

**BAFNA PHARMACEUTICALS LIMITED**

[Incorporated on March 28, 1995 under the Companies Act, 1956 as 'Bafna Pharmaceuticals Limited' vide Certificate of Incorporation issued by the Registrar of Companies, Chennai. having registration no. 18-30698 and obtained certificate of commencement of business on April 20, 1995]

**Registered Office:** Bafna Towers, No. 299, Thambu Chetty Street, Chennai-600 001 **Tel.:** +91-44-25267517/25270992; **Fax :** +91-44-25231264; **E-mail:** cs@bafnapharma.com; **Website:** www.bafnapharma.com

**Contact Person:** Mr. R. Jayaraman Company Secretary & Compliance Officer

**PUBLIC ISSUE OF 64,00,000 EQUITY SHARES OF RS. 10/- EACH AT A PRICE OF RS. 40/- PER EQUITY SHARE (INCLUDING SHARE PREMIUM OF RS. 30/- PER EQUITY SHARE) FOR CASH AGGREGATING RS. 2560.00 LACS BY BAFNA PHARMACEUTICALS LIMITED (HEREINAFTER REFERRED TO AS THE "ISSUE"). THE ISSUE WILL CONSTITUTE 40.05% OF THE POST ISSUE PAID-UP CAPITAL OF THE COMPANY.**

**(THE ISSUE PRICE IS 4 TIMES OF THE FACE VALUE)**

**RISK IN RELATION TO FIRST ISSUE**

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10/- per equity share and the Issue Price is 4 times of the face value. The Issue Price (as determined by the Company, in consultation with the Lead Manager) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

**GENERAL RISKS**

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares issued in this Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Prospectus. Specific attention of the investors is invited to the statements in the section titled "Risk Factors" beginning on page vii of this Prospectus

**ISSUER'S ABSOLUTE RESPONSIBILITY**

The Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to the Company and this Issue, which is material in the context of this Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

**LISTING**

The Equity Shares of the Company are proposed to be listed on Bombay Stock Exchange Limited ("BSE") the Designated Stock Exchange. We have received the in-principle approval from the Stock Exchange for the listing of our Equity Shares pursuant to letter no.DCS/IPO/MT/IPO/IP/1647/2007-08 dated 11/01/2008.

**IPO GRADING**

This issue has been graded by ICRA Ltd. and has been assigned the "IPO Grade 2" indicating below average fundamentals, through their letter dated 29/04/2008, which is valid for a period of two months. For further details in this regard please refer page no. 11.

**LEAD MANAGER TO THE ISSUE****KEYNOTE****CORPORATE SERVICES LTD****KEYNOTE CORPORATE SERVICES LTD.**

4<sup>th</sup> Floor, Balmer Lawrie Building,

5, J.N.Heredia Marg,

Ballard Estate, Mumbai - 400001.

**Tel:** +91-22- 30266000-3; **Fax:** +91-22- 22694323

**Website:** www.keynoteindia.net

**E-mail:** mbd@keynoteindia.net

**SEBI Registration No.:** INM 000003606

**AMBI No.:** AMBI/ 040

**REGISTRAR TO THE ISSUE****CAMEO****CAMEO CORPORATE SERVICES LTD.**

Subramanian Building, # 1, Club House Road

Chennai 600 002 - INDIA

**Tel.:** +91-44-2846 0390 (5 Lines), **Fax:** +91-44-2846 0129

**E-mail :** cameo@cameoindia.com

**Website:** www.cameoindia.com

**SEBI Regn. No.:** INR 000003753

**ISSUE SCHEDULE**

ISSUE OPENS ON

TUESDAY, MAY 27, 2008

ISSUE CLOSES ON

FRIDAY, MAY 30, 2008

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## DEFINITIONS AND ABBREVIATIONS

Term	Description
“Bafna Pharmaceuticals Limited”, “Bafna” and “the Company”	Unless the context otherwise requires, refers to, Bafna Pharmaceuticals Limited, a public limited company incorporated under the Companies Act, 1956.
Promoter(s)	Unless the context otherwise requires, refers to, the core Promoters of BAFNA, Mr. Bafna Mahaveer Chand, Mr. Paras Bafna and Mr Navin Baf na.

### General Conventional Terms

Term	Description
Articles/ Articles of Association	The Articles of Association of the Company i.e., Bafna Pharmaceuticals Limited.
Auditors	The Statutory Auditors of the Company, being Abhay Jain & Co., Chartered Accountants.
Board of Directors / Board	The Board of Directors of the Company or a Committee thereof.
Companies Act	The Companies Act, 1956, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Director(s)	Director(s) of the Company unless otherwise specified.
Equity Shares	Equity Shares of the Company of face value of Rs. 10/- each unless otherwise specified in the context thereof.
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed thereunder.
Financial Year/ Fiscal/ FY	The period of twelve months ended March 31 of that particular year.
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
Indian GAAP	Generally Accepted Accounting Principles in India.
Insurance Act	Insurance Act, 1938, as amended from time to time.
I. T. Act	The Income Tax Act, 1961, as amended from time to time.
I. T. Rules	The Income Tax Rules, 1962, as amended from time to time, except as stated otherwise.
Memorandum/ Memorandum of Association	The Memorandum of Association of the Company.
Non Resident	A person who is not resident in India except NRIs and FIIs.
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, each such term as defined under the FEMA (Deposit) Regulations, 2000, as amended.
Offer Document	This Prospectus
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000
RBI	Reserve Bank of India constituted under the RBI Act.
RBI Act	The Reserve Bank of India Act, 1934 as amended from time to time.

Term	Description
Registered Office of the Company	Bafna Towers, No: 299, Thambu Chetty Street, Chennai -600 001
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended from time to time, including instructions, guidelines and clarifications issued by SEBI from time to time.
SEBI Insider Trading Regulations	The SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, including instructions and clarifications issued by SEBI from time to time.

#### Issue related Terms and Abbreviations

Term	Description
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue.
Allottee	The successful applicant to whom the Equity Shares are being / or have been issued or transferred
Applicant	Any prospective investor who makes an application pursuant to the terms of this Offer Document
Application Forms	The Form in terms of which the investors shall apply for the equity shares of the company.
Designated Stock Exchange	In this case being the Bombay Stock Exchange Limited.
Equity Shares	Equity Shares of the Company of face value of Rs. 10 each unless otherwise specified in the context thereof.
Indian National	A citizen of India as defined under the Indian Citizenship Act, 1955, as amended, who is not an NRI.
Issue	The issue of 64,00,000 Equity Shares of Rs. 10 each for cash at a premium of Rs. 30/- per share aggregating Rs.2560.00 lacs
Issue Management Team	The team managing this Issue as set out in the section titled "General Information" in this Offer Document.
Issue Opening Date	The date on which the issue opens for subscription.
Issue Closing Date	The date on which the issue closes for subscription.
Issue Period	The period between the Issue Opening Date and the Issue Closing Date inclusive of both days and during which prospective applicants can submit their application forms
Issue Price	The price at which Equity Shares will be issued and allotted in term of this Offer Document, in this case being Rs. 40/- per Equity Share.
Lead Manager/LM	Lead Manager to this Issue, in this case being Keynote Corporate Service s Limited and Ashika Capital Limited being the Co-Lead Manager
Mutual Funds	Means mutual funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Prospectus	The Prospectus, to be filed with the RoC containing, inter alia, this Issue Price, the number of Equity Shares offered through this Issue and certain other information.
Registrar/ Registrar to this Issue	Cameo Corporate Services Ltd.
Retail Investor	Means an investor who applies for securities for a value of not more than Rs.1,00,000/-.
Stock Exchange	Bombay Stock Exchange Limited

Notwithstanding the foregoing, in the chapter titled “Main Provisions of the Articles of Association of the Company” on page 138 of this Offer Document, defined terms have the meaning given to such terms in the Articles of Association of the Company .

### Abbreviations

Abbreviation	Full Form
AGM	Annual General Meeting.
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
BSE	Bombay Stock Exchange Limited.
BG/LC	Bank Guarantee/ Letter of Credit
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
CIN	Company Identification Number
DIN	Director Identification Number
ECS	Electronic Clearing System
EGM	Extra Ordinary General Meeting of the shareholders.
EPC/CC/SBL	Export Packing Credit/ Cash Credit/ Stand By Line of Credit
EPS	Earnings per Equity Share.
ESOP	Employee Stock Option Plan
FBDN	Foreign Bill Discounting (Non-L/C)
FIs	Financial Institutions.
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000.
GDP	Gross Domestic Product
GIR Number	General Index Registry Number.
GoI/ Government	Government of India.
HUF	Hindu Undivided Family.
LC	Letter of Credit
NAV	Net Asset Value.
NRE Account	Non Resident External Account.
NRO Account	Non Resident Ordinary Account.
NSDL	National Securities Depository Limited.
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number.
PBDIT	Profit Before Depreciation, Interest & Taxes
RoC/Registrar of Companies	The Registrar of Companies, Tamil Nadu, Chennai.
RoNW	Return on Net Worth.
Rs./ Rupees	Indian Rupees, the legal currency of the Republic of India.
TAN	Tax Deduction Account Number
USD/ \$/ US\$	The United States Dollar, the legal currency of the United States of America.

**INDUSTRY-RELATED TERMS**

<b>Term</b>	<b>Description</b>
AHU	Air Handling Unit
B/L	Bill of Lading
Betalactum products	A class of broad spectrum of antibiotics that are structurally and pharmacologically related to penicillins
Blister Packing	The process of packing tablets, capsules etc. in between 2 layers of pvc or metal foils
CMIE	Centre for Monitoring Indian Economy
CRAMS	Contract Research And Manufacturing Services
DEPB	Duty Entitlement Pass Book Scheme
DGFT	Director General of Foreign Trade
DTA	Domestic Tariff Area
EDI	Electro Deionizer
EOU	Export Oriented Unit
FDA	Food & Drugs Administration
FDV	Forced Drop Ventilation
GMP	Good Manufacturing Practices
HSCC	Hospital Service Consultancy Corporation
IBEF	India Brand Equity Foundation
IEC	Importer/Exporter Code
MHRA	Medicines and Health Care Products Regulatory Agency
Non-Betalactum	Broad spectrum of antibiotics other than Beta Lactam
QA	Quality Assurance
RO	Reverse Osmosis
TNPCB	Tamil Nadu Pollution Control Board
US FDA	United States Food & Drugs Administration
WHO	World Health Organisation

## PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

In this Offer Document, the terms “Bafna Pharmaceuticals Limited”, “Bafna”, “the Company”, and “its”, unless the context otherwise indicates or implies, refers to Bafna Pharmaceuticals Limited, a public limited company incorporated under the Companies Act.

Unless stated otherwise, the financial information used in this Offer Document is derived from the Company’s restated financial statements as of and for the years ended March 31, 2003, 2004, 2005, 2006, 2007 and for the 9 months period ended 31/12/2007 prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI Guidelines, as stated in the report of the Company’s statutory Auditors, M/s. Abhay Jain & Co, Chartered Accountants, included in this Offer Document.

The Company’s fiscal year commences on April 1 and ends on March 31 of a particular year. Unless stated otherwise, references herein to a fiscal year (e.g., fiscal 2006), are to the fiscal year ended March 31 of a particular year.

In this Offer Document, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Offer Document will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices, Indian GAAP, Companies Act and SEBI Guidelines. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Offer Document should accordingly be limited. The Company has not attempted to explain these differences or quantify their impact on the financial data included herein, and the Company urges you to consult your own advisors regarding such differences and their impact on financial data.

Market data used in this Offer Document has been obtained from industry publications and internal Company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that the market data used in this Offer Document is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent source.

All references to “India” contained in this Offer Document are to the Republic of India, all references to the “US” or the “U.S.” or the “USA”, or the “United States” is to the United States of America and all references to “UK” are to the United Kingdom.

### Currency of Presentation

All references to “Rupees” or “Rs.” or “INR” are to Indian Rupees, the official currency of the Republic of India. All references to “U.S. \$” or “U.S. Dollar(s)” are to United States Dollars, the official currency of the United States of America.

## FORWARD-LOOKING STATEMENTS

The Company has included statements in this Offer Document which contain words or phrases such as “will”, “aim”, “is likely to result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

All forward looking statements are subject to risks, uncertainties and assumptions about the Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the Company’s expectations include but are not limited to:

- General economic and business conditions in the markets in which the Company operates and in the local, regional and national economies;
- Changes in laws and regulations relating to the Pharmaceutical industry in which the Company operate;
- Prices of raw materials the Company consumes and the products that the Company produces.
- Increased competition in these industries;
- Company’s ability to successfully implement its growth strategy and expansion plans, and to successfully launch and implement various projects and business plans for which funds are being raised through this Issue;
- Company’s ability to meet its capital expenditure requirements;
- Fluctuations in operating costs;
- Company’s ability to attract and retain qualified personnel;
- Changes in technology;
- The loss or shutdown of operations of the Company at any time due to strike or labour unrest.
- Changes in political and social conditions in India or in countries that the Company may enter, the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- The performance of the financial markets in India and globally; and
- Any adverse outcome in the legal proceedings in which the Company is involved.

For further discussion of factors that could cause actual results to differ, please see the section entitled “Risk Factors” beginning on page vii of this Offer Document. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company, the Directors, any member of the Lead Manager team nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchange.



## SECTION I-RISKS FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Offer Document, including the risks and uncertainties described below, before making an investment in the Company's Equity Shares. If any of the following risks occur, the business of the Company, financial condition and results of operations could suffer, the trading price of the Equity Shares could decline, and you may lose all or part of your investment.

### RISKS TO THE PROJECT AND INTERNAL TO THE COMPANY

#### OUTSTANDING LITIGATIONS/DISPUTES/CASES PENDING AGAINST THE COMPANY

1. *The company is involved in certain legal proceedings and any unfavorable outcome of the proceedings may adversely impact its business and financial conditions*

The company is involved in certain litigation as tabled hereinunder:

Sr. No.	Particulars	No. of cases	Amount (Rs.)
1.	Labour related Cases	1	10,000

A claim petition was filed by Mr. Mathiarasu under section 10 (i) of the Workmen's Compensation Act, 1923 against the Company seeking compensation of Rs. 10,000 for the injury alleged to have been caused to the claim petitioner on 27<sup>th</sup> November 1997 by an accident during the course of his employment.

For more information please refer to "Legal and other Information" commencing on page no 103 of this Prospectus

2. *We have certain contingent liabilities not provided for that may affect our financial condition. :*

The details of contingent liabilities not provided for by the company is as under:

Particulars	(Rs in lacs)	
	31/03/2007	31/12/2007
Letter of Credit	23.75	51.64
Bond executed with Customs Authorities	420.00	420.00
Capital subsidy	14.36	14.36
<b>Total</b>	<b>458.11</b>	<b>486.00</b>

In the event any of the above contingent liabilities materialize, it may have an adverse effect on our financial performance.

3. *Trade Marks in respect of which applications have been made by the Company and the same is pending as opposed.*

Sr. No.	Application No.	Date of Application	Trade Mark Name	Class in respect of which application has been made	Present status of the application
1.	800462	29.04.1998	BETALIN	5	Opposed by Competitors
2.	800463	29.04.1998	AFENAC	5	
3.	1069157	26.12.2001	ANTIROX	5	
4.	800472	29.04.1998	LOMIN	5	

**4. *Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been independently appraised by any banks/ Financial Institutions***

Our project has not been appraised by any of the external agency. Our management has prepared an internal business plan and investment proposal based on estimates derived from past experience of the promoters.. Further the entire project is to be funded through the proceeds of the issue and till date only an amount of Rs. 29.20 lacs has been spent on the project which has been funded through internal accruals.

**5. *Any deviation in the actual performance with the estimates made by the company could adversely impact our operations and sustainability***

There is no guarantee that our estimates for our project as made by the management of the company will prove to be accurate in the coming years and any significant deviation in the cost of the project could adversely impact our operations and sustainability.

**6. *Deployment of funds being raised is not to be utilized for a concrete project of the company***

The funds that are being raised through the issue is proposed to be deployed towards brand building exercise, repayment of high cost debt, meeting of cost towards MHRA Accreditation, working capital etc. and is not being used for setting up any particular project.

**7. *We are yet to make arrangements for the procurement of equipments for Research & Development worth Rs 300 lacs aggregating to 11.72 % of the total cost of the project.***

We are yet to place orders for the Research & Development equipment worth Rs 300 lacs aggregating to 11.72 % of the total cost of the project. Any delay in procurement of equipment may affect the schedule of implementation.

**8. *Our success depends in large part upon our Directors and key managerial personnel and our ability to attract and retain them. Our failure to retain skilled manpower could adversely effect our growth strategy.***

We are highly dependant on the expertise and services of our Directors and key managerial personnel. If we lose any of these key personnel, we may find it difficult to find replacements with similar knowledge and experience, especially in relation to our business and our Company, and integrate them into our organization. As a result, our business and financial condition could be adversely affected. If we are unable to attract skilled professionals, fail to integrate them into our organization, or fail to retain them after we have invested resources in their training, our ability to compete and our results of operations may be adversely affected.

**9. *The premises of the registered office and factory at Madhavaram are not owned by the company. Non-renewal of lease/ termination of the lease could adversely affect our operations.***

The Registered office & factory at Madhavaram village are not owned by the company and the same has been taken on lease from the promoters and other parties. For more information please refer to the section on "Business Overview" commencing on page no 46 of this Prospectus

**10. *Increase in the prices of major raw material may have an adverse impact on the profitability.***

The raw materials used by the company are bulk drugs which are procured from within and outside India. Import of raw material is subject to volatility and exchange risks. Any abrupt or large scale escalations in the prices of raw material can adversely affect the company. Besides the above, continued shortage of domestic/imported raw materials/components may adversely affect the Company's prospects.

**11. Certain licenses and approvals are yet to be received by the company. any delay in receipt or non-receipt of licenses may affect the operations of the company.**

The company's operations are carried out from its Registered Office and factory. The company has not applied for license under the Tamil Nadu Shops and Establishment Act in respect of its Registered Office. If such licence is not applied for, the company may face penal consequences under the Shops & Establishment Act.

**Management Proposal**

As per the company, the license under the Tamil Nadu Shops and Establishments Act is not mandatory in nature for the company since it is covered under the Factories Act and hence the same has not been applied by the company.

The details of other licenses and approvals which have expired and for which the company has applied for renewals are as under:

**Pending approvals in respect of Madhavaram Factory.**

Sr. No.	Name of the licence/approval/certificate	Number of licence/approval/Certificate	Granting authority	Valid upto	Remarks
1.	Factory licence (Factory Registration No.TVR:5820)	Licence No. 1228	Deputy Chief Inspector of Factories, Thirivottiyur.	31/12/2007	The company has applied for renewal of the licence vide its letter dated 30/10/2007
2.	Renewal of licence granted under Drugs & Cosmetics Act, 1940	Licence No. 415/84 dated 28.03.1995 for the manufacture of and sale of drugs specified in the list attached to the licence.	Director of Drugs Control I, Tamil Nadu, Chennai 600 006	31/12/2007	The company has applied for renewal of the licence vide its letter dated 31/12/2007
3.	Renewal of license granted under Drugs & Cosmetics Rules , 1945	License No. 230/84 dated 28.03.1995 for the manufacture of and sale of drugs specified in the list attached to the license.	Director of Drugs Control I, Tamil Nadu, Chennai 600 006	31/12/2007	The company has applied for renewal of the license vide its letter dated 31/12/2007
4.	Good Manufacturing Practice Certificate	License in Form No. 25/28 dated 28.03.1995	Director of Drugs Control I, Tamil Nadu Chennai	31/12/2006	The company has applied for renewal of the license vide its letter dated 18/12/2006

**Pending approvals in respect of Grantlayon Factory**

Sr. No.	Name of the license/approval/certificate	Number of license/approval/Certificate	Granting authority	Valid upto	Remarks
1.	Factory license	<b>APPLIED FOR</b>	<u>Inspector of Factory's Thiruvathiyur</u>		The company has applied for the factory license vide its letter dated 01/11/2007

Sr. No.	Name of the license/approval/certificate	Number of license/approval/Certificate	Granting authority	Valid upto	Remarks
2.	Consent Order under section 25 of Water (Prevention and Control of Pollution) Act, 1974	Consent Order No. 935 dated 31.05.2007	Tamil Nadu Pollution Control Board	31.03.2008	The company has applied for renewal of the license vide its letter dated 19/03/2008
3.	Consent Order under section 21 of Air (Prevention and Control of Pollution) Act, 1974	Consent Order No. 944 dated 31.05.2007	Tamil Nadu Pollution Control Board	31.03.2008	The company has applied for renewal of the license vide its letter dated 19/03/2008
4.	License under Prevention of Food Adulteration Act	L.Dis No.4021/E3/07 Dated 31.10.2007	Deputy Director of Health Services Thiruvallur	31.03.2008	The company has applied for renewal of the license on 25/04/2008

**12. Competition from other manufacturers / marketers may adversely affect the competitive position and profitability of the company.**

The company may face competition from other existing players and potential entrants to the industry which may affect the competitive position and profitability of the company. Loss of market share as also competition may adversely affect the profitability. Our inability to compete successfully in our industry would materially affect our business prospects and financial condition.

**13. There are certain restrictive covenants in our loan agreement, which could influence our ability to expand thereby affecting our results of operations.**

The Company has availed credit facilities from banks. Term loan agreements entered into by us with banks contain some covenants which require us to obtain the prior approval/ permission from the banks on the occurrence of certain events such as formulation of any scheme of amalgamation or reconstruction, undertaking of any new project or expansion, making any substantial change in our management set up, any change in our capital structure resulting in reduction of capital, etc.

**14. In the past 12 months, we have issued equity shares at a price lower than the issue price of the equity shares being offered in the issue. The details of persons to whom shares have been allotted at different prices are as under :**

Name of the Shareholder	Category of shareholder	No. of shares allotted as on 01/10/2007		
		At Rs. 10/- per share	At Rs. 20/- per share	At Rs. 30/- per share
Mrs. Amribai Bafna	Relative of promoter	1,00,000	-	-
Mr G. Ramesh Chopra			11,250	-
Ms. Chetna Bafna		2,36,750	-	-
Bafna Mahaveerchand (HUF)		60,000	-	-
Mr. Manmohan Singh Jain	Non Promoter	18,90,000	-	-
Mr. Jayaraman Arjunan		3,20,000	-	-
Mr. Munna Chandra		-	5,000	-
M/s Hingora Finvest Pvt. Ltd.		-	2,65,000	-

Name of the Shareholder	Category of shareholder	No. of shares allotted as on 01/10/2007		
M/s Nico Securities	Shareholders	-	25,000	-
M/s Saumitra Investments & Finance Pvt. Ltd.		-	18,3750	-
M/s Doldrum Investments & Finance Pvt. Ltd.		-	75,000	-
M/s Artillegence Bio-Innovations Ltd.		-	95,000	-
Ms. Manjula		-	10,000	-
Mr. Navin Kumar		-	5,000	-
Ms. Payal		-	15,000	-
M/s Kiran Pandy Chems Ltd.		-	-	1,00,000
<b>Total</b>			<b>26,06,750</b>	<b>6,90,000</b>

Apart from the above, the company has allotted 23,19,142 equity shares as bonus on 28/09/2007. The reasons for allotment of equity shares at different prices was that the share application money for the above said allotments were received at various intervals by the company

**15. We had negative cash flow from operations for certain period. Any negative cash flow in future could affect our results of operations.**

There has been a negative cash flow from operations of the company for the years ended 31/03/2004 and 31/03/2006 to the tune of Rs. 124.64 lacs and Rs. 194.14 lacs respectively. Further there has also been a negative cash flow from Financing activities for the year ended 31/03/2003 to the tune of Rs. 120.21 lacs.

**16. If we are sued for defects in our products it could harm our reputation and our profits**

Our business (pharmaceutical formulations) inherently exposes us to potential liability. So also, product liability claims could require a pharmaceutical company to spend money on litigation, divert management's time, damage a company's reputation and affect the marketability of a company's products.

**17. We could be adversely affected if we fail to keep pace with technical and technological developments in pharmaceutical formulation industry.**

To meet our clients' needs, we must regularly update our existing technology and acquire or develop new technology for our existing and / or expansion project. In addition, rapid and frequent technology and market demand changes can often render existing technologies and equipments obsolete, requiring substantial new capital expenditure and / or write -down of assets. Our failure to anticipate or to respond adequately to changing technical, market demands and / or client requirements could adversely affect our business and financial results.

**18. Our business is subject to regulation by several authorities, which could have an adverse effect on our business and our results of operation.**

Our Company has to comply with the regulations under the Drug and Cosmetics Act, 1940; Drugs and Cosmetics Act Rules, 1945; The Drugs (Prices Control) Order, 1995, Drugs and Magic Remedies Act, 1954; Patent Regulation. Further, our business operations are subject to strict regulations by environmental regulations, Foreign Direct Investment Policy, etc. We incur costs to comply with requirements of environmental laws and regulations. Any lapses or non-compliance of any laws or regulations or rules or acts or policies by us may adversely affect our business and / or financial operations. For more details on the regulations and policies, please refer to the section titled "Regulations and Policies" beginning on page no. 114 of this Prospectus.

## EXTERNAL RISK FACTORS

**1. *Instability of the Political Situation, economic and social developments in India could adversely affect the Industry***

The Government of India plays an important role by regulating the policies and regulations governing the private sector. The current economic policies of the government may change at a later date. All the facilities and other assets of Bafna are located in India and most of its officers and Directors are resident in India. The Company's business, and the market price and liquidity of the Equity Shares, may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. Unstable internal and international political environment could impact the economic performance in both the short term and the long term.

**2. *Changes in Government policies in India may have an adverse impact on the business and operations of the company.***

Since 1991, the Government of India has pursued policies of economic liberalization, including relaxing restriction on the private sector. No assurances can be provided that the process of liberalization will be sustained in the future. There could be slow down in the pace of economic development. The rate of economic liberalization could change specific laws and policies and other matters affecting the investment in securities of the company. Any adverse changes in the Government policies relating to the products dealt by the company may have an impact on our profitability.

**3. *An active market for the Equity Shares may not develop, which may cause the price of the Equity Shares to fall and may limit your ability to sell the Equity Shares***

The Equity Shares of the Company are currently not listed on any of the Stock Exchanges. Application has been made to the BSE for the Equity Shares to be admitted to trading on the stock exchange. No assurance can be given that an active trading market for the Equity Shares will develop or as to the liquidity or sustainability of any such market, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which shareholders will be able to sell their Equity Shares. If an active market for the Equity Shares fails to develop or be sustained, the trading price of the Equity Shares could fall. If an active trading market were to develop, the Equity Shares could trade at prices that may be lower than their initial offering price.

**4. *A slowdown in economic growth in India could cause the business of the Company to suffer***

Company's performance and growth is dependent on the health of the Indian economy. The economy could be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalisation policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in the Indian economy may adversely impact our business and financial performance and the price of our Equity Shares.

### Notes to Risk Factors

1. Public Issue of 64,00,000 Equity Shares of Rs. 10 each at a price of Rs. -40 /- per equity share for cash aggregating Rs.2560.00 lacs.
2. The net worth of the Company as per audited accounts, as on 31/03/2007 and 31/12/2007 was Rs. 909.10 lacs and Rs. 1190.55 lacs respectively.
3. The average cost of acquisition of Equity Shares by the Company's Promoters/ Promoter Group, is Rs.1.82 /- per Equity Share.

4. Book value of the Equity Shares of the Company, as per its audited restated financial statements as on 31/03/2007 and 31/12/2007 was Rs. 23.52 and Rs. 30.80 Per share respectively.
5. The company has entered into certain transactions with related parties for a n aggregate value of Rs 41.65 lacs as on 31/12/2007. For more details on Related Party Transactions refer to the chapter titled "Related Party Transactions" on page 94 of this Offer Document.
6. For details of loans and advances made by the Company refer pa ge 93 of this offer document
7. There is no interest of promoters/ directors/ key management personnel other than reimbursement of expenses incurred on normal remuneration or benefits.
8. Investors are free to contact the LM for any complaints/ information/ c larification pertaining to this Issue. For contact details of the LM, please refer to the cover page of this Offer Document.
9. All information shall be made available by the LM and the Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
10. Investors are advised to refer to the paragraph on "Basis of Issue Price" on page 26 of this Offer Document before making an investment in this Issue.
11. In the event of the Issue being oversubscribed, the allotment will be made on a proportionate basis.

## PART I

### SECTION II- INTRODUCTION

#### SUMMARY

*This is only a summary and does not contain all the information that you should consider before investing in the Equity Share of the Company. You should read this entire Offer Document, including the information contained in the chapter titled "Risk Factors" and "Financial Statements" and related notes beginning on pages vii and 83 of this Offer Document before deciding to invest on the Equity Shares of the Company.*

#### Overview of the Industry

India is one of the lowest cost producers of drugs and pharmaceuticals in the world. The Indian Pharmaceutical Industry (IPI) is undergoing a major transition with global as well as domestic factors playing a part in it. The playing field for the domestic pharmaceutical companies changed completely with the advent of product patent regime from January 2005. The single most important factor that has changed the dynamics of the industry is India's recognition of product patents under the Trade Related Intellectual Property Rights (TRIPS) agreement which came into effect from January, 2005. This has opened up a host of new opportunities for the domestic pharmaceutical companies and it has also developed new threats for the industry. The domestic pharmaceutical companies are now compelled to pursue various strategies on the business and R&D front for achievement of long -term sustainable growth. Besides changes in the patent law, the issues of drug pricing and the union pharmaceutical policy would also be instrumental in shaping the regulatory environment for the industry.

The size of the Indian pharmaceutical industry (based on value of production by Indian Pharmaceutical companies) was INR 416 bn or US\$ 9 bn in 2005-06. The size of the global pharmaceutical market was US\$ 602 bn and it grew by nearly 7% at constant exchange rate in 2005. The global pharmaceutical market has grown at a CAGR of nearly 11% during 1998 -2005.

The regulated markets constitute largest size and control 88% of the global pharmaceutical market. North America (47%), with 2005 sales of US\$ 266 bn, is the largest market for pharmaceuticals.

The Indian pharmaceutical industry (IPI) is highly fragmented with about 330 companies in the organized sector and more than 15,000 units in the unorganized sector. India is ranked 4th in volume terms and 11th in value terms among the global pharmaceutical markets. During 2005 -06, the industry grew at the rate of 9.5% as compared to 2004-05, where it clocked a meag growth of 1.3%. The growth in the 2005-06 can be attributed to the spill-over effect of de-stocking of medicines by stockiest as a result of clarity on implementation of Value Added Tax (VAT) by states and also due to robust growth in exports by the industry.

Exports from IPI have shown a steady growth during the last six years and their share in the total turnover has increased significantly. Exports by Indian Pharmaceutical companies have grown at a CAGR of 19% during the period 1998-2006 and constituted nearly 52% of the total industry size in 2005-06.

Formulations comprise majority of exports, however, bulk drug exports have also grown at a significant rate. In 2005-06 formulations constituted 55% of total exports in value terms and the remaining were bulk drug exports. The rise in exports is largely attributed to IPI's ability to produce quality medicines covering all major therapeutic segments at lower costs. Moreover, there are good opportunities provided by the potentially huge generics market in US and Europe. Indian companies are constantly upgrading their existing manufacturing facilities to get them approved from regulatory authorities (USFDA, MHRA, etc.) in order to access the regulated markets. These factors are likely to drive the exports of the Indian companies going forward.

(Source: The above data on the industry have been taken from the research report on Indian Pharmaceutical Industry prepared by CARE Research. The report is of June 2007)



## Business Summary

Bafna was started as a proprietary concern in 1981 by Mr. Bafna Mahaveer Chand in the name of Bafna Pharmaceutical and has been engaged in the business of manufacturing pharmaceutical formulations of Betalactum and Non Betalactum products. The first manufacturing unit was set up at Madhavaram during October 1984 for manufacture of tablets with an installed capacity of 420 lacs tablets p.a. Subsequently the capsule line was added during 1987 with a capacity of 300 Lacs capsule p.a. and then liquid line with an installed capacity of 45000 lts p.a was added in 1990. During the year 1995, Bafna Pharmaceuticals Limited was incorporated and it acquired the entire business of the proprietary concern. During the year 2001, the company constructed a separate block at Madhavaram for manufacturing Betalactum products. During 2006, Bafna has set up an 100% EOU unit at Madhavaram for the production of tablets and capsule with a capacity of 6973.20 lacs and 2462.40 lacs. This facility has been set up as per revised Schedule M under the Drugs and Cosmetics Act, 1947. The unit has been WHO GMP certified and also ISO 9000 certified. The products manufactured in this factory caters to the markets of Srilanka, Ghana and Ukraine.

Bafna was carrying on contract manufacturing for M/s Croslands Pvt. Ltd. a Mumbai based Pharmaceutical Company during the period 1994 to 2000. This company was subsequently taken over by M/s Ranbaxy Laboratories Ltd. and presently there is no entity called Crosslands Pvt. Ltd. in existence. Bafna was awarded the WHO GMP certification during the year 1995. The company's first product was registered in Srilanka in 1995 and the company made its first export during the same year. Presently around 57 products of the company are registered in Srilanka. During the year 2000 Bafna registered 3 of its products in Lao and in the year 2006, 4 products were registered in Ukraine. During 2007, Bafna registered 1 product in Ghana. The products registered by the company cover all the therapeutic segments. In the year 2003, the Government of India granted the Export House status to the company. The company received the Best Supplier award from the Srilankan Government during 2005.

After establishing itself in the non -regulated market, the company decided to enter into a more lucrative and regulated market of Europe. Towards this objective, the company started construction of a new state of art facility at Grantlayon village, near Red hills, Chennai for the manufacture of Non Betalactum products in solid oral dosage form during 2005. This unit is a 100% EOU unit. The total cost of the project as appraised by State Bank of India was Rs. 26.30 crore and the same was funded through a term loan of Rs. 14.60 crores sanctioned and disbursed by State Bank of India - Siruthozhil branch -Chennai and the balance through promoters contribution and internal accruals. The factory was completed and inaugurated by the Governor of Tamil Nadu on October 2, 2006. This new plant has been set up with guidelines as laid down in European GMP. The machineries installed in the new facility of the company are Programmable Logic Controller and all the contact parts are made of stainless steel. This leads to consistent quality of products produced with no contamination. The Auto Coater machinery used in the unit is imported from Korea and Camera system for detection of unfilled product is imported from USA. The company has entered into an agreement with an UK based company Somex Pharma for sale of cholesterol lowering agent products to be manufactured by Bafna at this unit. A full scale commercial production would be commenced in the new unit once approval of MHRA is received. Presently company is validating the equipments and process at this unit and taking validation batches for trail run.

The company has been rated by Dun & Bradstreet during July 2006 and has obtained a rating of SE 2A indicating High Performance Capability and High Financial Strength. During February 2007, the Ghana FDA audited the facilities of the company and granted registration for one of its products under - Antifungal category. The company has applied for registration of brands with trademark registry for 23 products and 15 brands have already been approved. The other products are under consideration and the approvals of the same are expected shortly.

The present installed capacity of different categories of products manufactured by Bafna are as under:-

Products	Installed capacity on one shift basis Madhavaram unit	Installed capacity on one shift basis Madhavaram EOU unit	Installed capacity on one shift basis Grantlayon unit
Tablets	8344.30 lacs	6973.20 lacs	7195.00 lacs
Capsules	2737.70 lacs	2462.40 lacs	2250.00 lacs
Oral syrups	416569 Litres	--	--

### Competitive Strengths of Bafna

1. **Well experienced promoters** - The promoters of Bafna are in the business of dealing and manufacturing in pharmaceutical products for the past 25 years.
2. **International standards:** Our Company has been WHO-GMP certified since 1995. The manufacturing facility at Madhavaram is ISO 9001:2000 certified. The new facility at Grantlayon is as per EU GMP guidelines and is in the process of obtaining MHRA & USFDA approvals. Bafna has been awarded the Best Supplier Award from State Pharmaceutical Co -operation of Sri Lanka in 2005.
3. **Consistently delivered high quality products:** Bafna considers the quality of its products an obligation and pre-requisites of its activities in the health care sector and is committed to build quality into the products being manufactured. The quality assurance department of the company keeps a consistent surveillance on the purchasing, storage, manufacturing, testing, distribution & marketing of its products to ensure compliance with company's quality goals.
4. **Strong focus on product development through research & development:** Our constant focus on R&D has enabled us to develop high quality products. It also helps us in attaining an optimum product mix which in turn leads to a better realization.
5. **Multi-product capability:** The Company presently manufactures 126 formulations under various therapeutic segments such as - anti-infective, cholesterol lowering agents, analgesic and antipyretic, antihelmintics, appetite stimulants, cough & cold preparations, antiulcerants anti diabetic and vitamins etc. . The manufacturing facilities of the company are multi-adaptable i.e. the facilities can produce multiple products using a combination of process.
6. **Registered brands:** Bafna presently has obtained 336 product licenses and has 65 products registered in various countries such as Srilanka, Ukraine, Ghana and Lao. The company's dispatches to these countries have essentially to be only those products which are registered in the respective countries.

### Business strategy:

1. **Entry into regulated market:** Bafna intends to enter into the regulated markets of the UK and USA and towards this purpose it has already set up a state of the art factory at Grantlayon. This new plant has been set up with guidelines as laid down in European GMP and the company is awaiting the MHRA approval for the factory.
2. **Diversifying into new markets:** Bafna intends to diversify into a growing market of formulation used in lifestyle disorder segments like cardiovascular and also market its existing products manufactured in the anti-infective and diabetic segment by launching the products and promoting them ethically through brand building exercise in India as well as in the international market.

3. **Cost competitive:** With the scaling of the manufacturing operations of the company, the products of the company would be cost effective through bulk purchasing of raw material. Moreover the company intends to implement automation at every stage of manufacturing process to be cost effective.
4. **Contract Manufacturing:** The recognition of product patent has provided global companies with better IPR protection and as a result has opened up a new segment for the IPI in Contract Research and Manufacturing Services (CRAMS). CRAMS has its roots in the outsourcing & off-shoring strategy that is successfully being employed by the developed countries. Many multinational pharmaceutical companies are expected to be affected by the number of drugs going off-patent. These companies need to maintain their growth momentum and to reduce the manufacturing cost are expected to outsource majority of off-patent products. Since Bafna has already set up its new factory as per EUGMP guidelines, it intends to get the contract manufacturing for these large multi national companies.
5. **Registration of products:** Bafna intends to register more and more of its products in different countries in its name and proposes to set up a strong marketing team to promote the products so registered.

**FINANCIAL DATA**
**STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT**

(Rs. In lacs)

Particulars	As at 31 st March					April- December 2007
	2003	2004	2005	2006	2007	
<b>Sales:</b>						
of Products <b>manufactured</b> by the Company	1289.13	1483.59	2529.56	2015.53	3600.81	2538.02
Of Products <b>traded in</b> by the Company	5.22	2.45	0.64	20.23	0.00	0.00
Other Income	79.81	99.89	90.80	118.32	123.84	20.49
Increase(Decrease in Inventories)	116.11	(64.60)	41.65	(17.61)	137.31	(89.59)
<b>TOTAL</b>	<b>1490.27</b>	<b>1521.33</b>	<b>2662.65</b>	<b>2136.47</b>	<b>3861.96</b>	<b>2468.92</b>
<b>Expenditure</b>						
Raw Material Consumed	1160.04	1104.11	2130.55	1588.04	3214.80	2005.88
Staff Costs	25.13	29.90	38.75	38.98	47.59	42.10
Other Manufacturing Expenses	124.99	192.06	211.81	214.96	302.76	135.70
Administration Expenses	22.31	30.99	35.89	45.62	49.90	44.20
Selling & Distribution Expenses	40.32	55.35	40.38	66.20	40.17	35.23
<b>TOTAL</b>	<b>1372.79</b>	<b>1412.41</b>	<b>2457.38</b>	<b>1953.80</b>	<b>3655.22</b>	<b>2263.11</b>
<b>Earning Before Depreciation Interest &amp; Tax</b>	<b>117.48</b>	<b>108.92</b>	<b>205.27</b>	<b>182.67</b>	<b>206.74</b>	<b>205.81</b>
Depreciation	17.77	16.83	17.02	26.74	36.84	25.51
Interest	24.53	27.23	48.82	49.94	50.82	45.36
<b>Net Profit before tax and extraordinary items</b>	<b>75.18</b>	<b>64.86</b>	<b>139.43</b>	<b>105.99</b>	<b>119.08</b>	<b>134.94</b>
Taxation						
current tax	18.00	22.61	50.58	16.69	12.71	5.01
Deferred tax	2.06	(2.26)	(0.96)	(2.97)	2.14	(1.16)
<b>Net Profit before extraordinary items</b>	<b>55.12</b>	<b>44.51</b>	<b>89.81</b>	<b>92.27</b>	<b>104.23</b>	<b>131.09</b>
Extraordinary items	0.03	0.23	1.31	7.62	7.38	1.85
<b>Net profit after Extraordinary items</b>	<b>55.09</b>	<b>44.28</b>	<b>88.50</b>	<b>84.65</b>	<b>96.85</b>	<b>129.24</b>

The above should be read with Notes to Statements of Adjusted Profits & Losses & Assets & Liabilities, as restated & Significant Accounting Policies as appearing in Annexure III of the Auditors Report on page no. 87 of this Offer Document.

**STATEMENT OF RESTATED ASSETS AND LIABILITIES**

(Rs. In lacs)

Particulars	AS at 31 st March					April-December 2007
	2003	2004	2005	2006	2007	
<b>A. Fixed Assets</b>						
Gross Block	299.79	301.32	325.77	495.63	422.55	434.25
Less Depreciation	76.21	93.04	110.06	136.80	173.64	199.15
	<b>223.58</b>	<b>208.28</b>	<b>215.71</b>	<b>358.83</b>	<b>248.91</b>	<b>235.10</b>
Less Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Block after Revaluation Reserve</b>	223.58	208.28	215.71	358.83	248.91	235.10
Work- in- Progress	0.00	0.00	147.12	445.13	2301.80	2651.76
<b>Net Block</b>	<b>223.58</b>	<b>208.28</b>	<b>362.83</b>	<b>803.96</b>	<b>2550.71</b>	<b>2886.86</b>
<b>B. Investments</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>C. Current Assets, Loans and Advances</b>						
Inventories	357.38	271.46	585.02	497.18	656.11	675.93
Sundry Debtors	266.98	389.32	426.77	495.84	1840.75	2061.22
Cash and bank balances	29.91	49.87	116.40	108.25	176.69	135.75
Loans and Advances	100.51	39.25	192.31	234.53	171.82	226.69
Total Current Assets	<b>754.78</b>	<b>749.90</b>	<b>1320.50</b>	<b>1335.80</b>	<b>2845.37</b>	<b>3099.59</b>
<b>D Total Assets (A+B+C)</b>	<b>978.36</b>	<b>958.18</b>	<b>1683.33</b>	<b>2139.76</b>	<b>5396.08</b>	<b>5986.45</b>
<b>E. Liabilities and Provisions</b>						
<b>Loan Funds</b>						
Secured Loans	133.76	183.82	671.96	1146.19	1584.82	2277.93
Unsecured Loans	6.64	6.64	6.39	0.25	126.34	131.20
<b>Total</b>	<b>140.40</b>	<b>190.46</b>	<b>678.35</b>	<b>1146.44</b>	<b>1711.16</b>	<b>2409.13</b>
<b>F Current Liabilities and provision</b>						
Current Liabilities	554.62	423.35	516.82	405.08	2750.09	2360.77
Provisions	18.00	22.61	50.58	15.96	12.70	13.01
Deferred Tax Liability	17.07	14.82	13.86	10.88	13.03	11.86
<b>Total</b>	<b>589.69</b>	<b>460.78</b>	<b>581.26</b>	<b>431.92</b>	<b>2775.82</b>	<b>2385.64</b>
<b>G Total Liabilities &amp; Provisions (E+F)</b>	<b>730.09</b>	<b>651.24</b>	<b>1259.61</b>	<b>1578.36</b>	<b>4486.98</b>	<b>4794.77</b>
<b>H.Net Worth (D-G)</b>	<b>248.27</b>	<b>306.94</b>	<b>423.72</b>	<b>561.40</b>	<b>909.10</b>	<b>1191.68</b>
<b>I. Represented by</b>						
Share Capital	42.54	42.54	227.68	386.52	386.52	958.11
Share Application	3.00	3.00	30.00	27.68	276.93	0.00
Reserves	202.79	261.43	167.79	153.60	250.45	236.77
<b>Total</b>	<b>248.33</b>	<b>306.97</b>	<b>425.47</b>	<b>567.80</b>	<b>913.90</b>	<b>1194.88</b>
J. Misc. Expenditure to the extent not written off or adjusted	0.06	0.03	1.75	6.40	4.80	3.20
<b>H.Net Worth (I-J)</b>	<b>248.27</b>	<b>306.94</b>	<b>423.72</b>	<b>561.40</b>	<b>909.10</b>	<b>1191.68</b>

The above should be read with Notes to Statements of Adjusted Profits & Losses & Assets & Liabilities, as restated & Significant Accounting Policies as appearing in Annexure III of the Auditors Report on page no. 87 of this Offer Document.

