	0.00	50000	0.21
14	Niraj Mansuklal Ved & Swapna Niraj Ved	Non-Promoter	0	0.00	50000	0.21
15	Bhadresh Jaswantlal Parekh	Non-Promoter	0	0.00	50000	0.21
16	Deepak Has Mukh Mehta	Non-Promoter	0	0.00	50000	0.21
17	Nitin Thacker	Non-Promoter	0	0.00	60000	0.25
18	Deena Dedhia	Non-Promoter	0	0.00	60000	0.25
19	Shama Khan	Non-Promoter	0	0.00	10000	0.04
20	Khushali Shah Jayesh	Non-Promoter	0	0.00	100000	0.41
21	Siddarth Bubna	Non-Promoter	0	0.00	50000	0.21
22	Marisha Rajesh Shah	Non-Promoter	0	0.00	125000	0.51
	TOTAL		100000	0.57	2650000	10.91

C) Strategic Investors – Shares (Non-Promoters)

SI No	Names of the Proposed Allottees	Category	Pre Issue Holdings	% of Total Equity	Post Issue Holdings	% of Total Equity
1	Mindset Technologies Pvt. Ltd.	Non-Promoter	0	0.00	700000	2.88
2	Nisha J Mehta & Jignesh J Mehta	Non-Promoter	0	0.00	725000	2.98
3	Nandita Naresh Chheda & Naresh Bhavanji Chheda	Non-Promoter	0	0.00	150000	0.62
4	Viral V. Shah H.U.F	Non-Promoter	0	0.00	215000	0.88
5	Dinesh P. Kothari H.U.F	Non-Promoter	0	0.00	155000	0.64
6	Falguni Nilesh Parekh	Non-Promoter	0	0.00	100000	0.41
7	Bhadresh Jaswantlal Parekh	Non-Promoter	0	0.00	100000	0.41
8	Niraj Mansukhlal Ved & Sapna Niraj Ved	Non-Promoter	0	0.00	100000	0.41
	TOTAL				2245000	9.24

Note:

(i) The above figures has been arrived on the assumption that 14,00,000 Warrants to Strategic Investors and 9,18,000 Warrants to Promoters / Promoters Group allotted on 17.03.2011 would be converted into Equity Shares and

(ii) the above figures has been arrived on the assumption that 25,00,000 Warrants to Strategic Investors and the 11,00,000 Warrants to Promoters / Promoters Group proposed to be issued would be converted into Equity Shares.

Issue price

The issue price of Rs.50/- (including premium of Rs.40/- per Equity Share) is in accordance with the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009 and for the purpose of above guidelines, the Relevant date is 24.08.2011.

Auditors Certificate

A copy of the Certificate of the Statutory Auditors of the Company certifying the adherence to SEBI Guidelines for preferential issues, under the SEBI (Issue of Capital &

Disclosure Requirements) Regulations, 2009 for the proposed issue is open for inspection at the Registered Office of the company till the date of Annual General Meeting.

The Warrants shall be locked in for such period as prescribed by SEBI Guidelines.

The approval of the Shareholders is sought pursuant to Section 81(1A) of the Companies Act, 1956, Listing Agreement with the Stock Exchanges and in terms of the SEBI Guidelines to the issue of Warrants as set out in the Resolution.

The Resolution set out in the Notice is recommended for the approval of the Shareholders.

Shri. Bafna Mahaveer Chand, Managing Director is considered as interested in resolution no.5.

By Order of the Board
for BAFNA PHARMACEUTICALS LTD.

Bafna Mahaveer Chand
Chairman & Managing Director

Date: 24.08.2011
Place: Chennai

Attendance Slip

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.

DP ID-Client ID/Folio No:

No. of Shares held:

I hereby record my presence at the Sixteenth Annual General Meeting held at Hotel Ashoka, No 47, Pantheon Road, Egmore, Chennai, 600008 at 12.00 Noon on Friday the 23rd day of September, 2011 as Shareholder/Proxy and at any adjournment thereof.

Name of the Shareholder/Proxy

Signature of the Shareholder/Proxy

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BAFNA PHARMACEUTICALS LTD.

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

PROXY FORM

DP ID-Client ID/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 Sixteenth Annual General Meeting of the Company to be held at Hotel Ashoka, No 47, Pantheon Road, Egmore, Chennai, 600008 at 12.00 Noon on Friday the 23rd day of September, 2011 and at any adjournment thereof.

Affix 1 Rupee Revenue Stamp

Signature _____

Signed this _____ day of _____, 2011

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.



Bafna Pharmaceuticals Ltd.

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

Tel: +91-44-2526 7517; Fax: + 91-44-2523 1264;

www.bafnapharma.com