**THE ISSUE**

Type of Issue	Type of Instrument	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration
Public Issue	Equity Shares	64,00,000	10/-	40/-	Cash

**ISSUE BREAK-UP**

Particulars	No. of Equity Shares
Equity Shares offered (Issue Size)	64,00,000 Equity Shares
Equity shares outstanding prior to the Issue	95,81,129 Equity Shares
Equity shares outstanding after the issue	1,59,81,129 Equity Shares

**Use of proceeds:**

Please see section titled "Objects of the Issue" on page 19 of this Offer Document

**ISSUE PROGRAM**

<b>ISSUE OPENS ON</b>	:	TUESDAY, MAY 27, 2008
<b>ISSUE CLOSSES ON</b>	:	FRIDAY, MAY 30, 2008

**GENERAL INFORMATION****Incorporation:**

Our company was incorporated on 20<sup>th</sup> April 1995 as Bafna Pharmaceuticals Limited under Companies Act 1956, with Registration number -18-30698 from Registrar of Companies, Tamil Nadu, Chennai.

**Address of the company:**

Registered Office	Bafna Towers, No: 299, Thambu Chetty Street, Chennai -600 001
Factory-I	No: 13, S. V. Koil Street, Madhavaram, Chennai-600 060
Factory-II	147, Red hills High Road, Grantlayon Village, Chennai- 600 052

**Company Identification Number -U2494TN1995PLC030698**

**Contact Person:** Mr. R. Jayaraman, Company Secretary and Compliance Officer

**Address of Registrar of Companies:** Haddows Road, Chennai 600 006, Tamil Nadu.

**Board of Directors**

The present Board of Directors of BAFNA consists of the following:

Name	Designation	Status
Mr. Bafna Mahaveer Chand	Chairman & Managing Director	Executive and Non-independent
Mr. Paras Bafna	Whole time Director	Executive and Non-Independent
Mr. Sunil Bafna	Director	Non- Executive and Non-Independent
Mr. R. Dwarakanathan	Director	Non-executive and Independent
Mr. V. Rajamani	Director	Non-executive and Independent
Mr. A. Sahasranaman	Director	Non-executive and Independent
Mr. Ratan Chand Lodha	Director	Non-executive and Independent

*For more details on our directors, please refer to this section titled "Our Management" beginning on page 70 of this Offer Document.*

**Company Secretary and Compliance Officer**

Mr. R. Jayaraman  
**Bafna Pharmaceuticals Limited**  
Bafna Towers, No: 299,  
Thambu Chetty Street,  
Chennai-600 001  
Tel.: +91-44-25267517  
Fax.: +91-44-25231264  
E-mail: cs@bafnapharma.com

**Registrar to the Issue****Cameo Corporate Services Ltd.**

Subramanian Building, # 1, Club House Road  
Chennai 600 002 - INDIA  
Tel: +91-044-2846 0390 (5 Lines); Fax: +91-044-2846 0129  
E-mail : [cameo@cameoindia.com](mailto:cameo@cameoindia.com)  
Website: [www.cameoindia.com](http://www.cameoindia.com)  
SEBI Reg. No. : INR 000003753  
Contact Person: Mr. R. D. Ramaswamy

**Investors can contact the Compliance Officer or the Registrar in case of any Pre-Issue or Post-Issue related problems such as non-receipt of letters of allotment, credit of allotted Equity Shares in the respective beneficiary account or refund orders, etc.**

**Lead Manager to the Issue****KEYNOTE****CORPORATE SERVICES LTD****KEYNOTE CORPORATE SERVICES LIMITED**

4th Floor, Balmer Lawrie Building,  
5, J. N. Heredia Marg, Ballard Estate, Mumbai -400 001.  
Tel : +91-022-30266000/ 22694324  
Fax: + 91-022-22694323  
E-mail: [mbd@keynoteindia.net](mailto:mbd@keynoteindia.net)  
Website: [www.keynoteindia.net](http://www.keynoteindia.net)  
Sebi Regn No: INM 000003606  
Contact Person: Ms. Girija Choudhari

**Co-Lead Manager to the Issue****Ashika Capital Limited**

1008, Raheja Centre, 214, Nariman Point, Mumbai -400 021.  
**Tel :** +91 - 22 - 66111700;  
**Fax:** +91 - 22 - 66111710  
**Email:** [mbd@ashikagroup.com](mailto:mbd@ashikagroup.com)  
**Website:** [www.ashikadirect.com](http://www.ashikadirect.com)  
**SEBI Regn. No:** INM 00010536  
Contact Person: Mr. Nithin Kanuganti

**Advisors to the Issue****CORPORATE LAW CHAMBERS INDIA**

44A, Nariman Bhavan,  
Nariman Point  
Mumbai - 400 021.  
Tel : +91-022- 6632 1528 , Fax : +91-022-6632 1531  
E.mail: [mail@corplawchambers.com](mailto:mail@corplawchambers.com)  
Contact person: Mr. A. Y. Srinivasan



**Bankers to the Issue****HDFC BANK LIMITED**

BTI Ops Department  
Meneckji Wadia Bldg, 3rd Floor,  
Nanik Motwani Marg  
Fort, Mumbai – 400 001  
**Tel:** + 91 22 66573746, 22700272  
**Fax:** + 91 22 22700024  
**E-mail:** [deepak.rane@hdfcbank.com](mailto:deepak.rane@hdfcbank.com)  
**Website:** [www.hdfcbank.com](http://www.hdfcbank.com)  
**Contact person:** Mr. Deepak Rane

**CANARA BANK**

Capital Market Services Branch  
11, Homji Street, Varma Chambers Bldg,  
(Ground Floor) Fort, Mumbai – 400 001  
**Tel:** +91-022-22692973, 22662816  
**Fax:** +91-022-22664140  
**Email:** [mcity2422@canbank.co.in](mailto:mcity2422@canbank.co.in)  
**Website:** [www.canarabankindia.com](http://www.canarabankindia.com)  
**Contact person :** Mr. T. Muralidharan

**ICICI BANK LIMITED**

Capital Markets Division  
30, Mumbai Samachar Marg,  
Fort Mumbai – 400 001  
**Tel:** + 91 22 22627600  
**Fax:** + 91 22 22611138  
**E-mail:** [venkataraghavan.t@icicibank.com](mailto:venkataraghavan.t@icicibank.com)  
**Website:** [www.icicibank.com](http://www.icicibank.com)  
**Contact person:** Mr. Venkataraghavan T A

**STATE BANK OF INDIA**

New Issues & Securities Services Division  
Mumbai Main Branch, Mumbai Samachar Marg  
P.B. No. 13, Fort,  
Mumbai- 400 023  
**Tel:** + 91 22 22651579, 22662133, 22651363  
**Fax:** + 91 22 22670745, 22695277  
**E-mail:** [mmbnewiss@sbi.co.in](mailto:mmbnewiss@sbi.co.in),  
[rajeev.kumar@sbi.co.in](mailto:rajeev.kumar@sbi.co.in)  
**Website:** [www.statebankofindia.com](http://www.statebankofindia.com)  
**Contact person:** Mr. Kannan Raj, Mr. Rajeev Kumar

**Statutory Auditors****M/s. Abhay Jain & Co.**

Chartered Accountants  
4/16, Sankurama Street,  
Chennai-600 001  
Tel.: +91-044-25382567/25382360

**Bankers to the Company****State Bank of India**

Siruthozil Branch,  
Chennai-600 034  
Tel.: +91-44-28278845  
Fax: +91-44-28229292

**Credit Rating**

As this is an Issue of Equity Shares there is no credit rating for this Issue.

**Trustees**

As this is an Issue of Equity Shares, the appointment of Trustees is not required.

**Monitoring Agency**

No agency has been appointed to monitor the utilization of funds.

## **IPO Grading**

ICRA has assigned an IPO grade 2, indicating below average fundamentals, to the proposed IPO of Bafna Pharmaceuticals Limited (Bafna). ICRA assigns IPO gradings on a scale of IPO Grade 5 to IPO Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.

### **A summary of the rationale for the grading assigned by ICRA Ltd. to the Issue is extracted below:**

The IPO grading assigned by ICRA favourably factors in the promoters' experience in the domestic pharmaceutical industry and the company's long experience in the unregulated market with supply to Sri Lanka. The grading also takes into account the company's investment in manufacturing facilities at Grantlayon in Chennai targeting approvals from regulated market authorities.

The grading is, however, constrained by the risks arising out of significant proportion of Bafna's business from the institutional segment - characterized by low pricing power, high customer concentration with more than 90% of revenues in 2005-06 and 2006-07 derived from top five customers, strengthening of Indian rupee impacting profitability of its growing exports business and lack of experience in the regulated markets. The grading also factors in the low profitability demonstrated by the company's past financials. ICRA expects that the key challenge for the company would be to scale up its qualified and professional manpower resources in line with its proposed growth plans. Scaling up domestic branded business would also be a challenge considering presence of large established players. Moreover, Bafna's small scale of operations and adverse regulatory changes in pricing in the domestic pharmaceutical business add to the vulnerability of the company given the dynamic and highly competitive nature of the pharmaceutical industry.

## **Underwriting Agreement**

The present Public Issue is not underwritten

### Statement of Inter Se Allocation of Responsibilities

The following table sets forth the distribution of responsibility and co-ordination for various activities among the Lead Manager to the Issue and Co-lead Manager to the Issue:

Sr. No.	Activity	Responsibility	Coordinator
A.	i) Capital Structuring with relative components and formalities ii) Structuring of the issue instrument	Keynote	Keynote
B.	i) Offer document - draft and design of offer document, due diligence and completion of formalities with Stock Exchange, SEBI and Registrar of Companies. ii) Selection of Ad agencies, design of statutory advertisement and press releases	Keynote	Keynote
C.	Marketing of the Issue, which will cover, interalia formulating of marketing strategies, preparation of publicity budget, arrangement for Ad Media Centers of holding conferences of Brokers, Investors etc, and Bankers to the Issue.	Ashika & Keynote	Ashika
D.	Selection of various agencies connected with the issue such as Registrars to the Issue, Printers and Brokers.	Keynote & Ashika	Keynote
E.	Selection of Bankers to the Issue, collection centers	Keynote & Ashika	Ashika
F.	Follow up with Bankers to the issue on collections and advising the issuer about closure of the issue based on correct figures	Ashika	Ashika
G.	Post issue activities will involve submission of statutory reports, essential follow up steps including finalization of basis of allotment, listing of instrument and dispatch of certificates and refunds, coordination with various agencies connected with the work such as registrars to the issue, bankers to the issue and the bank handling the refund business. Even if many of these activities will be handled by other intermediaries, the designated Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable to discharge this responsibility through suitable agreement with the issue company.	Ashika	Ashika

The selection of various agencies like Registrars to the issue, Bankers to the issue, Bank collection centers, Legal Advisors to the issue, Underwriters to the Issue, Brokers, Ad Agencies and PR Agencies etc will be finalized in consultation with issuer company.

**CAPITAL STRUCTURE**

Particulars		Nominal Value (Rs.)	Premium (Rs.)	Total Amount (Rs.)
<b>A</b>	<b>AUTHORISED</b> 20000000 equity shares of Rs. 10/- each	200000000	-	200000000
<b>B</b>	<b>ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL</b> 9581129 equity shares of Rs. 10/- each	95811290	7100000	102911290
<b>C</b>	<b>PRESENT ISSUE IN TERMS OF THIS OFFER DOCUMENT</b> 6400000 equity shares of Rs. 10/- each for cash at a premium of Rs. 30/- per share aggregating to Rs. 2560 lacs.	64000000	192000000	256000000
<b>D</b>	<b>TOTAL PAID UP SHARE CAPITAL AFTER THE PUBLIC ISSUE</b> 15981129 equity shares of Rs. 10/- each	159811290	-	159811290
<b>E</b>	<b>SHARE PREMIUM ACCOUNT</b> Before the Public Issue After the Public Issue	7100000 199100000	-	-

Details of increase in the authorized share capital of BAFNA, since incorporation, are as follows:

Sr.No.	Details of increase in authorised share capital	Date
1	Incorporation Rs50 Lacs divided into 5,00,000 Equity Shares of Rs. 10 each.	At Incorporation
2	Increased to Rs. 150 Lacs divided into 15,00,000 Equity Shares of Rs. 10 each.	28/02/2005
3	Increased to Rs. 350 Lacs divided into 35,00,000 Equity Shares of Rs. 10 each.	31/03/2005
4	Increased to Rs. 1600 Lacs divided into 1,60,00,000 Equity Shares of Rs. 10 each.	15/12/2005
5	Increased to Rs. 2000 Lacs divided into 2,00,00,000 Equity Shares of Rs. 10 each	28/09/2007

**Notes to the Capital Structure:**
**1. Share Capital History of the Company**

Date of Allotment	Number of Shares	Face Value Per Equity Share (Rs.)	Issue Price Per Equity Share (Rs.)	Nature of Payment of Consideration	Reason for allotment	Cumulative Number of Equity Shares
28/03/1995	700	10	10	Cash	Subscription to Memorandum	700
28/03/1998	2,74,665 1,50,000 *	10 10	10 10	Cash Consideration other than cash*	Further issue of shares	4,25,365
01/03/2005	30,000	10	10	Cash	Further issue of shares	4,55,365
31/03/2005	18,21,460	10	-	Bonus	Bonus in the ratio of 4 : 1	22,76,825

Date of Allotment	Number of Shares	Face Value Per Equity Share (Rs.)	Issue Price Per Equity Share (Rs.)	Nature of Payment of Consideration	Reason for allotment	Cumulative Number of Equity Shares
09/05/2005	3,00,000	10	10	Cash	Further issue of shares	25,76,825
30/12/2005	12,88,412	10	-	Bonus	Bonus in the ratio of 1 : 2	38,65,237
28/09/2007	23,19,142	10	-	Bonus	Bonus in the ratio of 3:5	61,84,379
01/10/2007	26,06,750	10	10	Cash	Further issue of shares	87,91,129
01/10/2007	6,90,000	10	20	Cash	Further issue of shares	94,81,129
01/10/2007	1,00,000	10	30	Cash	Further issue of shares	95,81,129

\* Mr. Bafna Mahaveer Chand, the promoter was issued 1,50,000 shares towards consideration for takeover of the business of the proprietary concern - Bafna Pharmaceutical.

**Note:** The Bonus Issue has been made out of the Profits of the Company and not out of revaluation reserves.

As on date of filing of this Offer Document with SEBI, Bafna's issued capital is fully paid up.

## 2. Promoters Contribution and Lock-In

The details of pre-issue share holding of the promoters offered for minimum lock-in for 3years as per SEBI guidelines is as detailed herein. All the Equity Shares, which are being locked -in are eligible for computation of promoter's contribution and lock -in under Clause 4.6 of the SEBI Guidelines.

Name of Promoter	Date of Allotment /Transfer	Allotment /Transfer	Consideration (Rs.)	Number of Shares	Face Value (Rs.)	Issue/ Transfer Price (Rs.)	% of Post Issue	Lock in Period
Mr. Bafna Mahaveer Chand	28/03/1995	Allotment	Cash	100	10	10	negligible	3 years
	28/03/1998	Allotment	Other than Cash	1,50,000	10	-	0.94	3 years
	12/12/2002	Transfer	--	16,000	10	10	0.10	3 years
	15/10/2003	Transfer	--	36,000	10	10	0.23	3 years
	31/03/2005	Allotment	Bonus	8,08,400	10	-	5.06	3 years
	30/12/2005	Allotment	Bonus	5,05,250	10	-	3.15	3 years
	15/06/2006	Transfer	--	(74,250)	10	10	(0.46)	
	28/09/2007	Allotment	Bonus	8,64,900	10	-	5.41	3 years
	<b>Sub - Total (a)</b>			<b>23,06,400</b>			<b>14.43</b>	

Mr. Paras Bafna	28/03/1995	Allotment	Cash	100	10	10	0.00	3 years
	28/03/1998	Allotment	Cash	2,225	10	10	0.01	3 years
	12/12/2002	Transfer	_	14,000	10	10	0.09	3 years
	15/10/2003	Transfer	_	51,440	10	10	0.32	3 years
	22/10/2004	Transfer	_	4,000	10	10	0.03	3 years
	31/03/2005	Allotment	Bonus	2,87,060	10	-	1.80	3 years
	30/12/2005	Allotment	Bonus	1,79,412	10	-	1.12	3 years
	28/09/2007	Allotment	Bonus	3,22,942	10	-	2.02	3 years
	<b>Sub - Total (b)</b>			<b>8,61,179</b>			<b>5.39</b>	
Mr. Navin Bafna	28/09/2007	Allotment	Bonus	28,647	10	-	0.18	3 years
	<b>Sub - Total (c)</b>			<b>28,647</b>			<b>0.18</b>	
	<b>Grand Total</b>			<b>31,96,226</b>			<b>20.00</b>	

**Note:**

Specific written consent has been obtained from the Promoters for inclusion of the Equity Shares for ensuring lock-in of three years to the extent of minimum 20% of post-Issue paid-up equity share capital from the date of allotment in the proposed public issue. Promoters' contribution does not consist of any private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.

Shares held by the person other than the Promoters, prior to this Issue, which are subject to lock in as per the relevant provisions of Chapter IV of SEBI Guidelines, may be transferred to any other person holding shares which are locked in, subject to continuation of lock -in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

Shares held by Promoter(s) which are locked in as per the relevant provisions of Chapter IV of the SEBI Guidelines, may be transferred to and amongst Promoter/Promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock -in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable. As per clause 4.15.1 of SEBI (DIP) Guidelines, 2000, the locked-in Equity Shares held by the Promoter(s) can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of such loan . Provided that if securities are locked in as minimum promoters' contribution under clause 4.11.1, the same may be pledged, only if, in addition to fulfilling the requirements of this clause, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the issue.)

Other than those shares those shares that are locked in as promoter's contribution for three years, the entire pre-issue share capital of 63,84,903 equity shares will be locked in for a period of one year from the date of allotment in this public issue.

The details of share holding held by the promoters which shall be locked in for a period of one year is as follows:

Name of Promoter	Date of Allotment /Transfer	Allotment /Transfer	Consideration (Rs.)	Number of Shares	Face Value (Rs.)	Issue/ Transfer Price (Rs.)	% of Post Issue	Lock in Period
Mr. Bafna Mahaveer Chand	01/12/2007	Transfer	--	5,00,000	10	10	3.13	1 year
	<b>Sub - Total</b>			5,00,000			3.13	
Mr. Paras Bafna	01/12/2007	Transfer		50,000	10	10	0.31	1 year
	<b>Sub - Total</b>			50,000			0.31	
Mr. Navin Bafna	22/10/2004	Transfer	-	10,000	10		0.06	1 year
	31/03/2005	Allotment	Cash	40,000	10	10	0.25	1 year
	20/10/2005	Transfer	-	3,00,000	10	10	1.88	1 year
	30/12/2005	Allotment	Bonus	1,75,000	10	-	1.10	1 year
	28/09/2007	Allotment	Bonus	2,86,353	10	-	1.79	1 year
	<b>Sub - Total</b>			<b>8,11,353</b>			<b>5.08</b>	
	<b>Grand Total</b>			<b>13,61,353</b>			<b>8.52</b>	

**3. Transactions in the Company's Equity Shares by the Promoters/Promoter Group and the directors of the Company or directors of the Promoter company during a period of six months preceding the date of filing of this Offer Document with SEBI except as given under:**

Date of Transfer	Name of the Transferor	Name of the Transferee	Number of Shares	Transfer Price per share (Rs.)
01/12/2007	Mr. Manmohan singh Jain	Mr. Paras Bafna	50,000	10
01/12/2007	Mr. Manmohan singh Jain	Mr. Bafna Mahaveer Chand	5,00,000	10

**4. Shareholding pattern of the Company Pre and Post Issue**

Shareholder's Category	Pre-Issue		Post-Issue	
	No. of Shares	%age	No. of Shares	%age
<b>Promoters</b>				
Mr. Bafna Mahaveer Chand	28,06,400	29.29	28,06,400	17.56
Mr. Paras Bafna	9,11,179	9.51	9,11,179	5.70
Mr. Navin Bafna	8,40,000	8.77	8,40,000	5.26
<b>Sub Total (a)</b>	<b>45,57,579</b>	<b>47.57</b>	<b>45,57,579</b>	<b>28.52</b>
<b>Immediate Relative of promoters (Spouse, Parent, Child, Brother, Sister)</b>				
Mrs. Sasikala Bafna	12,97,200	13.54	12,97,200	8.12
Bafna Mahaveer Chand (HUF)	60,000	0.63	60,000	0.38
Mrs. Usha Bafna	3,12,000	3.26	3,12,000	1.95
Mrs. Amribai Bafna	1,01,200	1.06	1,01,200	0.63
Ms. Chetna Bafna	4,80,750	5.02	4,80,750	3.01
<b>Total (b)</b>	<b>22,51,150</b>	<b>23.50</b>	<b>22,51,150</b>	<b>14.08</b>

Shareholder's Category	Pre-Issue		Post-Issue	
	No. of Shares	%age	No. of Shares	%age
<b>Sub Total (a+b)</b>	<b>68,08,729</b>	<b>71.07</b>	<b>68,08,729</b>	<b>42.60</b>
Company in which 10% or more of the share Capital is held by the promoter his immediate Relative firm or HUF in which the promoter or his immediate relative is a member.	N.A.		N.A.	
Company in which the Company mentioned in point no. c), above holds 10% or more of the share capital	N.A.		N.A.	
HUF in which aggregate share of the promoter and his immediate relative is equal or more than 10% or more of the share capital.	N.A.		N.A.	
Others:				
a. Body Corporates	12,43,750	12.98	12,43,750	7.78
b. Individuals	15,28,650	15.95	15,28,650	9.57
<b>Sub Total (a+b)</b>	<b>27,72,400</b>	<b>28.94</b>	<b>27,72,400</b>	<b>17.35</b>
<b>Public</b>	<b>-</b>	<b>-</b>	<b>64,00,000</b>	<b>40.05</b>
<b>GRAND TOTAL</b>	<b>95,81,129</b>	<b>100.00</b>	<b>15,981,129</b>	<b>100.00</b>

**5a) Particulars of top ten shareholders on the date of filing this Offer Document with ROC (13/05/2008)**

Serial No.	Name of the shareholder	Number of Equity Shares	% of total issued equity share capital
1	Mr. Bafna Mahaveer Chand	28,06,400	29.29
2	Mrs. Sasikala Bafna	12,97,200	13.54
3	Mr. Paras Bafna	9,11,179	9.51
4	Mr. Navin Bafna	8,40,000	8.77
5	Ms. Chetna Bafna	4,80,750	5.02
6	Mr. Ramesh Kumar	3,73,250	3.90
7	M/s Hingora Finvest Pvt. Ltd.	3,65,000	3.81
8	Mr. Jayaraman Arjunan	3,20,000	3.34
9	Mrs. Usha Bafna	3,12,000	3.26
10	M/s Saumitra Investments & Finance Ltd.	2,73,750	2.86

**5b) Particulars of top ten shareholders ten days prior to filing this Offer Document with ROC (03/05/2008)**

Serial No.	Name of the shareholder	Number of Equity Shares	% of total issued equity share capital
1	Mr. Bafna Mahaveer Chand	28,06,400	29.29
2	Mrs. Sasikala Bafna	12,97,200	13.54
3	Mr. Paras Bafna	9,11,179	9.51
4	Mr. Navin Bafna	8,40,000	8.77
5	Ms. Chetna Bafna	4,80,750	5.02
6	Mr. Ramesh Kumar	3,73,250	3.90
7	M/s Hingora Finvest Pvt. Ltd.	3,65,000	3.81
8	Mr. Jayaraman Arjunan	3,20,000	3.34
9	Mrs. Usha Bafna	3,12,000	3.26
10	M/s Saumitra Investments & Finance Ltd.	2,73,750	2.86



5c) Particulars of the top shareholders 2 years prior to the date of filing of this Offer Document with ROC (13/05/2006).

Serial No.	Name of the shareholder	Number of shares	% of total issued equity share capital
1	Mr. Bafna Mahaveer Chand	10,10,500	26.14
2	Mrs. Sasikala Bafna	5,40,500	13.98
3	Mr. Paras Bafna	3,58,825	9.28
4	Mrs. Usha Bafna	1,50,500	3.89
5	Ms. Chetna Bafna	1,50,000	3.88
6	M/s. Sea Trans Dan Shipping Pvt. Ltd.	1,25,000	3.23
7	Mr. Abbas N. Bharmal	75,000	1.94
8	Mr. Ali Akbar Bharmal	75,000	1.94
9	Mr. Navin Bafna	50,000	1.29
10	M/s. Sharmada Securities Pvt. Ltd.	25,000	0.65

6. The Company, its Directors, the Promoters and the Lead Managers to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of Equity Shares of the Company from any person.
7. The total number of members of BAFNA as on the date of filing this Offer Document are 97.
8. The Company has not raised any bridge loan against the proceeds of this Issue.
9. An over-subscription to the extent of 10% of this Issue size can be retained for the purp ose of rounding off to the nearer multiple of minimum allotment lot.
10. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of this Offer Document with SEBI until the Equity Shares offered through this Offer Document have been listed.
11. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly, for its Equity Shares) whether preferential o r otherwise, except that if they enter into acquisitions or joint ventures, the Company may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
12. The Company has not made any public issue since its incorporation.
13. The Equity Shares will be issued and traded on the stock exchange only in dematerialised form. Hence the market lot of the equity shares is 1 (One share).
14. The Company undertakes that at any given time, there shall be only one denomination for the Equity shares of the Company and the Company shall comply with such disclosure and accounting norms as specified by SEBI from time to time.
15. As on the date of filing of this Offer Document, there are no outstan ding warrants, options or rights to convert debentures, loans or other financial instruments into the Equity Shares of the Company. The shares locked in by the Promoters are not pledged to any party.

## OBJECTS OF THE ISSUE

Bafna is presently engaged in the manufacture of pharmaceutical formulations and exporting the same to various countries. Presently the company has over 65 products registered in Srilanka, Ukarine, Lao and Ghana. The company is intending to enter into the regulated market and towards that purpose has set up a new unit at Grantlayon, Chennai which would be Medicines and Health Care Products Regulatory Agency (MHRA) approved unit. MHRA is Government body based in the United Kingdom. To further strengthen its position in the market, the company proposes to build its brand value and towards that purpose the company is proposing to raise resources.

The main objects of the issue are: -

- To undertake Brand Building exercise in domestic & international markets
- To part finance the cost of obtaining MHRA approval for Grantlayon unit
- To set up a Research & Development unit at Grantlayon
- To meet the working capital requirement
- To partly repay the loan taken from State Bank of India, (SBI) Chennai
- To meet Public Issue Expenses and to achieve listing on stock exchange

The main objects and objects incidental or ancillary to the main objects set out in the Memorandum of Association of Bafna enable it to undertake its existing activities and the activities for which funds are being raised by them through this Issue.

## COST OF PROJECT

The total project cost for the above mentioned objects as per the estimates of the company are as follows:-

<i>(Rs. In lacs)</i>	
Particulars	Amount
Brand building in domestic markets	1,044.00
Registration of Company, products and Brand building in International Markets	303.00
MHRA Accrediation	108.00
Setting up R&D facilities	300.00
Working Capital Requirement	200.00
Part repayment of loan from SBI	400.00
Public Issue Expenses	205.00
<b>Total</b>	<b>2,560.00</b>

## MEANS OF FINANCE

The proposed means of the finance for the Project is as under:

Source	Amount (Rs. in lacs)
Public issue of equity shares	2,560.00
<b>TOTAL</b>	<b>2,560.00</b>

**Details of object of the Issue:****I Brand Building Exercise in Domestic Market:**

Pharma business is intensely competitive with players at Regional, National and International levels. There are huge opportunities available and large potential remain untapped. Bafna plans to create and build its own Brands. This will give not only visibility but also a market recognition to the Company in terms of quality and reputation to its products

In order to develop well established brand image and distribution network Bafna plans to recruit its own marketing team to promote branded products of the company through established doctor's network. Bafna is planning to market "Lifestyle Medicines" like cardiovascular, diabetics, anxiety, depression and anti infective products. The company has already applied for registration of about 23 Brands with the trademark registry. Total expenditure to be incurred on these activities is estimated at Rs. 1044.00 lacs. The break up of the same is as under:

**a. Marketing expenses**

In the domestic markets, Bafna proposes to initially market its products in three states - Tamilnadu, Andhra Pradesh and West Bengal. The marketing expenses would include the recruitment and training expenses of Marketing manager, Sales promotional activities consisting of distributing samples to physicians, promotional materials such as visual-aids, Leave Behind Literature (LBL), Reminder cards, and other consultancy charges. The total expenses to be incurred are estimated to be around Rs. 183.00 lacs.

**b. Field Expenses:**

Bafna intends to recruit around 75 Medical Sales Officer (MSO) in states of Tamil Nadu, Andhra Pradesh and West Bengal who will in turn promote the company's brands to doctors and chemists. An amount of Rs. 861.00 is estimated to be incurred towards salaries of these field officers for a period of one year which is proposed to be funded through the proceeds of the issue.

**II Registration of Company, products and Brand Building Exercise in International Market:**

Bafna has about 57 products registered in Srilanka, 4 products in Ukraine and 1 product in Ghana and 3 products in Lao. These products are being sold through distributors in these countries, who in turn market the products locally. Bafna plans to increase its presence in the international market, through registering additional products in the international markets and buy Market Authorization for its Products in Regulated Markets. Total expenditure to be incurred on international brand building is estimated to be around Rs. 342.00 lacs. The details of which are given as follows:

**a. Registration of Products / Company:**

Bafna intends to buy market authorization for products nearing off-patent for faster growth. As a long term strategy Bafna intends to register more and more of its products in different countries in its name and proposes to set up marketing team to promote the products so registered. In addition to existing products Bafna proposes to register 15 new products in Srilanka and Ghana. The Registration cost of additional products in Sri Lanka and Ghana is estimated to be around Rs. 32.00 lacs.

Bafna also proposes to enter the African countries for marketing its products. For that purpose, the company would first register itself in Africa and then it plans to register 25 new products in 6 African countries viz Tanzania, Kenya, Uganda, Sudan, Nigeria and Algeria. Total estimated cost of registration of the Company and its products in Africa would be around Rs. 34.00 lacs.

**b. Building up of Marketing Team:**

In order to establish it's own marketing team in the Countries wherein the Company's Products are registered, Bafna intends to recruit detailing representatives and one country manager in each of the countries. These representatives will market the company's product. Bafna estimates to incur around Rs.237.00 lacs towards salaries of the marketing personnel for one year, expenses on promotion inputs, traveling and other administrative expenses. These expenses have been estimated by the company based on the experience of its promoters and have not been made by any outside agency. The detailed break up of expenses to be incurred in a period of one year is as given below:

Amount in Rs. lacs

Item	Number of people	Salary per month	Total Expenses
<b>Srilanka</b>			
Country Manager	1	1.60	19.20
Detailing Reps	3	1.00	36.00
Promotion Inputs			6.00
Traveling Expenses			6.00
Adm Expenses			6.00
<b>Sub Total</b>			<b>73.20</b>
<b>Ghana</b>			
Country Manager	1	2.40	28.80
Detailing Reps	3	1.20	43.20
Promotion Inputs			6.00
Traveling Expenses	12 trips		9.00
Adm Expenses			6.00
<b>Sub Total</b>			<b>93.00</b>
<b>Africa (6 countries)</b>			
Detailing Reps	3	0.19	6.84
Sales manager	1	1.50	18.00
Traveling			40.00
Adm Expenses			6.00
<b>Sub Total</b>			<b>70.84</b>
<b>Total expenses</b>			<b>237.04</b>

**III MHRA Accreditation:**

Bafna plans for MHRA accreditation to enter into the regulated markets of UK and the other European Countries. Bafna has established a State of art manufacturing facility at Grantlayon village in Chennai for catering to the regulated markets. This new plant has been set up with guidelines as laid down in European GMP and the company is awaiting the MHRA approval for the factory which would be obtained after the inspection of the facilities by the inspectors of MHRA .

The total estimated cost towards MHRA Accreditation is estimated to be Rs. 108.00 lacs the break up of which is as follows:

Expenses	Amount in (Rs. in Lacs)
Consulting	38.00
Traveling	17.00
Inspection fees	50.00
Other Misc. Exp.	3.00
<b>Total</b>	<b>108.00</b>

#### IV R& D (Formulation & Development Lab) at Grantlayon:

Pharmaceutical companies are affected by the number of drugs going off-patent. In order to maintain their growth momentum, the pharmaceutical companies Endeavour to reduce their manufacturing cost. To achieve this cost reduction and effect cost control measure without compromising on the quality standards of the product, companies have to continuously validate the formulations. This can be only achieved in Formulation Development Laboratories (FDL).

In any formulation, before making commercial batches, the process needs to be stabilized particularly for Regulated Markets and this process is very crucial and imperative. All major companies either have their own FDL or outsource it. This has huge potential in terms of development of new molecule and also process validation of existing formulations. The FDL machineries are approximately 1/10th size of the process machinery. The research carried on in these laboratories will reduce the cost of the development of the formulation. The FDL would be set up at the new unit at Grantlayon.

The allocation of total cost of R&D equipments is given as under:

(Rs. in Lacs)

Sr. No.	Equipments	Qty	Date of Quotation	Name of the Supplier	Cost (Rs. in Lacs)
1	30" Sifter Machine	1	09/10/2007	Cemac Machineries Ltd.	1.21
2	Multi Mill Machine	1	09/10/2007	Cemach Machineries	1.68
3	Rapid Mixer Granulator	1	25/07/2007	Umang Pharmatech Ltd.	9.75
4	Fluid Bed Dryer	1	18/10/2007	Solace Engineers (Mktg) Pvt Ltd	22.50
5	Octogonal Blender (700 Ltrs.)	1	28/07/2007	Sams Techno Mech Pvt. Ltd.	4.85
6	Compression Machine 15 stn	3	29/10/2007	Pacific Tools Private Limited	10.50
7	Auto Coater	1	18/10/2007	Solace Engineers (Mktg) Pvt Ltd	22.00
8	HGC Automatic Machine	1	26/07/2007	Omega Pharma Machinery	6.34
9	Blister Packaging Machine	1	11/07/2007	Accu Pack Engineering Pvt Ltd	7.50
10	Analytical Balance	12	14/07/2007	Shankar Scientific Supplies	12.60
11	High Performance Liquid Chromatography	3	27/10/2007	Shimadzu (Asia Pacific) Pte Ltd	52.14
12	Stability Chambers	3	29/10/2007	Thermolab Scientific Equipments	8.79
13	Dissolution apparatus	2	16/10/2007	Electro Lab	3.00
14	UV Spectrophotometer	1	18/10/2007	Shimadzu (Asia Pacific) Pte Ltd	3.85
15	KF Titrator	1	19/10/2007	Analytical lab Services	3.50

Sr. No.	Equipments	Qty	Date of Quotation	Name of the Supplier	Cost (Rs. in Lacs)
16	Milli Q System	1	20/10/2007	R.S. Pall	7.20
17	Dish Washer Apparatus	1	19/10/2007	Electro Lab	5.00
18	FTIR	1	18/10/2007	Shimadzu (Asia Pacific) Pte Ltd	11.21
19	Strirrer	3	18/10/2007	Cole Palmer	1.80
20	Hot Air Oven	2	29/10/2007	Thermolab Scientific Equipments	1.10
21	Modular Lab	LOT	06/11/2007	Modern Lab	20.00
22	Non Corrosive Aluminium Partition	LOT	29/10/2007	Aastha Cleanroom systems	19.72
23	Flooring Epoxy	LOT	30/10/2007	Swathi Engineering	10.00
24	HVAC System	LOT	04/12/2007	Ashree Cleanroom Presentations	45.00
25	Misc. Items	-	-		8.77
	<b>Grand Total</b>				<b>300.01</b>

There is no second hand machinery brought or proposed to be brought out of the proceeds of the issue.

## V Working Capital Requirement

With the Grantlayon facility the installed capacity of the company has been increased by 7195 lacs tablets p.a and 2250 lacs capsules p.a. Presently the company is meeting its working capital requirements through funding from State Bank of India, Siruthozhil, Chennai, and internal accruals. However the company would utilize a part of the issue proceeds to meet its future working capital requirement. The estimated working capital requirement of the company for the year ended 31/03/2009 is detailed as under:

(Rs. in lacs)

Particulars	Basis	Amount
<b>Current Assets</b>		
Inventories	Raw Materials-45 days WIP-3 days Finished Goods-15 days	949.00
Debtors	90 days	822.00
Cash & Bank		400.00
Loans & Advances		403.00
Total		2574.00
Less: Creditors	60 days	904.00
Provisions		110.00
<b>Net Working Capital</b>		<b>1560.00</b>
<b>Funding pattern :</b>		
Bank		1100.00
Proceeds from the issue		200.00
Internal accruals		260.00

Presently the company has been sanctioned and amount of Rs. 650.00 lacs from State Bank of India towards working capital requirement. The company shall apply to the banks for enhancement of working Capital limits at an appropriate time.

## VI Repayment of SBI Term Loan

For its expansion project at Grantlayon, the company was sanctioned term loan to the extent of Rs. 14.60 crores by State Bank of India, Siuthozhil Chennai branch as certified by M/s Abhay Jain & Co., Chartered Accountants vide certificate dated 28/04/2008. The rate of interest being paid by the company on the said loan is 13.75%. As on 30/09/2007, the amount of loan outstanding is Rs. 980.32 lacs. Since the loan from SBI is a high cost debt, the company through the proceeds of the issue proposes a part prepayment of loan to the tune of Rs. 400 lacs. This would help the company to reduce the interest burden and thereby increase the profitability of the company.

## VII Public Issue expenses

The break-up of issue expenses is as under :

Activity	Estimated Expense (Rs. in lacs)
Fees to intermediaries	50.00
Advertising and marketing expenses	80.00
Printing and Stationery & Distribution	50.00
Other Misc. Exp.	25.00
<b>Total estimated Issue expenses</b>	<b>205.00</b>

## SCHEDULE OF IMPLEMENTATION

The proposed schedule of implementation for the projects is as detailed below

Activity	Commencement	Completion
Brand building in domestic markets	July 08	January 09
Registration of Company, products and brand building in International Markets	July 08	September 08
MHRA Accreditations	July 07	May 08
Setting up R&D facilities	June 08	November 08

## Year wise break up of the proceeds of the issue:

The year wise break up of funds to be incurred on the project under various heads is as follows:

(Rs. in Lacs)

Particulars	Amount spent during the financial year 2007-08	Amount to be spent during the financial year 2008-09	Total
Brand building in domestic markets	--	1044.00	1044.00
Setting up R&D facilities	-	300.00	300.00
Registration of Company, products and brands	--	303.00	303.00
Working Capital Requirement	-	200.00	200.00
Repayment of SBI Term Loan II	-	400.00	400.00
MHRA Accreditations	18.45	89.55	108.00
Public Issue Expenses	15.09	189.91	205.00
<b>TOTAL</b>	<b>33.54</b>	<b>2526.46</b>	<b>2560.00</b>

## SOURCE AND DEPLOYMENT OF FUNDS

As per the Certificate dated 28/04/2008 from M/s Abhay Jain & Co., Chartered Accountants. The Company has upto 31/03/2008, deployed an amount aggregating Rs. 33.54 lacs towards the proposed project. Details of the sources and deployment of funds as per the certificate are as follows.

Particulars	Amount (Rs. in Lacs)
<b>Deployment of funds</b>	
MHRA Approval	18.45
Public Issue Exp.	15.09
Total	33.54
<b>Sources of Funds</b>	
Internal Accruals	33.54

### Interim Use of Proceeds

The management, in accordance with the policies laid down by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization for the purposes described above, the Company intends to temporarily invest the funds in high quality interest or dividend bearing liquid instruments including deposits with banks for the necessary duration. Such investments would be in accordance with any investment criteria approved by the Board of Directors from time to time.

### Monitoring of Utilisation of funds:

The management of the Company will monitor the utilization of funds raised through this public issue.

Pursuant to Clause 49 of the Listing Agreement, our Company shall on quarterly basis disclose to the Audit Committee the Applications of the proceeds of the Issue. On an annual basis, our Company shall prepare a statement of funds utilizes for purposes other than stated in this Prospectus and place it before the Audit Committee. Such disclosures shall be made only until such time that all the proceeds of the Issue have been utilized in full. The statement will be certified by the Statutory Auditors of our Company.

Our Company shall be required to inform the material deviations in the utilisation of the issue proceeds to the Stock Exchanges and shall also be required to simultaneously make the material deviation/ adverse comments of the Audit Committee public through advertisement in newspaper.

### Basic terms of the issue

The Equity shares being offered are subject to the provision of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, the terms of this Prospectus and other terms and conditions as may be incorporated in the Allotment advice and other documents /certificates that may be executed in respect of the issue. The Equity shares shall also be subjected to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, RBI, ROC and /or other authorities as in force on the date of issue and to the extent applicable.



## BASIS OF ISSUE PRICE

### QUALITATIVE FACTORS

1. The promoters of Bafna are in the business of dealing and manufacturing pharmaceutical products for the past 25 years.
2. Bafna has been WHO-GMP certified since 1995. The manufacturing facility at Madhavaram is ISO 9001:2000 certified. The new facility at Grantlayon is as per EU GMP guidelines and is in the process of obtaining MHRA & USFDA approvals.
3. Bafna has been awarded the Best Supplier Award from State Pharmaceutical Co-operation of Sri Lanka in 2005.
4. The Company presently manufactures 126 formulations under various therapeutic segments. The manufacturing facilities of the company are multi-adaptable i.e. the facilities can produce multiple products using a combination of process.
5. Bafna presently has obtained 336 product licenses and has 65 products registered in various countries such as Srilanka, Ukraine, Ghana and Lao.

### QUANTITATIVE FACTORS

#### Earning Per Share (EPS)

YEAR	Weight	EPS (Rs.)
31/03/2005	1	3.89
31/03/2006	2	2.19
31/03/2007	3	2.51
<b>Weighted Average</b>		<b>2.63</b>

The diluted EPS as on 31/12/2007 is Rs. 1.35.

#### P/E Ratio

P/E based on pre-issue weighted average EPS of Rs. 2.63	15.21
P/E based on pre-issue EPS of FY 2006-07 of Rs 2.51	15.94

#### Return on Net Worth (RONW)

YEAR	Weight	RONW (%)
31/03/2005	1	20.89
31/03/2006	2	15.08
31/03/2007	3	10.65
<b>Weighted Average</b>		<b>13.83</b>

**Minimum Return on Increased Net Worth as on 31/12/2007 to maintain pre-issue weighted average EPS 21.14 %**

#### Net Asset Value (NAV) per share

Pre-Issue as on March 31, 2007 (Rs.)	23.52
Pre-Issue as on December 31, 2007 (Rs.)	12.44
Post Issue (Rs.)	22.01

### Industry Average P/E

Name of the company	P/E Multiple
Highest	24.25
Lowest	4.92
Industry Average	8.90
<b>Source:</b> Capital Market - Apr21-May 04, 2008,(Pharmaceuticals- Indian Formulations)	

### Comparison with Peer Group

The comparable ratios of the companies which are to some extent similar in business are as given below:

Name of the company	Face Value (Rs.)	Equity Share Capital (Rs. in Cr.)	Sales (Rs.in Cr.) As on 31/03/2007	EPS As on 31/03/2007	Market Price (Rs.) as on 28/04/2008	P/E Multiple
BDH Industries Ltd.	10	6.12	20.40	0.8	19.40	24.25
Celestial Labs Ltd.	10	11.19	14.10	4.6	41.10	8.93
Jenburkt Pharmaceuticals Ltd.	10	4.65	35.40	2.2	30.40	13.82
Syncom Formulations India Ltd.	10	5.92	57.60	6.2	31.60	5.10
<b>Source:</b> Capital Market Apr21-May 04, 2008,( Pharmaceuticals- Indian Formulations)						
Bafna Pharmaceuticals Limited	10	9.58	38.62	2.51	-	-

**The face value of Equity Shares is Rs. 10 and the issue price is 4 times of the face value.**

The equity shares are being issued at a price of Rs. 40/- per share. The face value of the equity shares of Bafna is Rs.10/- per share. The Issue Price is 4 times of the face value.

The equity shares are being issued at a P/E multiple of 15.21 times on the basis of the weighted average EPS. The highest P/E in the peer group of Bafna is 24.25 where as the lowest is Rs. 4.92/-.

On the basis of above parameters the Issue Price of Rs. 40/- per share is justified in terms of the qualitative and quantitative parameters. The investors may refer to the risk factors and financials of the company including important profitability and return ratios, as set out in the Auditors report to have a more informed view of the investment proposition.

## STATEMENT OF TAX BENEFITS

The Board of Directors,  
**Bafna Pharmaceuticals Ltd.,**  
Bafna Towers, No. 299,  
Thambu Chetty Street,  
Chennai-600 001.

We hereby report that the enclosed annexure states the tax benefits available to **BAFNA PHARMACEUTICALS LIMITED** (The "Company") and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue, particularly in view of the fact that there could be different interpretations of legislation.

Unless otherwise specified, sections referred to below are sections of the Income tax Act, 1961. All the provisions set out below are subject to conditions specified in the respective sections. We do not express any opinion or provide any assurance as to whether:

- The company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits have been/would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. While all reasonable care has been taken in preparation of this opinion, **Abhay Jain & Co.** accepts no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.

Place : Chennai

Date: 30/01/2008

For and on behalf of  
**ABHAY JAIN & Co.**  
Chartered Accountants

Sd/-

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

**BENEFITS UNDER THE INCOME TAX ACT, 1961 (HEREINAFTER REFERRED TO AS THE IT ACT)****I. "Special Tax Benefits" :**

Company is entitled to get benefit u/s 10B of the Income Tax Act, 1961 (i.e.90% of the Company's export business profit is exempted from tax). This benefit is available to the Company's two Export Oriented Units situated at Madhavaram and Grantlayon and this benefit is available upto the Assessment year 2009-2010.

Company and its Shareholders have no other special benefits available under the Income Tax Act, 1961.

**II. "General Tax Benefits"**

The following general tax benefits are available to the Company and to its shareholders upon fulfilling certain conditions as required under the respective Acts.

**A: TO THE COMPANY**

1. The Company is eligible to exemption under section 10(34) in respect of income by way of dividend received from other Domestic Companies.
2. The Company is eligible to exemption under section 10(35) in respect of income by way of dividend received from mutual fund specified under section 10(23D) and other specified undertakings/companies.
3. In accordance with the provisions of section 10(38) the long -term capital gains arising on the transfer of securities in a transaction entered into in a recognized Stock Exchange in India and such transaction is chargeable to Securities Transaction Tax under Chapter VII of the Finance (No.2) Act, 2004, shall be exempt from income tax.
4. The long-term capital gains accruing to the company otherwise than as mentioned in 3 above, shall be chargeable to tax in accordance with and subject to the provisions of section 112 of the IT Act as follows:
  - a) @ 20% (plus applicable surcharge and education cess ) after deducting from the sale proceeds the Indexed cost of acquisition or
  - b) In the case of certain listed shares, securities and units, in a transaction not entered into in a recognized stock exchange, if long term capital gain is computed without indexation @ 10% (plus applicable surcharge and education cess)
5. The Company is eligible to claim exemption in respect of tax on long -term capital gains under sections 54EC if the amount of capital gains is invested in certain specified bonds/securities subject to the fulfillment of the conditions specified in those sections.
6. The short term capital gains accruing to the company, from the transfer of a short -term capital asset, being securities, in a transaction entered into in a recognized stock exchange in India, and such transaction is chargeable to Securities Transaction Tax under Chapter - VII of the Finance (Nos.2) Act, 2004 shall be chargeable to tax at the rate of 10% (Plus applicable surcharge and education cess) as per the provisions of section 111A.
7. The company will be entitled to claim depreciation allowance at the prescribed rates on tangible and intangible assets under section 32 of the Income Tax Act,1961.
8. The company is eligible under section 35D of the IT Act to a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with

the issue for the extension of the industrial undertaking, for period of five successive years subject to the limits provided and the conditions specified under the said section.

9. The Company will be entitled to claim expenditure incurred in respect of voluntary retirement under section 35DDA of the IT Act in five equal annual installments.

## **B. TO THE SHAREHOLDERS OF THE COMPANY:**

### **I. RESIDENTS**

- 1 Under section 10(32) of the IT Act, any income of a minor child clubbed in the total income of the parent under section 64(1A) of the Act will be exempt from tax to the extent of Rs 1500 per minor child.
- 2 Members will be entitled to exemption, under section 10(34) of the IT Act in respect of the income by way of dividend received from the Company.
- 3 The long-term capital gains accruing to the members of the Company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India and the transaction is chargeable to Securities Transaction Tax would be exempt from tax as per the provisions of section 10(38).
- 4 The short-term Capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India and the transaction is chargeable to Securities Transaction Tax would be chargeable to tax @ 10% [plus applicable surcharge and education cess] as per the provisions of section 111A.
- 5 As per the provisions of section 112 of the IT Act, the long-term capital gains accruing to the members of the company from the transfer of the shares of the company, otherwise than as mentioned in point 3 above, shall be charged to tax.
  - a) @ 20% (plus applicable surcharge and education cess) after deducting from the sale proceeds the Indexed cost of acquisition or
  - b) @ 10% (plus applicable surcharge and education cess) after deducting from the sale proceeds the cost of acquisition without in dexation.
- 6 The members are entitled to claim exemption in respect of tax on long term capital gains under section 54EC of the IT Act, if the amount of capital gains is invested in certain specified bonds/securities subject to the fulfillment of the conditions specified in those sections.
- 7 Individuals or HUF members can avail exemption under section 54F by utilization of the sales consideration for purchase/construction of a residential house within the specified time period and subject to the fulfillment of the conditions specified therein.

### **II. NON-RESIDENTS**

1. Under section 10(32) of the IT Act, any income of a minor child clubbed in the total income of the parent under section 64(1A) of the Act will be exempt from tax to the extent of Rs 1500 per minor child.
2. Non-resident members will be entitled to exemption, under section 10(34) of the Income Tax Act, 1961, in respect of the income by way of dividend received from the Company.
3. The long-term Capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India and

the transaction is chargeable to Securities Transaction Tax would be exempt from tax as per the provisions of section 10(38).

4. The short-term capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India and the transaction is chargeable to Securities Transaction Tax would be chargeable to tax @ 10% [plus applicable surcharge and education cess] as per the provisions of section 111A.
5. As per the provisions of section 112 of the IT Act, the long-term capital gains accruing to the members of the company from the transfer of the shares of the company, otherwise than as mentioned in point 3 above, shall be charged to tax.
  - a. @ 20% (Plus applicable surcharge and education cess) after deducting from the sale proceeds the indexed cost of acquisition or
  - b. @ 10% (plus applicable surcharge and education cess) after deducting from the sale proceeds the cost of acquisition without indexation.
6. The members are entitled to claim exemption in respect of tax on long term capital gains under sections 54EC of the IT Act, if the amount of capital gains is invested in certain specified bonds/securities subject to the fulfillment of the conditions specified in those sections.
7. Individuals or HUF members can avail exemption under section 54F by utilization of the sale consideration for purchase/construction of a residential house within the specified time period and subject to the fulfillment of the conditions specified therein.
8. Under the provisions of section 90(2) of the IT Act, if the provisions of the Double Taxation Avoidance Agreement [DTAA] between India and the country of residence of the non-resident are more beneficial, then the provisions of the DTAA shall be applicable.
9. Non-Resident Indians (as defined in section 115C (e) of the IT Act), being shareholders of an Indian Company have the option of being governed by the provisions of Chapter XII-A of the IT Act, which inter-alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange.
  - a. As per the provisions of section 115E of the IT Act, and subject to the conditions specified therein, long-term capital gains arising on the transfer of Company's shares will be charged to Income Tax @ 10% (plus applicable surcharge and education cess).
  - b. As per the provisions of section 115F of the IT Act and subject to the fulfillment of the conditions specified therein, the Long Term Capital gains arising on the transfer of Company's shares shall be exempted from income tax entirely / proportionately if all or a portion of the net consideration is invested within 6 months of the date of transfer in specified assets as defined in section 115C (f) or any savings certificates referred to in section 10(4B) of the IT Act. The amount so exempted shall, however, be chargeable to tax as long term capital gains under the provisions of section 115F(2) if the specified assets are transferred or converted in to money within three years from the date of acquisition thereof as specified in the said section.
  - c. As per the provisions of section 115G of the IT Act, Non-resident Indians are not obliged to file a return of income under section 139(1) of the IT Act, if their only source of income is income from investments or long term capital gains earned on transfer of such

investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-A of the IT Act.

- d. Under section 115H of the IT Act, where a Non-Resident India, in relation to any previous year, becomes assessable as a resident in India in respect of the total income of any subsequent year, he/she may furnish to the Assessing Officer a declaration in writing, along with his/her return of income under section 139 of the IT Act for the assessment year for which he/she is so assessable, to the effect that the provisions of the Chapter XII-A shall continue to apply to him/her in relation to such income for that assessment year until the transfer or conversion (otherwise than by transfer) into money of such assets.
- e. As per the provision of section 115-I of the IT Act, when a Non Resident India, elects not to be governed by the provision of Chapter XII -A of the IT Act, then his/her total income shall be computed and charged in accordance with other provisions of the IT Act.

### **III FOREIGN INSTITUTIONAL INVESTORS**

1. Income by way of dividend received on shares of the Company is exempt under section 10(34) of the IT Act.
2. The long-term Capital gains accruing to the members of the Company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India and the transaction is chargeable to Securities Transaction Tax, would be exempt from tax as per the provisions of section 10(38).
3. The short-term Capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India and the transaction is chargeable to Securities Transaction Tax would be chargeable to tax @ 10% (plus applicable surcharge and education cess) as per the provisions of section 111A.
4. Under Section 115AD(1)(b)(ii) of the IT Act, Income by way of Short Term Capital Gain arising from the transfer of shares (otherwise than as mentioned in 3 above) held in the Company for a period of less than 12 months will be taxable @30% (plus applicable surcharge and education cess).
5. Under section 115AD(1)(b)(iii) of the IT Act, Income by way of Long Term Capital Gain arising from the transfer of shares (otherwise than as mentioned in 2 above) held in the Company will be taxable @ 10% (plus applicable surcharge and education cess). It is to be noted here that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not available to Foreign Institutional Investors.
6. Long Term Capital Gains on sale of shares of the Company by the members shall be exempt from income tax if such gains are invested in bonds/equity shares specified in section 54EC respectively subject to the fulfillment of the conditions specified in those sections.
7. Under the provisions of section 90(2) of the IT Act, if the provisions of the Double Taxation Avoidance Agreement [DTAA] between India and the country of residence of the non-resident are more beneficial, then the provisions of the DTAA shall be applicable.

### **IV MUTUAL FUNDS**

As per the provisions of section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from income tax.

**BENEFITS UNDER THE WEALTH TAX ACT, 1957.**

'Asset' as defined under section 2(ea) of the Wealth Tax Act, 1957 does not include shares in Companies and hence, shares are not liable to wealth tax.

**BENEFITS UNDER THE GIFT-TAX ACT, 1958**

Gift tax is not leviable in respect of any gifts made on or after Oct 1, 1988. Therefore, any gift of shares of the Company will not attract gift tax. Gift of shares of the company to the unrelated persons exceeding Rs.50,000/- could however be taxed as income of the recipient in terms of section 56(1)(v) of the Act.

**NOTES:**

1. All the above benefits are as per the Current Tax Law as amended by the Finance Act, 2007.
2. The stated benefits will be available only to the sole/ first named holders hold the shares.
3. The above statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of ordinary shares. The statements made above are based on the tax laws in force as also under the finance Bill, 2007 and as interpreted by relevant taxation authorities as of date. Investors are advised  
  
to consult their tax advisers with respect to the tax consequence of their holdings based on their residential status.
4. In respect of Non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the Non Resident has fiscal domicile.
5. In view of the individual nature of tax consequences, each investor is advised to consult his/ her own tax advisor with respect to specific tax consequences of his/ her participation in the scheme.
6. The Tax Benefits listed above or not exhaustive.

Place : Chennai

Date : 30/01/2008

For and on behalf of  
ABHAY JAIN & o.,  
Chartered Accountants

Sd/-

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



### SECTION III ABOUT THE ISSUER COMPANY

#### INDUSTRY OVERVIEW

(Source: The information on industry given below has been taken from the research report on Indian Pharmaceutical Industry prepared by CARE Research. The report is of June 2007)

##### Indian pharmaceutical industry overview

India is one of the lowest cost producers of drugs and pharmaceuticals in the world. The Indian Pharmaceutical Industry (IPI) is undergoing a major transition with global as well as domestic factors playing a part in it. The playing field for the domestic pharmaceutical companies changed completely with the advent of product patent regime from January 2005. The single most important factor that has changed the dynamics of the industry is India's recognition of product patents under the Trade Related Intellectual Property Rights (TRIPS) agreement which came into effect from January, 2005. This has opened up a host of new opportunities for the domestic pharmaceutical companies and it has also developed new threats for the industry. The domestic pharmaceutical companies are now compelled to pursue various strategies on the business and R&D front for achievement of long-term sustainable growth. Besides changes in the patent law, the issues of drug pricing and the union pharmaceutical policy would also be instrumental in shaping the regulatory environment for the industry.

The size of the Indian pharmaceutical industry (based on value of production by Indian Pharmaceutical companies) was INR 416 bn or US\$ 9 bn in 2005-06. The industry is highly fragmented with about 330 companies in the organized sector and more than 15,000 units in the unorganized sector. India is ranked 4th in volume terms and 11th in value terms among the global pharmaceutical markets. During 2005-06, the industry grew at the rate of 9.5% as compared to 2004-05, where it clocked a meagre growth of 1.3%. The growth in the 2005-06 can be attributed to the spill-over effect of de-stocking of medicines by stockists as a result of clarity on implementation of Value Added Tax (VAT) by states and also due to robust growth in exports by the industry.

(Source:CARE Research)



Source: CARE Research Report June 2007

The size of the domestic pharmaceutical market in terms of its consumption is estimated at Rs.235 bn (approx. US\$ 5 bn) and consists of sale of pharmaceutical products in India by domestic as well as multi-national companies present in India. The domestic pharmaceutical market has grown at a CAGR of 8.6% since 1999.

Going ahead, with the recognition of product patents in India, the growth arising out of new product launches by IPI is likely to get affected. Besides, if the scope of price control on essential drugs is expanded it will have an adverse effect on the IPI.

The recognition of product patent has provided global companies with better IPR protection and as a result has opened up a new segment for the IPI in Contract Research and Manufacturing Services (CRAMS). IPI is well-positioned to take advantage of this opportunity with world class manufacturing facilities adhering to various regulatory standards, large pool of skilled manpower and cheaper cost of production.

The investment in R&D is also on the rise as it has become important for Indian companies to start innovating new drugs in order to ensure long term sustainable growth and remain competitive at the global level. Indian companies have invested in New Chemical Entity (NCE) research and are scouting for global partners for pursuing collaborative research. The growth in contract research has also boosted the R&D activity in the country. The availability of large patient base, skilled manpower and lower costs of carrying out clinical trials has made India a favourable destination for R&D outsourcing.

The products of the pharmaceutical industry can be broadly classified into formulations (finished dosages) and bulk drugs (Active Pharmaceutical Ingredients).

Formulations comprise of the final finished dosages in the form of tablets, capsules, injectibles, liquids etc. that are ultimately consumed by customers whereas bulk drugs are Active Pharmaceutical Ingredients (API) or compounds that show specific medicinal properties. Bulk drugs and drug intermediates, which consist of chemicals and solvents, together are the raw materials for the production of drug formulations which are ultimately sold to the customers. Formulations constituted nearly 78% (FY05) of the IPI's sales, the remaining accounted by bulk drugs. Out of the formulation sales, about 68% are domestic sales and the rest are exports.

### **Global Pharmaceutical Markets:**

The size of the global pharmaceutical market was US\$ 602 bn and it grew by nearly 7% at constant exchange rate in 2005. The global pharmaceutical market has grown at a CAGR of nearly 11% during 1998-2005.

The regulated markets constitute largest size and control 88% of the global pharmaceutical market. North America (47%), with 2005 sales of US\$ 266 bn, is the largest market for pharmaceuticals.

Europe comes second and accounts for nearly 30% of the global market with 2005 sales of US\$ 170 bn. Japan is the third largest market for pharmaceuticals with 2005 sales of US\$ 60 bn and accounts for 11% of the global share. North America, Europe and Japan grew at moderate rates of 5%, 7% and 7% respectively in 2005.

The semi and non regulated markets like the Asian, African, Australian and Latin American markets have registered a double digit growth in 2005 which highlights the tremendous market potential of these regions. Countries in these markets offer a high growth potential for pharmaceuticals as they comprise of mainly emerging economies with large growing population.

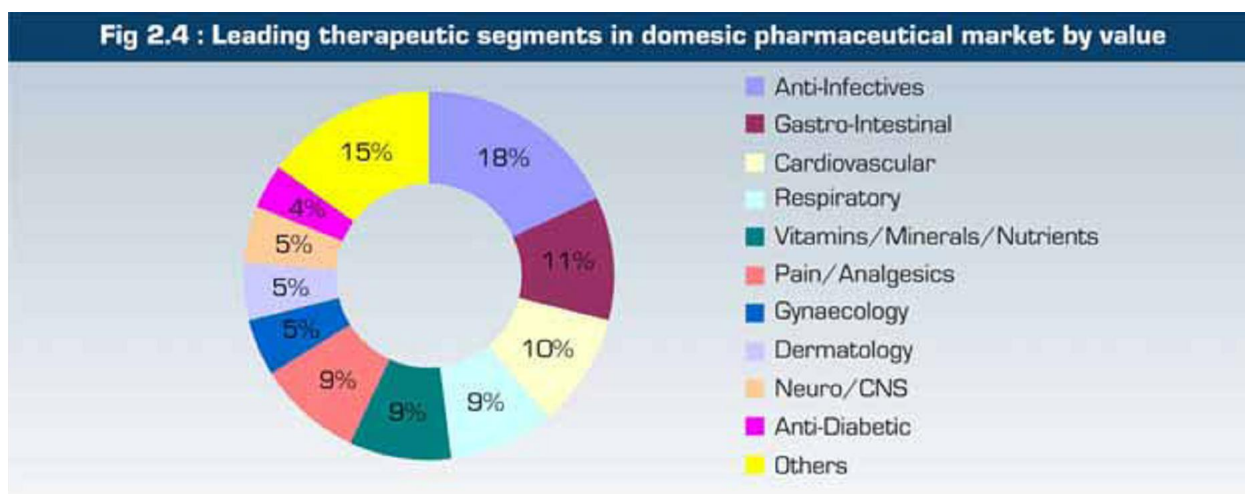
Exports from Indian pharmaceutical industry have shown a steady growth during the last six years and their share in the total turnover has increased significantly. Exports by Indian Pharmaceutical

companies have grown at a CAGR of 19% during the period 1998 -2006 and constituted nearly 52% of the total industry size in 2005-06.

Formulations comprise majority of exports, however, bulk drug exports have also grown at a significant rate. In 2005-06 formulations constituted 55% of total exports in value terms and the remaining were bulk drug exports. The rise in exports is largely attributed to IPI's ability to produce quality medicines covering all major therapeutic segments at lower costs. Moreover, there are good opportunities provided by the potentially huge generics market in US and Europe. Indian companies are constantly upgrading their existing manufacturing facilities to get them approved from regulatory authorities (USFDA, MHRA, etc.) in order to access the regulated markets. These factors are likely to drive the exports of the Indian companies going forward.

### Leading Therapeutic Segments

Anti-Infectives command the highest share in the domestic retail market followed by gastrointestinal, cardiac and respiratory segments. Anti-infectives represent a class of drugs that are used for treatment against bacterial infections. Cephalosporins and Quinolones are major subclasses under anti-infectives and command 60% share of the anti-infective market. Gastrointestinal segment comes second with 11% market share domestically and represents a class of drugs used for treatment of peptic ulcers and digestive diseases. However, the fastest growing therapeutic segment in India is the Cardiovascular (CVS) segment which consists of various drug classes like calcium channel blockers, ACE inhibitors, Beta blockers, Statins and Diuretic combinations. The CVS segment contributed 10% and grew at the rate of 11% in value terms in 2005. This segment is the top therapeutic class globally and with changing lifestyles in India it is poised for a strong growth going forward.



(Source: ORG-IMS MAT Dec 2005)

### Indian Pharmaceutical industry structure:

The basic classification of the Indian Pharmaceutical Industry (IPI) can be done on the basis of size, products, and geographical presence.

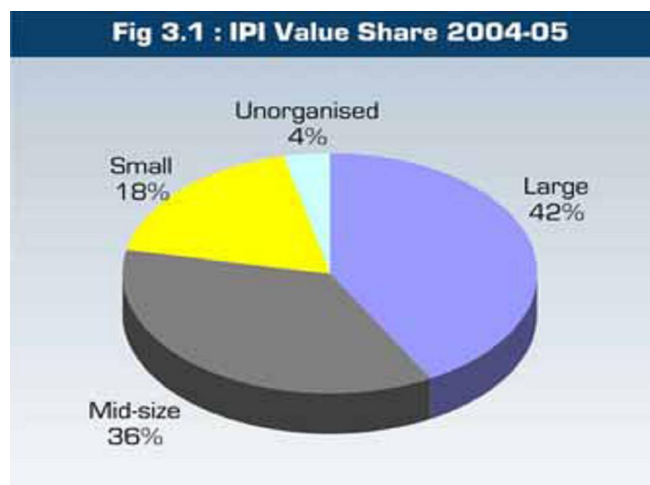
- **Size**

The IPI consists of nearly 330 units in the organised sector and more than 15000 units in the unorganized sector. The organized sector accounts for 96% of the industry and companies can be broadly classified as large, mid-size and small firms based on their annual sales.

The classification is as under:

Sales (Rs. Crores)	No. of companies
More than 1000	11
Between 999 and 200	31
Less than 200	290
Unorganized	More than 15000

(Source: CARE research)



#### • Products

In value terms, formulations command nearly 78% share of IPI (FY05) and their production has grown at a CAGR of 6% during the period 1998-2005. Bulk drug production has picked up recently, especially driven by exports, and has shown a growth rate of 10% during the same period. With India now recognizing product patents, the IPI has opened itself to a huge opportunity in the pharmaceutical outsourcing business whereby big global pharmaceutical companies and generic companies outsource manufacturing of important bulk drugs and formulations to Indian companies.

#### • Geographical Presence

Exports by IPI have constituted nearly 52% of the total industry turnover in 2005 -06 and they have grown at a CAGR of 19% during the period 1998-2006. The exports by IPI can be classified as sales to regulated markets and semi/non regulated markets. IPI's exports to regulated markets constituted 38% of the total exports during 2004-05. Share of exports to regulated markets has consistently increased as top tier Indian pharmaceutical companies are increasing their focus on the regulated markets due to the higher margins as compared to other markets.

### Profile of the Indian Pharmaceutical Market

#### Demographics & Health Indicators

India is the second most populated country in the world with a population of over a billion people. Some of the important indicators of India's population are as under.

Indicator	1970	2001
Birth rate (per 1000)	40	25
Death rate (per 1000)	17	09
Life expectancy	49	64

(Source: www.infochangeindia.org)

Age group	1991 (%)	2001 (%)	2010 Estimated (%)
0-14	36	35	29
15-54	55	55	59
55 and above	9	10	12

(Source: Statistical outline of India 2001 -02)

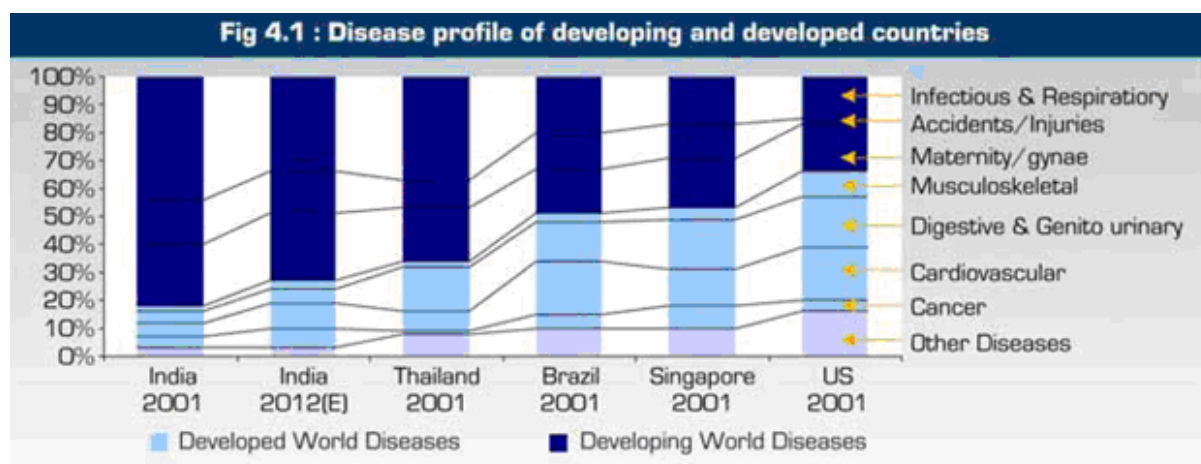
Over the years it is observed that the birth rates have reduced and so have the death rates or mortality rates of India's population. The average life expectancy of an Indian has gone up from 49 years in 1970 to 64 years in 2001. The most fundamental change shaping the healthcare scenario in India is the shifting demographic and socio-economic profile of the country's population. The proportion of the country's population in the 15-54 and the 55 and above age groups is increasing owing to improvement in life expectancy levels. The increase in the proportion of the working age group (15-54) is being accompanied by an unprecedented rise in per capita and disposable incomes together with increase in real private consumption. The large elderly population (55 and above), estimated to be the largest in the world, will form a major consumer segment in the near future. Moreover, the percentage of population living in urban areas has also increased and stood at 28% in 2001. However, nearly 25% of the population still remains below poverty line making them vulnerable to infectious diseases.

The priority of improving healthcare facilities in India has increased in the recent years. The Indian government has constantly increased its budgetary allocation on National Schemes like the National Rural Health Mission. However, government's share in the overall healthcare sector in India is merely 37% with the majority of healthcare services provided by the private sector.

### Disease Profile

At present, infectious and parasitic diseases dominate in India. Diseases like tuberculosis, AIDS, respiratory infections, malaria and maternal conditions are the 'killer' diseases in India. This can be attributed to a significant population living below poverty line (BAFNA), improper sanitation facilities in rural areas and towns, poor access to clean potable water and absence of proper healthcare facilities aggravating maternal complications at the time of birth.

However, with lifestyle patterns changing, the country's disease profile has been changing too. For instance, the incidence of lifestyle diseases such as diabetes and cardio-vascular diseases is on the rise. These diseases are called chronic diseases which occur due to ageing in human beings. Number of people suffering from cancer, hypertension, heart diseases, diabetes and depression are on the rise in India. The rise of these diseases is in line with the developed countries and the Indian pharmaceutical industry will see a shift in focus from acute to chronic therapies in the coming years. Unsurprisingly, the world's top selling drugs are all for the cure of above mentioned chronic diseases only.



Source: CARE Research Report June 2007

## Healthcare spend by Indians

As per estimates, the per-capita expenditure on medicines in India is about US\$ 8 p.a. as compared US\$ 800 p.a. in developed countries like USA. This can be attributed to the fact that only 30% of India's 1 bn population has access to modern medicine with majority of them residing in urban areas. The per-capita medicinal spend is low due to

- Drugs being cheapest in India as compared to any other country in the world
- Only a fraction of India's population have access to drugs and a significant chunk of the population (population below poverty line constitutes nearly 25%) cannot afford to buy drugs.

(Source: The above data on the industry have been taken from Epsicom World Pharmaceutical Market Fact Book 2005" which has been referred in the research report by CARE dated June 2007).

### *Healthcare Payments*

The majority of the healthcare cost is being borne by the patient which is very unlike the scenario in developed countries like US where only 10-30% is borne by the patient and the rest by insurance companies/government. Therefore leading drugs (mostly patented) which are generally expensive, are not affordable to Indian citizens.

Hence, Indian pharmaceutical market is ranked 4th in volume terms but 11th in value terms in the world. This scenario is likely to change as income levels of Indian middle-class are going up and the demographics of the country's population are also changing. This is likely to augur well for global pharmaceutical companies as they can slowly introduce high end medicines relating to fast growing chronic therapy classes like Cardiovascular, CNS and Anti-depressants.

### **The regulatory framework:**

The major regulations governing the Indian Pharmaceutical industry comprise mainly of the following:

- The WTO & TRIPS
- The Indian Patents Act, 1970 and its consequent Amendments
- The Drug Pricing Control Order (DPCO), 1995 under Essential Commodities Act
- The Union Pharmaceutical Policy and its various versions
- GMP guidelines under Drugs & Cosmetic Act, 1940

The evolution of the regulatory framework governing the pharmaceutical industry can be depicted as in the figure below:



standards required to access the regulated markets of US and Europe. Currently, many bulk drug manufacturers are upgrading to USFDA and WHO-GMP standards in order to exploit the tremendous export potential offered by the regulated markets.

**Present scenario:**

The product patent regime was applicable in India w.e.f. January 1, 2005 and this has changed the dynamics for the IPI forever. The move towards WTO and GATT was inevitable for India as it was looking to align its international trade with global practices. India's foreign trade has grown significantly and this fact is reflected in the rising forex reserves of the country. The IPI is on the threshold of a new era where it will have to move up the value chain if it has to progress amidst global competition.

So far, the development of the IPI was brought about by expert reverse engineering skills that companies developed over the years. Since, India did not recognise product patents; it was easy for Indian companies to introduce new drugs in India which were exact copies of their foreign counterparts without much of an effort. Once a company introduced a new molecule based on a drug originally produced by companies in the regulated markets, other companies were quick to grab a share of the market by introducing the same product by simply tweaking its manufacturing process and thereby avoiding infringement of the process patent. Hence, significant R&D was concentrated on reverse engineering, altering manufacturing processes so as to introduce new drugs in India. After January 1, 2005, with the recognition of 'Product' patents, this strategy is no longer pursuable.

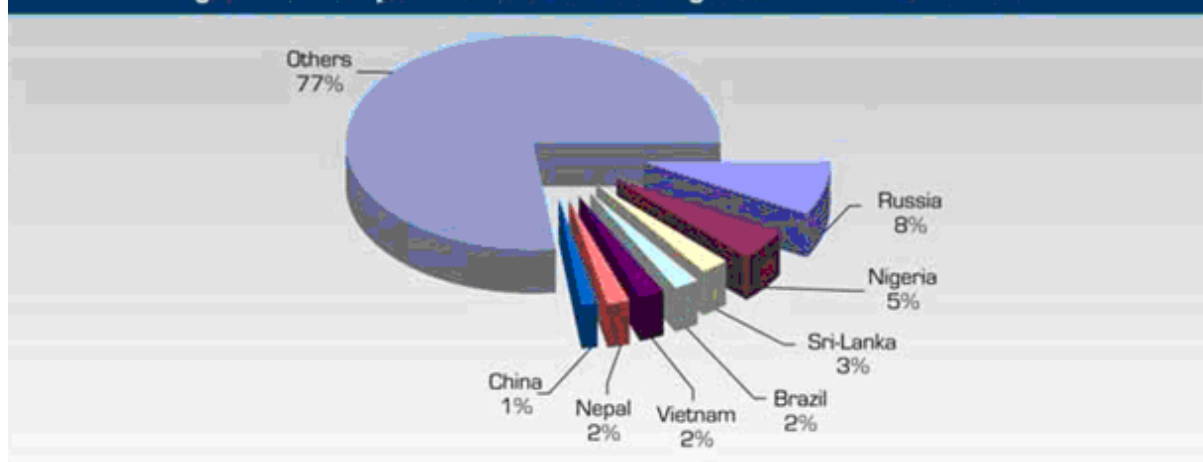
**Opportunities ahead:**

Exports: Semi/non regulated markets

Indian pharmaceutical companies already offer a product portfolio that is spread across all major therapeutic classes with a special focus on diseases that are related to the developing and underdeveloped countries. The Indian pharmaceutical companies are leveraging on their strengths of low cost manufacturing and wide product portfolio to geographically diversify in countries that are classified as non regulated markets. These non regulated markets mainly consist of developing or underdeveloped nations of the world which have few or no laws governing patents and also lack sufficient drug manufacturing capacities to cater to their healthcare needs. As these markets are easy to access, many Indian pharmaceutical companies have successfully diversified across these geographies. These non regulated markets, however, are characterised by strict drug price regulations imposed by the local Government and intense price competition. Indian companies have an advantage as they produce quality drugs at lower costs. Another advantage that Indian pharmaceutical companies have is the ability to launch new products in various therapeutic segments which spurts the growth further. IPI's exports to non regulated markets constitute nearly 62% of total exports and amounted to approximately Rs.110 bn in 2004-05.



Fig 7.2 : IPI's Exports to semi and non regulated markets in 2004-05



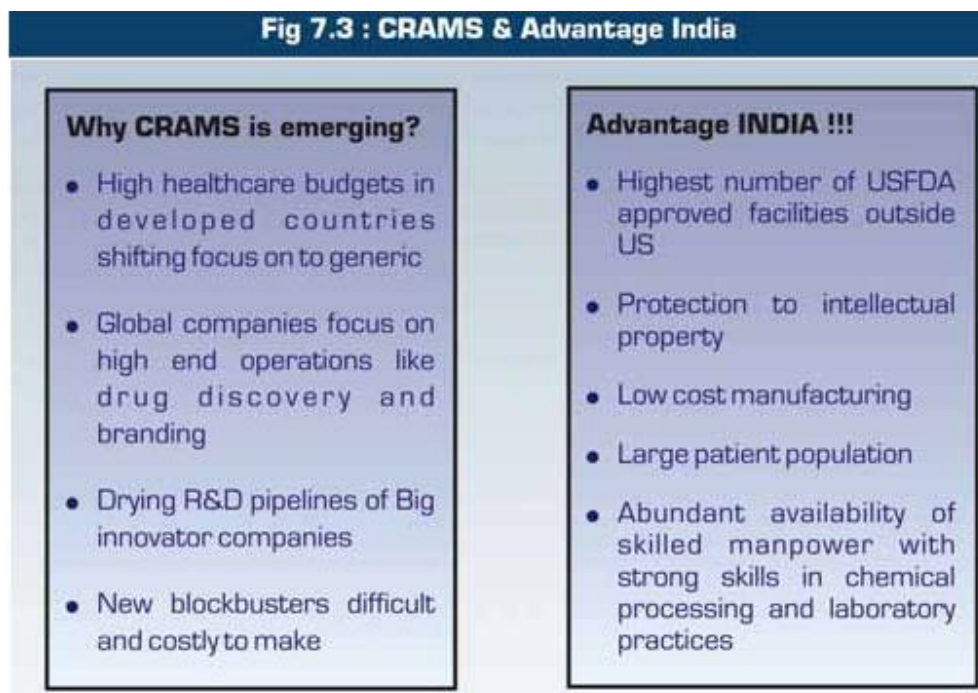
Source: CARE Resarch Report June 2007

Large size companies like Ranbaxy, Cipla and Dr. Reddy's and mid-size companies like Orchid Chemicals, Shashun and Strides Arcolabs have significant proportion of their sales to non regulated markets. Ranbaxy, whose exports to non regulated markets constituted nearly 36% of its turnover in 2005, operates in markets like Hong Kong, Egypt, Panama, Vietnam, Russia etc. through its wholly owned subsidiaries (WOS). Dr. Reddy's also has a significant presence in the non regulated markets with 39% of its turnover coming from these markets in 2005-06. The company operates in markets like Russia and Hong Kong through WOS and it also has presence in China through a JV with Chinese companies. Torrent Pharmaceutical has sales and distribution setups in Russia and Philippines through its WOSs. USV directly markets its portfolio of branded formulations and generics to developing markets in Asia, Africa and CIS countries.

### Contract Research & Manufacturing Services (CRAMS)

Perhaps the most sought after post-WTO strategy of the IPI is the CRAMS opportunity that proposes to be the next big growth driver for the industry in the coming decade or so. CRAMS has its roots in the outsourcing & off-shoring strategy that is successfully being employed by the developed countries especially in the field of IT and ITes. India has a demonstrated ability and therefore is in an advantageous position when it comes to handling outsourcing assignments. Moreover, it has a number of world class pharmaceutical manufacturing facilities, large patient population and cheap skilled manpower. All these attributes are attracting big global innovators and generic pharmaceutical companies to tie-up with Indian companies for production of formulations, bulk drugs and intermediates and also for conducting clinical research here. This trend is catching up as big global companies are shifting focus to high-value operations like marketing and passing on the less lucrative manufacturing operations to low cost destinations like India. Another reason for this trend to catch up further is that because of an ageing population in the developed countries the healthcare budgets of governments in US and Europe are going up and hence they are looking for cheaper generics as an option to lower drug costs. Also, as new drugs are becoming more difficult to develop, pharmaceutical companies are not able to sustain large R&D spending unless new blockbuster drugs are developed at a lower cost. All this points directly towards the opportunity CRAMS has to offer to IPI.

The CRAMS opportunity is two-fold viz. contract manufacturing and contract research which can be summarized as below:



Source: CARE Research Report June 2007

● Contract Manufacturing (CM)

In this arrangement, a global pharmaceutical company out-sources manufacturing of pharmaceutical products like patented and generic formulations, bulk drugs and drug intermediates to an Indian company who has a manufacturing facility that is approved by the regulatory authorities in the regulated markets like USFDA in the US. For Indian pharmaceutical companies it is an indirect route to enter into regulated markets and for the global company it is a strategy to reduce costs especially when there is pressure on them in the regulated markets to compete from low cost generics. The global contract manufacturing services market is estimated at US\$ 25-30 bn and is set to grow to US\$ 45 bn by 2010. Contract manufacturing in India is still at an early stage with just about US\$ 300 million worth of deals struck so far. However, it is estimated that the industry will generate US\$ 1 bn in revenues by 2010. Looking at this huge opportunity many small and midsize Indian pharmaceutical companies are spending on upgrading their manufacturing facilities so as to get them approved by regulatory authorities in US and European countries. Some of the early movers in this direction are companies like Cadila Healthcare, Nicholas Piramal, Divi's lab, Matrix labs, Dishman Pharmaceutical and Shasun chemicals. Some of the deals that have been struck between Indian and global pharmaceutical companies are as under.

Indian company	Outsourcing value (US\$ million)	Key outsourcing partner	Type of outsourcing
Nicholas Piramal	45	AMO, Allegran Inc. etc.	CM for API & formulations
Dishman	30	Solvay, GSK etc	CM for intermediates & API
Shasun	30	Eli Lilly, GSK, Novartis	CM for API
Jubilant	25	Novartis	CM for intermediaries & API
Divi's Labs	15	Three of top - 10 Pharmaceutical companies	Custom chemical synthesis
Matrix Labs	20	GSK	CM for API
Cadila Healthcare	35	Altana, Zyban	JV structure for mfg of patented drug

Indian company	Outsourcing value (US\$ million)	Key outsourcing partner	Type of outsourcing
Strides Arcolab	15	Mayne	Injectibles Mfg
Ipsa Labs	15	AstraZenca	CM for API for generics
Others	50	-	-
Total	285		

(Source: CARE Research Report June 2007)

### Exports: Regulated Markets - The huge generics opportunity

The biggest opportunity that the IPI is targeting right now is the huge generics opportunity in the regulated markets of US and Europe. This has risen from a significant number of blockbuster drugs going off-patent in the coming 4-5 years time. Once a patent of a drug expires then it is open for all generic manufacturers to produce and market that drug in the country where the patent has expired. The table below shows branded drugs in the US that will lose their patents in 2006.

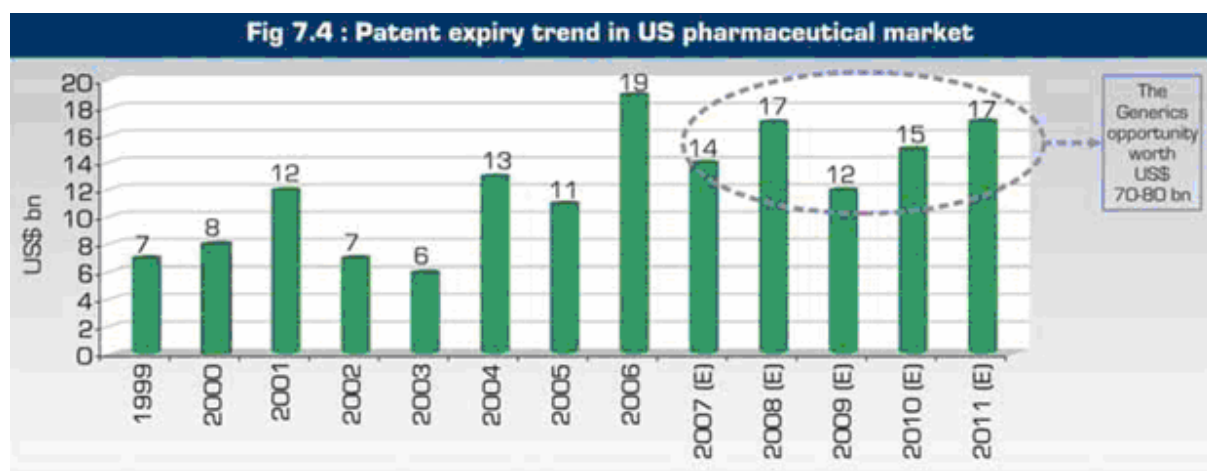
About US\$ 19 bn worth of branded drugs have lost their patent in 2006, US\$ 14 bn will be lost in 2007 and another US\$ 17 bn in 2008. It is estimated that by 2011 branded drugs worth US\$ 70 80 bn are going to lose their patents and they will be open for generic manufacturers' world wide to manufacture and market their generic versions. This represents a tremendous opportunity for global as well as Indian generic companies to cash-in on these developments.

Leading drugs that have went off-patent during 2006		
Product*	Manufacturer	2005 US sales
Zocor (simvastain)	Merck	US \$ 3.1 bn
Zoloft (sertraline)	Pfizer	US \$ 2.6 bn
Ambien (zolpidem)	Sanofi- Aventis	US \$ 1.9 bn
Pravachol (pravastain)	Bristol-Mayers Squibb	US \$ 1.3 bn
Welbutrin XL (bupropion)	GlaxoSmithKline	US \$ 555 mn
Zofran (ondansetron)	GlaxoSmithKline	US \$ 497 mn
Provigil (modafinil)	Cephalon	US \$ 497 mn
Proscar (Finasteride)	Merck	US \$ 240 mn
Propecia (finasteride)	Merck	US \$ 129 mn
Xanax XR (alprazolam)	Pfizer	US \$ 123mn
Doxil (doxorubicin liposome)	Ortho Biotech	US \$ 433000
Emadine (emedastine)	Alcon Labs	US \$ 224000
Maxaquin (lomefloxacin)	Pfizer	US \$ 16000

(Source: [www.drugtopics.com](http://www.drugtopics.com))

\* generic names are shown in brackets

This is a direct way to access the regulated markets and it requires a generic company to file necessary documents to USFDA in order to get approval for producing and marketing generics in the US. Similar filings are required in European countries as well and only after the regulator approves it, can company market generics in that country.



Source: CARE Research Report June 2007

### Conclusion:

The pharmaceutical industry in India has low costs of production, low R&D costs, innovative scientific manpower, strength of national laboratories and an increasing balance of trade. The Pharmaceutical Industry, with its rich scientific talents and research capabilities, supported by Intellectual Property Protection regime is well set to take on the international market.

### *Advantage India*

**Cost-effective chemical synthesis:** Its track record of development, particularly in the area of improved cost-beneficial chemical synthesis for various drug molecules is excellent. It provides a wide variety of bulk drugs and exports sophisticated bulk drugs.

**Legal & Financial Framework:** India has a 53 year old democracy and hence has a solid legal framework and strong financial markets. There is already an established international industry and business community.

**Information & Technology:** It has a good network of world-class educational institutions and established strengths in Information Technology.

**Globalization:** The country is committed to a free market economy and globalization. Above all, it has a 70 million middle class market, which is continuously growing.

**Consolidation:** For the first time in many years, the international pharmaceutical industry is finding great opportunities in India. The process of consolidation, which has become a generalized phenomenon in the world pharmaceutical industry, has started taking place in India.

(Source: <http://www.pharmaceutical-drug-manufacturers.com>)

## BUSINESS OVERVIEW

Bafna was started as a proprietary concern in 1981 by Mr. Bafna Mahaveer Chand in the name of Bafna Pharmaceutical and has been engaged in the business of manufacturing pharmaceutical formulations of Betalactum and Non Betalactum products. The first manufacturing unit was set up at Madhavaram during October 1984 for manufacture of tablets with an installed capacity of 420 lacs tablets p.a. Subsequently the capsule line was added during 1987 with a capacity of 300 Lacs capsule p.a. and then liquid line with an installed capacity of 45000 lts p.a was added in 1990. During the year 1995, Bafna Pharmaceuticals Limited was incorporated and it acquired the entire business of the proprietary concern. During the year 2001, the company constructed a separate block at Madhavaram for manufacturing Betalactum products. During 2006, Bafna has set up an 100% EOU unit at Madhavaram for the production of tablets and capsule with a capacity of 6973.20 lacs and 2462.40 lacs. This facility has been set up as per revised Schedule M under the Drugs and Cosmetics Act, 1947. The unit has been WHO GMP certified and also ISO 9000 certified. The products manufactured in this factory caters to the markets of Srilanka, Ghana and Ukraine.

Bafna was carrying on contract manufacturing for M/s Croslands Pvt. Ltd, a Mumbai based Pharmaceutical Company during the period 1994 to 2000. This company was subsequently taken over by M/s Ranbaxy Laboratories Ltd. and presently there is no entity called Crosslands Pvt. Ltd. in existence. Bafna was awarded the WHO GMP certification during the year 1995. The company's first product was registered in Srilanka in 1995 and the company made its first export during the same year. Presently around 57 products of the company are registered in Srilanka. During the year 2000 Bafna registered 3 of its products in Lao and in the year 2006, 4 products were registered in Ukraine. During 2007, Bafna registered 1 product in Ghana. The products registered by the company cover all the therapeutic segments. In the year 2003, the Government of India granted the Export House status to the company. The company received the Best Supplier award from the Srilankan Government during 2005.

After establishing itself in the non-regulated market, the company decided to enter into a more lucrative and regulated market of Europe. Towards this objective, the company started construction of a new state of art facility at Grantlayon village, near Red hills, Chennai for the manufacture of Non Betalactum products in solid oral dosage form during 2005. This unit is a 100% EOU unit. The total cost of the project as appraised by State Bank of India was Rs. 26.30 crore and the same was funded through a term loan of Rs. 14.60 crores sanctioned and disbursed by State Bank of India - Siruthozhil branch -Chennai and the balance was funded through promoters contribution and internal accruals. The factory was completed and inaugurated by the Governor of Tamil Nadu on October 2, 2006. This new plant has been set up with guidelines as laid down in European GMP. The machineries installed in the new facility of the company are Programmable Logic Controller and all the contact parts are made of stainless steel. This leads to consistent quality of products produced with no contamination. The Auto Coater machinery used in the unit is imported from Korea and Camera system for detection of unfilled product is imported from USA. The company has entered into an agreement with an UK based company Somex Pharma for sale of cholesterol lowering agent products to be manufactured by Bafna at this unit. A full scale commercial production would be commenced in the new unit once approval of MHRA is received. Presently company is validating the equipments and process at this unit and taking validation batches for trail run.

The company has been rated by Dun & Bradstreet during July 2006 and has obtained a rating of SE 2A indicating High Performance Capability and High Financial Strength. During February 2007, the Ghana FDA audited the facilities of the company and granted registration for one of its products under - Antifungal category. The company has applied for registration of brands with trademark registry for 23 products and 15 brands have already been approved. The other products are under consideration and the approvals of the same are expected shortly.

The present installed capacity of different categories of products manufactured by Bafna are as under:-

Products	Installed capacity on one shift basis Madhavaram unit	Installed capacity on one shift basis Madhavaram EOU unit	Installed capacity on one shift basis Grantlayon unit	Total installed capacity
Tablets	8344.30 lacs	6973.20 lacs	7195.00 lacs	22512.50
Capsules	2737.70 lacs	2462.40 lacs	2250.00 lacs	7450.10
Oral syrups	416569 Litres	--	--	416569

During the year 2006-07 the total installed capacity of tablets from both the units increased from 11831.00 lacs to 22512.50 lacs and capsules increased from 3968.70 lacs to 7450.10 lacs. This increase was due to the increase in capacities at the EOU unit at Madhavaram and new facilities set up at Grantlayon which has been specifically developed to cater to the regulated markets. In view of this there is a reduction in the overall capacity utilisation as compared to the total installed capacity.

### Competitive Strengths of Bafna

1. **Well experienced promoters** – The promoters of Bafna are in the business of dealing and manufacturing in pharmaceutical products for the past 25 years.
2. **International standards:** Our Company has been WHO-GMP certified since 1995. The manufacturing facility at Madhavaram is ISO 9001:2000 certified. The new facility at Grantlayon is as per EU GMP guidelines and is in the process of obtaining MHRA & USFDA approvals. Bafna has been awarded the Best Supplier Award from State Pharmaceutical Co -operation of Sri Lanka in 2005.
3. **Consistently delivered high quality products:** Bafna considers the quality of its products an obligation and pre-requisites of its activities in the health care sector and is committed to build quality into the products being manufactured. The quality assurance department of the company keeps a consistent surveillance on the purchasing, storage, manufacturing, testing, distribution & marketing of its products to ensure compliance with company's quality goals.
4. **Strong focus on product development through research & development:** Our constant focus on R&D has enabled us to develop high quality products. It also helps us in attaining an optimum product mix which in turn leads to a better realization.
5. **Multi-product capability:** The company presently manufactures 126 formulations under various therapeutic segments such as - anti-infectives, cholesterol lowering agents, analgesic and antipyretic, antihelmintics, appetite stimulants, cough & cold preparations, antiulcerants, antidiabetic and vitamins etc. . The manufacturing facilities of the company are multi-adaptable i.e. the facilities can produce multiple products using a combination of process.
6. **Registered brands:** Bafna presently has obtained 336 product licenses and has 65 products registered in various countries such as Sri Lanka, Ukraine and Lao. The company's dispatches to these countries have essentially to be only those products which are registered in the respective countries.

**Business strategy:**

1. **Entry into regulated market:** Bafna intends to enter into the regulated markets of the UK and USA and towards this purpose it has already set up a state of the art factory at Grantlayon. This new plant has been set up with guidelines as laid down in European GMP and the company is awaiting the MHRA approval for the factory.
2. **Diversifying into new markets:** Bafna intends to diversify into a growing market of formulation used in lifestyle disorder segments like cardiovascular and also market its existing products manufactured in the anti-infective and diabetic segment by launching the products and promoting them ethically through brand building exercise in India as well as in the international market.
3. **Cost competetive:** With the scaling of the manufacturing operations of the company, the products of the company would be cost effective through bulk purchasing of raw material. Moreover the company intends to implement automation at every stage of manufacturing process to be cost effective.
4. **Contract Manufacturing:** The recognition of product patent has provided global companies with better IPR protection and as a result has opened up a new segment for the IPI in Contract Research and Manufacturing Services (CRAMS). CRAMS has its roots in the outsourcing & off-shoring strategy that is successfully being employed by the developed countries. Many multinational pharmaceutical companies are expected to be affected by the number of drugs going off-patent. These companies need to maintain their growth momentum and to reduce the manufacturing cost are expected to outsource majority of off-patent products. Since Bafna has already set up its new factory as per EUGMP guidelines, it intends to get the contract manufacturing for these large multi national companies.
5. **Registration of products:** Bafna intends to register more and more of its products in different countries in its name and proposes to set up a strong marketing team to promote the products so registered.

**Competition**

In the Pharmaceutical Industry the players are spread among small and medium sector and large and multinational companies and these players are found in both the organized and unorganized sectors. The company faces competition from other established players in the Pharmaceutical industry such as Cadila Pharmaceuticals Ltd., Meadow Pharma Pvt. Ltd., Arvind Remedies Ltd. and Torrent Pharma Ltd.

**Location:**

Registered Office	Bafna Towers, No: 299, Thambu Chetty Street, Chennai -600 001
Factory-I (DTA and EOU Unit)	No: 13, S. V. Koil Street, Madhavram, Chennai -600 060
Factory-II	147, Redhills High Road, Grantlayon Village, Chennai- 600 052

**Factory I - Madhavaram, Chennai**

Bafna has two production facilities, both located at Chennai. The company is presently carrying on its manufacturing at its unit at Madhavaram only. The products manufactured are under Schedule M and WHO - GMP as per Drugs and Cosmetics Act. The products of this facility are exported to non-regulated markets like Srilanka, Ghana and Ukraine. This unit manufactures tablets, capsules and syrups. The details of the installed capacities, products manufactured, plant and machinery etc at this unit is as detailed hereinunder:

**Capacity and capacity utilisation**
**MADHAVARAM DTA UNIT**
**Tablet**

Details	2004-05	2005-06	2006-07
Installed Capacity	8344.30	8344.30	8344.30
Production	7509.90	3743.37	1458.11
Capacity Utilisation (%)	90	44.86	17.47

**Capsule**

Details	2004-05	2005-06	2006-07
Installed Capacity	2737.70	2737.70	2737.70
Production	2464.00	2334.43	1959.48
Capacity Utilisation (%)	90.00	85.27	71.57

**Syrup**

Details	2004-05	2005-06	2006-07
Installed Capacity	416569	416569	416569
Production	291598	247842	258414
Capacity Utilisation (%)	70.00	59.50	62.03

**MADHAVARAM EOU II**
**Tablet**

Details	2005-06	2006-07
Installed Capacity	3486.70	6973.20
Production	1875.03	5257.59
Capacity Utilisation (%)	53.78	75.40

**Capsule**

Details	2005-06	2006-07
Installed Capacity	1231.00	2462.40
Production	1000.47	809.22
Capacity Utilisation (%)	81.27	32.86

The manufacturing facilities of the company are multi-adaptable i.e. the facilities can produce multiple products using a combination of process During the year 2006-07 since the demand for tablets increased, the same was manufactured on a large scale and to that extent there was lesser utilization of the capacity to manufacture capsules thereby the total capsule production decreased to 2768.70 lacs from 3334.90 lacs for the year 2005-06.



**Products:**

The products manufactured by the company cover most of the therapeutic segments in the pharmaceutical industry and are for consumer use only and not for industrial use. Broadly the products manufactured by the company and registered in various countries

 ➤ **List of products registered in India**

Tablets	
Antirox Tab	Roxythromycin 150mg
Afenac Tab	Diclofenac Sodium 50 + Paracetamol 500 mg
Afenac Mr Tab	Chlorzoxazone USP 250mg+Diclofenac sodium 50 mg + Paracetamol 500 mg
Azibial-250 Tab	Azithromycin USP 250mg
Azibial-500 Tab	Azithromycin USP 500mg
Anodyne-500 Tab	Paracetamol BP 500 mg
Anodyne-650 Tab	Paracetamol 650 mg
Calmag-D Tab	Calcium Carbonate 375mg
	Dibasic Calcium Phosphate 75mg
	Calcium Fluoride 0.5mg
	Magnesium Hydroxide 50mg
	Cholicalciferol [Vit D3] 250
Cefporim-125 Tab	Cefadroxil 125 mg
Cefporim-250 Tab	Cefadroxil 250 mg
Cefporim-500 Tab	Cefadroxil 500 mg
Coldcure Tab	Paracetamol IP 350 mg + CPM 2mg + Phenylephrine Hcl IP 2.5 + Caffeine
Endworm Tab	Albendazole 400 mg
E-Plox Tab	Ofloxacin USP 200mg
E-Plox Or Tab	Ofloxacin USP 200mg
	Ornidazole 500mg
E-Plox T Tab	Ofloxacin USP 200mg
	Tinidazole IP 600mg
Eryes-250 Tab	Erythromycin Stearate IP 250mg
Eficep-200 Tab	Cefixime USP 100mg
Fluronor Tab	Norfloxacin IP 400mg
Fluronor-T Tab	Tinidazole IP 600MG + Norfloxacin IP 400mg
Flufungal-150 Tab	Fluconazole 150mg
Grow Tab	Cyproheptadine Hcl IP 4mg
Lomin Tab	Dicyclomine Hcl 20mg + Paracetamol 500mg
Myomox-125 Tab	Amoxycillin Trihydrate 125mg
Nimfen Tab	Nimesulide 100 mg
Pantoran-40 Tab	Pantoprazole 40MG
Proneg-250 Tab	Ciprofloxacin HCL IP 250 mg
Proneg-500 Tab	Ciprofloxacin HCL IP 500 mg
Proneg-T Tab	Tinidazole IP 600MG + Ciprofloxacin IP 500mg
Rizine Tab	Cetirizine Dihydrochloride 10 mg
Sparlone-200 Tab	Sparfloxacin 200mg
Tamfen Tab	Ibuprofen 400 mg + Paracetamol 500 mg
Ulcerine-150 Tab	Ranitidine 150 mg
Ulcerine-300 Tab	Ranitidine 300 mg
Zodip-.25 Tab	Alprazolam 0.25 mg
Zodip-.5 Tab	Alprazolam 0.50 mg

<b>Capsules</b>	
Betalin-250 Caps	Cephalexin IP 250mg
Betalin-500 Caps	Cephalexin IP 500mg
Cobaxine Caps	Ferrous fumerate IP 200mg +
	Cyanocobalamin IP 15mg
	Folic Acid IP 1 mg
	Zinc Sulphate IP 50mg
Cicol 250 Caps	Chloramphenicol IP 250mg
Cicol 500 Caps	Chloramphenicol IP 500mg
Isopen Caps	Ampicillin 250mg + Cloxacillin 250mg
Lacspor Caps	B Complex with lactobacillus
	60 million sporogenes
Myomox-250 Caps	Amoxycillin Trihydrate IP 250mg
Myomox-500 Caps	Amoxycillin Trihydrate IP 500mg
Myomox Plus Caps	Amoxycillin 250+Cloxacillin 250
Omeran-20 Caps	Omeprazole 20mg
Omeran-D Caps	Omeprazole 10mg
	Domperidone 10mg
Picil 250 Caps	Ampicillin 250mg
Picil 500 Caps	Ampicillin 500mg
<b>Syrup</b>	
Anodyne Syrup	Paracetamol IP 120mg
Bcostal Syrup	Thiamine Hcl IP 1mg+Riboflavine
	IP 1.5mg+Pyridoxine Hcl IP 0.5mg
	Cyanocobalamine IP 0.5mg+Folic
	IP 50mcg+Niacinamide 15mg.
Bipigel Suspension	Dried Aluminium Hydroxide
	Gel IP 300mg
	Magnesium Hydroxide 200mg
	Simethicone IP 25mg
Cobaxine Syrup	Protein Hydrolysate 700mg
	Ferrous Glycine Sulphate 50mg.
	Folic acid IP 500mg.
	Zinc Sulphate IP 15mg
	Cyanocobalamin IP 2.5mg.
Dalim Suspension	Sulphamethoxazole IP 200mg
	Trimethoprim IP 40 mg.
Eficep Dry Syrup	Cefixime USP 100mg
Endworm Syrup	Albendazole IP 200mg
E-Plox Suspension	Ofloxacin BP 50mg
E-Plox M Syrup	Ofloxacin USP 50mg
	Metronidazole Benzoate
	IP 100mg
Grow Hep Syrup	Cyproheptadine Hcl IP 2mg
	Tricholine Citrate 250mg
	Thiamine Mononitrate IP 1.25mg
	Riboflavine IP 1.25mg
	Pyridoxine IP 0.50mg
Hepalin Syrup	Tricholine Citrate 550mg
	Sorbitol 7.15gm per 10ml

Myomox Dry Syrup	Amoxycillin IP 125mg
Myomox Dry Syrup	Amoxycillin IP 125mg
Nimfen Susp.	Nimesulide 50mg
Phen Expectorant	Chlorpheniramine Maleate IP 2mg + Ammonium Chloride IP 100mg + Sodium Citrate 44mg
Phen Syrup	Chlorpheniramine Maleate IP 4mg
Phen Cp	Phenyl propanolamine Hcl IP12.5
Pheniramine Maleate Syp	Pheniramine Maleate Syp IP 15mg
Restin Syrup	Salbutamol Sulphate IP equiv. to Salbutamol IP 1mg + Bromhexine Hcl IP 2 mg + Guaiphenesin IP 50mg + Menthol IP 0.5 mg.
Protina Powder	Protein 15 gms Carbohydrate 55 gms Fat 1.25 gms Calcium 750 mg Vitamin A 3000 I.U. Vitamin B1 1 mg Vitamin B2 2 mg Vitamin B12 5 mcg Vitamin C 60mg Calcium D Pantothenate 15 mg Niacinamide 20 mg Iron 20mg Zinc 15mg Folic Acid 166mg.

➤ **List of products registered outside India**

BRAND NAME	PACK SIZE
<b>Colombo</b>	
Aluminium Hygroxide gel IP 120mg + Mangesium Trisilicate IP 250mg Tablets	Plastic Jar 1000's
Atenolol Tablets IP 50mg	Blister Pack 10x3x10
Amoxycilin Capsules B.P. 500mg	Blister Pack 20x10Caps
Amoxycilin Capsules B.P. 250mg	1000's Plastic bottel 10x10's
Amlodipine besylate Taablets BP 5mg	Blister Pack 10x10
Albendazole Tablets IP 400mg	30 x 1 Blister Packs
Calcium Lactate Tablets 300mg	1000 Tbs Plastic Jar
Cetizine Hydrochloride 10mg Tablets	5x5x10 Blister Pack
Chlorpheniramine Meleate 2mg + Ammonium Chloride 100mg (Expectorant)	750ml & 100ml bottles
Chlorpheniramine Meleate Syrup 2mg in 5ml	100ml / 750ml Plastic bottles
Chlorpheniramine Meleate Tablets BP 4mg	Plastic bottles 1000's
Captopril Tablets BP 25mg	10x10's Blister Pack & 1000's
Cephalexin Capsules BP 500mg	10x20's Blister Pack
Cephalexin Dispersible Tablets B.P. 125mg	Plastic Bottles 250's Blister pack 30x10's
Ciprofloxacin Hydrochloride Tablets 500mg	Blister pack 20x10
Cloxacillin Capsules BP 250mg	Bulk pack 1000's
Cefixime Tablets USP 200mg	10x3 Blister pack

Co - trimoxazole Tablets BP 480mg	Plastic bottle 1000's
Cimetidine Tablets IP 200mg	Jar 100's
Ciprofloxacin Tablets 250mg	Blister pack 10x10
Chloramphenicol Capsules BP 250mg	Plastic Jar 1000's & 500's
Cefalexin Capsules BP 250mg	10x10's & 20x10's
	Blister & 1000's Bottles
Dexamethasone Tablets B.P. 0.5mg	1000's Plastic Jar
Erythromycin Stearate BP 250mg Tablets	1000, 500, 250 &
	20x10 Blister packs
Folic Acid Tablets BP 5mg	Plastic Bottles 1000's
Ferrous Fumerate 200mg + Cyanocobalamin 15mcg Folic acid 1mg + Zinc Sulphate 50mg	10x10 & 3x10 Strip
Frusemide Tablets IP 40mg	Plastic Jar 1000's
Glibenclamide Tablets BP 5mg	500's, 1000's
Griseofulvin Tablets IP 500mg	5x10's Blister Pack
Griseofulvin Tablets IP 125mg	Blister Pack 3x10's
Glipizide 5mg Tablets	Blister Pack 5x10's
Ibuprofen Tablets BP 400mg	Container 100 & 10x10's
Ibuprofen Tablets BP 200mg	Bulk pack 1000's
Isosorbide Dinitrate Tablets IP 10mg	Plastic Bottles 1000's
Levamisole Hydrochloride Tablets IP 40mg	100's & 250's bulk pack & Bottles
Mefenamic Acid Tablets 250mg	Plastic Bottles 500's
Mefenamic Acid Tablets BP 500mg	Blister Pack 20x10's
Metoclopramide Tablets BP 10mg	Plastic Bottles 1000's
Mebendazole Tablets USP 100mg	1000's Bulk Plastic Jars
Niacinamide 10mg Thiamine Mononitrate 1mg Riboflavin 1mg Tablets	1000's Plastic Bottle
Nalidixin Acid Tablets BP 500mg	Plastic bottle 500's
Omeprazole Capsules IP 20mg	Blister Pack 20x10's
Prednisolone Tablets B.P. 5mg	1000's Plastic Jar
Paracetamol Syrup BP 120mg / 5ml Syrup	Plastic can 750ml & 100ml
Paracetamol Tablets BP 500mg	Blister Pack 20x10's
Paracetamol Tablets B.P. 500mg	1000 HDPE Jar
Prochlorperazine Tablets IP 5mg	1000 Bulk Plastic
Piroxicam Capsules IP 20mg	Blister Pack 20 x 10's
Salbutamol Tablets B.P. 4mg	1000's Plastic Jar
Salbutamol Tablets BP 2mg	Plastic Bottles 1000's
Spironolactone Tablets IP 25mg	Blister Pack 10x10's
Sparfloxacin Tablets 200mg	Blister Pack 5x10x10
Salbutamol Sulphate Bromhexine HCL 2mg + Guaiphenasin 50mg Menthol 0.5mg	100ml Bottles
Tetracycline Capsules IP 250mg	Plastic Bottles 1000's
Terbutaline Tablets IP 2.5mg	Blister Pack 10x10's
Thiamine Hydrochloride Tablets IP 10mg	Plastic Jar 1000 Tbs
Trimethoprim & Sulphamethoxazole Oral Suspension IP 40 / 200mg / 5ml	50ml Glass Bottles
<b>Ukraine</b>	
Afenac Mr	1X10
Coldcure Plus	1X4

Fluronor Tablets	1X10
Hepalin Syrup	200ML
<b>Ghana</b>	
Flufungal	1X30'S
<b>Lao</b>	
Tamfen	10X10
Afenac Mr Tablets	10X10
Omeran Capsules.	10X10

### Plant & machinery:

The details of major plant and machineries installed at the Madhavaram unit is as follows:

Name of the plant and machinery	Make	No. of sets
Fluid bed dryer	Alliance	1
Rapid Mass Granulator (RMG)	SAMS	1
Mass Mixer	Royal	1
Compression machines	Cadmach - 1 Fluidpack - 2 Pacific Tools - 1 Clit - 1	5
Blister packing machine	Precision Gears - 1 Rapid Pack - 1	2
Strip packing machine	Hemson	1
Alu-alu blister packing machine	Rapid	1
Coating machines	Royal Scientific	3
High Performance Liquid Chromatography	Shimadzu	1
Auto Capsule filling line	Pam AF 150, AF 40	2
Auto liquid filling machine	Pharmalab	1

### Formulation Development Machines

The formulation development department of the company has been installed with tableting, RMG, capsule filling machine, shifter etc having 1/10<sup>th</sup> capacity of the machines installed in the manufacturing units.

### Quality Control Department

Sr. No.	List of Equipments In Quality Control
1	High Performance Liquid Chromatography (Hplc)
2	Fourier Transform Infrared Spectrophotometer
3	Uv Spectrophotometer
4	Dissolution Tester(Tdt-08l)
5	Dissolution Tester(Tdt-06n)
6	Melting Point Apparatus.
7	Polarimeter.
8	Elctronic Balance (Simmadzu 0.1 Mg Occuracy)
9	Bulk Density Apparatus

Sr. No.	List of Equipments In Quality Control
10	Disintegration Tester
11	Friability Tester
12	Sonicator
13	Laminor Flow
14	Autoclave
15	Elctronic Balance (Simmadzu 0.1 Mg Occuracy)
16	Elctronic Balance (Simmadzu 0.1 Mg Occuracy)
17	Colony Counter
18	Antibiotic Zone Reader
19	Water Double Distillation Unit

### Factory-II , Grantlayon

The second unit of Bafna which is a new facility located at Grantlayon is to cater to the regulated markets like United Kingdom and Europe. This facility has the capability of manufacturing tablets and capsules only. The commercial production at this unit would start only after the accreditation from MHRA has been obtained. The audit for the MHRA accr edition has been completed during February 2008.

### Capacity and capacity utilisation

#### Tablet

In Lacs	
Details	2006-07
Installed Capacity	7195
Production	--
Capacity Utilisation (%)	NA

#### Capsule

In Lacs	
Details	2006-07
Installed Capacity	2250
Production	--
Capacity Utilisation (%)	NA

### Plant & machinery:

The details of major plant and machineries installed at the Grant layon unit is as follows:

Name of the plant and machinery	Make	No. of sets
Fluid bed Processor	Pam Glatt	1
Fluid bed dryer	Alliance	1
Rapid Mass Granulator	Kevin	1
Compression machines	Cadmach	2
Blister packing machine	Precision	2
Strip packing machine	Satellite	1
Alu-alu blister packing machine (BQS)	Pam	1
Auto Coating machines	Sejong	1
Automatic capsule line	Pam	1

S.No	List of Equipments In Quality Control
1	High Performance Liquid Chromatography
2	Gas Chromatography
3	FTIR
4	UV Visible Spectrophotometer
5	Dissolution Test Apparatus
6	Disintegration Test Apparatus
7	Bursting Strength Apparatus
8	Auto Titrator
9	Biological Incubator
10	UV Chamber
11	Polarimeter
12	pH- Meter
13	Humidity Chambers
14	Conductivity Meter
15	Tablet Friabilator
16	Fume Cupboard
17	Tablet Hardness Tester
18	BOD Incubator
19	Melting Point Apparatus
20	Ultrasonic Bath
21	Laminar Air Flow
22	Colony Counter
23	Microscope
24	Purified Water Generator
25	Total Organic Carbon
26	Stability Chamber

#### Utilities:

#### Raw Materials

The details of the main raw material consumed by the company and its suppliers is as per table given below.

Sr.No.	Name of The Material	Major Suppliers
1	Amoxicillin Trihydrate	Dsm Anti-Infectives India Pvt.Ltd.,
2	Ibuprofen	Shasun Chemicals
3	Cephalexin Monohydrate	Lupin Limited/ DSM Anti Infectives Pvt. Ltd.
4	Nalidixic Acid	Unimark Remedies Ltd.,
5	Simvastatin	Bio Con Ltd.,
6	Paracetamol	Sri Krishna Pharmaceuticals Ltd.,
7	Atorvastatin	Amoli Drugs
8	Hard Empty Gelatin Capsules	Associated Capsules Pvt.Ltd.,
9	Alu.Blister Foil	Essef Laminates
10	Pvc Film	Associated Capsules Pvt.Ltd.,

Apart from the above, the company is also importing certain raw material like tetracycline, captopril, Dexamethasone, Prednisolone, etc from China. The total imports of raw material constituted only around 6% of the total raw material purchases during the year 2006-07. The raw material is freely available and the company has not entered into any long term contracts with any suppliers for the same.

**Power:**

The total requirement of power at Madhavaram and Grantlayon is estimated to be 242 Kw and 650 KW respectively. The requirement of power is met by supply from Tamilnadu State Electricity Board (TNSEB). In addition we have installed a total of 2 DG sets of 500 & 40 kw each for providing standby power backup.

**Water:**

Water is used in the process of manufacturing and cleaning purposes and also for general needs of the employees. The company requires approximately 1100 litres/ day. The requirement of water is met through bore wells dug at the factory site.

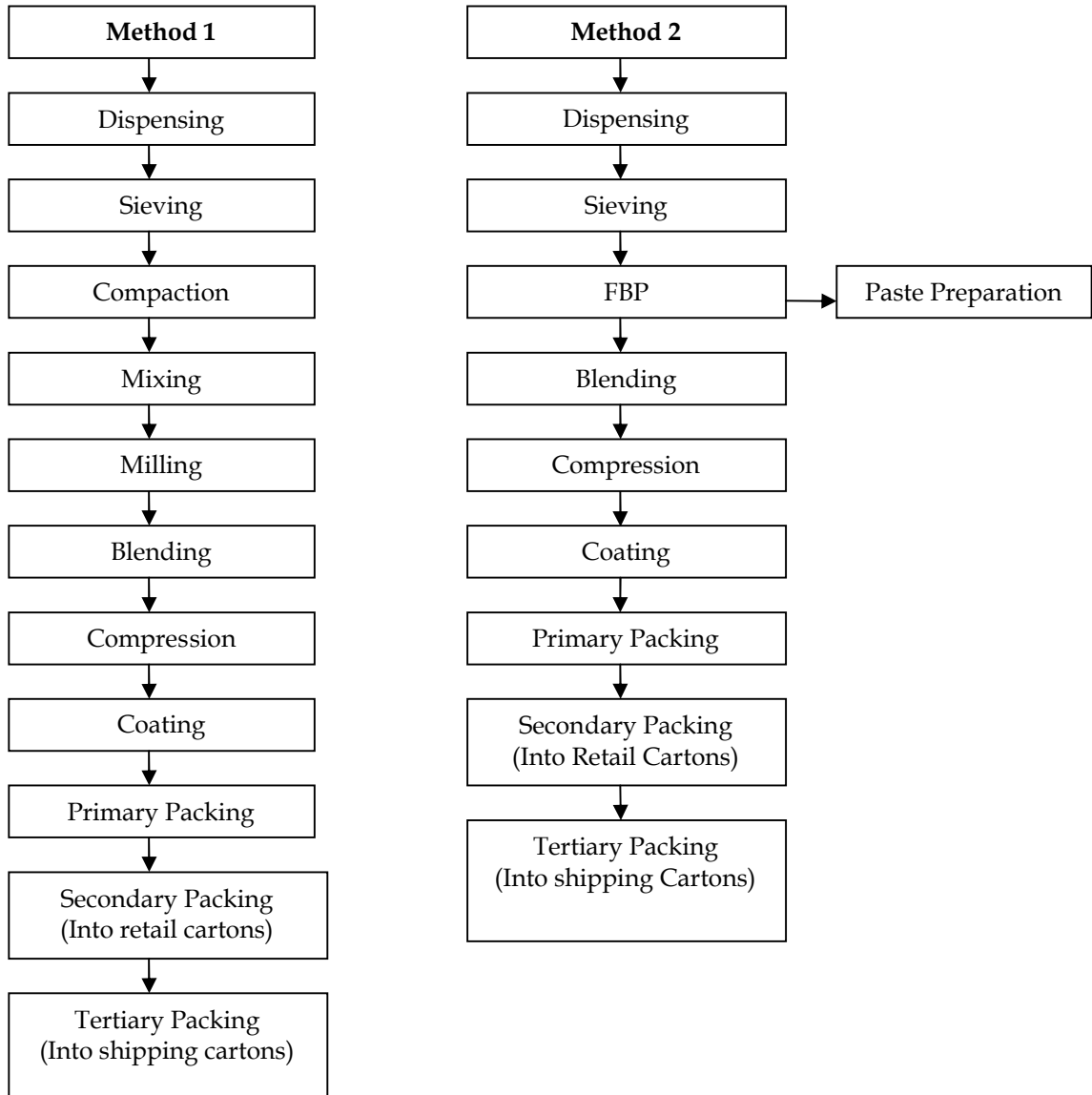
**Manpower**

The details of Manpower presently employed by the company including contract labourers is as follows:

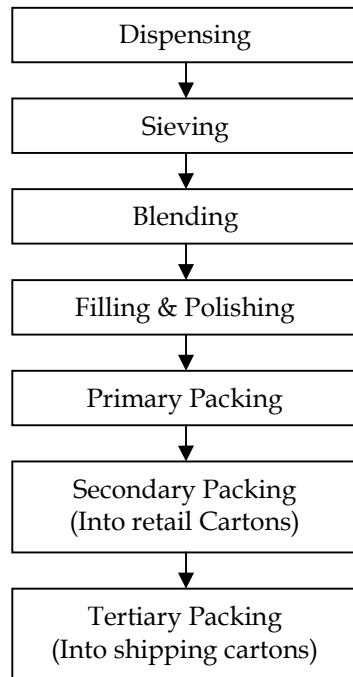
Sr. No.	Particulars	Permanent Employees	Contract Labourers	Total
1	Managerial	25	-	25
2	Skilled	17	-	17
3	Semi-skilled	51	45	96
4	Unskilled	-	65	65
	<b>Total</b>	<b>93</b>	<b>110</b>	<b>203</b>



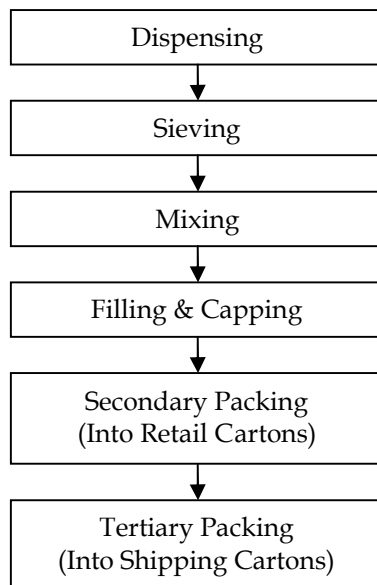
**Production flow chart- Tablets**



### Production Flow Chart-Capsules



### Production Flow Chart-Syrup



## Quality

Bafna considers the quality of its products an obligation and prerequisite to its activities in the health care sector and is committed to build quality into the products being manufactured. The management is committed to take all appropriate measures to ensure the manufacture of products of high quality, which will be safe for human consumption and will have consistent properties.

Bafna promotes the consciousness of quality among its employees at all levels and departments and provides its qualified and trained workforce with constant training to upgrade their knowledge and stay conversant with state of the art technology. The quality assurance department of the company keeps a constant surveillance on the purchasing, storage, manufacturing, testing, distribution and marketing of its products to ensure compliance with the company's quality goals.

Bafna was certified by World Health Organisation (WHO) for Good Manufacturing Practices (GMP) in the year 1995. It has also received ISO 9001: 2000 certification during November, 2006.

## Insurance Policies

Bafna has taken insurance to cover different risks at different locations. Details of insurance policies held by Bafna are as follows:

Sr No.	Policy No.	Issued by	Premium paid and insured amount	Risk covered@	Place of Coverage	Expiry date
1.	710100/11/07/11/000370	The New India Assurance Company Ltd.	Premium Rs.4,652 <u>Insured amount</u> Rs.18,00,000	Earthquake [Fire and shock]	299, Thambu Chetty Street Chennai 600 001.	01.08.2008
2.	410100/11/07/1100000267	The New India Assurance Company Ltd.	Premium Rs.3,81,912 <u>Insured amount</u> Rs.20,60,00,000	Earthquake [Fire and shock]	147, Madhavaram Redhills High Road Grantlayon Village Vadakarai Chennai 600 052	24.06.2008
3.	710100/46/0704/00000536	The New India Assurance Company Ltd.	Premium Rs.67,344 Insured amount Rs.4,00,00,000	Earthquake [Fire and shock]	13, Sundara Vinayagar Koil Street Madhavaram Chennai 600 060.	19.02.2009
4.	710100/11/0611/00000998	The New India Assurance Company Ltd.	Premium Rs.93,575 Insured amount Rs.5,97,00,000	Earthquake [Fire and shock]	13, Sundara Vinayagar Koil Street Madhavaram Chennai 600 060.	06.01.2009

## Marketing Arrangements:

For the domestic market, Bafna has appointed Marketing agents in Kolkatta and Kannur to distribute its products, apart from direct selling to institutions such as Tamil Nadu Medical Services Corporation - Chennai. The company has its own distribution network through distributors for supply to Employees State Insurance Corporation - New Delhi.

Bafna markets its products through its various agents / importers appointed in each Country. The company has appointed Marketing Agents in Srilanka, Ukraine and Ghana. The main terms of the agreements entered into with these agents are given as under:

#### **1. Agreement between Bafna & M/s Pharma Associates in Srilanka**

Company has entered into an agreement on 14<sup>th</sup> December 1996 with Pharma associates having its registered office at 96, 2/13 Front Street, Colombo , Srilanka for sale of company's products which are registered in that country.

##### **The period of the Agreement**

The agreement term is for 20 years from 14th December 1996. However it can be terminated by either party on breach of certain terms etc, and agreement provide for force major clause.

#### **2. Agreement between Bafna & M/s. P.C. Vastimul - LLC in Ukraine**

The Company has entered into an Agreement dated 02<sup>nd</sup> April 2007 with P.C. Vastimul - LLC in Ukraine, a Company incorporated under the Laws of Ukraine and having its registered office at Donetsk, Ukraine for marketing and distribution of products of the company registered in Ukraine.

The products which would be marketed under this agreement include:

COLD CURE 4 Tablets Packing  
AFENAK- MR 10 Tablets Packing  
FLURONOR 10 Tablets Packing  
HELPALIN S syrup 200 ml. glass bottle packing

##### **Period of the agreement:**

The agreement dated 02/04/2007 is valid for 5 Years and is renewable for further 2 Years by mutual agreement.

#### **3. Agreement between Bafna & M/s Primax in Ukraine**

The Company has entered into an Agreement dated 7<sup>th</sup> September 2007 with Primax Corporation Ltd., a Company registered under the Company Act, 1985 with registration no. 6077837 and having its Registered Office at Enterprise House, 82, Whitchurch Road, Cardiff, CF 14, 3 LX, United Kingdom and having a branch office at 20, Panfilova Avenue, Donetsk, 83055, Ukraine for re-packing the products of the Company. The products which are marketed under this agreement include:

COLDCURE TABLETS  
AFENAC MR TABLETS

##### **Period of the Agreement:**

5 years from the date of execution by both the parties (i.e. 7<sup>th</sup> September 2007) To be renewed for successive two year periods, by mutual consent.

#### **4. Agreement between Bafna & M/s. Surgicare and Pharma Ltd. in Ghana**

Company has entered into an agreement on 18.10.2006 with Surgicare & Pharma Ltd Ghana , having its registered office at CT4575 Contonment, Accra for sale of all products registered in Ghana.

**Period of the Agreement:**

The agreement term is for 5 years from 18.10.2006. However it terminated by either party on breach of certain terms etc, and agreement provide for force major clause

**5. Agreement between Bafna & M/s Stranhd aven Limited t/a Somex Pharma in UK**

For the products to be manufactured at the Grantlayon unit of the company for United Kingdom, Bafna has entered into a supply agreement with **Stranhdaven Limited Somex Pharma, 600 High Road, Seven Kings, Iiford, Essex, IG3 8BS** for marketing and distributing its products in UK. As per the agreement Bafna will manufacture exclusively the products given below for this company to be marketed in for UK. The products which are marketed under this agreement include:

SIMVASTATIN 10MG Film Coated Tablets  
SIMVASTATIN 20MG Film Coated Tablets  
SIMVASTATIN 40MG Film Coated Tablets

**Terms of the agreement:**

The agreement dated 29/01/2007 is valid for 5 years and is renewable for further 2 years by mutual agreement.

**Trade mark**

The company has applied for registration of brands with trademark registry for 23 products and 15 brands have already been approved. The details are as under:

**(i) Trade Marks which are registered in the name of the Company:**

Sr. No.	Registration No.	Date of Registration	Trade Mark	Class in which registered	Validity
1.	800458	29.04.1998	MINOSTOL	5	28.04.2008
2.	800460	29.04.1998	RAMIDE	5	28.04.2008
3.	800461	29.04.1998	ANODYNE	5	28.04.2008
4.	800464	29.04.1998	RESTIN	5	28.04.2008
5.	800465	29.04.1998	EXTRAPAR	5	28.04.2008
6.	800467	29.04.1998	ENDWORM	5	28.04.2008
7.	800468	29.04.1998	SYSTEM	5	28.04.2008
8.	800469	29.04.1998	TEEMYCIN	5	28.04.2008
9.	800470	29.04.1998	DOCLIN	5	28.04.2008
10.	809277	09.07.1998	NIMFEN	5	08.07.2008
11.	1069154	26.12.2001	CEFPORIM	5	25.12.2011
12.	1069156	26.12.2001	FLURONOR	5	25.12.2011
13.	1254465	10.12.2003	FLUFUNGAL	5	09.12.2013
14.	1254467	10.12.2003	RIZINE	5	09.12.2013
15.	1254468	10.12.2003	SPARLONE	5	09.12.2013

(ii) Trade Marks in respect of which applications have been made by the Company

Sr. No.	Application No.	Date of Application	Trade Mark Name	Class in respect of which application has been made	Present status of the application
1..	800459	29.04.1998	PRONEG	5	Pending
2.	800462	29.04.1998	BETALIN	5	Opposed
3.	800463	29.04.1998	AFENAC	5	Opposed
4.	800466	29.04.1998	RELIEF	5	Pending
5.	1069155	26.12.2001	SERFLAM	5	Mark registered but Certificate of Registration not received
6.	1069157	26.12.2001	ANTIROX	5	Opposed
7.	1354827	04.05.2005	Bafna (Logo)	5	Pending
8.	800472	29.04.1998	LOMIN	5	Opposed

(iii) Trade Marks which are being used by the Company under a Licensing Agreement

The Company has entered into a License Agreement dated 29<sup>th</sup> May 1998 with Mr. Bafna Mahaveer Chand, for use of the following Trade Marks which are registered in the name of Mr. Bafna Mahaveer Chand.

Sr. No.	Registration No.	Trade Mark	Class in which registered
1.	566277	COBAXINE	5
2.	585406	CICOL	5
3.	585408	PICIL	5
4.	585409	DALIM	5
5.	585410	MYOMOX	5

Following are the salient features of the License Agreement

Licensor:	Mr Bafna Mahaveer Chand
Licensee:	Bafna Pharmaceuticals Ltd.
Period of the License:	25 years from 1 <sup>st</sup> April 1995 (unless terminated earlier)
Nature of license:	Exclusive and non-assignable
Royalty:	@1% of the sales value for sale effected from 1 <sup>st</sup> April 2010

**Existing Property Details:**
**Owned by the company**

Sr. No.	Description of the Property	Name of the Seller & Address	Date of Agreement	Area	Purchase Value in Lacs	Nature of Possession	Purpose
1.	No. 147, Grantlayon Village, Thiruvallur district, Ambattur Circle-Chennai	Mrs. Indira Asokan	31/10/2000	2.68 Acres	18.50	Owned by the company	Factory

**Property taken on lease by the company**

Sr. No.	Description of the Property	Name of the lessor	Date of Agreement /Renewal	Area	Lease rent amount (Rs.)	Purpose	Lease Period
1	Bharathiar street, Madhavaram Village	Mr. Paras Bafna	01/01/2008	5232 Sq. ft.	nil	Factory	36 months from the date of Agreement, and renewal with mutual consent
2	No. 34, Bharathiar street, Madhavaram Village	Mr. Bafna Mahaveer Chand	01/01/2008	2436 Sq. alongwith 850 Sq. ft. building constructed thereon	nil	Factory	36 months from the date of Agreement, and renewal with mutual consent
3	No. 13, Sundara Vinayagar Koil Street, Madhavaram, Chennai-600 060	M/s Banshilal & Co.	28/07/1995	25,472 Sq. ft.	4000 per month	Factory	25 years starting from 01/08/1995
4	299, Thembu Chetty Street, Chennai-600 001	Mr. Bafna Mahaveer	01/01/2008	1200 Sq. ft.	10000 per month	Registered Office	11 months from the date of Agreement, and renewal with mutual consent

Note: the factory at Madhavaram is set upon three plots at the same locations as mentioned above.

## REGULATIONS AND POLICIES

### **Drugs and Cosmetics Act, 1940**

Drugs and Cosmetics Act, 1940 governs and regulates the manufacture, sale, stock, import, export, distribution of drugs. This legislation requires a company inter alia engaged in any of the above activities to obtain licenses for the manufacture, sale, distribution and import of drugs, as the case may be, from the Drugs Controller General of India and to maintain records of the same. In order to obtain a License for a particular drug, the approval of the Central Drugs Laboratory certifying the standards of quality is required for which the product is subjected to series of tests involving different stages and procedures. In case of APIs, the Drug Controller General of India issues manufacturing licenses. These manufacturing and marketing Licenses are submitted by the Company seeking to produce the drug to the state level authority, the Drug Control Administration which clears the drug for manufacturing and marketing. The Drug Control Administration also provides the approval for the technical staff as per the drugs and Cosmetics Act and rules framed under the legislation abiding by WHO inspection norms.

### **Drugs and Cosmetics Rules, 1945**

These Rules have been framed under the Drugs and Cosmetics Act, 1940. These Rules, inter alia, provide that for the purpose of importing drugs import license and registration certificate is required from the Licensing Authority. The authorization by a manufacturer to his agent in India is documented by a Power of Attorney executed and authenticated in India before a 1<sup>st</sup> class Magistrate or in the country of origin before such equivalent authority. The Rules also provides for the approval of the Technical staff as per the Drugs and Cosmetics Act and rules framed under the legislation abiding by the World Health Organisation inspection norms.

### **The Drugs (Prices Control) Order, 1995**

The Drugs (Prices Control) Order 1995 was promulgated under the Essential Commodities Act, 1955. Under this Order, the Government of India regulates the equitable distribution and increase in supply of a bulk drugs, and regulates the availability and fair price mechanism at which bulk drugs are sold. A manufacturer has to submit a list of all the Scheduled and Non-Scheduled drugs produced by it and also the cost of each of the bulk drugs. This order is to be read in consonance with the Drugs and Cosmetics Act, 1940.

The Government of India also fixes the ceiling price of scheduled formulations, keeping in view the cost or efficiency, or both of major manufacturers of such formulations. Such price consequently operates as the ceiling sale price for all packs including those sold under generic name. The authority appointed under the Order for regulation and fixation of drug prices is the "National Pharmaceuticals Pricing Authority" (NPPA). Upon the recommendation of the NPPA, the Ministry of Chemicals and Fertilizers fixes a ceiling price of the API and issues notifications in respect of drugs which are scheduled drugs and formulations.

The Government of India has the power under the Order to recover charges charged by companies in excess to the notified prices. A Gazetted Officer of the Central Government or State Government so appointed for the purposes of this Act is empowered to enter and search any place, seize any drug to ensure compliance with this order. Contravention of any provisions of this Order is punishable in accordance with the provisions of the Essential Commodities Act.

### **Drugs and Magic Remedies Act, 1954**

The legislation prohibits the advertising of a drug in such a way that the advertisement contains any matter which directly or indirectly misrepresents the true character of the drug or makes a false claim or a claim which is false or misleading in any material particulars. The legislation also expressly prohibits the import or export of any document containing an advertisement relating to the same.



The contravention of any provisions of this Act has been made subject to punishments as specified therein.

### **Narcotic Drug & Psychotropic Substances Act**

The Narcotic Drug & Psychotropic Substances Act controls operations relating to narcotic drugs like opium, cannabis and psychotropic materials.

### **Poisons Act**

The Provisions of the Poisons Act restrict the use of poisons. The poisonous substances covered by the Act are classified into two categories. These include aconite, arsenic, morphine, heroin, essential oil of almonds, oxalic acid, poppies, chloroform, zinc chloride etc.

### **Patent Regulation**

The protection and enforcement of patent rights in India are essentially governed by the Patents Act, 2005 (including the rules framed thereunder), as amended from time to time, the Patent Co-operation Treaty (PCT) and related international conventions to which India is a signatory. A patent unlike a trademark or copyright is territorial in nature meaning that an invention (be it product or process) that is patented in one country does not enjoy protection as a patented invention in any other country.

The PCT is an international treaty between more than 125 Paris Convention countries, administered by the World Intellectual Property Organisation (WIPO). The PCT makes it possible to seek patent protection for an invention simultaneously in each of a large number of countries by filing a single "international" patent application instead of filing several separate national or regional patent applications. The granting of patents remains under the control of the national or regional patent offices called the "national phase". In keeping with its commitment as a signatory of Trade Related Aspects Intellectual Property Rights (TRIPs) in 1995, India is required to recognize product patents in addition to process patents in respect of pharmaceutical products. Under the amended Patents Act 1970, patents in India can be granted for a product or a process. Under the new Indian patent regime, patent protection has been increased from seven years to twenty years.

### **Environmental Regulations**

In India, regulation and enforcement of environment protection and safety is governed by three major central regulations namely Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981, and the Environment Protection Act, 1986. The main purpose of these legislations is to regulate prevent and control pollution, by the setting up, inter alia of national and regional Pollution Control Boards (PCBs) which monitor and enforce standards and norms in relation to air, water pollution and other kinds of wastes causing environmental damage.

In addition, the Environment (Protection) Act, 1986 also prescribes rules for the management and disposal of hazardous industrial wastes governed by Hazardous Wastes (Management and Handling) Rules, 1989 and Bio-Medical Waste (Management and Handling) Rules, 1998.

Further all proposals for setting up, expansion or modernization are evaluated in terms of environment assessment impact, by the Ministry of Environment and Forests, which accords the necessary clearance for projects after evaluation of Environment Impact Assessment.

### **Foreign Direct Investment Policy**

Industrial Licensing: Industrial licensing for all bulk drugs cleared by Drug Controller General (India), all their intermediates and formulations has been abolished, subject to stipulations laid down from time to time in the Industrial Policy, except in the cases of

- a) bulk drugs produced by the use of recombinant DNA technology.
- b) bulk drugs requiring in vivo use of nucleic acids as the active principles and
- c) specific cell/tissue targeted formulations

### **Labour Regulations**

Depending upon the nature of the projects undertaken by the Company, applicable environmental and Labor Laws and regulations include the following :

- Contract Labor (Regulation and Abolition) Act, 1970;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- Payment of Gratuity Act, 1972
- Payment of Bonus Act, 1965

## HISTORY AND OTHER CORPORATE MATTERS

### History

Bafna was incorporated on March 28, 1995 with the Registrar of Companies Tamilnadu . Mr. Bafna Mahaveer Chand, promoter of the company started his business as a proprietary concern in the name of Bafna Pharmaceutical during 1981. He set up the first manufacturing unit at Madhavaram during October 1984 for manufacture of tablets with an installed capacity of 420 lacs tablets p.a. Subsequently the capsule line was added during 1987 with a capacity of 300 lacs capsule p.a. and then liquid line with an installed capacity of 45000 lts p.a was added in 1990. Thereafter during 1995, he incorporated Bafna Pharmaceuticals Limited and acquired the entire business of the proprietary concern .Bafna Pharmaceutical Limited has been engaged in the business of manufacturing pharmaceutical formulations of Betalactam and Non Betalactam products.

### Major events in the History of the Company:

Year	Event
1981	Started as a Proprietorship concern
1984	Set up its first manufacturing unit on 04.10.1984 at Madhavaram with tablet line of installed capacity of 420 Lacs p.a.
1987	Added Capsules Line with installed capacity of 300 lacs p.a.
1990	Added Liquid Line with installed capacity of 45,000 ltr. p.a. Made its first supplies to Government of Tamilnadu
1994	Started Contract Manufacturing activity for Crossland Laboratories
1995	Incorporation of the company WHO GMP Certification for Madhavarm Unit received Submitted Dossier for registration for 57 products in Srilanka Made its first export to Srilanka Started Supply to ESI corporation.
2003	Received <b>Export House</b> " Status by Ministry of Commerce & Industry
2005	<b>Best Supplier</b> " Award by State Pharmaceuticals Corporation of Sri Lanka Started Construction of new plant at Grantlayon village Madhavaram Plant approved as per revised Schedule 'M' 2006.
2006	Registered 4 products in Ukraine. New plant at Grantlayon Inaugurated by Governor of Tamil Nadu, on 02.10.2006. Received ISO 9001: 2000 certificate
2007	Inspection by Ghana Inspectors in 2007 got accreditation. Rated as "SE2A" by Dun & Bradstreet Manufacturing License Received for Grantlayon Unit WHO GMP Certification for Grantlayon Unit

### Changes in Registered Office:

There is no change in the registered office of the company since incorporation.

### Main Objects of the Company:

The main objects of the Company as given in the Memorandum of Association of the Company are reproduced below:

A) To carry on the business of manufacturing and analytical chemists, druggist, drysalts and manufacturers, importers, repackers of and dealers in pharmaceuticals, medicinal, chemical, biological and biochemical products electrolytic drugs, pharmaceuticals ingredients, products and compounds and to manufacture, prepare, import, export, buy, sell, supply, distribute, store, stock, maintain and otherwise handle, deal in and carry on business in all kinds and varieties of patent

medicines, drugs, mixtures, tablets, pills, ointments, powders, eye and ear drops, sterilised injections, vaccines, sera, immunogens, phylacogens, cosmetic preparations, surgical dressings, disposable syringes, needles, hospital, dental, medical, surgical, clinical and laboratory equipments, components, appliances, apparatuses, substances, instruments, diagnostic, kits, disposable agents, infusion and transfusion solutions, mineral and plasma substitutes, herbal and dental products, formulations in Allopathy, Ayurvedic, Unani, Siddha and Homeopathy systems, health giving and curative materials, products, substances and things capable of being used or required by hospital, patients and other similar categories of consumers and bulk drugs and fine chemicals.

B) To manufacture organic, inorganic and biochemical substances and formulations thereof of various descriptions and notations such as Alkalies, Acids, Bases, Solvents, Alcohols, Gases, Ethers, Aliphatics, Aromatics, Aldehydes, Ketones, Amines and Alkaloids by employing one or more of the process of halogenation, hydrogenation, sulphonation, nitration, oxidation, reduction, esterification, calcinations, polymerization, electrolysis, extraction, separation, distillation, dehydration, evaporation, compression, condensation, crystallisation, ionisation, combustion, saponification, fermentation and biotechnology, genetic engineering, polymer engineering, Newer separation processes, technologies or rural development, energy saving artifacts, devices, technology and instrument of relevance for protection of ecology and environment and any other continuous or unit process for synthesis or isolation.

C) To acquire and take over as a going concern all the assets and liabilities or part of the assets and liabilities of M/s. Bafna Pharmaceuticals and of Pharma Kraft and take over any assets or part of the assets or manufacturing units such as land, building, plant and machinery, furniture and fittings and other utilities and facilities of such business concerns.

The main objects clause of the MoA of the Company enables BAFNA to undertake its existing activities as well as the activities for which funds are being raised through this Issue. Further, it is confirmed that the activities carried out by the Company until now are in accordance with the objects clause of its MoA.

#### CHANGES IN THE MEMORANDUM OF ASSOCIATION

Date of Shareholders Approval	Type of change/Reasons
01/04/2004	Authorised share Capital increased to 50 Lacs
28/02/2005	Authorised share Capital increased to 150 Lacs
31/03/2005	Authorised share Capital increased to 350 Lacs
15/12/2005	Authorised share Capital increased to 1600 Lacs
28/09/2007	Authorised share Capital increased to 2000 Lacs

#### Subsidiaries of the Issuer Company

Bafna does not have any subsidiary.

#### Shareholders' Agreement

There are no subsisting shareholders agreements among any shareholders in relation to the company to which the company is a party.

#### Financial Partners

There are no financial partnership agreements entered into by the Company.

#### Strategic Partners

There are no strategic partnership agreements entered into by the Company.

**OUR MANAGEMENT**

Our company is managed by the Board of Directors comprising of 6 directors. Mr. Bafna Mahaveer Chand, the main promoter is the Chairman and Managing Director of the company. He is incharge of the overall management of the company and is subject to the supervision & control of the Board.

The following table sets forth details regarding the members of Board :

<b>Name, Age, Address, Designation, Occupation and Nationality</b>	<b>Date of Appointment and Expiry of Current Term</b>	<b>Qualification</b>	<b>Other Directorships</b>	<b>Compensation</b>	<b>No. of Shares of the Company held</b>
<b>Mr. Bafna Mahaveer Chand</b> <b>Executive Non-Independent Director</b> S/o Mr. M. Banshilal Bafna Age: 46 years, Address: No. 96, A. P. road, Choolai, Chennai-600 112 Designation: Chairman & Managing Director Occupation: Industrialist Nationality: Indian	15/12/2005 to 30/06/2010	B.Sc. (Chemistry)	Bafna Lifeline Pvt. Ltd.	Rs. 100000 p.m.	2806400
<b>Mr. Paras Bafna</b> <b>Executive Non-Independent Director</b> S/o M. Pannalal Bafna Age: 41 years, Address: 289, Purasawalkkam High Road, Flat No. 106, 3 <sup>rd</sup> Floor, Waikki Complex, Chennai-600 007 Designation: Wholetime Director Occupation: Industrialist Nationality: Indian	15/12/2005 to 30/06/2010	MBA	NIL	Rs. 80000 p.m.	911179
<b>Mr. U. Sunil Bafna*</b> <b>Non Executive Non-Independent Director</b> S/o Mr. M. Uttamchand Bafna Age 31 years, Address:: 44, Thambu Chetty Street Chennai- 600 001 Designation: Director Occupation: Business Nationality: Indian	23/09/2006	BA (Corporate & Secretaryship)	NIL	Nil	Nil
<b>Mr. V. Rajamani*</b> <b>Non Executive Independent Director</b> S/o Mr.T A Venkatraman Age: 68 years,	23/09/2006	B.A. AICWA, ACS	M/s Morgan Industries Ltd.  Marshall &	Nil	Nil

Name, Age, Address, Designation, Occupation and Nationality	Date of Appointment and Expiry of Current Term	Qualification	Other Directorships	Compensation	No. of Shares of the Company held
Address: New No. 6, Krishna Road West Side Nungamakkam Chennai-600 034 Designation: Director Occupation: Consultant Nationality: Indian			Sons Mfg Ltd.		
<b>Mr. A. Sahasranaman*</b> <b>Non Executive Independent Director</b> S/o Mr. M AnanthaKrishna Age: 59years, Address: No 203 First south cross street, Kapaleeshwarar nagar, neelankarani, Chennai-600 041 Designation: Director Occupation: Retired IAS Nationality: Indian	23/09/2006	MA (Economics)	Nil	Nil	Nil
<b>Mr. R. Dwarakanathan*</b> <b>Non Executive Independent Director</b> S/o Mr. K Ramachandran Age: 67 years, Address: 40/5 1 <sup>st</sup> main road, C.I.T. colony, Chennai-600 006 Designation: Director Occupation: Retired Banker Nationality: Indian	23/09/2006	MA (Hon.), MBA from Wichita State University, Kansas,USA	Nil	Nil	Nil
<b>Mr. Ratan Chand Lodha</b> <b>Non Executive Independent Director</b> S/o Rajmal Lodha Age :45 yrs Address:6/C-2, Ritherdon Avenue Ritherdon Road Vepery Chennai 600007 Designation: Director Occupation: Business Nationality: Indian	01/10/2007 Director	B.Com	RCL Agro Foods Pvt. Ltd.  Refex Refrigerants Ltd.	Nil	Nil

\*Appointed as Additional Directors. Vacated office at the eleventh Annual General Meeting held on 23<sup>rd</sup> September 2006 and were appointed as Directors on the same date.

**Brief Profile of the directors of the company is given below:**

**Mr. Bafna Mahaveer Chand**, aged 46 years, is the Chairman and Managing Director of the company. He is a science graduate from Madras University and has over 26 years of experience in the pharmaceutical business. He started his career as a trainee in Kemko Pharma for a period of one year and thereafter he formed his own proprietary concern and started dealing in pharmaceutical products. He was instrumental in setting up the company and increasing its turnover from Rs. 1 lac in 1984 to Rs. 37 crore in 2007. He has experience in institutional supplies and was instrumental in getting supply contracts of the central government, several State Governments (including Andhra Pradesh, Tamil Nadu, Kerala and West Bengal) besides ESI Corporation and HSCC. He was successful in getting the Contract Manufacturing deal from M/s Croslands. Due to his efforts Bafna has registered 65 products in countries outside India.

**Mr. Paras Bafna** aged 42 years, is the Whole Time Director of the company. He is an MBA and has over 19 years experience in the production of pharmaceutical products. He joined the company in 1988 and is the factory incharge of the Madhavaram unit.

**Mr. Sunil Bafna**, aged 30 years, is the director of the company. He is a Bachelor of Arts (Corporate & Secretaryship) from Madras University and has over 15 years experience in the field of real estate and finance.

**Mr. V. Rajamani**, aged 68 years, is a graduate in Arts and a fellow of ICWA and an Associate of Company Secretaries. He was the Company Secretary and Chief Vigilance Officer of Manganese Ore India Ltd. (a Central Government Enterprise) at Nagpur. From 1986 to 1988 he worked as Additional/ General Manager (Co-ordination) of M/s Neyveli Lignite Corporation in Tamilnadu. Presently he is engaged as a part time director of M/s Morgan Industries Ltd. and Marshall & Sons Manufacturing Ltd. in Chennai.

**Mr. A. Sahasranaman**, aged 59 years, is a Master of Arts in Economics. he has over 30 years of experience. He worked as a Management Trainee for two years from 1969 to 1971 in Hindustan Steels Ltd. (which subsequently became SAIL). He joined Indian Police Services, Tamilnadu Cadre where he worked for two years from July 1973 to January 1996 in important positions such as Sub - Divisional Magistrate, Deputy Secretary, Deputy Commissioner -Cum District Magistrate cum District Development Commissioner, Director Handlooms and Managing Director of J & K Handloom Development Corporation. For six years from December 1984, to February 1990 he was the Executive Director, council for Leather Exports, Chennai under the Ministry of Commerce, Government of India. He was the Commissioner/ Secretary, Housing and Urban Development Department, Government of Jammu & Kashmir from February 1990 to November 1990 and Divisional Commissioner, Jammu from November 1990 to April 1992. He has authored many books besides a large number of articles on various aspects of SSI in India.

**Mr. R. Dwarakanathan**, aged 67 years, 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 35 years of experience in the field of banking and finance. He started his career in State Bank of India and rose in rank holding various important positions such as the Deputy Zonal Manager, 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 has specialized in various areas such as financial management, corporate credit, foreign exchange, organizational development, inspection and management audit and rehabilitation of sick units. He is also serving as a Senior Faculty in Loyola Institute of Business Administration, Chennai since past five years.

**Mr Ratan Chand Lodha**, aged 45 years is a commerce graduate. He is a businessman having over 22 years experience in the areas of finance, investment and exports. He is an independent director on the Board of the company.

### Details of Borrowing Powers of the Directors

The shareholders of the Company pursuant to the provisions of section 293(1)(d) of the Companies Act, 1956, have authorized the Board of Directors to borrow money subject to an amount not exceeding Rs. 15,000.00 lacs. The section titled Main provisions of the Articles of Association on page no 138 of this Offer Document sets out the borrowing powers of the Directors of the Company

### Compensation of Managing Director and Whole Time Director:

Mr. Bafna Mahaveerchand was appointed as Chairman and Managing Director of the Company for the period of five years w.e.f. 15/12/2005. The brief terms of the appointment are as follows:

- Salary and allowance** : Rs. 100000/- per month  
**Perquisites** : Gratuity, Contribution to PF, Superannuation fund, Encashment of leave and Annuity fund as per the rules of the company.  
**Other terms** : In the event of absence or inadequate profits in any financial year, Mr. Mahaveerchand Bafna will be paid the above salary and requisites as remuneration.

Mr. Paras Bafna was appointed Wholetime Director of the Company for the period of five year s w.e.f. 15/12/2005. The brief terms of the appointment are as follows:

- Salary and allowance** : Rs. 80000/- per month  
**Perquisites** : Gratuity, Contribution to PF, Superannuation fund, Encashment of leave and Annuity fund as per the rules of the company.  
**Other terms** : In the event of absence or inadequate profits in any financial year, Mr. Paras Bafna will be paid the above salary and requisites as remuneration.

### Compliance with Corporate Governance Requirements:

We have set up internal policies to ensure best practices in Corporate Governance. Our corporate governance philosophy is dedicated to the attainment of the highest levels of accountability and transparency in dealings with our stakeholders. Our Corporate Governance policies lay emphasis on communication (both internal and external) and reporting. These vital initiatives extend beyond mandatory Corporate Governance requirements and are in accordance with our aim of establishing voluntary best practices for good Corporate Governance practices.

Our company is presently complying with the Corporate Governance requirements. In terms of clause 49 of the Listing Agreement, our company has already appointed Independent directors and set up various committees as detailed herein:-

### Composition of the Board of Directors

The Board has seven directors; out of which 4 are independent directors in accordance with the requirements of Clause 49 of the listing agreement of the Stock Exchanges. The Chairman of the Board is an Executive Director.

Sr. No.	Name of the Director	Status
1.	Mr. Bafna Mahaveerchand	Chairman & Managing Director, Executive and non- Independent
2.	Mr. Paras Bafna	Wholetime Director, Executive and non-Independent
3.	Mr. Sunil Bafna	Non-Executive and Non-Independent director



Sr. No.	Name of the Director	Status
4.	Mr. R. Dwarakanathan	Non-Executive and Independent director
5.	Mr. V. Rajamani	Non-Executive and Independent director
6.	Mr. A. Sahasranaman	Non-Executive and Independent director
7.	Mr. Ratan Chand Lodha	Non-Executive and Independent director

### Corporate Governance Committee

Committees of the Board have been constituted in order to look into the matters in respect of audit, compensation of executive directors, shareholding/Investors Grievance Redressal, details of which are as follows:

#### Audit Committee

Composition of audit committee

Mr. V. Rajamani	Chairman
Mr. R. Dwarkanathan	Member
Mr. Bafna Mahaveer Chand	Member

Scope of audit committee

The Company has an Audit Committee, which has been constituted pursuant to provisions of the Companies Act, 1956. The Audit Committee was approved, reconstituted and formed by a meeting of the Board of Directors held on 01/10/2007. The Audit Committee of the Board consists of three members, two are Independent Directors.

The Audit Committee has the following powers:

1. Overseeing the Company's financial reporting process and ensuring correct, adequate and credible disclosure of financial information.
2. Recommending appointment and removal of internal as also external auditors and fixing of their fees.
3. Reviewing with management the annual financial statements before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements.
4. Reviewing the adequacy of the Audit and Compliance function, including their policies, procedures, techniques and other regulatory requirements.
5. Any other term of reference assigned by the Board from time to time.

#### Remuneration Committee

Composition of the committee

Mr. R. Dwarkanathan	Chairman
Mr. V. Rajamani	Member
Mr. Ratan Chand Lodha	Member

### Scope of remuneration committee

The Remuneration Committee of the Company was approved and reconstituted by a meeting of the Board of Directors held on 01/10/2007 This Committee comprises of three members, who are Independent Directors.

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

1. 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.
2. 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.
3. The Remuneration Committee thus assesses the overall compensation structure and policies of the Company with an objective to attract, retain and motivate employees, consider grant of stock options to employees etc.
4. Review compensation levels of the Company's employees vis -a-vis other Companies in the same field and industry in general.

### Shareholders / Investor Grievance and Share Transfer Committee

#### Composition of the committee

The committee was approved and reconstituted by a meeting of Board of Directors held on 01/10/2007, comprising of the following Directors.

Mr. Bafna Mahaveer Chand	Chairman
Mr. Paras Bafna	Member
Mr. Ratan Chand Lodha	Member

#### Scope of Investor Grievance committee:

1. The committee shall oversee share transfers and monitors redressal of shareholder, depositor and investor complaints.
2. The committee shall also review the processes and service standards adopted by the in-house share department/ Registrar and Transfer Agent, the complaints received by the Company and their resolution.

### Qualification Shares required to be held by Directors

Directors are not required to hold any qualification shares.

### Interest of Directors (Other than the Promoter Directors)

All the non executive directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them as per the applicable laws.

The Directors may also be regarded as interested in the shares & dividend payable thereon, if any, held by or that may be subscribed by and allotted/transferred to them or the companies, firms and

trust, in which they are interested as Directors, Members, partners and/or trustees. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any Company in which they hold Directorships or any partnership/proprietorship firm in which they are proprietor/ partners as declared in their respective declarations.

The Managing Director & the Wholetime Director of the Company are interested to the extent of remuneration paid to him for services rendered to the Company.

Other than the promoter director, none of the other directors are interested in the promotion of the company. Except as stated under the head property none of the directors are interested in any of the properties acquired by the company within two years of the date of the prospectus or proposed to be acquired by it.

### Changes in Our Board of Directors during last three years

The changes in the Board of Directors of the Company in last three years are as follows:

Name of the Director	Date of Change	Reasons for Change
Mr. V. Rajamani	23/09/2006	Reappointed as Director
Mr. Sunil Bafna	23/09/2006	Reappointed as Director
Mr. A Sahasranaman	23/09/2006	Reappointed as Director
Mr. Mahaveerchand Bafna	15/12/2005	Appointed as Managing Director
Mr. Paras Bafna	15/12/2005	Appointed as Wholetime Director
Mr. Sunil Bafna	20/10/2005	Appointed as Additional Director
Mr. R. Dwarkanathan	20/10/2005	Appointed as Additional Director
Mrs. Usha Bafna	20/10/2005	Resigned as Director
Mr. Uttamchand Bafna	20/10/2005	Resigned as Director
Mrs. Sasikala Bafna	20/10/2005	Resigned as Director
Mr. Ratan Chand Lodha	01/10/2007	Appointed as Director

### Key management Personnel:

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of production/finance/ distribution/marketing and corporate laws. The following key personnel assist the Management.

Details of the Key Managerial Personnel are as follows:

Employee Name & Address	Designation	Age	Qualification & Experience in the Co.	Date of Appointment	Remuneration p.a. Rs. Lacs	Name of Previous Employment & total Experience
<b>Mr. Jayaraman.R.</b> Sri Sai Flats, No.142,Old No.73, Patel Road, Perumbur, Chennai - 600 011	Company Secretary	50	F.C.S (1.8 Years)	29.09.06	4.80	Spartek Ceramics India Limited (22 Years)
<b>Mr. Gopal. R</b> B3 Lily White, 25 Millers Road, Kilpauk, Chennai - 600 010	GM Accounts & Finance	57	C.A (6 Month)	25.10.07	3.24	Ajinomoto India Pvt Ltd (29 Years)
<b>Ms. Hemalatha.S.</b> No.74, Pedariyar Kovil Street, Chennai - 600 001.	Commercial Manager	32	B.Com. (13 Years)	19.07.93	1.60	Bafna Pharmaceutical (proprietary concern) (14 Years)

Employee Name & Address	Designation	Age	Qualification & Experience in the Co.	Date of Appointment	Remuneration p.a. Rs. Lacs	Name of Previous Employment & total Experience
<b>Mr. Jayantha.T</b> No.420 3/9 First Main Road, Near Canara Bank, Subramanya Nagar, Bangalore - 560 021	Dy.General Manager - Qc	38	B.Pharm, Msc (1.5 Years)	02.10.06	8.40	Microlabs Ltd. (17 Years)
<b>Mr. Ravi Chandran. N.R</b> "Lokajwala" , No.3, 2 <sup>nd</sup> Street, South Sector, New Colony, Adambakkam, Chennai - 600 088	Manager - Maintenance	45	B.Sc (13 Years)	01.04.95	3.60	Tablets India Ltd. (23 Years)
<b>Mr. Kanchan Mukherji</b> No. 188/189, G.T. Road (North) Salkia, Howrah-711 106	Business Development Manager	45	B.Sc. (8 Years)	21.08.99	1.80	Independent Marketing Agent (20 Years)
<b>Mr. Shivaprakash. T</b> 3/32, B.Block, Vijayashanthi Bldg, Opp. To. Fimpson Factory, Moolakadai, Chennai - 600 060	Senior Manager - QA	44	B.Sc A.I.C (7 Months)	28.09.07	8.00	Encore Healthcare Pvt Ltd., (23 Years)
<b>Mr. Dhayala Sekar M.N.</b> Flat No.3/34, "B" Block, Iind Floor, Nithyananda Sagar Apartments, 3/11, M.T.H. Road, Sembium, Chennai - 600 011	Manager - QA	32	B.Pharm (1 Year)	16.12.06	4.50	Kusum Healthcare (10 Years)
<b>Mr. Velmurugan C</b> No.63/16, High School Road, Madhavaram, Chennai - 600 060	Manager Q.C.	33	B.Sc (12 Years)	02.05.95	0.97	- (12 Years)
<b>Mr. Gurubakkiam .N</b> Plot No.21, Maxworth Nagar, Phase I, Kolapakkam, Chennai - 602 101	Manager Q.A.	46	B.Sc (1.5 Years)	16.08.06	2.16	SGS labs Ltd (23 Years)
<b>Mr Jaiganesh</b> No.6, Rajaji Street, Annex, Madhavaram, Chennai - 600 060.	Production Manager	30	B.Pharm ( 7 Years)	21.09.98	1.54	Microlabs Ltd. (9 Years)
<b>Mr. Amaresh. C</b> Jothipura, Mandoor Post, Bangalore - 560 049	Asst.Manager Production	37	B.Sc (1 year)	23.02.07	2.76	Medreich Limited (10 Years)

**Note:** None of the key managerial personnel are relatives of the promoters. As on date all the employees named above were on the roll of the company as permanent employees. Presently there are 203 employees in the company including contract labourers.

#### **Shareholding of the Key Managerial Personnel:**

The Key Managerial Personnel of the Company do not hold any shares in the company as on the date of this Prospectus.

#### **Bonus or Profit Sharing Plan for the Key Managerial Personnel :**

There is no Bonus or project sharing plan for the Key Managerial Personnel or the company.

Changes in the Key Managerial Personnel in the last three years:

**Except for the following, there have been no changes in the Key Managerial Personnel of the Company in the last three years:**

Name	Designation	Date of Joining	Date of Leaving	Reason
Mr. Venkateshvarlu	Manager - production	21.12.2006	21.9.2007	Resigned
Mr. Mohan . S	GM Finance	02.01.2007	29.2.2008	Resigned
Mr. Jayaraman.R.	Company Secretary	29.09.2006	-	Appointed
Mr. Gopal. R	GM Accounts	25.10.2007	-	Appointed
Mr. Jayantha.T	Dy.General Manager - Qc	2.10.2006	-	Appointed
Mr. Shivaprakash. T	Senior Manager - QA	28.09.2007	-	Appointed
Mr. Dhayala Sekar M.N.	Manager - QA	16.12.2006	-	Appointed
Mr. Gurubakkiam .N	Manager Q.A.	16.08.2006	-	Appointed
Mr. Amaresh. C	Asst.Manager-Production	23.02.2007	-	Appointed

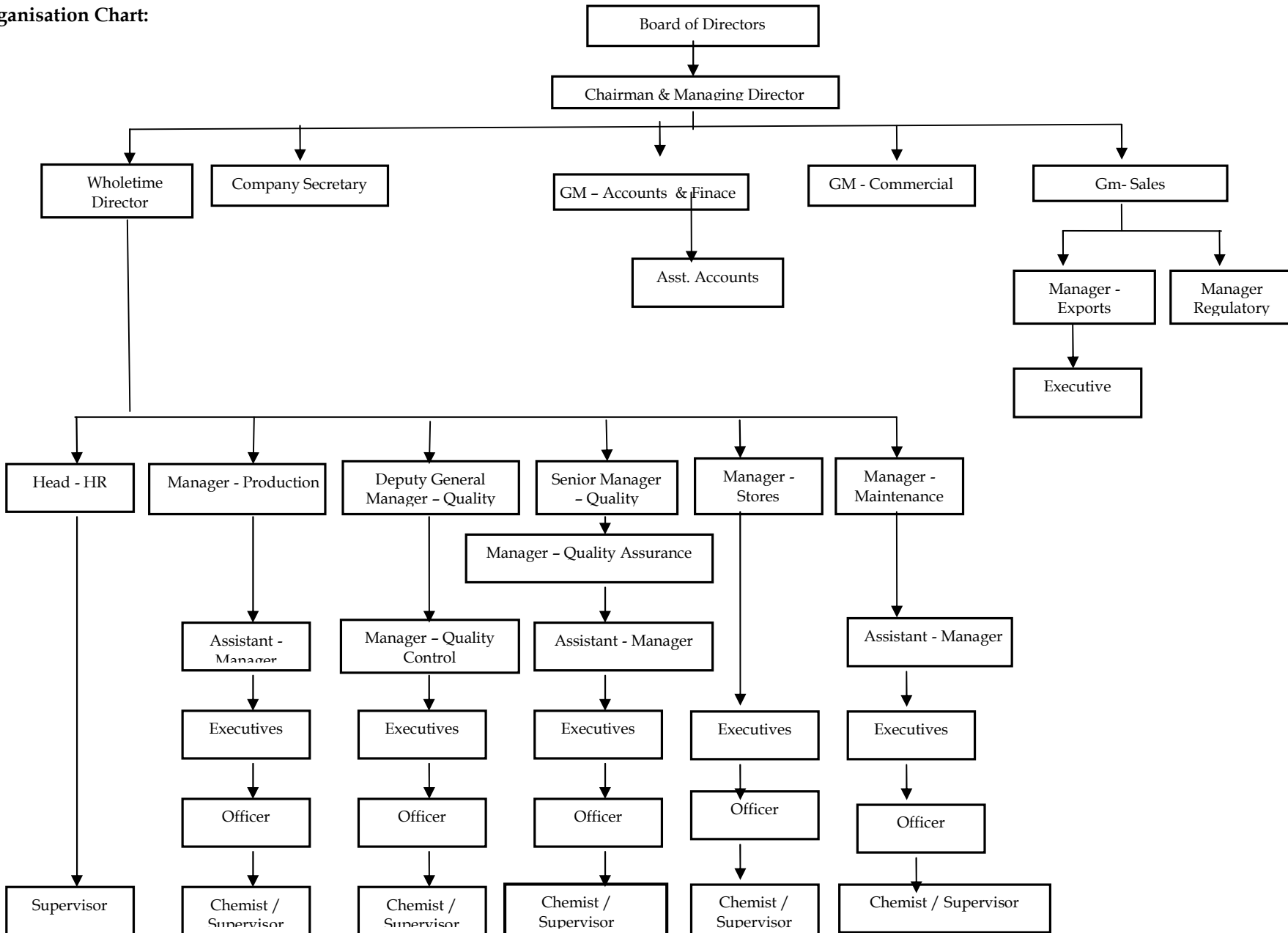
#### **Disclosures Regarding Employee s Stock Option Scheme / Employees Stock Purchase Scheme**

Till the date Company has not introduced any Employees Stock Option Schemes/ Employees Stock Purchase Schemes.

#### **Other Benefits to the Officers of the Issuer Company**

No benefit or payments have been made to any officer of the company. As far as payment of directors is concerned no benefits have been allowed except as per the terms of the contract for the services.

Organisation Chart:



## Promoters & their background

**1 Mr. Bafna Mahaveer Chand**, aged 46 years, is the Chairman and Managing Director of the company. He is a science graduate from Madras University and has over 26 years of experience in the pharmaceutical business. He started his career as a trainee in Kemko Pharma for a period of one year and thereafter he formed his own proprietary concern and started dealing in pharmaceutical products. He was instrumental in setting up the company and increasing its turnover from Rs. 1 lac in 1984 to Rs. 37 crore in 2007. He has experience in institutional supplies and was instrumental in getting supply contracts of the central government, several State Governments (including Andhra Pradesh, Tamil Nadu, Kerala and West Bengal) besides ESI Corporation and HSCC. He was successful in getting the Contract Manufacturing deal from M/s Croslands. Due to his efforts Bafna has registered 65 products in Countries outside India

PAN	AACPB6411G
Passport No.	F0081442
Voter ID	TN/02/007/0027314



**2 Mr. Paras Bafna** aged 42 years, is the Whole Time Director of the company. He is a MBA and has over 19 years experience in the production of pharmaceutical products. He joined the company in 1988 and is the factory incharge of the Madhavaram unit.

PAN	AASPB2717M
Passport No.	A7652035
Voter ID	FRC1100353



**3 Mr. Navin Bafna**, aged 18 years, is the son of Mr. Bafna Mahaveer Chand and currently pursuing B. BA from Loyala College Chennai.

PAN	APIPB8787J
Passport No.	A8159899
Voter ID	NA



The Permanent Account Number, Bank Account Number and Passport Number of all the Promoters have been submitted to BSE.

### Common Pursuits

None of the promoters of Bafna are engaged in similar businesses as Bafna.

### Interest of Promoters

All the Promoters who are on the Board of Company may be deemed to be interested to the extent of the sitting fees and other remuneration for the services rendered and the reimbursement of expenses, if any, payable to them under the articles. The Promoters may also be deemed to be interested to the

extent of the shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a director/ member respectively.

Except as mentioned above the promoters do not have any interest in the business of the company.

**Payment or benefit to Promoters of the Issuer Company**

Other than the salary and remuneration of the Promoter Directors, dividend, if any declared by the Company on shares held by them and rent payable to them on land acquired on lease by the Company for proposed project, there are no payment or benefit to promoters of the Company.

**Related Party Transactions as per Financial Statements**

For the details of related party transactions please refer to section title "Related Party Transactions" beginning on page no. 94 of this Prospectus.



## **DIVIDEND POLICY**

The declaration and payment of dividends will be recommended by the Board of Directors and approved by the shareholders, at their discretion, and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition. The Board may also from time to time pay interim dividend.

The company has not declared any dividend during the last five years.

**PART II****SECTION IV - FINANCIAL INFORMATION****AUDITORS REPORT**

To,  
**The Board of Directors**  
Bafna Pharmaceuticals Limited  
299, Thambu Chetty street,  
Chennai- 600 001.

Dear Sirs,

We have examined the financial information of M/s. Bafna Pharmaceuticals Limited, 299, Thambu Chetty street, Chennai- 600 001, ("the Company") as attached to this report, and as approved by the Board of Directors of the Company, which has been prepared in terms of the requirements of -

- (i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956;
- (ii) Securities And Exchange Board Of India (Disclosure And Investor Protection) Guidelines, 2000 ('the Guidelines') issued by The Securities And Exchange Board of India ("SEBI") on January 19, 2000 in pursuance of Section 11 of SEBI Act, 1992 the SEBI Guidelines and amendments made thereto, to the extent applicable,
- (iii) In pursuance to your mandate dated 28.09.2007 wherein you have requested us to examine the Financial Information referred to above and proposed to be included in the Prospectus of the Company in connection with its proposed public issue of Equity shares.

**Financial Information of the Company**

1. We have examined the under mentioned Statements

<b>Sr. No</b>	<b>Statements</b>	
1.	Statement of Profit and Losses as restated	Annexure - I
2.	Statement of Assets and Liabilities	Annexure - II
3.	Notes to Accounts	Annexure - III
4.	Statement of Dividend Paid	Annexure - IV
5.	Statement of Restated Cash Flow	Annexure - V
6.	Statement of Accounting Ratios	Annexure - VI
7.	Statement of Capitalization	Annexure - VII
8.	Statement of Tax Shelter	Annexure - VIII
9.	Statement of Other Income	Annexure - IX
10.	Statement of Sundry Debtors	Annexure - X
11.	Statement of Loans and Advances	Annexure - XI
12.	Statement of Secured and Unsecured Loans	Annexure - XII
13.	Statement of Related Party Disclosures	Annexure - XIII

for each of the financial years ended on March 31, 2003, 2004, 2005, 2006, 2007 and for the period ended on 31st December, 2007 the 'Summary Statement of Assets and Liabilities - Restated' as on those dates, the 'Statement of Cash Flows - Restated' for the years/period ended on those dates as extracted from the audited financial statements for each of the financial years ended on March 31 2003, 2004, 2005, 2006 and 2007, approved by Board of Directors of the Company and adopted by the members of the Company and for the period ended on 31st December, 2007, after making

the necessary and relevant disclosures and adjustments as appropriate and required to be made in our opinion, in accordance with the provisions of Part II of Schedule II of the Companies Act 1956 and the SEBI Guidelines subject to without carrying out the adjustment referred in paragraphs 4 below.

2. Except for the information referred to in the aforesaid, other pages of the Prospectus have not been reviewed by us.
3. This report is intended solely for the purpose of inclusion in the Prospectus in connection with the proposed Initial Public Issue of the company. This report may not be used or relied upon by, or disclosed, referred to or communicated by yourself (in whole or in part) to , any third party for any purpose other than the stated use, except with our written consent in each instance, and which consent, may be given, only after full consideration of the circumstances at that time.

For ABHAY JAIN& CO  
Chartered Accountants

S/d-

A.K.JAIN  
Proprietor  
M.No.70224

**Place:** Chennai

**Date:** 23/04/2008

## ANNEXURE- I

## STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. In lacs)

Particulars	As at 31 st March					April- December 2007
	2003	2004	2005	2006	2007	
<b>Sales:</b>						
of Products <b>manufactured</b> by the Company	1289.13	1483.59	2529.56	2015.53	3600.81	2538.02
Of Products <b>traded in</b> by the Company	5.22	2.45	0.64	20.23	0.00	0.00
Other Income	79.81	99.89	90.80	118.32	123.84	20.49
Increase(Decrease in Inventories)	116.11	(64.60)	41.65	(17.61)	137.31	(89.59)
<b>TOTAL</b>	<b>1490.27</b>	<b>1521.33</b>	<b>2662.65</b>	<b>2136.47</b>	<b>3861.96</b>	<b>2468.92</b>
<b>Expenditure</b>						
Raw Material Consumed	1160.04	1104.11	2130.55	1588.04	3214.80	2005.88
Staff Costs	25.13	29.90	38.75	38.98	47.59	42.10
Other Manufacturing Expenses	124.99	192.06	211.81	214.96	302.76	135.70
Administration Expenses	22.31	30.99	35.89	45.62	49.90	44.20
Selling & Distribution Expenses	40.32	55.35	40.38	66.20	40.17	35.23
<b>TOTAL</b>	<b>1372.79</b>	<b>1412.41</b>	<b>2457.38</b>	<b>1953.80</b>	<b>3655.22</b>	<b>2263.11</b>
<b>Earning Before Depreciation Interest &amp; Tax</b>	<b>117.48</b>	<b>108.92</b>	<b>205.27</b>	<b>182.67</b>	<b>206.74</b>	<b>205.81</b>
Depreciation	17.77	16.83	17.02	26.74	36.84	25.51
Interest	24.53	27.23	48.82	49.94	50.82	45.36
<b>Net Profit before tax and extraordinary items</b>	<b>75.18</b>	<b>64.86</b>	<b>139.43</b>	<b>105.99</b>	<b>119.08</b>	<b>134.94</b>
Taxation						
current tax	18.00	22.61	50.58	16.69	12.71	5.01
Deferred tax	2.06	(2.26)	(0.96)	(2.97)	2.14	(1.16)
<b>Net Profit before extraordinary items</b>	<b>55.12</b>	<b>44.51</b>	<b>89.81</b>	<b>92.27</b>	<b>104.23</b>	<b>131.09</b>
Extraordinary items	0.03	0.23	1.31	7.62	7.38	1.85
<b>Net profit after Extraordinary items</b>	<b>55.09</b>	<b>44.28</b>	<b>88.50</b>	<b>84.65</b>	<b>96.85</b>	<b>129.24</b>

## ANNEXURE - II

## STATEMENT OF RESTATED ASSETS AND LIABILITIES

(Rs. In lacs)

Particulars	AS at 31 st March					April-December 2007
	2003	2004	2005	2006	2007	
<b>A. Fixed Assets</b>						
Gross Block	299.79	301.32	325.77	495.63	422.55	434.25
Less Depreciation	76.21	93.04	110.06	136.80	173.64	199.15
	<b>223.58</b>	<b>208.28</b>	<b>215.71</b>	<b>358.83</b>	<b>248.91</b>	<b>235.10</b>
Less Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Block after Revaluation Reserve</b>	223.58	208.28	215.71	358.83	248.91	235.10
Work- in- Progress	0.00	0.00	147.12	445.13	2301.80	2651.76
<b>Net Block</b>	<b>223.58</b>	<b>208.28</b>	<b>362.83</b>	<b>803.96</b>	<b>2550.71</b>	<b>2886.86</b>
<b>B. Investments</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>C. Current Assets, Loans and Advances</b>						
Inventories	357.38	271.46	585.02	497.18	656.11	675.93
Sundry Debtors	266.98	389.32	426.77	495.84	1840.75	2061.22
Cash and bank balances	29.91	49.87	116.40	108.25	176.69	135.75
Loans and Advances	100.51	39.25	192.31	234.53	171.82	226.69
Total Current Assets	<b>754.78</b>	<b>749.90</b>	<b>1320.50</b>	<b>1335.80</b>	<b>2845.37</b>	<b>3099.59</b>
<b>D Total Assets (A+B+C)</b>	<b>978.36</b>	<b>958.18</b>	<b>1683.33</b>	<b>2139.76</b>	<b>5396.08</b>	<b>5986.45</b>
<b>E. Liabilities and Provisions</b>						
<b>Loan Funds</b>						
Secured Loans	133.76	183.82	671.96	1146.19	1584.82	2277.93
Unsecured Loans	6.64	6.64	6.39	0.25	126.34	131.20
<b>Total</b>	<b>140.40</b>	<b>190.46</b>	<b>678.35</b>	<b>1146.44</b>	<b>1711.16</b>	<b>2409.13</b>
<b>F Current Liabilities and provision</b>						
Current Liabilities	554.62	423.35	516.82	405.08	2750.09	2360.77
Provisions	18.00	22.61	50.58	15.96	12.70	13.01
Deferred Tax Liability	17.07	14.82	13.86	10.88	13.03	11.86
<b>Total</b>	<b>589.69</b>	<b>460.78</b>	<b>581.26</b>	<b>431.92</b>	<b>2775.82</b>	<b>2385.64</b>
<b>G Total Liabilities &amp; Provisions (E+F)</b>	<b>730.09</b>	<b>651.24</b>	<b>1259.61</b>	<b>1578.36</b>	<b>4486.98</b>	<b>4794.77</b>
<b>H.Net Worth (D-G)</b>	<b>248.27</b>	<b>306.94</b>	<b>423.72</b>	<b>561.40</b>	<b>909.10</b>	<b>1191.68</b>
<b>I. Represented by</b>						
Share Capital	42.54	42.54	227.68	386.52	386.52	958.11
Share Application	3.00	3.00	30.00	27.68	276.93	0.00
Reserves	202.79	261.43	167.79	153.60	250.45	236.77
<b>Total</b>	<b>248.33</b>	<b>306.97</b>	<b>425.47</b>	<b>567.80</b>	<b>913.90</b>	<b>1194.88</b>
J. Misc. Expenditure to the extent not written off or adjusted	0.06	0.03	1.75	6.40	4.80	3.20
<b>H.Net Worth (I-J)</b>	<b>248.27</b>	<b>306.94</b>	<b>423.72</b>	<b>561.40</b>	<b>909.10</b>	<b>1191.68</b>

**ANNEXURE III**

Notes to the accounts forming part of Provisional Balance sheet and Profit & Loss Account for the period ended 31 st December 2007.

**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 plants etc. Actual results could differ from these estimates.

**2. Fixed Assets:**

All Fixed assets have been shown at the cost of acquisition comprising its purchase cost and the attributable cost of bringing the asset to its working condition. Cenvat is excluded from the cost to the extent available for set off.

- 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 pro - rata from / to the day of addition / deletion.
- c) The company has installed new unit at Grantlayon Village Chennai 600052. No production has been taken out except trial production. As such no depreciation has been provided.

**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.

**4. Valuation of Inventories:**

- a. Raw Material : At Cost (FIFO Method)
- b. Work in Process : At Cost
- c. Finished Goods : Cost or Market Price whichever is lower
- d. Packing materials : At cost (FIFO Method)

**5. Deferred Tax:**

No provision for deferred tax liability as required by AS-22 has been made since it is only provisional.

## 6. Foreign Currency Transaction:

Income of foreign currency transaction is recorded at the rate of Exchange prevailing on the date when the relevant transaction has taken place. Realized gains and losses on the exchange transactions are recognized in the Profit & Loss Account.

## 7. Employment Retirement Benefit:

- a) The company is contributing to Provident Fund as per law and applicable rules, 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 companies Rules & Regulations and accounted on cash basis when paid.

## 8. Registration charges:

The Company registers its products in other countries for period of 5 years. Hence 1/5th of Registration charges are written off during the year.

## 9. Cenvat credit:

Cenvat Credit is reckoned for the material, capital goods, stores and consumables purchased and entered in to the factory premises.

## 10. Capital subsidy:

The company has received an amount of Rs.14, 36,200 as a special capital subsidy under expansion from District Industries Centre, Thiruvallur -602 002, Chennai. The company should not change the location of the unit in whole or in part or effect any contraction or disposal of a substantial part of the fixed capital investments within a period of 5 Years without obtaining prior permission of the Industries Commissioner, Director of Industries Commissioner and the Director of Industries and Commerce, Chennai. If there is any violation then the company has to refund the amount.

11. **Tax deducted** at source from the payment to Contractors, Professional charges, Interest and Salaries have been deposited.

12. **Balance** under the head Current Liabilities, Debtors, Loans and Advances are subject to confirmation.

13. **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.

## 14. Managerial Remuneration:

(Amount in Lacs)

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	April to December 2007
Managing Director	1.98	3.00	3.00	3.00	3.00	2.25
Directors	3.00	3.60	3.60	3.10	2.78	1.80
Total	4.98	6.60	6.60	6.10	5.78	4.05

**15. Related Party Disclosures**

Mr. Bafna Mahaveer Chand Managing Director	Director in Bafna Life Line P Ltd and Partner in Bansilal & Co
Mr. Paras Bafna Director	Has Substantial interest in Ranfab Pharmaceuticals P Ltd

(Rs. in Lacs)

Company Name		2006-07	April- December 07
Bafna Life Line P.Ltd	Advance	11.00	11.10
Bhansilal &Co	Advance	6.75	6.75
Ranfab Pharmaceuticals P Ltd	Sale of goods	2.00	0.36
	Advance Given	12.82	15.79
	Rent Paid	0.00	7.65

**16. Contingent Liabilities.**

Contingent Liabilities are disclosed after careful evolution of the facts and legal aspects of the matters involved.

(Rs. In lacs)

Particulars	31/03/2006	31/03/2007	April- December 2007
Letter of Credit	109.66	23.75	51.63
Bond executed to export without duty payment to Excise authorities	15.00	0.00	0.00
Bond executed with Customs Authorities	0.00	420.00	420.00
Capital Subsidy	14.36	14.36	14.36
Bills Discounted	100.35	127.15	22.08

17. **Segment** reporting as prescribe in AS-17 issued by Institute of Chartered Accountants of India is not applicable to the company since the turnover of the company is below Rs. 50 Crores

18. **Dividend:** The Company has not declared any dividend.

19. **Previous** year's figures have been rearranged and regrouped wherever found necessary to confirm to current year's figures.

**ANNEXURE IV**
**STATEMENT OF DIVIDEND PAID**

(Rs. In lacs)

Particulars	AS at 31 st March					April- December 2007
	2003	2004	2005	2006	2007	
<b>Particulars Class of shares</b>						
Equity						
-Interim	0.00	0.00	0.00	0.00	0.00	0.00
-Final	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>



**ANNEXURE V**
**STATEMENT OF RESTATED CASH FLOW**

(Rs. In lacs)

Particulars	As at 31 st March					
	2003	2004	2005	2006	2007	April- December 2007
Net Profit before Tax and Extraordinary items	75.18	64.86	139.43	105.99	119.08	134.94
Adjustments for:						
Depreciation	17.77	16.83	17.02	26.74	36.84	25.51
Interest/Dividend Income	0.00	0.00	0.00	0.00	0.00	0.00
Preliminary expenses Written off	0.03	0.03	0.03	1.60	1.60	1.60
Interest Paid	24.53	27.23	48.82	49.94	50.82	45.36
Exchange Gain	1.48	0.00	3.40	0.10	1.91	0.00
<b>Operating Profit before Working capital Changes</b>	<b>118.99</b>	<b>108.95</b>	<b>208.70</b>	<b>184.37</b>	<b>210.25</b>	<b>207.41</b>
Change in Trade and Other Receivables	18.92	122.33	37.45	69.08	1344.91	220.48
Change in Inventories	260.15	(85.92)	313.56	(87.84)	158.93	19.82
Change in Other Current Assets	48.05	(61.27)	153.07	42.22	(62.72)	54.87
Income-Taxes paid	20.05	20.35	49.62	13.72	14.85	5.01
Prior Period Expenditure	0.03	0.23	1.31	7.62	7.38	1.85
<b>TOTAL</b>	<b>347.20</b>	<b>(4.28)</b>	<b>555.01</b>	<b>44.80</b>	<b>1463.35</b>	<b>302.03</b>
Change in Current Liabilities	322.77	(128.92)	120.48	(149.34)	2343.90	(389.01)
<b>Net cash flow from Operating Activities</b>	<b>24.43</b>	<b>(124.64)</b>	<b>434.53</b>	<b>(194.14)</b>	<b>880.55</b>	<b>(691.04)</b>
Cash Flows from Investing Activities						
Purchase of Fixed Assets	30.34	1.53	171.57	467.86	1870.13	361.66
Sale of Fixed Assets	0.00	0.00	0.00	0.00	(86.53)	0.00
Investments Purchased	0.00	0.00	0.00	0.00	0.00	0.00
Pre-operative Expenses	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net cash flow used investing Activities</b>	<b>30.34</b>	<b>1.53</b>	<b>171.57</b>	<b>467.86</b>	<b>1783.60</b>	<b>361.66</b>
Cash Flows from Financing Activities						
Changes in Borrowings	(79.18)	50.05	487.87	468.09	564.72	697.97
Proceeds from Issuance of Capital	0.00	0.00	212.14	156.52	249.25	294.66
Increase in Reserves	(15.02)	14.36	(182.14)	(98.84)	0.00	(142.92)
Miscellaneous Exp incurred	0.03	(0.03)	1.69	4.65	(1.60)	(1.60)
Preliminary expenses Written off	0.03	0.03	0.03	1.60	1.60	1.60
Interest Received	0.00	0.00	0.00	0.00	0.00	0.00
Interest Paid	24.53	27.23	48.82	49.94	50.82	45.36
Exchange Gain	1.48	0.00	3.40	0.10	1.91	0.00
Dividend Paid	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net cash Flows from Financing Activities</b>	<b>(120.21)</b>	<b>37.18</b>	<b>463.93</b>	<b>469.48</b>	<b>761.24</b>	<b>804.35</b>
<b>Net increase in cash and cash equivalents</b>	<b>(55.99)</b>	<b>19.96</b>	<b>66.53</b>	<b>(8.15)</b>	<b>68.44</b>	<b>(40.94)</b>
Cash and cash equivalents (opening balance)	85.90	29.91	49.87	116.40	108.25	176.69
Cash and cash equivalents (closing balance)	<b>29.91</b>	<b>49.87</b>	<b>116.40</b>	<b>108.25</b>	<b>176.69</b>	<b>135.75</b>

**ANNEXURE VI**
**STATEMENT OF ACCOUNTING RATIOS**

(Rs. In lacs)

Particulars	AS at 31 st March					April-December 2007
	2003	2004	2005	2006	2007	
Face value per Share (Rs)	10	10	10	10	10	10
No of Equity Shares	425365	425365	2276825	3865237	3865237	9581129
Net Profit before extraordinary items but after tax	55.12	44.51	89.81	92.27	104.23	131.09
Net Profit after extraordinary items but after tax	55.09	44.28	88.50	84.65	96.85	129.24
Earnings per Share before extraordinary items annulised	12.97	10.47	3.94	2.39	2.70	1.37
Diluted Earnings per share after extraordinary items annulised	12.96	10.42	3.89	2.19	2.51	1.35
Return on Net worth before extraordinary items (%) (Annulised)	22.20	14.50	21.11	16.25	11.40	10.97
Return on Net worth after extraordinary items (%) (Annulised)	22.19	14.43	20.89	15.08	10.65	10.85
Net Asset Value Per Share (Rs.) (Annulised)	58.42	72.22	18.61	14.53	23.52	12.44

The ratios have been computed as below:

1) **Earning Per Equity Share:** Net profit as restated attributable to Equity Shareholders/Weighed average number of Equity Shares outstanding at the end of the year / period.

2) **Return on Net Worth :** Net Profit after tax as restated / equity Share Holder's Funds after reduction of revaluation reserve and Miscellaneous Expenses at the end of the year / period.

3) **Net Asset Value per Share:** Net worth at the end of the year / period / Number of equity shares outstanding at the end of the year / period.

**ANNEXURE VII**
**Statement of Capitalisation**

(Rs. In lacs)

Particulars	Pre Issue As on 31/12/2007	Post Issue
Borrowings		
Short Tem Debts	1193.27	833.82
Long Term Debts	1084.66	985.09
<b>Total Debt</b>	<b>2277.93</b>	<b>1818.91</b>
<b>Shareholder's Funds</b>		
Share Capital	958.11	1598.11
Reserves	236.77	2221.35
<b>Total Shareholder's Fund</b>	<b>1194.88</b>	<b>3819.46</b>
<b>Total Capitalisation</b>	<b>3472.81</b>	<b>5638.37</b>
Long Term Debts/Equity Ratio	1.13	0.62
Total Debts/Equity Ratio	2.38	1.14

**ANNEXURE VIII**
**STATEMENT OF TAX SHELTER**

(Rs. In lacs)

Particulars	AS at 31 st March				
	2003	2004	2005	2006	2007
<b>Tax Rate- %</b>	<b>35.00</b>	<b>35.00</b>	<b>35.00</b>	<b>30.00</b>	<b>30.00</b>
Tax at notional Rate	19.28	22.62	30.97	25.40	29.05
<b>Adjustments:</b>					
Export Profits	8.00	4.33	0.00	0.00	1.32
Difference between Tax Depreciation and Book Depreciation	(1.96)	1.81	0.92	5.19	1.33
Other Adjustments	6.96	(0.26)	16.53	13.00	26.05
<b>Net Adjustments</b>	<b>(3.00)</b>	<b>2.25</b>	<b>17.44</b>	<b>7.82</b>	<b>23.40</b>
Tax Saving Thereon	3.00	2.25		7.82	23.40
<b>Tax on Profits before extra-ordinary items</b>	<b>16.29</b>	<b>20.37</b>	<b>48.42</b>	<b>17.58</b>	<b>5.65</b>
Tax addition	0.00	0.00	17.44	0.00	0.00
Taxation on extra-ordinary Items	0.00	0.00	0.00	0.00	7.88
<b>Total Taxation</b>	<b>16.29</b>	<b>20.37</b>	<b>48.42</b>	<b>17.58</b>	<b>13.53</b>
Surcharge	0.81	0.51	1.21	1.76	1.35
Education Cess	0.00	0.00	0.99	0.39	0.30
<b>Total Taxation</b>	<b>17.10</b>	<b>20.88</b>	<b>50.62</b>	<b>19.72</b>	<b>15.18</b>

**ANNEXURE IX**
**STATEMENT OF OTHER INCOME**

(Rs. In lacs)

Particulars	AS at 31 st March					April-December 2007
	2003	2004	2005	2006	2007	
Other Income	79.81	99.89	90.80	118.32	123.84	20.50
Net Profit before tax as restated	75.18	64.86	139.43	105.99	119.08	134.94
<b>Percentage</b>	<b>106.16</b>	<b>154.01</b>	<b>65.12</b>	<b>111.63</b>	<b>104.00</b>	<b>15.19</b>
<b>Source of Income</b>						
Interest Received	5.98	1.94	2.36	3.86	1.04	5.47
Interest Received Others	2.52	1.12	0.11	0.00	0.00	0.00
Exchange difference	1.48	0.00	3.40	0.10	1.91	0.00
Export Incentive	69.07	96.83	76.34	96.00	45.49	14.98
Profit on sale of Licenses	0.58	0.00	0.00	0.00	0.00	0.00
Profit on sale of Fixed Assets	0.00	0.00	0.00	0.00	63.46	0.00
Income tax provision no longer required	0.18	0.00	0.00	0.00	0.00	0.00
Discount Received	0.00	0.00	0.43	0.00	0.04	0.04
Rent Received	0.00	0.00	8.16	18.36	11.90	0.00
<b>Total</b>	<b>79.81</b>	<b>99.89</b>	<b>90.80</b>	<b>118.32</b>	<b>123.84</b>	<b>20.49</b>

**ANNEXURE X**
**STATEMENT OF SUNDRY DEBTORS**

(Rs. In lacs)

Particulars	AS at 31 st March					April- December 2007
	2003	2004	2005	2006	2007	
<b>Sundry Debtors</b>						
Out Standing more than six months	55.53	55.07	86.43	0.00	73.73	229.38
Other Debts	211.45	334.25	340.34	495.84	1767.02	1831.85
<b>Total</b>	<b>266.98</b>	<b>389.32</b>	<b>426.77</b>	<b>495.84</b>	<b>1840.75</b>	<b>2061.23</b>

**ANNEXURE XI**
**STATEMENT OF LOANS AND ADVANCES**

(Rs. In lacs)

Particulars	As at 31 st March					April- December 2007
	2003	2004	2005	2006	2007	
Advance to Suppliers	0.40	0.55	1.61	4.76	3.27	1.50
Advance for Capital Goods	0.00	0.00	41.52	93.10	0.00	0.00
Deposits (Govt/Semi Govt)	50.27	11.92	14.52	18.03	51.65	31.33
Deposit Others	0.72	0.57	0.72	0.57	11.00	0.57
Cenvat & PLA Account	0.00	3.88	90.42	55.25	15.43	64.95
Sales Tax Refund	0.00	0.00	0.00	5.86	28.96	56.63
Prepaid	0.66	0.46	0.30	0.94	1.36	0.00
Depb License	26.50	8.66	13.66	7.03	6.06	6.06
Income Tax/ TDS	9.99	0.74	7.27	4.27	3.88	0.78
Others	11.97	12.47	22.29	44.72	50.21	64.87
<b>Total</b>	<b>100.51</b>	<b>39.25</b>	<b>192.31</b>	<b>234.53</b>	<b>171.82</b>	<b>226.69</b>

**ANNEXURE XII**
**STATEMENT OF SECURED AND UNSECURED LOANS**

(Rs. In lacs)

Sr.No	Name of the Lender	Sanctioned Amount	Principal Outstanding as on 31/03/2007	Principal Outstanding as on 31/12/2007
<b>Secured Loan</b>				
<b>I Term Loans From State Bank of India</b>				
1	FCNR [B] TERM LOAN -I	600.00	589.69	148.16
2	FCNR[B] TERM LOAN - II	400.00	397.90	377.34
3	FCNR[B] TERM LOAN - IV	460.00	0.00	459.16
	<b>Sub Total - I</b>		<b>987.59</b>	<b>984.66</b>
<b>II Working Capital From State Bank of India</b>				
1	Cash Credit		263.63	922.00
2	Foreign Bills Discounting		127.17	22.08
3	Export Packing Credit		106.43	249.19
4	Short term Stand by loan		100.00	100.00
	<b>Sub Total- II</b>		<b>597.23</b>	<b>1293.27</b>
	<b>Total (I+II)</b>		<b>1584.82</b>	<b>2277.93</b>
<b>Unsecured Loans</b>				
1	HDFC BANK		14.00	9.26
2	South Indian bank Ltd		104.92	104.92
3	Refex Refrigerants Ltd.		0.00	10.00
4	Mrs. Shashikala Bafna		0.00	1.89
5	Directors		7.42	5.13
	<b>Total</b>		<b>126.34</b>	<b>131.20</b>

**ANNEXURE XIII**
**Related Party Disclosures**

Mr. Bafna Mahaveer Chand      Director in Bafna Life Line P Ltd and  
 Managing Director                      Partner in Bansilal & Co

Mr. Paras Bafna                              Substantial interest in Ranfab Pharmaceuticals P Ltd

Company Name		2002-03	2003-04	2004-05	2005-06	2006-07	April-December 07
Bafna Life Line P.Ltd	Advance	0.00	0.00	0.00	11.00	11.00	11.10
Bhansilal &Co	Advance	6.75	6.75	6.75	6.75	6.75	6.75
Ranfab Pharmaceuticals P Ltd	Sale of goods	0.00	0.00	0.00	15.36	2.00	0.36
	Advance Given	0.00	0.00	0.00	8.15	12.82	15.79
	Rent Paid	0.00	0.00	0.00	6.13	0.00	7.65

**Loan Schedule**

Sr. No.	Name of the Lender	Facility	Date of Latest Sanction Letter	Sanctioned Amount Rs. In Lacs	Rate of Interest	Security
1	State Bank of India	FCNR [B] TERM LOAN - I	16/05/2007	600.00	As applicable to FCNRRB Scheme  Presently 9.87%	First charge on the fixed assets created out of term loan by way of hypothecation of plant and machinery and EM of factory land and building situated in Survey No.30/4,5,6,7 & 12, (total extent 2.65 acres), Madhavaram-Redhills Road, Grantlayon village, Vadakarai, Chennai 600 050 belongs to the company.
2	State Bank of India	FCNR[B] TERM LOAN - II	16/05/2007	400.00	As applicable to FCNRRB Scheme  Presently 9.57 %	First charge on the fixed assets created out of term loan by way of hypothecation of plant and machinery and EM of factory land and building situated in Survey No.30/4,5,6,7 & 12, (total extent 2.65 acres), Madhavaram-Redhills Road, Grantlayon village, Vadakarai, Chennai 600 050 belongs to the company.
3	State Bank of India	FCNR[B] TERM LOAN - IV	16/05/2007	460.00	1% above SBAR till FCNRRB TL rates for SBTL4 is obtained  Presently 13.25%	Secured by 1st charge on fixed assets created out of term loan by way of hypothecation of plant and machinery and EM of factory land & building situated in Survey No. 30/4,5,6,7 & 12. (2.68 acres) Madhavarm Red Hills Road, Grantlayon village, Chennai-50.
4	State Bank of India	CC, EPC, FBD, LC, BG, SBL	16/05/2007	950.00	CC-as per SB4 presently 13.75%  EPC/FBDN-as per SBI EGCS	1 <sup>st</sup> charge on entire current assets, bill in course o collections and counter guarantee from the company.

**GROUP CONCERNS**
**1. Bafna Lifeline Pvt Ltd.**

Bafna Life Line Pvt Ltd. was incorporated on 17/05/2005 with Registrar of Companies, Tamil Nadu. The Registration no. of the company is U51397TN2005PTC056319. The company has been incorporated with the main objects of engaging in the business of manufacturing of pharmaceutical products. The Company is yet to start commercial activities. The registered office of the company is situated at 299, Thambu Chetty Street, Chennai 600 001. The Board of Directors of the company consists of:

Mr. Bafna Mahaveer Chand
Mr. Narendra Srisrimal

The Shareholding pattern of the company (as on 31/03/2007) is as follows:

Category	No. of shares held	% of voting strength
Promoter and Promoter Group		
Mr. Bafna Mahaveer Chand	5000	50.00
Mr. Narendra Srisrimal	5000	50.00
<b>Total</b>	<b>10000</b>	<b>100.00</b>

**Financials**

(Rs. in Lacs)

Particulars	31-03-2007	31-03-2006
Total Income	-	-
Profit after Tax	-	-
Equity Share Capital (Face Value Re.1/-)	1.00	1.00
Reserves (excluding revaluation reserves)	-	-
Net Worth	0.54	0.65
NAV per Share	-	-
EPS per Share	-	-

The company is not a sick company within the meaning of the SICA.

The company has not made any public issue in preceding 3 years.

**2. Ranfab Pharmaceuticals Ltd.**

Ranfab Pharmaceuticals Ltd. was originally incorporated as "Pharmakraft Private Limited" on 28/03/1994 and later on the name was changed to "Ranfab Pharmaceuticals Private Limited" and fresh certificate of Incorporation was obtained on 23/04/1998 with Registrar of Companies, Tamil Nadu. The Registration no. of the company is 18-27134. The registered office of the company is situated at 299, Thambu Chetty Street, Chennai 600 001. The company is engaged in the business of distribution of pharmaceutical products. The Board of Directors of the company consists of:

Ms. Sabitha
Ms. Hemlatha

The Shareholding pattern of the company (as on 31/03/2007) is as follows:

Sr. No	Category	No. of shares held	% of voting strength
	Ms. Sasikala Bafna	585	50.00
	Mr. Paras Bafna	585	50.00
	<b>Total</b>	<b>1170</b>	<b>100.00</b>

**Financials**

(Rs. in Lacs)

Particulars	31-03-2007	31-03-2006	31-03-2005
Total Income	21.80	37.50	13.73
Profit after Tax	1.38	0.09	0.05
Equity Share Capital (Face Value Re.100/-)	1.17	1.17	1.17
Reserves (excluding revaluation reserves)	4.77	3.38	3.30
Net Worth	5.94	4.53	4.42
RONW%	23.23	1.97	1.13
NAV per Share (Rs.)	507.52	377.63	386.86
EPS per Share (Rs.)	117.92	7.87	4.51

The company is not a sick company within the meaning of the SICA.

The company has not made any public issue in preceding 3 years.

**3. Banshilal & Co.**

Mr. Bafna Mahaveerchand in his capacity as a Karta of Hindu Undivided Family is a partner in M/s Banshilal & Co., a partnership firm (partnership registration no. -2063 dated 31/07/1963) having its office at No. 44, Thambu Chetty street, Chennai -600 001. The original partnership firm was formed between Late Banshilal Bafna f/o Mr. Bafna Mahaveerchand and Mr. Pannalal Bafna, Mr. Sameermal Bafna. Mr. Banshilal Bafna was a partner of this firm in his capacity as a Karta of his H.U.F. and on his demise Mr. Bafna Mahaveerchand being his only son automatically became a Karta of his late father and thereby was inducted into the partnership firm. Consequent to the demise of Mr. Banshilal Bafna, there was a family separation and except to the extent of Mr. Bafna Mahaveer Chand being a successor to the estate of his late father, there is no other relationship nor business dealings by Mr. Bafna Mahaveer Chand with this entity hence the financial information is also not available to Mr. Bafna Mahaveer Chand., The capital of the firm as on 31/03/2008 is Rs. 24.00 Lacs. The firm is in the business of real estate.

The present Partners of the firm are:

1. Mr. M. Pannalal Bafna
2. Mr. M. Sameermal Bafna
3. Mr. Bafna Mahaveerchand - in the capacity of Karta of HUF



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview of the business of the issuer company:

Bafna was started as a proprietary concern in 1981 by Mr. Bafna Mahaveer Chand in the name of Bafna Pharmaceutical and has been engaged in the business of manufacturing pharmaceutical formulations of Betalactum and Non Betalactum products. The first manufacturing unit was set up at Madhavaram during October 1984 for manufacture of tablets with an installed capacity of 420 lacs tablets p.a. Subsequently the capsule line was added during 1987 with a capacity of 300 Lacs capsule p.a. and then liquid line with an installed capacity of 45000 lts p.a was added in 1990. During the year 1995, Bafna Pharmaceuticals Limited was incorporated and it acquired the entire business of the proprietary concern. The present manufacturing facilities of Bafna is set up at Chennai on a leased factory premises. It has set up recently acquired 2.65 acres of factory land in Grantlayon Village, near Chennai to expand its operations to regulated market like US & UK and also to manufacture its own products. Bafna has been awarded the WHO GMP in the year 1995. The company has also bagged the Best Supplier Award from the State Pharmaceutical Corporation of Sri Lanka on 30th July 2005.

### Significant developments subsequent to the last financial year

The Board is of the opinion that there have not arisen any circumstances since the date of the last financial statements as disclosed in the prospectus which materially and adversely affect or is likely to affect the sales or profitability of the company, or the value of its assets, or its ability to pay liabilities within next twelve months.

### Factors that may affect results of operations

Several factors have affected the results and the operations, financial conditions and cash flow over the past years. Such factors include:

1. Competition from Indian and non Indian Pharmaceuticals producers affecting significantly growth and pricing of company' products.
2. Growing demand for production and research outsourcing in the global pharmaceuticals industry
3. Stringent regulations and norms in the countries for entering in to the export
4. Fluctuations in the Foreign Currency exchange rates
5. Pricing pattern and regulations brought in by the government.

Several factors would affect the results and the operations, financial status and cash flow, they are as follows:

1. Effects of the new Patent regime in India.
2. Increase in expenditure on research and development.
3. Consolidation in the Pharmaceutical Industry.
4. Changes in the norms for certification under WHO, GMP
5. Changes in the government legislation on tax and incentives.

## Discussions on Results of operations:

You should read the following discussion of our financial condition and results of operations together with our financial statements, as restated, for each of the fiscal years ended March 31, 2005, 2006 and 2007 including the notes thereto and the reports, schedules and annexures thereon, which appear in the Auditor's Report on page no.83 of this Prospectus. These financial statements are prepared in accordance with Indian GAAP and the Companies Act and are restated in accordance with SEBI Guidelines.

(Rs. in lacs)

Particulars	31/03/04	31/03/05	31/03/06	31/03/07	31/12/07
Income from Net Sales	1486.04	2530.20	2035.76	3600.81	2538.02
Other Income (incl. interest income)	99.89	90.80	118.32	123.84	20.49
Increase/decrease in stock	(64.60)	41.65	(17.61)	137.31	(89.59)
Total Income	1521.33	2662.65	2136.47	3861.96	2468.92
Depreciation	16.83	17.02	26.74	36.84	25.51
Depreciation as % of Net Sales	1.13%	0.67%	1.31%	1.02%	1.02%
Finance Cost	27.23	48.82	49.94	50.82	45.36
Finance Cost as % of Net Sales	1.83%	1.93%	2.45	1.41%	1.79%
Profit / (loss) before Tax	64.86	139.43	105.99	119.08	134.94
Profit / (loss) before Tax as % of Net Sales	4.36%	5.51%	5.21%	3.11%	5.32%
Provision for Taxation (incl.FBT and Deferred Tax)	20.35	49.62	13.72	14.85	3.85
Profit Before Extra Ordinary Items	44.51	89.81	92.27	104.23	131.09
Extraordinary Item	0.23	(1.31)	(7.62)	(7.38)	(1.85)
Profit / (loss) after tax	44.28	88.50	84.65	96.83	129.24

**Note:** Figures have been regrouped wherever necessary to make the data comparable

### Comparison of Financial Results of 31/03/2007 & 31/12/2007

#### Revenue:

During the nine months ended 31/12/2007 the company registered total income of Rs. 2468.92 lacs as compared to Rs. 3861.96 lacs during full year 31/03/2007.

#### Depreciation:

The depreciation provided for was Rs.25.84 lacs for the period 31/12/2007 as compared to Rs. 36.84 lacs for the full year 31/03/2007.

#### Finance Cost:

Finance expenses during nine months period ended 31/12/2007 were Rs. 45.36 lacs in comparison to Rs. 50.82 lacs during the full year 31/03/2007.

#### Profit and Loss Account:

Profit Before Tax for the nine months period ended accounted for Rs. 134.94 lacs as compared to Rs. 119.08 lacs for the full year 31/03/2007.

### Comparison of Financial Results of 31/3/2006 & 31/3/2007

#### Revenue:

Total Income of the company has increased from Rs.2136 lacs to Rs. 3861.96 lacs for the year 31/03/2007. This increase in total income was due to increase in Sales from the of EOU unit at Madhavaram. The increase in sales during 2006-07 was on account of bulk orders received from Stockist of Tamil Nadu Medical Services Corporation Ltd., Chennai.

#### Depreciation:

The depreciation has increased from Rs.26.73 lacs for the year 2006 to Rs.36.84 lacs for the year 2007 as there is increase in fixed assets such as plant and machinery, office equipments by Rs. 13.46 lacs during the year due to the expansion of Grantlayon.

Finance Cost:

There has been marginal increase in the interest cost due to the increase in loans arising out of the expansion project.

Profit and Loss Account:

During the fiscal 31/03/2007., the company has reported profit before tax of Rs.119.08 lacs whereas the profit for the year ended 31/03/2006 was Rs. 105.99 lacs. Though company has improved its performance during the year, it has not been able to improve its profit margins significantly due to reasons like fluctuations in Rupees and high cost of import of raw material from China which showed negative impact on the profitability of the company.

Debtors

The increase in debtors from Rs. 495.84 lacs as on March 2006 to Rs. 1840.75 lacs as on March 2007 is due to the supplies effected during January to March 2007 to Stockist of Tamil Nadu Medical Services Corporation Ltd. (TNMSC) based on the orders received. Usually the collections from Government agencies are delayed beyond the stipulated credit period based on the availability and allocation of funds. Hence there is an increase in the figures of debtors for March 2007. Debtors include an amount of Rs. 20.86 lacs only due from M/s. Ranfab Pharmaceuticals Pvt. Ltd. which is a related party.

Current liabilities

The current liabilities have increased from Rs. 405.08 lacs in March 2006 to Rs. 2750.09 lacs in March 2007 mainly due to increase in creditors which have increased due to increase in purchases required to meet the order received from TNMSC of Finished Products. Besides the creditors include Rs.849.00 lacs towards the project creditors for purchase of Plant & Machinery for the project under implementation.

Work in progress

The increase in work in progress from Rs. 445.13 lacs in 2006 to Rs. 2301.80 lacs in 2007 is due to the expansion work carried out by the company for its new unit of Grant layon. The work in progress shall be capitalized during the year in which the new factory starts commercial production.

**Comparison of Financial Results of 31/3/2005 & 31/3/2006**Revenue

The total income of the company has decreased from Rs. 2662.65 lacs in 2005 to Rs. 2136.47 lacs in 2006. This was due to an unplanned shut down for over 117 days during the year because of heavy rains.

Depreciation

The depreciation during the year was Rs. 26.74 lacs and that for the previous year i.e. 2004 it was Rs. 17.02 lacs. This increase in depreciation is mainly due to additional purchase of plant and machinery worth Rs. 134.83 lacs and factory building worth Rs. 11.43 lacs. These purchases are made for establishment of new facility at Grantlayon plant.

Finance cost

The interest and finance cost for the year ended 31/03/2006 has increased by 2.30% as compared to the previous year due to substantial increase in secured loan by Rs. 474.23 lacs during the year. This loan was taken for the set up of new facility at Grantlayon.

Profit & loss Account:

Despite of reduction in sales turnover, the company reported a profit before tax of Rs. 105.99 lacs in the year 31/03/2006 as compared to Rs. 139.43 lacs in the year 31/03/2005. This is due to the improved productivity and better product mix offered during the year. The company has also expanded its range of product offerings and has been able to make entry into new markets.

### Debtors

The increase in debtors from Rs. 426.77 lacs as on March 2005 to Rs. 495.84 lacs as on March 2006 is due to increase in Central Excise Refund. amount which was not done before March .

### Current Liabilities

The current liabilities have decreased from Rs. 516.82 lacs as on March 2005 to Rs. 405.08 lacs as on March 2006. This decrease is due to reduction in raw material consumption during the year.

### Work in progress

The increase in work in progress from Rs. 147.12 lacs in March 2005 to Rs. 445.13 lacs in March 2006. This increase is due to amount invested in Grantlayon Project which was not capitalized till 31/03/2006.

## **Comparison of Financial Results of 31/3/2004 & 31/3/2005**

### Revenue

Total income of the company stood at Rs. 2662.65 lacs as compared to Rs. 1521.33 lacs in the corresponding previous year. Bafna received good orders from Srilanka. This growth was due to optimum production during the year under review.

### Depreciation

The depreciation for the 2004 was Rs.16.82 lacs which increased to Rs.17.02 lacs for the year 2005, this increase in the depreciation is due to the increase in the fixed assets by Rs. 24.45 lacs during the year.

### Finance cost

The interest & finance cost for the year ended 31/03/2005 has increased by 79.28% as compared to the previous year. This rise is due to increase in secured loans and working capital limits.

### Profit & loss Account:

The company could notch a remarkable profit of Rs. 139.43 lacs during the year 2005 as compared to a profit of Rs. 64.86 lacs during the year 2004 due higher realization of products and optimum production during the year.

### Debtors

The increase in debtors from Rs. 389.32 lacs as on March 2004 to Rs.426.77 lacs as on March 2005 . Since the sales has been increased from 1486.04 in March 2004 to 2530.20 lacs in March 2005 due to the Government orders which were dispatched during the year end.

### Current Liabilities

The current liabilities have increased from Rs. 423.35 lacs as on March 2004 to Rs. 516.82 lacs as on March 2005. This increase is due to increase in consumption of raw material.

### Work in progress

During the year 2004-05 the amount invested in work in progress is Rs. 147.12 lacs. This is due to amount invested in the Grantlayon project which was not capitalized.

## **Information required as per clause 6.10.5.5 of SEBI Guidelines**

### **Unusual or infrequent events or transactions**

There have been no unusual or infrequent events or transactions which may affect results of operations of the company.

### **Significant economic changes**

Any slowdown in the growth of Indian economy or future volatility in global prices of the bulk drugs could adversely affect the business of the company including the future financial performance, shareholder's funds and ability to implement strategy and the price of the equity shares.

**Known trends and uncertainties**

There are no known trends or uncertainties that may have material adverse impact on the income, costs and profits of the company from continuing operations.

**Future changes in relationship between costs and revenues**

If there is an increase in the raw material cost it will affect the profitability of the company.

**Dependence of revenue on sales volume, new products**

Increase in revenues are largely linked to increase in volume of business activity carried out by the company.

**Turnover of industry segment in which the company operates**

The company operates only in one industry i.e. pharmaceuticals industry

**Status of any publicly announced new products or business segment**

The Grantlayon factory was inaugurated on 02/10/2006 and the company proposes to enter into the regulated markets through the products manufactured at this factory.

**Seasonality of the business**

No major cyclical trends are observed in this industry neither are there any government controls nor regulatory framework impinging on the industry.

**Dependence on single or few suppliers / customers**

The company is not dependent on single or few suppliers or customers.

**Competitive conditions**

For details of competitive conditions please refer to page no. 48 of this document.

**SECTION V- LEGAL AND OTHER INFORMATION**

**OUTSTANDING LITIGATION, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES**

There are no outstanding litigations against the Company, its Directors, Promoters and the Promoter group or any disputes, tax liabilities, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act) against the Company, its Directors and the Promoters, except the following:

**Outstanding litigation**

**Legal Proceedings/ Actions by or against the company**

Disputes which are pending are tabulated below:

**A. Disputes of civil nature**

**(i) Against the Company**

Sr. No.	Reference to Case No.	Opposite Parties	Gist of the case
1.	I A No.116 of 2003 Before the Commissioner for Workmen's Compensation I, Chennai (Deputy Commissioner of Labour I, Chennai)	Mr. A. Mathiarasu Son of Mr. C Arunachalam, 132, Peria-mullaivoyal Chennai 600 103.	<p>A claim petition was filed by Mr. Mathiarasu under section 10(i) of the Workmen's Compensation Act, 1923 against the Company seeking compensation of Rs. 10000/- for the injury alleged to have been caused to the claim petitioner on 27<sup>th</sup> November 1997 by an accident during the course of his employment. The Company had contested the claim of the claim petitioner. Since the claim petition was filed beyond the period of limitation, the claim petitioner also filed an application for condoning the delay in filing the claim petition. This application was also contested by the Company.</p> <p>The Deputy Commissioner of Labour, Chennai, by his order dated 11<sup>th</sup> March 2003 has allowed the condonation application on payment of cost of Rs.500/- to the Company. Since the applicant did not pay the cost, his application for condoning the delay in filing the claim petition was dismissed on 26<sup>th</sup> June 2003. Mr. Mathiarasu filed the present application (I A No. to set aside the order dated 26<sup>th</sup> June 2003., which application was also contested by the Company. By his order dated 29<sup>th</sup> January 2004, the Deputy Commissioner of Labour I, Chennai dismissed I A No.116 of 2003 filed by Mr. Mathiarasu.</p>

**B. Details of products wherein applications for trademarks has been filed by the company but there has been some opposition for the same.**

Sr. No.	Application No.	Date of Application	Trade Mark Name	Class in respect of which application has been made	Present status of the application
1	800462	29.04.1998	BETALIN	5	Opposed by competitor
2	800463	29.04.1998	AFENAC	5	
3.	1069157	26.12.2001	ANTIROX	5	
4.	800472	29.04.1998	LOMIN	5	

The general nature of opposition is as follows:

- (i) The mark proposed to be registered is virtually identical to the mark already registered in the name of the opponent
- (ii) the mark applied for is visually, phonetically and/or deceptively similar to the mark registered in the name of the opponent
- (iii) the goods in respect of which registration is sought are the same goods and/or the same description in which the opponent's mark has been registered.
- (iv) the application has been made with malafide intention of misleading the potential customers and dealers in the course of trade
- (v) the mark applied for is neither adapted to distinguish nor capable of distinguishing applicant's goods.

**C. Disputes of criminal nature : Nil**

**D. Proceedings under Income-tax Act and Sales Tax Act : Nil**

**E. Legal proceedings against the Directors of the Company : Nil**

**F. Legal proceedings against the promoters/promoter group companies Nil**

**(ii) Details of Litigations filed by the Company**

**A. Disputes of Civil nature**

Sr. No.	Reference to Case No.	Opposite Parties	Gist of the case
1.	Writ Petition No.28783 of 2003 High Court of Judicature at Madras	<p>1.Tamil Nadu Medical Services Corporation Ltd. represented by its Managing Director, Egmore, Chennai 8</p> <p>2. State of Tamil Nadu By its Secretary to Government, Health and Family Welfare Department Fort St.George</p>	<p>The Company is the petitioner in the Writ Petition.</p> <p>The First Respondent had floated tender No.1/2003 for the supply of drugs and medicines to the First Respondent from 01.11.2003 to 31.03.2005., which drugs/medicines were to be distributed to various government hospitals in the State of Tamil Nadu. The Writ Petitioner also responded to the above tender. According to the Writ Petition, the First Respondent had released the provisional list of items containing L1 rate and SSI rate for the various drugs/medicines which are to be supplied in terms of the above tender. It</p>

Sr. No.	Reference to Case No.	Opposite Parties	Gist of the case
		<p>Chennai 600 009</p> <p>3. State of Tamil Nadu By its Secretary to Government, Small Industries Department Fort At.George Chennai 600 009.</p>	<p>has been mentioned in the Writ Petition that while arriving at the L1 rate and SSI rate, no proper evaluation had been done as per the provisions of Tamil Nadu Transparency in Tenders Act, 1998 and the Rules framed thereunder and the conditions of the tender documents. The Writ Petition has contended that the First Respondent has committed an error in notifying other persons as the lowest tendered instead of notifying the SSI units as the lowest tenderer. The Writ Petition has challenged the evaluation carried out by the Respondent as being arbitrary, unreasonable and contrary to the provisions of the above Act. The provisional list has been challenged under various grounds, interalia, that the provisional list suffers from various illegalities and the irregularities. The Petitioner has prayed that the provisional list, in so far as it relates to 68 items of medicines in which the Writ Petitioner, as the domestic SSI unit is the L1, be quashed and that in respect of 2 items where the Writ Petitioner as the domestic SSI unit is the L1, the contract for supply of medicines be awarded to the Writ Petitioner.</p> <p>The Writ Petition also prayed for injunction restraining the First Respondent from awarding the contract in respect of items for which the Writ Petitioner is L1 to anyone other than the Writ Petitioner.</p> <p>By an order dated 14.10.03, the Hon'ble High Court had granted an adinterim stay restraining the First Respondent from proceeding with award of contract for supply of medicines pursuant to tender No.1 of 2003. However on appeal to the Division Bench, the Hon'ble High Court, by an order dated 14.10.03 had vacated the stay granted earlier by the Single Judge.</p> <p>The matter is pending.</p> <p>The date of hearing has not been fixed.</p>

**B Details of products wherein** Company has opposed the granting of trade marks for which applications have been filed by other parties. The details of such applications are given below:

Mumbai Registry

Opposition No.	Mark	Applicant	Opposing party	Status
250966	ANODYNE	Marpa Laboratories P Ltd. Mumbai	Bafna Pharmaceuticals Ltd.	Counter to be filed by the Applicant
250438	ZEFENAC	Rajat Pharmachem Ltd. Mumbai	Bafna Pharmaceuticals Ltd	Counter to be filed by the Applicant



Opposition No.	Mark	Applicant	Opposing party	Status
213107	ACENEC	Medley Pharmaceuticals Ltd., Mumbai	Bafna Pharmaceuticals Ltd	Applicant's evidence to be filed
229447	N-FENAC	Nandani Medical Laboratories Pvt. Ltd. Indore	Bafna Pharmaceuticals Ltd.	Hearing Pending

Kolkata Registry

Opposition No.	Mark	Applicant	Opposing party	Status
224137	NEFENAC PLUS	Nezone Medicines Pvt. Ltd., Guwahati	Bafna Pharmaceuticals Latd.	Counter to be filed by the applicant
224138	NEFENAC	Nezone Medicines Pvt. Ltd., Guwahati	Bafna Pharmaceuticals Latd.	Counter to be filed by the applicant

Ahmedabad Registry

Opposition No.	Mark	Applicant	Opposing party	Status
225786	ANODYNE	Bharati Pharma, Navsari	Bafna Pharmaceuticals Ltd.	Hearing pending
242822	DOCILIN	Marks International, Jaipur	Bafna Pharmaceuticals Ltd.	Hearing Pending.

The Company has opposed the registration of marks interalia, on the grounds:

- That the marks are deceptively, confusingly, visually, structurally and phonetically similar to the trade marks registered and/ or pending for registration in the name of the Company
- That the goods for which the trade marks have been applied for registration are of the same category/class of goods or of the same description as that of the Company.
- The Company's trade marks are well known marks within the meaning of Trade Marks Act 1999 and registration of the mark in the name of the applicant would be detrimental to the distinctive character or repute of the Company's trade marks.

**MATERIAL DEVELOPMENTS**

In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last audited financial statements disclosed in this Offer Document, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of the Company's assets or its ability to pay its material liabilities within the next twelve months.

There has been no changes in the activities of the issuer company which may have had a material effect on the statement of profit /loss for the five years, including discontinuance of lines of business, loss of agencies or markets and similar factors.

**GOVERNMENT/STATUTORY AND BUSINESS APPROVALS**

On the basis of the indicative list of approvals below, the Company is permitted to carry on business activities and no further approvals from any Government authorities/RBI are required by the Company to undertake the business of the Company. It must be distinctly understood that, in granting these licenses, the Government of India and/or RBI does not take any responsibility for Company's financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

**PAN of Bafna :** AAACB3109Q

**TAN of Bafna :** CHEB05006B

**Approvals in respect of Factory at 13, Sundara Vinayagar Koil Street, Madhavaram.**

Sr. No.	Name of the license/approval/certificate	Number of license/approval/Certificate	Granting authority	Valid upto	Remarks
1.	Factory license (Factory Registration No.TVR:5820)	License No. 1228	Deputy Chief Inspector of Factories, Thirivottiyur.	31.12.2007	The company has applied for renewal of the license vide its letter dated 30/10/2007
2.	Registration under Tamil Nadu Value Added Tax Act, 2006 - Tax Payer's Identification No. (TAN)	33281241198	Commercial Tax Officer, Mannady East Assessment Circle, Chennai	Effective from 1.1.2007. valid till cancelled	
3.	Registration under Central Excise and Customs Act for excisable good under PPM Chip No. 3003-10 and PPM Generic 3003 - 20	M/0504022 2109 dated 12.12.2000	Superintendent of Central Excise, Group IV B, Madras IV division	Valid till the holder carried on the activity or surrenders the certificate, whichever is earlier.	
	Central Excise Registration Certificate	AAACB 3109QXM001 Dated 25.02.2002	Suprintendent of Central Excise	Valid till cancelled.	
4.	Fire Service License	License No.9986/2007 dated 07.09.2007	Divisional Officer, Fire and Rescue Services, Thiruvallur Division, Thiruvallur 602 001	Valid for one year from the date of issue	

Sr. No.	Name of the license/approval/certificate	Number of license/approval/Certificate	Granting authority	Valid upto	Remarks
5.	Consent Order under section 25 of Water (Prevention and Control of Pollution) Act, 1974	Consent Order No. 18413 dated 14.11.2007	Tamil Nadu Pollution Control Board	30.09.2008	
6.	Consent Order under section 21 of Air (Prevention and Control of Pollution) Act, 1974	Consent Order No. 14500 dated 14.11.2007	Tamil Nadu Pollution Control Board	30.09.2008	
7.	Green Card under the Madras Export Processing Zone	Green Card No.1402/MPEZ dated 28.06.2005	Development Commissioner, Madras Export Processing Zone, Madras 600 045	27.06.2010	
8.	Registration under Employees' State Insurance Corporation Act	Registration Code No. 51/54166-34 dated 27.02.1996	Regional Office Employees' State Insurance Corporation, Chennai 600 034.	Until cancelled	
9.	Registration under Employees' Provident Funds & Miscellaneous Provisions Act, 1952	Registration No. H 13/TN/MS/36294/Enf /Regl./96 dated 04.10.1996	Office of the Regional Commissioner, Employees' Provident Funds, Tamil Nadu and Pondicherry States, Chennai 600014.	Until cancelled	
10.	Renewal of license granted under Drugs & Cosmetics Act, 1940	License No. 415/84 dated 28.03.1995 for the manufacture of and sale of drugs specified in the list attached to the license.	Director of Drugs Control I, Tamil Nadu, Chennai 600 006	31.12.2007	The company has applied for renewal of the license vide its letter dated 31/12/2007
11.	Renewal of license granted under Drugs & Cosmetics Rules, 1945	License No. 230/84 dated 28.03.1995 for the manufacture of and sale of drugs specified in the list attached to the license.	Director of Drugs Control I, Tamil Nadu, Chennai 600 006	31.12.2007	The company has applied for renewal of the license vide its letter dated 31/12/2007
12.	Registration under Central Sales Tax Act.	CST Registration No.91198 dated 22.05.1995 for resale of drugs and pharmaceuticals, surgical items, packing materials for use in drugs and	Commercial Tax Officer, Mannady East Assessment Circle, Chennai	Valid from 22.5.1995 & valid until cancelled	

Sr. No.	Name of the license/approval/certificate	Number of license/approval/Certificate	Granting authority	Valid upto	Remarks
		intermediaries, surgical items, machineries, fixtures and fittings, birth control devices, polythene bags, packing machineries, seating machines, packing foils, packing materials			
13.	ISO 9001: 2000 Certificate	Certificate No. GCS/00506 dated 28.11.2006	Indian Chapter of Global Certification Services, National Accreditation Board for Certification body	27.10.2009	
14.	Registration under Standard Weights and Measures (Enforcement) Rules	Registration No. T N 41/04 Dated 07.05.2004	Controller of Legal Metrology Madras 600 006	Valid Until Cancelled.	
15.	Certificate of Importer-Exporter Code dataed 27.07.2005	0493012796	Foreign Trade Development Officer, Government of India, Ministry of Commerce, Office of Director of Foreign Trade, Chennai 600 014.	Valid until Cancelled	
16.	Good Manufacturing Practice Certificate	License in Form No. 25/28 dated 28.03.1995	Director of Drugs Control I, Tamil Nadu Chennai	31.12.2006	The company has applied for renewal of the license vide its letter dated 18/12/2006

The Company needs to file Industrial Entrepreneur Memorandum with Secretariat for Industrial Assistance.

**Factory at 147, Madhavaram Redhills High Road, Grantlayon Village**

Sr. No.	Name of the license/approval/certificate	Number of license/approval/Certificate	Granting authority	Valid upto	Remarks
1.	Factory license	APPLIED FOR	Inspector of Factory's Thiruvathiyur		The company has applied for factory license vide its letter dated 01/11/2007
2.	Registration under Tamil Nadu Value Added Tax Act, 2006 - Tax Payer's Identification No. (T AN)	Same as of Factory at Koil Street, Madhavaram Unit	Commercial Tax Officer, Mannady East Assessment Circle, Chennai	Effective from 1.1.2007. valid till cancelled	
3.	Registration under Central Excise and Customs Act for excisable good under PPM Chip No. 3003-10 and PPM Generic 3003 - 20	M/0504022 dated 12.12.2000	Superintendent of Central Excise, Group IV B, Madras IV division	Valid till the holder carried on the activity or surrenders the certificate, whichever is earlier.	
	Central Excise Registration Certificate	AAACB 3109QXM001 Dated 25.02.2002	Superintendent of Central Excise	Valid until Cancelled	
4.	Fire Service License	License No.9995/2007 dated 07.09.2007	Divisional Officer, Fire and Rescue Services, Thiruvallur Division, Thiruvallur 602 001	Valid for one year from the date of issue	
5.	Consent Order under section 25 of Water (Prevention and Control of Pollution) Act, 1974	Consent Order No. 935 dated 31.05.2007	Tamil Nadu Pollution Control Board	31.03.2008	The company has applied for renewal of the license vide its letter dated 19/03/2008
6.	Consent Order under section 21 of Air (Prevention and Control of Pollution) Act, 1974	Consent Order No. 944 31.05.2007	Tamil Nadu Pollution Control Board	31.03.2008	The company has applied for renewal of the license vide its letter dated 19/03/2008
7.	Green Card under the Madras Export Processing Zone	Green Card No.1397/MPEZ dated 15.06.2005	Development Commissioner, Madras Export Processing Zone, Madras 600 045	14.06.2010	

Sr. No.	Name of the license/approval/certificate	Number of license/approval/Certificate	Granting authority	Valid upto	Remarks
8.	Registration under Employees' State Insurance Corporation Act	Registration Code No. 51/54166-34 dated 27.02.1996	Regional Office Employees' State Insurance Corporation Chennai 600 034.	Until cancelled	
9.	Registration under Employees' Provident Funds & Miscellaneous Provisions Act, 1952	Registration No. H 13/TN/MS/36294/Enf /Regl./96 dated 04.10.1996	Office of the Regional Commissioner, Employees' Provident Funds, Tamil Nadu and Pondicherry States, Chennai 600014.	Until cancelled	
10.	Registration under Drugs & Cosmetics Act, 1940	License No. TN 00002270 dated 08.12.2006 for the manufacture of and sale of drugs specified in the list attached to the license.	Director of Drugs Control I, Tamil Nadu, Chennai 600 006	07.12.2011	
11.	Registration under Drugs & Cosmetics Rules , 1945	License No. TN 00002269 dated 08.12.2006 for the manufacture of and sale of drugs specified in the list attached to the license.	Director of Drugs Control I, Tamil Nadu, Chennai 600 006	07.12.2011	
12.	License under Drugs & Cosmetics Rules , 1945	License No. R.Dis No.13747/D1/1/2006 dard 08.12.2006 for the manufacture of and sale of drugs specified in the list attached to the license.	Director of Drugs Control I, Tamil Nadu, Chennai 600 006	07.12.2011	
13.	License under Prevention of Food Adulteration Act	L.Dis No.4021/E3/07 Dated 31.10.2007	Deputy Director of Health Services Thiruvallur	31.03.2008	The company has applied for renewal of the license on 28/04/2008
14.	Good Manufacturing Certificate	18053/D1/02/06 Dated 04.05.2007	Director of Drugs Control 1, Tamil Nadu Chennai	31.12.2008	
15.	Certificate of Importer-Exporter Code dated 27.07.2005	0493012796	Foreign Trade Development Officer, Government of India, Ministry of Commerce, Office of Director of Foreign Trade, Chennai 600 014.	Valid Until Cancelled	

The Company needs to file Industrial Entrepreneur Memorandum with Secretariat for Industrial assistance.

**Registered Office at 299, Thambu Chetty Street, Chennai 600 001.**

Sr. No.	Name of the license/approval/certificate	Number of license/approval/Certificate	Granting authority	Valid upto
1.	Registration under the Shops and Establishment Act	-	-	Not applied for
2.	Registration under Tamil Nadu Value Added Tax Act, 2006 - Tax Payer's Identification No. (TAN)	Same as of Factory at Koil Street, Madhavaram Unit	Commercial Tax Officer, Mannady East Assessment Circle, Chennai	Effective from 1.1.2007. valid till cancelled
3.	License under Drugs and Cosmetics Act	License No.1497/MZ1/21B dated 07.03.2005 to sell, stock or exhibit or offer for sale or distribute drugs mentioned in the License.	Director of Drugs Control I, Tamil Nadu, Chennai 600 006	06.03.2010
4.	License under Drugs and Cosmetics Act	License No.1535/MZ1/20B dated 07.03.2005 to sell, stock or exhibit or offer for sale or distribute drugs other than those mentioned in Schedule C C 1 and Schedule X to the Drugs and Cosmetics Rules, 1945.	Assistant Director of Drugs Control Zone I, Tamil Nadu, Chennai 600 006	06.03.2010
5.	Service Tax Registration	Registration No.AAACB3109QST00 1 dated 09.03.2005: Service - Transport of goods by road. Account head for tax: 00440262 Account head for other dues: 00440263	Deputy Commissioner, Service Tax Cell, Chennai 600 034.	Valid till cancelled
6.	IE C number	IEC No.0493012796 dated 19.04.1996	Foreign Trade Development Officer, Ministry of Commerce, Office of Joint Director General of Foreign Trade, Chennai14	Valid until further orders
7.	Registration under Central Sales Tax Act.	CST Registration No.91198 dated 22.05.1995 for resale of drugs and pharmaceuticals, surgical items, packing materials for use in drugs and intermediaries, surgical items, machineries, fixtures and fittings, birth control devices,	Commercial Tax Officer, Mannady East Assessment Circle, Chennai	Valid from 22.5.1995 & Valid until cancelled

Sr. No.	Name of the license/approval/certificate	Number of license/approval/Certificate	Granting authority	Valid upto
		polythene bags, packing machineries, seating machines, packing foils, packing materials		
8.	Registration under Employees' State Insurance Corporation Act	Registration Code No. 51/54166-34 dated 27.02.1996	Regional Office Employees' State Insurance Corporation, Chennai 600 034.	Until Cancelled.
9.	Registration under Employees' Provident Funds & Miscellaneous Provisions Act, 1952	Registration No. H 13/TN/MS/36294/Enf /Regl./96 dated 04.10.1996	Office of the Regional Commissioner, Employees' Provident Funds, Tamil Nadu and Pondicherry States, Chennai 600014.	Until Cancelled.



## SECTION VI- REGULATORY AND STATUTORY DISCLOSURES

### AUTHORITY FOR THE ISSUE

The Board of Directors have, pursuant to a resolution passed at its meeting held on 11/08/2007, authorised the Issue, subject to the approval of the shareholders of the Company under Section 81 (1A) of the Companies Act.

The shareholders of BAFNA have authorised the Issue by a Resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Annual General Meeting held on 28/09/2007.

### PROHIBITION BY SEBI

Neither the Company, nor its Promoters, its directors, any of its Group Companies, and the companies or entities with which directors of the Company are associated, as directors or promoters, have been prohibited from accessing or operating in the capital market or restrained from buying, selling or dealing in securities under any order or directions passed by SEBI.

None of the Promoters, their relatives, the Company or the Promoter Group Companies are detained as willful defaulters by RBI/ government authorities and there are no proceedings relating to violations of securities laws pending against them and there are no violations of securities laws committed by them in the past.

The Listing of any securities of the Issuer has never been refused at anytime by any of the Stock Exchanges in India.

### ELIGIBILITY FOR THE ISSUE

#### Eligibility for the Issue

BAFNA is an unlisted company; and is eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under:

- The Company has net tangible assets of at least Rs. 3 crores in each of the preceding three full years (of 12 months each) of which not more than 50% is held in monetary assets.;
- The Company has a track record of distributable profits in terms of Section 205 of the Companies Act for at least three out of the immediately preceding five years;
- The Company has a net worth of at least Rs. 1 crore in each of the preceding three full years of 12 months each; and
- The aggregate of the proposed Issue and all previous issues made in the same financial years in terms of size does not exceed five times the pre -issue net worth of the Company as per the audited balance sheet as of March 31, 2007.

The following table shows the net tangible assets, distributable profits and net worth for the past three fiscal years:

Particulars	(Rs. In Lacs)				
	For the Financial Year Ended March 31				
	2007	2006	2005	2004	2003
Net Profit (Distributable)	96.85	84.65	88.50	44.28	55.09
Net Worth (as restated)	909.10	561.40	423.72	306.94	248.27
Net Tangible Assets	2707.54	1718.72	1115.93	512.22	405.74
Monetary Assets	176.69	108.25	116.40	49.84	29.91
% of Monetary Assets to Net Tangible Assets	6.53	6.30	10.43	9.73	7.37

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, Bafna undertakes that the number of allottees, i.e., Persons receiving Allotment in the Issue shall be at least 1000, otherwise, the entire application money will be refunded forthwith

#### **DISCLAIMER CLAUSE OF SEBI**

**AS REQUIRED A COPY OF THIS OFFER DOCUMENT HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS OFFER DOCUMENT TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MANAGER M/S. KEYNOTE CORPORATE SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY AND THE OFFEROR IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, M/S. KEYNOTE CORPORATE SERVICES LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 31/12/2007 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATION 1992 WHICH READS AS FOLLOWS:**

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,**

**WE CONFIRM THAT:**

- a) THE PROSPECTUS FORWARDED TO THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- b) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE BOARD, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- c) THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (DISCLOSURE AND INVESTOR**

**PROTECTION) GUIDELINES, 2000 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**

3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
4. WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE PROSPECTUS.
5. WE CERTIFY THAT CLAUSE 4.6 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE PROSPECTUS.
6. WE CONFIRM THAT PROVISIONS OF CLAUSES 4.9.1 & 4.9.2, 4.9.3 & 4.9.4 OF SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 ARE NOT APPLICABLE IN RESPECT OF THE CAPTIONED ISSUE.
7. WE CERTIFY THAT REQUIREMENT OF PROMOTER'S CONTRIBUTION ARE APPLICABLE IN RESPECT OF THE SAID ISSUE.
8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.
10. WE CERTIFY THAT NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE ISSUER OR THE PROMOTERS, DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES SECURITIES BY WAY OF FIRM ALLOTMENT IN THE ISSUE.
11. WE CERTIFY THAT SINCE THE PROPOSED ISSUE SIZE IS MORE THAN RS.10 CRORES, THE PROVISION RELATING TO OPTION TO THE INVESTORS TO GET THE SHARES IN PHYSICAL MODE IS NOT APPLICABLE IN TERMS OF SECTION 68B OF THE COMPANIES ACT, 1956.
12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE PROSPECTUS :
  - a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME

**THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND**

- b) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.**

**THE PROMOTER / DIRECTOR OF BAFNA PHARMACEUTICALS LIMITED, MR. BAFNA MAHAVEER CHAND, MR. PARAS BAFNA MR. U. SUNIL BAFNA, MR. V. RAJAMANI, MR. A. SAHASRANAMAN, MR. R. DWARAKANATHAN AND MR. RATAN CHAND LODHA CONFIRM THAT NO INFORMATION/MATERIAL LIKELY TO HAVE A BEARING ON THE DECISION OF INVESTORS IN RESPECT OF THE SHARES OFFERED IN TERMS OF THIS PROSPECTUS HAS BEEN SUPPRESSED WITHHELD AND / OR INCORPORATED IN THE MANNER THAT WOULD AMOUNT TO MIS-STATEMENT/MISREPRESENTATION AND IN THE EVENT OF ITS TRANSPIRING AT ANY POINT IN TIME TILL ALLOTMENT/REFUND, AS THE CASE MAY BE, THAT ANY INFORMATION/MATERIAL HAS BEEN UPRESSED/WITHHELD AND/ OR AMOUN TS TO A MIS- STATEMENT/MISREPRESENTATION, THE PROMOTERS/DIRECTORS UNDERTAKE TO REFUND THE ENTIRE APPLICATION MONIES TO ALL SUBSCRIBERS WITHIN 7 DAYS THEREAFTER WITHOUT PREJUDICE TO THE PROVISIONS OF SECTION 63 OF THE COMPANIES ACT.**

#### **DISCLAIMER STATEMENT FROM THE COMPANY AND THE LEAD MANAGER**

The Issuer Company and the Lead Manager accepts no responsibility for statements made otherwise than in this Offer Document or in the advertisement or in any other material issued by or at the instance of the issuer and the Lead Manager and any one placing reliance on any other source of information would be doing so at his/her/their own risk.

The Lead Manager accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the lead Manager and the Company dated 29/11/2007.

All information shall be made available by the Company and the Lead Manager, to the Public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows presentations, in research or sales reports, at collection centers or elsewhere.

#### **DISCLAIMER IN RESPECT OF JURISDICTION**

This Offer is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or any other Trust law and who are authorized under their constitution to hold and in vest in shares) and to NRIs and FIIs as defined under the Indian laws. This Offer Document does not, however, constitute an offer to sell or an invitation to subscribe to securities issued hereby in any other jurisdiction. Any person into whose possession this Offer Document comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Offer Document has been submitted to the SEBI. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this Offer Document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of Offer Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change

in the affairs of Bafna Pharmaceuticals Ltd. since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

#### **DISCLAIMER CLAUSE OF THE BOMBAY STOCK EXCHANGE LIMITED**

As required a copy of this Offer Document has been submitted to The Bombay Stock Exchange Limited ("BSE"). BSE has given by its letter no. DCS/IPO/MT/IPO/IP/1647/2007-08 dated 11/01/2008 permission to the Company to use BSE's name in this offer document as one of the stock exchanges on which the Company's securities are proposed to be listed. BSE has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. BSE does not in any manner:

Warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or

Warrant that this company's securities will be listed or will continue to be listed on BSE; or

Take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme or project of this company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

#### **DISCLAIMER CLAUSE OF ICRA LIMITED (IPO GRADING AGENCY)**

Notwithstanding anything to the contrary: An ICRA IPO grade is a statement of current opinion of ICRA and is not a statement of appropriateness of the graded security for any of the investors. Such grade is assigned with due care and caution on the basis of analysis of information and clarifications obtained from the issuer concerned and also other sources considered reliable by ICRA. However, ICRA makes no representation or warranty, express or implied as to the accuracy, authenticity, timeliness, or completeness of such information. An ICRA IPO grade is not (a) a comment on the present or future price of the security concerned (b) a certificate of statutory compliance and/or (c) a credit rating. Further, the ICRA IPO grade is not a recommendation of any kind including but not limited to recommendation to buy, sell, or deal in the securities of such issuer nor can it be considered as an authentication of any of the financial statements of the company, and ICRA shall not be liable for any losses incurred by users from any use of the grade in any manner. It is advisable that the professional assistance be taken by any prospective investor in the securities of the company including in the fields of investment banking, tax or law while making such investment. All services and information provided by ICRA are provided on an "as is" basis, without representations and warranties of any nature.

#### **FILING**

A copy of this Offer Document has been filed with SEBI, Plot No. C-4A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai- 400 051 and the Bombay Stock Exchange Ltd. (BSE), P.J Towers, Dalal Street, Mumbai.

A copy of the Offer Document required to be filed under Section 60 of the Companies Act would be delivered for registration with Registrar of Companies, Tamil Nadu.

## LISTING

Application will be made to BSE for permission to deal in and for an official quotation of the Equity Shares of the Company. BSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised.

If the permission to deal in and for an official quotation of our Equity Shares is not granted the Stock Exchange mentioned above, the Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Offer Document. If such money is not repaid within eight days after the Company becomes liable to repay it from the date of refusal or within 70 days from the Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchange mentioned above are taken within seven working days of finalisation and adoption of the Basis of Allotment for this Issue.

## IMPERSONATION

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below: "Any person who:**

**(a) Makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**

**(b) Otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."**

## CONSENTS

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to this Issue; and (b) Lead Manager to this Issue, Registrar to this Issue and legal advisors to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Offer Document with the Registrar of Companies, Tamil Nadu at Chennai as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Offer Document for registration with the Registrar of Companies, Tamil Nadu.

Abhay Jain & Co., Statutory Auditors of the company have given their written consent to the tax benefits accruing to the Company and its members in the form and context in which it appears in this Offer Document and have not withdrawn such consent up to the time of delivery of this Offer Document for registration with the Registrar of Companies, Tamil Nadu, Chennai.

## EXPERT OPINION

The Company has not obtained any expert opinions, except that of M/s Abhay Jain & Co. statutory Auditors and Corporate Law Chambers India, Legal Advisors to the issue.

## EXPENSES OF THE ISSUE

The total expenses of the issue are estimated to be around Rs. 205.00 Lacs. All expenses with respect to the issue would be met out of the proceeds of the issue. The split of issue expenses is as under: -

(Rs. in lacs)

Activity	Estimated Expense (Rs. in lacs)	% to Total Expenses
Fees to intermediaries	50.00	1.95
Advertising and marketing expenses	80.00	3.12
Printing and Stationary & Distribution	50.00	1.95
Others	25.00	0.98
<b>Total estimated Issue expenses</b>	<b>205.00</b>	<b>8.00</b>

### *Fees payable to Lead Manager*

The total fees payable to the Lead Manager will be as per the Memorandum of Understanding signed amongst the company and the Lead Manager, a copy of which is available for inspection at the Registered office of BAFNA.

### *Fees payable To Registrar to the Issue*

The total fees payable to the Registrar to the issue will be as per the Memorandum of Understanding signed amongst the company and the Registrar to the issue, a copy of which is available for inspection at the registered office of BAFNA.

## UNDERWRITING COMMISSION

The present Public Issue is not being underwritten and hence no underwriting commission is payable.

## BROKERAGE

Brokerage will be paid by the Company at the rate of 1.5% on the offer price of Equity Shares offered to the Public on the basis of allocation made against applications bearing the stamp of the members of any recognized Stock Exchanges in India in the brokers column. Brokerage at the same rate will also be payable to the Bankers to the Public Issue in respect of allotments made against applications procured by them provided the relevant forms of applications bear their respective stamps in the Broker's column.

## PREVIOUS PUBLIC AND RIGHTS ISSUES

The Company has not made any public or rights issue since its inception.

## PREVIOUS ISSUES OF SHARES OTHERWISE THAN FOR CASH

The Company has not issued any shares for consideration other than Cash except as under.:

Date of allotment	Number of Equity shares of Rs. 10/- each	Consideration
28/03/1998	150000	Takeover of Business of the Proprietary Concern Bafna Pharmaceutical

## COMMISSION AND BROKERAGE PAID ON PREVIOUS ISSUES

The Company has not made any public or rights Issue since its inception and has not paid any commission or brokerage.

**PARTICULARS IN REGARD TO OUR COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370 (1)(B) OF THE COMPANIES ACT, 1956 WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS**

There are no Companies within the meaning section 370 (1) (B) of the Companies Act, 1956, which made any capital Issue during the last three years.

**PROMISE VIS-A-VIS PERFORMANCE**

**(A) last three issues made by the company**

The Company has not made any issue of equity shares to the public prior to the present Public Issue.

**(B) last issue of the listed ventures of promoter group**

There is no listed venture in the Promoter Group of BAFNA.

**OUTSTANDING DEBENTURES, BONDS, REDEEMABLE PREFERENCE SHARES OR OTHER INSTRUMENTS**

The Company has not issued any Redeemable Preference shares and debentures, bonds or other instruments since incorporation.

**STOCK MARKET DATA FOR OUR EQUITY SHARES**

This being the first Public Issue of the Company, no Stock Market Data is available.

**MECHANISM FOR REDRESSAL OF INVESTOR GRIEVANCES**

The Memorandum of Understanding between the Registrar to this Issue and BAFNA will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to this Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.

**DISPOSAL OF INVESTOR GRIEVANCES BY THE COMPANY**

The Company estimates that the average time required by them or the Registrar to this Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

The Company has appointed Mr. Jayaraman, Company Secretary as the Compliance Officer and he may be contacted at 299, Thambu Chetty Street, Chennai 600 001. Tel:044-25267517 Fax:044-25231264 Email cs@Bafnapharma.com Investors may contact him in case of any Pre-Issue or Post-Issue problems.

**CHANGES IN AUDITORS DURING THE LAST THREE FINANCIAL YEARS AND REASONS THEREOF**

There have been no changes in the auditors of the Company during the last three years.



**CAPITALISATION OF RESERVES OR PROFITS**

Details of the capitalisation of the reserves by the company in the past are as given hereinunder:

Date of allotment of Bonus shares	Ratio of Bonus Issue	Number of Equity shares of Rs. 10/- each issued as Bonus	Amount of reserves capitalised (Rs.)
31/03/2005	4:1	1821460	18214600
30/12/2005	1:2	1288412	12884120
28/09/2007	3:5	2319142	23191420

As on 30/06/2007, the company had a free reserve of Rs. 298.55 lacs which were sufficient for issuing bonus of Rs. 231.91 lacs as on 28/09/2007.

**REVALUATION OF ASSETS**

The Company has not revalued its assets in the past five years.

**INTEREST OF PROMOTERS AND DIRECTORS**

The promoter of the Company may be deemed to be interested to the extent of the remuneration received and shareholding in the Company. All the Directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or any committee thereof. The Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trusts, in which they are interested as directors, members, partners and/or trustees.

**PAYMENT OR BENEFIT TO OFFICERS OF THE COMPANY**

Except as stated in this Offer Document, no amount or benefit has been paid or given or is intended to be paid or given during the preceding two years to any of its officers except for the normal remuneration paid to Directors, officers or employees since the incorporation of the Company. None of the beneficiaries of loans, advances and sundry debtors are related to the Company's Directors.

## SECTION VII-OFFERING INFORMATION

### TERMS OF THE ISSUE

The equity shares being issued are subject to terms of this Offer Document, the terms and conditions contained in the application form, the Memorandum and Articles of Association of the Company, provisions of the Act and letters of allotment/ Equity Share Certificates or other documents and the guidelines issued from time to time by the Government of India and Securities & Exchange Board of India.

### RANKING OF EQUITY SHARES

The equity shares being offered shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu with the other equity shares of the Company in all respects including dividends.

### MODE OF PAYMENT OF DIVIDEND

The Company shall pay dividend to its shareholders as per the provisions of the Companies Act, 1956.

### FACE VALUE AND ISSUE PRICE

The Equity Shares with a face value of Rs.10/- each are being offered in terms of this Offer Document at a price of Rs. 40/- per share. At any point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

### RIGHTS OF THE EQUITY SHAREHOLDERS

Subject to the applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meeting and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation; and
- Such other rights, as may be available to a shareholder of a listed company under the Companies Act and Memorandum and Articles of Association of the Company.

For further details on the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/ splitting, see "Main Provisions of Articles of Association of the Company".

### MARKET LOT

In terms of Section 68B of the Companies Act, the equity shares shall be allotted only in dematerialised form. As per the existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialised form for all investors. Since trading of the Equity Shares is in dematerialised form/mode, the tradable lot shall be one equity share.

### NOMINATION FACILITY TO THE INVESTOR

In accordance with Section 109A of the Companies Act, the sole or first applicant, alongwith other joint applicants, may nominate any one person in whom, in the event of the death of sole applicant or in case of joint applicants, death of all the applicants, as the case may be, the Equity Shares transferred/allotted, if any, shall vest. A person being a nominee, entitled to the equity shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the

registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of equity share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the equity shares ; or
- to make such transfer of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

### **MINIMUM SUBSCRIPTION**

If the company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having being returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act.

## ISSUE PROCEDURE

### OPTION TO SUBSCRIBE

In terms of section 68B of the Companies Act, 1956, the equity shares in this offer shall be allotted only in dematerialised form (i.e. not in the form of physical certificates but the fungible and be represented by the statement issued through electronic mode). Investors shall have an option to hold the shares post allotment in physical or demat form.

### HOW TO APPLY

#### AVAILABILITY OF APPLICATION FORMS AND OFFER DOCUMENT.

Application forms with Memorandum containing salient features of the Offer Document and copies of the Offer Document under Section 56(3) of the Act may be obtained from the Registered Office of the Company, the Lead Managers to the Public Issue, Brokers to the Public Issue and the Bankers to the Public Issue named herein or from their branches as stated on the reverse of the application form. The minimum application value shall be Rs. 6,000 .

#### Application Form

Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in English as per the instructions contained herein and in the Application Form, and are liable to be rejected if not so completed. The prescribed application forms will have the following colours:

Category	Colour of Application Form
Indian public, NRIs applying on a non-repatriation basis	White
Non-residents including Eligible NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI.	Pink

### TERMS OF PAYMENT

The entire amount of Rs. 40/- per share is payable on application.

### WHO CAN APPLY

- Indian National Resident of India.
- Hindu Undivided Families (HUF) through the Karta of the HUF. (Applications by HUF would be given the same treatment as that to applications by individuals)
- Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the shares.
- Scientific and/or Industrial Research Organisations, which are authorised to invest in the equity shares.
- Indian Mutual Funds registered with SEBI.
- Indian Financial Institutions & Banks.
- Trusts who are registered under the Societies Registration Act, 1860 or any other Trust Law and are authorised under their constitution to hold and invest in shares subject to provisions of Section 3A of the Bank Nationalisation Act.

- Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India.
- Venture Capital Funds registered with SEBI.
- Foreign Venture Capital Investors registered with SEBI.
- State Industrial Development Corporation.
- Provident Funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in equity shares.
- Pension Funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in equity shares.
- Multilateral and bilateral development financial institutions.
- Permanent and Regular employees/Working Directors of the Bank.
- Non Resident Indians (NRIs)/FII's on repatriation basis.
- Foreign Institutional Investors registered with SEBI

Pursuant to the existing regulations, OCBs are not eligible to participate in the issue.

#### **PROCEDURE FOR APPLICATION**

#### **APPLICATION BY INDIAN PUBLIC INCLUDING ELIGIBLE NRIS APPLYING ON NON-REPATRIATION**

Application must be made only:

1. On the prescribed Application Form (**WHITE** in colour) accompanying this Offer Document and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made.
2. For a minimum of 150 Equity Shares and in multiples of 150 thereafter.
3. In single name or joint names (not more than three);
4. By Indian Nationals resident in India and Eligible NRIs on Non-Repatriation basis, and
5. In the names of individuals, limited companies or statutory corporations/institutions and NOT in the names of Minors, Foreign Nationals, Non-Residents (except for those applying on non-repatriation), trusts, (unless the Trust is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorised under its constitution to hold shares and debentures in a Company), Hindu Undivided Families, partnership firms or their nominees. In case of HUF's application shall be made by the Karta of the HUF.
6. An applicant in the net public category cannot make an application for that number of securities exceeding the number of securities offered to the public. Payment should be made in cash or by cheque/Bank Draft drawn on any bank (including a Co-operative Bank) which is situated at and is a Member or Sub-member of the Banker's Clearing House located at the place where the application is submitted.
7. A separate cheque or Bank draft should accompany each application form. Applicants should write the Share Application Number on the back of the Cheque /draft. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders/Postal Orders will not be accepted.

8. All Cheques or Bank Drafts must be payable to any of the Bankers to the Public Issue with whom the application is lodged and marked "Name of the Bank Bafna- Public Issue" and crossed "Account Payee Only"
9. All application Forms duly completed together with cash/ cheque/bank draft for the amount payable on application must be delivered before the closing of the subscription list to any of the Bankers to the Public Issue named herein or to any of their branches mentioned on the reverse of Application Form, and NOT to the Company or to the Lead Managers to the Public Issue or to the Registrars to the Public Issue.
10. No receipt will be issued for the application money. However, Bankers to the Public Issue and/or their branches receiving the applications will acknowledge receipt by stamping and returning acknowledgment slip at the bottom of each application form.
11. All Cheques/Bank Drafts accompanying the application form should contain the Application Form Number on the reverse of the instrument.
12. The applicant should fill in the details of his/her bank account in the space provided in the application form failing which the application is liable to be reject ed.
13. Having regard to the provisions of Section 269 (SS) of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if t he amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.
14. Applicants residing at places where the designated branches of the Banker to the Issue are not located may submit/mail their applications at a their sole risk to the Registrar to the issue alongwith Demand Draft payable at Chennai only payable to "**Bafna- Public Issue**"

For further instructions please read Application Form carefully.

#### ***Application by Mutual Funds/ Scheduled Banks/Indian and Multilateral Development Financial Institutions***

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares. In case of a mutual fund, a separate Application can be made in respect of each scheme of the mutual fund registered with SEBI and such Applications in respect of more than one scheme of the mutual fund will not be treated as multiple Applications provided that the Applications clearly indicate the scheme concerned for which the Application has been made.

Scheduled Banks and Indian and Multilateral Development Financial Institutions can apply in this public issue based upon their own investment limits and approvals.

#### ***Application by NRIs***

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment on repatriable basis and such NRI applicants shall use the form meant for NRI/FII (Pink in colour). The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for

Resident Indians (White in colour).

Applications by NRIs for an amount of not more than Rs. 100,000/- would be considered under the Retail Portion for the purposes of allotment. In case of applications by NRI/FII, a single applicant can make an application for a number of Equity Shares, which should not exceed the number of shares issued to Public.

#### ***Application by FIIs***

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The allotment of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company.

In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital in case such sub-account is a foreign corporate or an individual.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals, in terms of Regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub-account may issue, deal or hold, off-shore derivative instruments, such as Participatory Notes, Equity-Linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any Stock Exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities, in the countries of their incorporation or establishment, subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to herein above is made to any other person other than a regulated entity.

In case of applications by FII's in NRI/FII Portion, number of Equity Shares applied should not exceed issue size.

#### ***Application by SEBI Registered Venture Capital Funds And Foreign Venture Capital Investors***

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund registered with SEBI, in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only upto 33.33% of the investable funds by way of subscription to an initial public offer. In case of applications by NRI/FII, a single applicant can make an application for a number of Equity Shares, which should not exceed the number of shares issued to Public.

The above information is given for the benefit of the Applicants. The Company and the LM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Prospectus. Applicants are advised to make their independent investigations and ensure that the number of Equity Shares applied for do not exceed the applicable limits under laws or regulations, and the Company and the LM shall on no grounds whatsoever be liable for or responsible for any breach of applicable regulations by any investor or category of investors.

## Applications under Power of Attorney

In case of Applications made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefore. In case of Applications made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefore.

In case of Applications made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefore.

In case of Applications made by provident funds with minimum corpus of Rs. 2500 Lacs (subject to applicable law) and pension funds with minimum corpus of Rs. 2500 Lacs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefore.

In case of Applications made by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason.

**The Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Application Form, subject to such terms and conditions that the Company and the LM may deem fit.**

### Applications by NRI's/ FII's (on a Repatriation Basis):

1. Allotment/transfer of the Equity Shares to NRI's /FII's shall be subject to prevailing RBI guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.
2. In case of application by NRIs on repatriation basis, the payments must be made through Indian rupee drafts purchased abroad or cheques or banks, for the amount payable on application remitted through normal banking channels or out of funds held in the Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Accounts of Non-Resident Subscribers applying on a repatriation basis. Payment by bank drafts should be accompanied by Bank Certificate confirming that the bank draft has been issued by debiting to NRE or FCNR account.
3. In case of application by FIIs on repatriation basis, the payments must be made out of funds held in Special Non Resident Rupee account, along with documentary evidence in support of the remittance like FIRC, bank certificate etc. from the authorized dealer. Payment by bank draft should be accompanied by a Bank Certificate confirming that the bank draft has been issued by debiting to Special Non Resident Rupee account.



4. Duly filled Application Forms by NRIs / FIIs will be accepted at designated branches of the Bankers to the Issue as mentioned in the application form.
5. Refunds/ dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges/ commission. In case of applicants who remit their application money from funds held in NRE/FCNR accounts, such payments shall be credited to their respective NRE/FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE/FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the Applicant on account of conversion of foreign currency into Indian Rupees and vice versa.
6. Applicants in this category may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment on repatriable basis. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the red coloured forms meant for applications on repatriable basis.
7. The Company does not require approvals from FIPB or RBI for the transfer of Equity Shares in the Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

#### **PAN/GIR Number**

Pursuant to the circular MRD/DoP/Circ-05/2007 dated April 27, 2007, SEBI has mandated Permanent Account Number (PAN) to be the sole identification number for all participants transacting in the securities market, irrespective of the amount of the transaction with effect from July 2, 2007. Each of the applicants should mention his/her PAN allotted under the IT Act. **Applications without this information will be considered incomplete and are liable to be rejected.** It is to be specifically noted that Applicants should not submit the GIR number instead of the PAN, as the application is liable to be rejected on this ground.

## GENERAL INFORMATION

The applicant seeking allocation of shares in the electronic form must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's ID Number) appearing under the heading "Request for shares in electronic form".

An applicant must have at least one Beneficiary Account with any of the Depository Participant (DP) of NSDL/CDSL registered with SEBI, prior to the application. Shares allotted to an applicant in the electronic form will be credited directly to the respective Beneficiary Account (with a DP). The share application form should be identical to those appearing in the account details in the Depository. In case of joint holders, the name should necessarily be in the same sequence as they appear in the account details in the Depository.

Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to the present Public Issue. The applicant is responsible for the correctness of the applicant demographic details given in the share application form vis-à-vis those with his/her DP.

The applicant should note that on the basis of the name of the Applicant, Depository Participant's name, Depository Participant's identification number and beneficiary account number provided by them in the Application Form, the Registrar to the Offer may obtain applicant's correspondence address from the said Depository Account of the Applicant. The applicants are advised to update the correct correspondence address in their respective DP A/cs.

## **INVESTORS SHOULD NOTE THAT TRADING IN SECURITIES OF THE COMPANY SHALL BE IN DEMATERIALIZED FORM ONLY.**

### **JOINT APPLICATIONS:**

An application may be made in single or in joint names (not more than three). In the case of joint application, refund/pay order (if any), dividend/interest warrants etc., will be made out in the name of the first applicant and all communications will be addressed to the applicant whose name appears first and at his/her address stated in the Application.

### **MULTIPLE APPLICATIONS:**

An applicant should submit only one application (and not more than one) for the total number of Equity shares required. Two or more applications in single and/or joint names will be deemed to be multiple applications if the sole and/or first applicant is one and the same. The Board of Directors reserves the right to reject in its absolute discretion all or any multiple applications without assigning any reason. However employees may apply in the public offer.

In case of applications by Mutual Funds, a separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the applications made by the Asset Management Company/Trustees/Custodian clearly indicate their intention as to the scheme for which the application has been made.

### **APPLICATION UNDER POWER OF ATTORNEY OR BY LIMITED COMPANIES:**

In the case of applications under Power of Attorney or by Limited Companies or Corporate Bodies, the relevant power of attorney or the relevant authority as the case may be, or a duly certified copy thereof must be attached to the application form or must be lodged separately at the office of the Registrars to the Issue, simultaneously with the submission of the application form mentioning the serial number of the application form and the bank branch where the application has been submitted, failing which the application is liable to be rejected.

Thumb impression or signature in languages other than the languages specified in the eighth schedule must be attested by Magistrate or Notary Public or a special Executive Magistrate under his official seal.

#### **PARTICULARS RELATING TO SAVING BANK / CURRENT ACCOUNT NUMBER:**

The applicant shall have to mention particulars relating to his saving bank / current account number and the name of the bank with whom such account is held in the respective spaces provided in the application form, to enable the registrars to print the said details in the refund orders after the names of the payee to prevent fraudulent encashment of refund order(s). Application forms without this information will be considered incomplete and will be liable to be rejected.

The Applicant should note that on the basis of the name of the Applicant, Depository Participant's (DP) name, Depository Participant's identification number and beneficiary account number provided by them in the Application Form, the Registrar to the Offer will obtain from the Applicant's DP A/c, the Applicant's bank account details. The investors are advised to ensure that bank account details are updated in their respective DP A/cs as these bank account details would be printed on the refund order(s), if any.

#### **GROUND FOR TECHNICAL REJECTIONS**

- 1 Applicants are advised to note that Applications are liable to be rejected on among others on the following technical grounds:
- 2 Amount paid doesn't tally with the amount payable for the Equity Shares applied for;
- 3 Bank account details (for refund) are not given;
- 4 Age of First Applicant not given;
- 5 Application by minors;
- 6 PAN not stated and GIR number given instead of PAN;
- 7 Application for lower number of Equity Shares than specified for that category of investors;
- 8 Application at a price less than the offer price;
- 9 Application at a price higher than the stated price;
- 10 Application for number of Equity Shares, which are not in multiples of 150.
- 11 Category not ticked;
- 12 Multiple applications
- 13 In case of application under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- 14 Application Form does not have Applicant's depository account details;
- 15 Application Forms are not delivered by the applicant within the time prescribed as per the Application Form, Issue Opening Date advertisement and this Offer Document and as per the instructions in this Offer Document and Application Form; or
- 16 Applications for amounts greater than the maximum permissible amounts prescribed by the regulations.
- 17 Applications not duly signed by the sole/joint Applicants;
- 18 Applications by OCBs; or
- 19 In case no corresponding record is available with the Depositories that matches three parameters namely, names of the applicant (including the sequence of names of joint holders), the depository participant's identity (DP ID) and the beneficiary's identity except for Permanent Employees.

#### **DEMATERIALIZATION**

As per the provisions of the Depositories Act, 1996, the shares of a body corporate may be held in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode. The Company has entered into a tripartite agreement dated 04/12/2007 with the National Securities Depository Services Ltd. (NSDL) and Cameo Corporate Services Limited (Registrar and Transfer Agent) for dematerialisation of the equity shares of the company. The Company has also entered into a tripartite agreement dated 21/01/2008 with the Central Depository Services Limited (CDSL) and Cameo Corporate Services Limited for dematerialisation of the equity shares of the Company. The ISIN No. granted to the equity shares of the Company is INE056101017. Please note that trading in shares of the company upon listing will

only be in dematerialised form, although investors have an option to hold shares in the physical form or dematerialized form.

## **COMMUNICATION**

All future communications in connection with Application made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Applicant, Application Form number, number of Equity Shares applied for, date, bank and branch where the application was submitted and cheque/draft number and issuing bank thereof.

## **DISPOSAL OF APPLICATIONS AND APPLICATION MONEY:**

No receipt will be issued for the application money. However, the bankers/collection centre to the issue and/or their branches receiving the applications will acknowledge the receipt of the applications by stamping and returning to the applicant the acknowledgment receipt at the bottom portion of each application form. The Company will inform the applicants in respect of allotments made or applications rejected by despatch of allotment letter or regret letter and/or pay orders of value over Rs.1500/-, if any, by Registered Post within 10 weeks of the date of closure of the subscription list. Refunds of value not over Rs.1500/- will be dispatched under Certificate of Posting. Such Cheques or Demand Drafts will be payable at par at all centers where the applications were received. Bank Charges, if any, for en-cashing refund pay orders/cheques at any other place will be payable by the applicant.

The Board of Directors reserves, at its sole, absolute and unqualified discretion, the right to reject any application in full or in part without assigning any reason. If an application is rejected in full, the whole of the application money will be refunded to the applicant and in case of Joint applications, to the first named applicant. Where an application is rejected in part, the excess application money will be refunded to the applicant in accordance with the provisions of Section 73 of the Act. In case of any delay in sending the refund orders by more than eight days beyond 10 weeks from the date of closing of the subscription list, interest will be paid at the rates prescribed under Section 73 of the Act, to such applicants. However the Company shall as far as possible despatch the Share Certificates & Refund Orders within 30 days.

The Company undertakes to make available to the Registrars to the issue, adequate funds for allotment letters/share certificates to be sent by registered post.

The sums received in respect of the Public Issue will be kept in separate Bank account(s) and the issuer will not appropriate the funds unless approval of the Designated Stock Exchange i.e. BSE is obtained for allotment and no utilisation shall be made till listing and trading approval is obtained from BSE where the shares are proposed to be listed.

## **Basis of Allotment**

In the event of the present issue of Equity Shares being over-subscribed, the allotment shall be on a proportionate basis and basis of allotment will be finalized in accordance with the SEBI Guidelines and in consultation with designated Stock Exchanges. The Executive Director/Managing Director of the Stock Exchange along with the Lead Manager and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the following guidelines:

### **Method of Proportionate Basis of Allotment**

Allotment shall be on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum allotment being equal to the minimum application size i.e. 150 Equity Shares.

In the event of Issue being over-subscribed, the allotment will be on a proportionate basis subject to minimum allotment being equal to the minimum application size, i.e. 150 Equity Shares as explained below:

1. A minimum 50% of the Net Issue to the Public will be made available for allotment in favour of Retail Individual Investors, that is those individual applicants (including HUF's) who have applied for Equity Shares of or for a value of not more than Rs.100,000/-. This percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance Equity Shares would be added to any other category/categories and allotment made on a proportionate basis as per relevant SEBI Guidelines. The Executive Director/ Managing Director of the Designated Stock Exchange along with the Lead Manager and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the SEBI Guidelines.
2. The balance of the Net Issue to the Public shall be made available to investors including Corporate Bodies/ Institutions and individual Applicants who have applied for allotment of Equity Shares for a value of more than Rs.100,000/-, irrespective of number of Equity Shares applied for.
3. The Unsubscribed portion of the Net Issue to any of the categories specified in (1) or (2) shall be made available for allotment to Applicants in the other category, if so required.
4. Applicants will be categorized according to the number of Equity Shares applied for.
5. The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category multiplied by the number of shares applied for) multiplied by the inverse of the over subscription ratio.
6. Number of the Equity Shares to be allotted to the successful allottees shall be arrived at on a proportionate basis i.e. total number of shares applied for by each Applicant in that category multiplied by the inverse of the over subscription ratio.
7. All the Application Forms where the proportionate allotment works out to less than 150 Equity Shares per Applicant, the allotment shall be made as follows:
  - i. Each successful Applicant shall be allotted a minimum of 150 Equity Shares; and
  - ii. The successful Applicants out of the total Applicants for that category shall be determined by draw of lots in such a manner that the total number of Equity Shares allotted in that category is equal to the number of shares worked out as per (5) above.
8. If the proportionate allotment to an Applicant works out to a number that is more than 150 Equity Shares but is a fraction, then the fraction equal to or higher than 0.50 shall be rounded off to the next integer and if that fraction is lower than 0.50, the fraction shall be ignored.
9. All Applicants in such categories shall be allotted shares arrived at after such rounding off.
10. If the Equity Shares allotted on a proportionate basis to any category is more than the Equity Shares allotted to the Applicants in that category, the balance available shares for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Applicants in that category.
11. The balance Equity Shares, if any, remaining after such adjustment shall be added to the category comprising applicants applying for minimum number of Equity Shares.
12. The process of rounding off to the nearest integer subject to a minimum allotment being equal to 150 Equity Shares, which is the minimum application size in the Issue, may result in the actual allotment being higher than the shares offered. However, it shall not exceed 10% of the Net Issue to the Public.

## Letters of Allotment or Refund Orders

The Company shall give credit to the Beneficiary account with Depository Participants within two (2) working days of finalisation of the basis of allotment of the Equity Shares. The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at BSE are taken within 7 working days of finalization of the Basis of Allotment for the Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the Company undertake that:

- i. Allotment of Equity Shares, only in dematerialized form, shall be made within 30 days from the Issue Closing Date;
- ii. Dispatch of refund orders shall be done within 30 days from the Issue Closing Date; and
- iii. The Company shall pay interest at 15% per annum (for any delay beyond the 30 days time period as mentioned above), if refund orders are not dispatched and/or demat credits are not made to investors within the 30 day time period prescribed above.

## Mode of making Refunds

Applicants should note that on the basis of name of the Applicant, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository the applicants bank account details including nine digit MICR code. Hence, Applicants are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to applicants at the his/her sole risk and neither the Lead Manager to the Issue nor the Bank shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference:

- I ECS - Payment of refund shall be undertaken through ECS for applicants having an account at any of the following 68 centers: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakhpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam (managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned 68 centers.
- II Direct Credit - Applicants having bank accounts with the Refund Banker(s), as mentioned in the bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Bank.

- III RTGS – Applicants having a bank account at any of the above mentioned fifteen centers and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid -cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Bank. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
- IV NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Whenever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.
- V For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched "Under Certificate of Posting" for value upto Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

#### **Interest in case of delay in dispatch of Allotment Letters/Refund Orders**

The company agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of public issue. The company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been despatched to the applicants 104(or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner) within 30 days from the date of the closure of the issue.

#### **Undertakings by the Company**

The Company undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by the Company expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of Allotment;
- that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 30 days or 15 days of the closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- that the promoter's contribution in full, wherever required, shall be brought in advance before the issue opens for public subscription;
- that the refund orders or allotment advice to the Non Residents shall be dispatched within specified time; and

- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or until the Application monies are refunded on account of non-listing, under-subscription etc.

#### **Utilisation of issue proceeds**

The Board of Directors of the Company certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of Issue referred above shall be disclosed under an appropriate head in the balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested.

The Board of Directors of the company further certify that::

- i. the utilization of monies received under promoters contribution shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized;
- ii. the details of all unutilized monies out of the funds received under promoters' contribution shall be disclosed under a separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.



## SECTION VIII- OTHER INFORMATION

### MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

#### Share Capital

#### 3. The Liability of the members is limited

The Authorized share capital of the company is Rs. 20,00,00,000/- (Rupees Twenty Crores Only) divided into 2,00,00,000 equity shares of Rs. 10/- (Rupees Ten only) each with the rights, privileges and conditions attached thereto as may be provided by the articles of the company for the time being enforce and with power to increase or reduce the capital of the company, and to divide the shares in the capital for the time being, original or increased into several classes and to attach thereto respectively such preferential rights, privileges or conditions as to voting, conversion of preference into equity shares or otherwise as may be determined by or in accordance with the articles of the company and to vary, modify or abrogate such rights, privileges or conditions in such manner as may for the time being be provided by the articles of the company and consolidate or subdivide the shares and issue shares of higher or lower denomination.

#### 4. Further Issue of Shares

(1) Where at any time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares then :

- a) Such further shares shall be offered to the persons, who, at the date of the offer, are holders of the equity shares of the company, in proportion, as nearly as circumstances admit, to the capital paid-up on those shares at that date;
- b) The offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined ;
- c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any or them in favor of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right ;
- d) After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the company.

(2) Notwithstanding anything contained in sub clause (1) the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.

- a) If a special resolution to that effect is passed by the company in general meeting, or
- b) Where no such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favor of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board by Directors in this behalf, that the proposal is most beneficial to the company.

- (3) Nothing in Sub-clause (c) of (1) hereof shall be deemed :
- a) To extend the time within which the offer should be accepted; or
  - b) To authorize, any person to exercise the right of renunciation for a second time, on the ground that the person in whose favor the renunciation was first made has declined to take the shares comprised in the renunciation.
- (4) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debentures issued by the company:
- (i) To convert such debentures or loans into shares in the company; or
  - (ii) To Subscribe for shares in the company

PROVIDED THAT the terms of issue of such debentures or the terms of such loans including a term providing for such option and such term:

- a) Either has been approved by the Central Government before the issue of debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
  - b) In the case of debentures or loans or other than debentures issued to, or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also been approved by the special resolution passed by the company in General Meeting before the issue of the loans.
5. The Directors may with the sanction of the company in General Meeting offer and allot shares to any person at their discretion provided that such sanction is accorded either by
- a) A special resolution passed at any general meeting or
  - b) An ordinary resolution passed at a general meeting by majority of the votes cast and with the approval of the Central Government in accordance with the provisions of the Act.
6. The Board of Directors shall duly comply with the provisions of the Act with regard to allotment of shares from time to time.
7. The Company can issue any type or class of shares, with preferred, deferred or special rights or restrictions with regard to voting, return of capital or dividends or otherwise, and may consolidate redesignate, divide, redeem or purchase (not contravening Section 77 of the Act) any or all the shares of the company from time to time and the same may be sanctioned by the Board by passing as ordinary resolution. Any such act shall not prejudice the special rights previously conferred on the holders of any class of existing shares.
8. (1) Subject to the provisions of section 80 & Section 80A of the Act, the company can issue any type of preference shares with the sanction of an ordinary resolution. Such shares are, or at the option of the company are liable to be redeemed on such terms and in such manner as the company may determine by a special resolution before the issue of such shares.
- (2) Provided that on the issue of Redeemable Preferences Shares under the provisions of these articles, the following provisions shall take effect:
- (a) no such shares shall be redeemed except out of the profits of the company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of redemption.

- (b) no such shares shall be redeemed unless they are fully paid.
- (c) the premium, if any, payable on redemption must have been provided for out of the profits of the company or the company's share premium account before the shares are redeemed.
- (d) where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called the 'Capital Redemption Reserve Account' a sum equal for the nominal amount of the shares redeemed and the provisions of the Act relating to the reduction of the Share capital of the Company shall except as provided in Section 80 of the Act, apply as if the Capital Redemption Reserve Account were paid up shares capital of the company.
9. Subject to Section 106 or 107 of the Act, the Board may vary, unless otherwise provided by the terms of the issue of a particular class of shares with the consent in writing of holders of not less than three-fourths of the issued shares of such class or with the sanction of a special resolution passed at a separate meeting of holders of such shares, all or any of rights and privileges attached to each of the classes of shares into which the capital may at any time be divided. Whether by reason of the issue of preference shares or otherwise, may be modified affected or abrogated. And all the provisions hereinafter contained as to General Meeting shall mutatis mutandis apply to every such meeting.
10. Except Preference shares the company shall not issue shares which carry special rights as to voting, dividend, capital or otherwise which are disproportionate to the rights of the share holders holding shares other than preference shares.
11. Unless otherwise expressly provided in the terms of issue of shares with preferred or other interests, the rights conferred upon the existing holders of any shares with preferred or other interest, shall not be affected by creation of or issue of further share ranking pari passu therewith.
12. The Company can pay from time to time, upon such condition as may be expedient and lawful, commission to any person or organization for subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares, debentures, or debenture stock of the Company or procuring or agreeing to procure subscription whether absolutely or conditionally for any shares, debentures or debenture stock of the Company. The Company shall observe the statutory requirements and comply therewith. The commission shall not exceed five percent of the price at which the shares are issued and in the case of debentures the rate of commission shall not exceed two and half percent at which the debentures are issued. The commission may be paid in cash or by allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares or debentures pay brokerage or underwriting commission as may be lawful and expedient.
13. Except as provided by section 77 of the Act, no part of funds of the Company shall be employed in the purchase of shares of the Company and the Company shall not give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be by any persons or for any shares in the company.
14. The company, not contravening anything to Article 4 by a special resolution, may offer shares forming part of original capital or by increase in capital of the Company to existing share holders, debenture holders, or any other person or persons or organization in such proportion and on such terms and conditions, whether at par or at premium or discount (subject to provisions of Section 79) as the Company may determine at its General Meeting and may also empower any persons (whether members or holders of debentures of the company or not) the

option to call for or be allotted shares of any class of the Company either at a premium or at par, or at a discount (subject to provisions of section 79) such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the company may make any other provisions whatsoever for the issue, allotment or disposal of any share.

15. Save as otherwise provided by these articles, the Company shall be entitled to treat the registered holder of any shares or debentures as the absolute owner thereof and accordingly the Company shall not, except as ordered by a Court of competent jurisdiction or by the statute required, be bound to recognize any equitable, contingent future or partial interest, lien, pledge or charge in any share or debenture or (except only as by these presents otherwise provided for) any other right in respect of any share or debenture except an absolute right to the entirety thereof in the registered holder ;
16. The Company, if so desires expedient, may issue and allot shares in the capital of the Company as payment for any property, machinery, technical know-how or goods sold or transferred or services rendered to the company in or about the acquisition and or conduct of its business and any shares that may be so allotted as fully paid - up shares, and if so issued, shall be deemed to be fully paid up shares.
17. When an application is made by an applicant himself or on his behalf for share in the Company and an allotment is subsequently made for any or all the shares applied for, the same shall be construed as acceptance of the shares regulated by these articles, and every holder of share by such as acceptance and whose name is on the Register of Members shall be a member for the purpose of these articles.
18. The application and allotment or acquisition of shares of the company by non-resident Indian shall be subject to statutory regulations in force from time to time and the Board shall refuse to allot or register transfer of shares to a non-resident Indian or foreign body without assigning any reason if any such allotment or transfer will be, in the opinion of the Board, against the interest of the Company, commercially, economically or politically.

#### **Call on Shares**

27. The Board, subject to provision of the Act, from time to time, make calls upon members in the manner as they think fit in respect of all moneys unpaid on the shares allotted to them or held by them as per fixed dates or otherwise and may at an earlier or later date than otherwise fixed and the members shall be liable to pay the same to any person as directed at the time and the place as fixed.
28. The Company shall give not less than thirty days notice for any call made clearly specifying the time, mode and place of payment, but however, the time for the payment of moneys can be extended by the Board, by giving in writing notice to this effect before the expiry the date of payment of call moneys.
29. If the allottee or the share holder fails to make payment against a call the Board shall call, the Board shall call upon him to pay such interest as the Board may fix for the period commencing from the date fixed for payment of call to the actual date of payment. However the Board may waive such payment of call moneys.
30. For the purpose of calculation of interest on payment delayed against any call, the interest shall be reckoned on total amount of call whether it is on account of nominal value of shares or by way of premium which fell due by such call.

#### **Payment in Anticipation of Call may carry Interest:**

31. The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so

paid or satisfied in advance, or so much thereof as from time to time exceed the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the company.

32. Neither a judgment nor a decree in favour of the Company for call or other moneys due in respect of any share nor any part payment or satisfaction thereunder nor the receipt by the Company of a portion of any money which shall from time to time be due from any member in respect of any share either by way of principal or interest nor any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.
33. The holder of share whose name is registered with the company or his legal representatives, if any shall be liable to pay when due amount against call or several calls if the condition of allotment warrants as such.
34. If a share is jointly held, they shall be severally and jointly liable for payment of calls or installments or any interest or expenses accrued in respect of such shares.

#### **Company's Lien on Shares / Debentures:**

35. The Company shall have a first and paramount lien upon all the shares / debentures (other than fully paid-up shares/ debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares / debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.
36. For the purpose of enforcing such lien the Board may sell the shares subject thereto in such manner as they shall think fit and for that purpose may cause to be issued a duplicate in respect of such share and may authorize a Director to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made until such period as aforesaid shall have arrived, and until in writing of the intention to sell shall have been served on such member or his representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.
37. The net proceeds of any such sale, after the payment of the cost of such sale, shall be received by the Company and applied for in or towards the payment of such part of the amount in respect of which the lien exists as is presently payable and the residue if any shall (subject to a like lien for sums presently payable but existing upon the shares before the sale) be paid to the person entitled to the share on the date of the sale.

#### **Forfeiture of Shares**

38. If a member fails to pay any call or a part of a call as may be fixed on due date, the Board may serve him a notice to pay such a call amount or part thereof together with the interest accrued on such an amount at such percentages as may be considered reasonable by the Board, within a period fourteen days from the date of service of such notice.

39. If the member falls to pay call amount or installment or any part thereof, the shares shall be forfeited by a resolution of the Board to that effect.
40. The Company as its discretion may also accept payment against calls from the legal representatives or legal heirs or assigns subject that such a payment does not contravene anything contained in this article or any law or statute prevailing from time to time. Any such acceptance shall not make the company liable to make transfer of share to any other person whether or not they are in conformity with these articles.
41. When a share has been forfeited the holder of such share shall cease to be a member in respect of forfeited shares, but shall, notwithstanding the forfeiture remain liable to pay and shall forthwith pay to the company all moneys, which at the date of forfeiture were presently payable by him to the Company in respect of the shares, whether such claim be barred by limitation on the date of forfeiture or not but his liability shall cease if and when the company received payment in full of all such moneys in respect of the shares.
42. A declaration by a Director of the Company, in writing regarding the forfeiture of a share on date as such stated in that declaration shall be the conclusive evidence of facts stated therein against all persons claiming to be entitled to the share and that declaration and the receipt of the company for the consideration, if any given for the share on sale or disposal thereof. shall constitute a good title to the share and the person to whom the share is sold or disposed off and shall not be bound to see the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture sale or disposal of the share.
1. The provisions of these regulations as to the forfeiture shall in the case of non payment of any sum which, by the terms of issued of shares, become payable at a fixed time, whether on account of the nominal amount of the share or by way of premium or otherwise, as if the same had been payable by virtue of a call duly made and notified.

#### **Transfer and Transmission of Shares**

44. When a transfer of share is desired, the instrument of transfer shall be executed both by transferor and transferee and the transfer of share shall be deemed to be completed only when the said transfer is registered by the Company. Until such a registration the transferor shall be deemed to be the holder, howsoever the position of the transfer. The instrument of transfer shall be in respect of only one class of shares and the instrument shall be executed both by the transferor and the transferee.
45. The Company shall not register any transfer of shares unless a proper instrument of transfer duly stamped and executed by the transferor and the transferee has been delivered to the Company along with certificate and such other evidence as the Company may require as to proof of title to the said transfer or his right to transfer the shares. In the event of an instrument of transfer signed by the transferor and the transferee being lost and provided where it has been proved to the satisfaction of the Company to such an effect, and on application in writing by the transferee bearing the required stamp required on an instrument of transfer, the company may register the transfer on such terms as to indemnity as the Company may think proper.

#### **Instrument of Transfer**

46. The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly completed with in respect of all transfer of shares and registration thereof.
47. An application for transfer of shares shall be made by either the transferor or the transferee, but howsoever in the case of partly paid share, no registration shall be affected before giving a notice to the transferee. If the same is not objectionable to the transferee who shall state as such

in writing and provided the company fails to receive any reply objecting to such a transfer within a period of two weeks from the date of the service of the notice, the company shall effect such a transfer on the same conditions as if the application for registration was made by the transferee.

48. For the purpose of the above said clause, the notice to the transferee shall be deemed to have been duly given if dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been delivered at the time at which it would have been delivered in the course of post.
49. Nothing contained in the preceding articles shall prejudice any power of the Board to register as a share holder any person to whom the right to any share has been transmitted by operation of law and the Board's right to refuse to register the transfer of any shares to a transferee, whether a member or not.
50. Transfer of share shall be in conformity to provisions of section 108 of the Companies Act, and shall be in the prescribed form to whom as determined by the Company from time to time and shall be duly stamped and signed by the transferor and transferee.
51. The company shall not accept transfer of shares which are less in numbers than the normal trading lots unless 1) the transfer is made in the pursuance to an order of Court of Law or statutory provisions 2) that an existing share holder, holding shares less than the tradable lot acquires more shares to make his holding tradable lot 3) the aggregate transfer of shares at a time in favor of the same transferee does not fall below trading lot.

#### **Dematerialization of Securities:**

52. Definitions for the purpose of this Article:

"Beneficial Owner" means a person (s) whose name is recorded as such with a depository;

"SEBI" means The Securities and Exchange Board of India established under Securities and Exchange Board of India Act, 1992;

"Depository" means a Company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a Depositor under the SEBI Act, 1992;

"Deposit Act" means the Depositories Act, 1996 or any statutory modification or re-enactment thereof;

"Registered Owner" means a Depository whose name is entered as such in the records of the Company;

"Security" means such Security, as may be specified by the SEBI from time to time.

#### **2) Dematerialization / Rematerialization of Securities**

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its securities and to offer securities in the dematerialized form pursuant to the Depositories Act.

#### **3) Options for investors**

Every person subscribing to securities offered by the company shall have the option to receive security certificated or to hold the securities with a depository, such a person who is the beneficial owner of the securities can opt out of depository, if permitted by law, in respect of any security in the manner provided by the Depository Act, and the company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities.

If a person opts to hold his security with a depository, the company shall intimate such depository, the details of allotment of the security, and on receipt of information, the depository shall enter in the records, the name of the allottee as the beneficial owner of the securities.

4) Securities in Depositories to be in fungible form

All securities held by a Depository shall be dematerialized and shall be in fungible form. No Certificate shall be issued for the securities held by the depository. Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372A of the Companies Act, 1956 shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

5) Transfer of Securities

Nothing contained in Section 108 of the Companies Act, 1956 or these Articles shall apply to a transfer of securities effected by a transferor and transferee, both of whom are entered as beneficial owners in the records of a depository.

6) Allotment of Securities dealt within a Depository

Notwithstanding anything contained in the Act, or these Articles, where a depository deals within or the securities, the Company shall intimate the details of allotment of relevant securities to the depository immediately on allotment of such securities.

7) Distinctive Nos. of Securities held in a Depository

Notwithstanding in the Act, or these Articles regarding the necessity of having distinctive numbers for securities issued by the company shall not apply to securities held with a depository.

8) Register and Index of beneficial owners

The Register and index of beneficial owners maintained by a Depository under the Depositories Act shall be deemed to be the Register and Index of members and other security holders for the purpose of these Articles.

9) Right of Depositories and beneficial owners

(a) Notwithstanding anything contained in the Provisions of the Companies Act, 1956 and these Articles, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be member of the company. The beneficial owners of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of their securities, which are held by the depository.

10) Notwithstanding anything in the Act or these Articles to the Contrary where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic mode or by delivery of floppies or discs.

**Directors May Refuse to Register Transfer :**

53. Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such



refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares.

54. The Board shall not refuse registration of a transfer on the ground of a transfer being alone or jointly with any other person or persons indebted to the company on any account whatsoever except a lien on shares.
55. No shares shall in any circumstances be transferred to any insolvent, or person of unsound mind.
56. If the Board refuses to register any transfer or transmission of right, they shall within one month from the date on which the instrument of transfer or the intimation was delivered to the Company, send notice of the refusal to the transferee and the transferor or to the person giving information of such transmission, as the case may be. In case of such refusal by the Board, the decision of the Board shall be subject to the right of appeal conferred by Section 111 of the Act. The provision of this clause shall apply to transfer of stock also.
57. The Board shall refuse a transfer of share held by a resident of India unless such transfers are made in accordance with the guidelines issued by RBI or other appropriate authority.
59. Every transfer and transmission of share shall be recorded in the Register of Members with other particulars as required by the Act.

#### **No Fee on Transfer or Transmission**

60. No fee shall be charged for registration of transfer, transmission, probate, succession certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.
61. After registration, the instrument of transfer shall remain in custody of the Company. The Board may, at its discretion cause to be destroyed all transfer deeds with company after a period of 10 years or more.
62. The Company shall recognize the executors or administrators of a deceased member (not being one of several joint holders) or the holder of a succession certificate empowered there by to receive dividends on and to negotiate any shares belonging to a deceased member, to be the only persons as having any title to the shares registered in the name of such member. In case the member had been a member of a Joint Hindu Family, the Board on being satisfied to that effect and on being satisfied that the shares standing in his name in fact belonged to the Joint Hindu Family may recognize the survivors or the Karta thereof as having title to the share registered in the name of the member, provided, that in any case shall be lawful for the Board in their absolute discretion to dispense with the production of probate or letters of administration or other legal representations upon such terms as to indemnity or otherwise as the Board may think just and necessary.
63. In the event of death of member who is one of the several joint holders of shares, the survivor or survivors shall be deemed to have title to or interest in such shares.
64. However, death of a member who is one of the several joint holders of shares shall not release his estate from any liability in respect of shares jointly held by him.
65. In the event of a person becoming entitled to a share due to death or insolvency of a member, he may elect to apply for registration as a holder of share or may make such transfer of the shares as the deceased or insolvent member could have made, upon production of sufficient evidence as the Board may consider necessary before such registration or transfer. However, the Board shall in any case, have the right to refuse or suspend registration as it

would have had, if the deceased or insolvent member had transferred the share before his death or insolvency.

66. If a person so becoming entitled shall elect to be registered as a shareholder, he shall inform the Company in writing, duly signed by him, his such desire or if he shall elect to transfer the share, he shall testify his election by executing a transfer of shares, and all such acts of serving notice shall be subject to regulation on these articles.
67. A person who becomes entitled to a share by reason of death or insolvency of the holder shall be eligible to same dividends, and advantages if he were a registered holder of a share, but the shall not, before registration as a member, be entitled to exercise any right conferred by membership in relation to meeting of the company; Provided that the Board may, at any time, give notice requiring any such person to get himself registered or to transfer the share and in the event of non-compliance of the notice within a period of ninety days, the Board may thereafter withhold payment of all dividends, and other advantages in respect of the share until the notice has been complied with.
68. The Company shall not be liable or responsible to any consequence of its registering or transferring share in compliance with the request of the apparent legal owner thereof (as shown or appearing in the Register) to the prejudice of persons claiming to have any equitable right, title or interest in the same shares notwithstanding that the company may have had notice of such equitable right or referred there to in any books of the company and the company shall not be bound by or required to regard or attend to or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or rejecting to do so though it may have been entered or referred to in the books of the company, but the company shall nevertheless be at liberty to have regard and attend to any such notice and give effect thereto, if the board approves.

## Directors

118. I. Unless otherwise determined by the general meeting the number of directors shall be not less 3 and not more than 12.
  - II. The First Directors of the company are :-
    - I. Mr. BAFNA MAHAVEER CHAND
    - II. Mr. P. PARAS BAFNA
    - III. Mrs. P. USHA BAFNA
119. I. Every director (including Ex-officio Director) shall be paid a sitting fee of Rs. 2500/ - or such other sum as decided by the board from time to time but not exceeding the limits prescribed under the Act for each meeting of the Board of Directors or any Committee thereof attended by him and shall be paid in addition thereto all traveling, hotel and other expenses properly incurred by him in attending and returning from the meeting of the Board or any Committee thereof or General Meeting of the Company or in connection with the business of the Company to and from any place.
  - II. Subject to the provisions of the Act, the directors may with sanction of the general meeting and such sanction if any of Government of India as may be required under the Act, sanction and pay to any or all the directors such remuneration for their services as directors or otherwise and for such period and on such terms as they may deem fit.
  - III. Directors who are neither in whole time employment of the Company nor are designated as Managing Director, joint managing director or whole time director shall be entitled to remuneration only by way of Commission as per the provisions of the Act.

120. No qualification by way of share holding be required of a Director and any person whether a member or not may hold office as a Director.
121. If the office of any director appointed by the Company in the General Meeting is vacated before his term of office will expire in the normal course, the resulting casual vacancy may, subject to these articles, be filled by the Board of directors at a meeting of the Board. A Director so appointed shall hold office only upto the date upto which the director in whose place he is appointed, would have held office.
122. The Board may, from time to time appoint any person as an additional director provided that the number of Directors and Additional Directors shall not exceed the maximum number of Directors fixed by these articles. Any person so appointed as an Additional Director shall hold office upto the date of the next Annual General Meeting of the Company, as a Director at that meeting subject to the provisions of the Act.
123. The Board of Directors of the Company may appoint an Alternate Director in the place of the original Director who may have to be absent from the State for a period longer than 3 months. The Alternate Director will not hold office for a period longer than permissible to the original director and shall vacate office if and when the original Director returns to the State in which meetings of the Board are held. If the term of office of the original Director is determined before he so returns to the state aforesaid, any provisions for the automatic reappointment of the retiring directors in default of another appointment shall apply to the original and not the Alternate Director.
124. The office of a director shall be vacated if he is disqualified as per the provisions of the Act.
125. (1) Subject to the provisions of the Act, the Directors including the Managing Director shall not be disqualified by reason of their office as such from contracting with the Company either as vendor, purchaser, lender, agent, Broker or otherwise nor shall any contract or arrangement entered into by or on behalf of the Company with any Director or the Managing Director or with any company or partnership of or in which any Director or Managing Director so contracting or being such member or so interested be liable to account to the Company for any profit realized by such contact or arrangements by reason only of such Director or the Managing Director holding that office or of the fiduciary relation thereby established, but the nature of the interest may be disclosed by him or them at the meeting of the Board at which the contract or arrangement is determined on, if the interest then exists or in any other case at the meeting of the Board after the acquisition of the interest, provided nevertheless that no Director shall take part in the discussion of or vote as a Director in respect of any contract or arrangement in which he is so interested as aforesaid and if he does so, his vote shall not be counted but he shall be entitled to be present at the meeting during the transaction of the business in relation to which he is precluded from voting although he shall not be counted for the purpose of ascertaining whether there is quorum of directors present. This provision shall not apply to any contract by or on behalf of the company to give to the Directors or the Managing Directors or any of them any security by way of indemnity against any loss which they or any of them suffer by becoming or being sureties for the Company or to any contract or arrangement entered into or to be entered into with a public company, or a private company which is subsidiary of a public company, in which the interest of the Director aforesaid consists solely in his being a Director of such company and the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as Director by the Board.  
  
(2) A general notice that any Director is a Director or a member of any specified company or is a member of any specified firm and is to be regarded as interested in any subsequent transaction with such company or firm shall, as regards any such transaction, be sufficient disclosure under this article and after such general notice it shall not be necessary to give any special notice relating to any particular transaction with such company or firm.

(3).A Director may be or become, a Director or member of any company promoted by this company or in which this company may be interested as Vendor, Shareholder or otherwise and no such Director shall be accountable to the Company for any benefits received as a Director or member of such Company.

126. Except as otherwise provided by these articles, all the Directors of the Company shall have in all matters equal rights and privileges, and be subject to equal obligations and duties in respect of the affairs of the company.

### **Borrowing**

152. (1). The Board of Directors may from time to time but with such consent of the Company in general meeting as may be required under section 293 of the act raise any money or any moneys or sums of money for the purpose of the company provided that the moneys to be borrowed by the Company apart from temporary loans obtained from the Company's bankers in the ordinary course of business shall not without the sanction of the Company at a general meeting exceed the aggregate of the paid up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose and in particular, but subject to the provisions of section 292 of the Act, the Board may from time to time at their discretion raise or borrow or secure the payment of any sum or sums of money for the purpose of the Company, by the issue of debentures perpetual and in security of any such money so borrowed raised or received, mortgage, pledge or charge, the whole or any part of the property, assets, or revenue of the Company present or future including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may be expedient and to purchase, redeem or pay off any such securities.

Provided that every resolution passed by the Company in General meeting in relation to the exercise of the power to borrow as stated above shall specify the total amount upto which monies may be borrowed by the Board of Directors.

(2). The Directors may by a resolution at a meeting of the Board delegate the above power to borrow money otherwise than on debentures to a committee of Directors or the Managing Director within the limits prescribed.

(3). Subject to the provisions of the above sub clauses, the Directors may from time to time at their discretion, raise or borrow or secure the repayment of any sum of money for the purpose of the Company, at such time in such manner and upon terms and conditions in all respects as they think fit and in particular, by promissory notes, or by opening current accounts, or by receiving deposits and advances with or without security, or by the issue of bonds, perpetual or redeemable debentures or debenture stock of the Company charged upon all or any of the part of the property of the Company (both present and future) including its uncalled capital for the time being, or by mortgaging or charging or pledging any lands, buildings, goods or other property and securities of the Company, or by such other means as to them may seem expedient.

153. Such debentures, debenture stock bonds or other securities may be assignable free from any equities between the Company and the person to whom the same may be issued.

154. Any such debentures, debenture stock bonds or other securities may be issued at discount premium or otherwise and with any special privileges as to redemption surrender, drawings allotment of shares of the Company, otherwise provided that debentures with the right to allotment of or conversion into shares shall not be issued except with the sanction of a special resolution of the Company in General Meeting, and subject to such approval of the Central Government as may be required.

155. The Directors shall cause register to be kept, in accordance with the Act, of all mortgages and charges specifically affecting the property of the Company, and shall duly comply with the requirements of the act in regard to the Registration of mortgages and charges therein specified and otherwise.
156. If the Directors or any of them or any other persons, shall become personally liable for the payment of any sum primarily due from the company, the Board may execute or cause to be executed any charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or other persons to becoming liable as aforesaid from any loss in respect of such liability.
157. If any capital of the Company is included by any mortgage or other security, the Board may, by instrument under Company's seal authorise the person in whose favour such mortgage or security is executed or any other person in trust for him, to make calls on the members in respect of such uncalled capital, and the provisions herein before contained in regard to calls shall mutatis mutandis apply to such calls and power to make such calls may be made exercisable either conditionally or unconditionally and either presently or contingently and either to the exclusion of board's power or otherwise, and shall be assignable if expressed so to be.
158. Where any uncalled capital of the company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge and shall not be entitled, by notice to the shareholders or otherwise, to obtain priority over such prior charge.
159. (1). The Board shall exercise the following powers on behalf of the Company and the said power shall be exercised only by the resolution passed at a meeting of the Board;
- a. Power to make calls on shareholders in respect of money unpaid on their shares.
  - b. Power to issue debentures
  - c. Power to borrow moneys otherwise than on debentures
  - d. Power to invest the funds of the Company; and
  - e. Power to make loans
- (2). The Board may by a resolution passed at a meeting delegate to any committee of the Board or to be Managing Directors any powers specified in sub clauses (c) (d) and (e) of clause (1) above.
- (3). Every resolution delegating the power set out in sub clause (c) of clause (1) above shall specify the total amount outstanding at any one time upto which the money may be borrowed by the said delegate.
- (4). Every resolution delegating the power referred to in sub-clause (d) of clause (1) above shall specify the total amount upto which the funds may be invested and the nature of investments which may be made by the delegate.
- (5). Every resolution delegating the power referred to in sub-clause (e) of clause (1) above shall specify the total amount upto which loans may be made by the delegate, the purpose for which the loans may be made and the maximum amount of the loan that may be made for each such purpose in individual cases.

**Managing Director / Whole Time Director**

162. (a) The Board may from time to time with such sanction of the Central Government, as may be required by law appoint one or more of their body to the officer of the Managing Director or Managing Directors and /or whole time directors.
- (b) The Directors may from time to time resolve that there shall one or two Managing Directors and unless otherwise resolved there shall by only one Managing Director.
- (c) In the event of any vacancy arising in the Office of a Managing Director or it the Directors resolve to increase the number of Managing Directors, the vacancy shall be filled by the Board of Directors and the Managing Director so appointed shall hold the office for such period as the Board of Directors may fix.
- (d) If a Managing Director ceases to hold office as Director, he shall ipso facto and immediately cease to be a Managing Director.
- (e) The Managing Director shall not be liable to retirement by rotation as long as holds office as Managing Director.
163. If only one Managing Director is appointed he is entitled to exercise solely all the powers conferred upon the Managing Director. If two Managing Directors are appointed then they shall be entitled to exercise all powers conferred on the Managing Director or Managing Directors by these presents either jointly or severally, unless otherwise directed by the Board of Directors.
164. Subject to the control of the Board of Directors the business of the Company shall be carried on by the Managing Director and/or whole Director and they shall have exercise all the powers except those which are by law or by these presents or by nay resolution of the board required to be done by the Company in General Meeting or by the Board.
165. The Board may, from time to time, delegate to the Managing Director and/or whole time Director such of their powers and duties and subject to such limitations and conditions as they may deem fit. The Board may from time to time, revoke, withdraw alter or vary all or any of the powers conferred on the Managing Director and/or whole time Director by the Board or by these presents.
166. Subject to the provisions of the Act and subject to such of the Central Government as may be required for the purpose, the Managing Directors, whole time Directors shall receive such remuneration (whether by way of salary, perquisites, commission or participation in profits, or partly in one way and partly in another) as the Company in General Meeting may from time to time determine.
167. Subject to the provisions of Section 267, 269 and 317 and other applicable Sections of the Act and the Articles, the signatories to Memorandum and Article of the Company and their associate, legal assigns and heirs, shall have a right by a writing signed by them representing or entitled to not less than a quarter of the equity holding, and addressed to the Board to designate one or more members of the Board as the Managing Director or Managing Directors of the Company and the Board, shall within seven days from the date of receipt of such writing, remove such Managing Director or Managing Directors. They shall, further more, have the right to specify the terms and vary such terms from time to time for the appointment of the Managing Director or Managing Directors and the terms so specified shall be the terms on which the Managing Director or Managing Directors shall have such powers exercisable upon such conditions and subject to such restrictions as the Board may from time to time determine.

## Common Seal

168. The Board shall provide a common seal of the Company and shall have power from the time to time to destroy the same and substitute a new seal in lieu thereof. The common seal shall be kept at the Registered Office of the Company and committed to the custody of the Managing Director or any officer authorized by Board.
169. The seal not be affixed to any instrument except by authority of a resolution of the Board or Committee authorized by the Board in that behalf and unless the Board otherwise determines every deed or other instrument to which the seal is required to be affixed shall unless the same is executed by a duly constituted attorney for the Company, be signed by two Directors at least in whose presence the seal shall have been affixed and counter signed by the Secretary or such other person as may from time to time be authorized by the Managing Director, or by the Board; provided nevertheless that any instrument bearing the seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding irregularly touching the authority to issue the same. Provided also the counter signature of the Managing Director or other authorized person shall not be necessary in the case of instruments executed in favour of the Managing Director which shall be sealed in the presence of any one Director and signed by him on behalf of the Company.

## Dividends and Reserves

170. (a). The profits of the Company, subject to any special rights relating thereto created or authorized to be created by these presents and subject to the provision of Sec.205(2A) of the Act and the rules prescribed thereunder for the time being in force and also subject to the provisions of these presents, as to the Reserve Fund, shall be divisible among the members in proportion to the amount of capital paid-up on the shares held by them respectively on the last days of the year of account in respect of which such dividend is declared and in the case of interim dividends on the close of the last day of the period in respect of which such interim dividend is paid.
- (b). Where capital is paid up on any share in advance of calls, upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits.
- (c). Every dividend shall be payable to the Registered holder of the shares on such date as the resolution declaring the dividend may fix and if no such date is fixed, as on the date of the declaration of dividend.
171. The Company in General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.
172. No dividend shall be payable except out of the profits of the year or another undistributed profits except as provided by section 205(2A) and 205A(3) of the Act and the Rules prescribed thereunder for the time being in force.
173. The Board may from time to time pay to the members such interim dividends as appear to them to be justified by the profits of the Company.
174. (1). The Board may before recommending any dividend set aside out of the profits of the Company such sums as they think proper as a reserve which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalizing dividends, and pending such application may at the like discretion, either be employed in the business of the company, or be invested in such investments (other than shares of the Company) as the Board may from time to time think fit and subject to the provisions of section 205(2A) of the act and the rules prescribed there under for the time being in force.

- (2). The Board may also carry forward any profits which they may think prudent not to divide, without setting them aside as Reserve.
175. (1). Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid up, or credited as paid up on the shares in respect where of the dividend is paid.
- (2). No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of these regulations as paid on the share.
- (3). All dividends shall be appointed and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.
176. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.
177. Any General Meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him and so that the call can be made payable at the same time as the dividend and the dividend may if so arranged between the Company and themselves be set off against the call.
178. (1). Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or in the case of joint holders to the registered address of that one of the joint holders who is first named on the Register of Members or to such address as the holder or the joint holders may in writing direct.
- (2). Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.
- (3). Every such cheque or warrant shall be posted within forty two days from the date of declaration of dividend.
179. Any one of two or more joint holders of a share may give effectual receipts for any dividends, bonuses or other moneys payable in respect of such share.
180. Any transfer of shares shall not pass the right to any dividend thereon before the registration of the transfer.
181. No dividend shall bear interest against the Company.
182. All dividends unclaimed shall be deemed to be held in accordance with Section 205 A and 205B of the Act and the Rules prescribed thereunder for the time being in force.

### **Capitalisation of Profits**

183. (1) The Company in General meeting, may on the recommendation of the Board, resolve;
- (a) that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution; and
- (b) that such sums be accordingly kept free for distribution in the manner specified in clause



(2) below amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion.

(2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in clause (3) below, either in or towards ;

(i). Paying up any amounts for the time being unpaid on any shares held by such members respectively;

(ii). Paying up in full, unissued shares or debentures of the Company to be allotted and distributed and credited as fully paid-up to and amongst such members in the proportions aforesaid; or

(iii). Partly in the way specified in sub-clause (i) and partly in that specified in sub-clause(ii)

(3). A Share Premium Account and a Capital Redemption Reserve may for the purpose of this regulation only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

(4). The Board shall give effect to resolutions passed by the Company in General Meeting in pursuance of this Article.

184. (1). The Board shall have full power:

(i). to make such provision, by the issue of fractional certificates or by payment in cash or otherwise as they think fit, in the case of shares or debentures becoming distributable in fractions and also

(ii). to authorise any person to enter on behalf of all the members entitled thereto into an agreement with the Company providing for the allotment of them respectively credited as fully paid-up of any further shares or debentures to which they may be entitled upon such capitalizations or for application of any amount in this behalf.

(2). Whenever such a resolution as aforesaid shall have been passed the Board shall;

(a). make all appropriations and applications of the undivided profits resolved to be capitalized thereby and all allotments and issues of fully paid shares or debentures if any, and

(b). generally do all acts and things required to give effect thereto.

(3). Any agreement made under such authority shall be effective and binding on all such members.

## Secrecy

209. Every Director, Secretary, Manager, Auditor, Trustee, Member of the committee, officer, servant, agent, accountant or other person employed in the business of the Company shall be pledged to observe strict secrecy respecting all transactions of the Company and state of accounts with individuals in all matters relating thereto, and shall pledge himself not to reveal any of the matter which may have come to his knowledge in the discharge of his duties except when required to do so by the Directors or by court of law or by any meeting of the shareholders except in so far as may be necessary in order to comply with any of the provisions of these Articles of Association.

210. Any officer or employee of the company proved to the satisfaction of the Directors to have been guilty of disclosing the secrets of the Company shall be liable to instant dismissal without notice and to payment of damage.

## Indemnity

211. The Managing Director, Joint Managing Director, Directors, Auditors, Manager and other Officers for the time being acting in relation to any of the affairs of the Company and their heirs, executors and administrators respectively shall be indemnified out of the assets of the Company from and against all suits proceedings costs, charges losses, damages and expenses against all suits, which they or any of them shall or may incur or sustain by reason of any act done or omitted in or about the execution of their duty in the ir respective offices or trust except, such, if any, as they shall incur or sustain by or through their own willful neglect or default respectively and they or any one of them shall not be answerable for the act, receipts, neglect or defaults of any other officer or trustee or for joining in any receipts for the sake of conformity or for the solvency or honesty of any bankers or other persons with whom any money or effects belonging to the company may be lodged or deposited for sale custody or for any insufficiency or deficiency of any security upon which any other loss or damages due to any such case as aforesaid or which may happen in or about the execution of his office or trust unless the same shall happen through willful neglect or default of s uch officer or trustee.

## Winding Up

212. (a). If the Company shall be wound up, the surplus assets, shall (subject to any rights attached to any special class of shares forming part of the capital for the time being of the Company) be applied first in repayment of the capital paid up on the ordinary shares and the excess (if any) shall be distributed among the members holding ordinary shares in proportion to the ordinary share capital held by them respectively at the commencement of the winding up.
- (b). If the Company shall be wound up the liquidator may, with the sanction of an special resolution divide among the constituents, in specie any part of the assets of the Company.

## MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of filing of this Offer Document) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Offer Document have been delivered to the Registrar of Companies, Tamil Nadu, Chennai for registration and also the documents for inspection referred to here under, may be inspected at the Registered Office of the Company located at Bafna Towers, No. 299, thambu Chetty Street, Chennai -600 001 from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of this Offer Document until the issue Closing Date.

### Material Contracts for Inspection

- 1 Memorandum of Understanding dated 29/11/2007 between the Company and Keynote Corporate Service Limited, the Lead Manager to this Issue.
- 2 Memorandum of Understanding dated 12/12/2007 between the Company and Ashika Capital Limited, the Co-Lead Manager to this Issue.
3. Memorandum of Understanding dated 14/07/2007 between the Company and Cameo Corporate Services Ltd. as Registrars to the Issue.
4. Tripartite agreement between the NSDL, the Company and the Registrar dated 04/12/2007.
5. Tripartite agreement between the CDSL, the Company and the Registrar dated 21/01/2008.

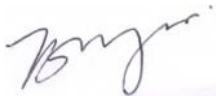
### Material Documents for Inspection

1. Certified true copies of the Memorandum and Articles of Association of the Company, as amended from time to time.
2. Extract of Special Resolution under section 81, 81(1A) and other relevant provisions of Companies Act, 1956 dated 28/09/2007 passed at the Annual General Meeting of the company authorizing present issue of equity shares.
3. Extracts of the Resolutions dated 15/12/2005 for appointment and fixation of remuneration of Chairman & Managing Director and Whole Time Director
4. Copies of the Annual Reports of the Company for the years ended March 31, 2003; March 31, 2004 March 31, 2005, March 31, 2006 and March 31, 2007 and copy of the balance sheet for the nine months ended 31/12/2007.
5. Copy of the Statement of Tax Benefits report dated 30/01/2008 issued by Abhay Jain & Co., Chartered Accountants, Chartered Accountants .
6. Copy of certificate dated 28/04/2008 issued by Abhay Jain & Co., Chartered Accountant & Statutory Auditors of the Company reporting financials of Bafna Pharmaceuticals Limited in terms of part II schedule II of the Companies Act, 1956
7. Copy of Certificate of Sources and Deployment of Funds date d 28/04/2008 issued by, Abhay Jain & Co Chartered Accountants.
8. Copy of Certificate dated 28/04/2008 issued by, Abhay Jain & Co Chartered Accountants regarding utilization of the proceeds of the term loan.
9. Consents of Auditors, Bankers to the Company, Lead Managers, legal advisors to the Issue, Directors, Company Secretary, Registrar to this Issue, Bankers to this Issue, Compliance Officer as referred to, in their respective capacities.

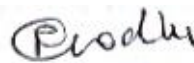
10. Due Diligence report dated 28/11/2007 from Legal Advisors to the issue, Corporate Law Chambers India;
11. Copy of in-principle approval received from BSE vide letter no.DCS/IPO/MT/IPO/IP/1647/2007-08 dated 11/01/2008
12. Due diligence Certificate dated 31/12/2007 to SEBI from Keynote Corporate Service Limited.
13. SEBI observation letter no. CFD / DIL /ISSUES/PB/MKS/123687/2008 dated 23/04/2008 and reply to the observation by the lead Manager vider their Letter no. Ref/Compliance Let dated 06/05/2008.

**PART III****DECLARATION**

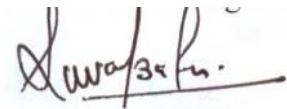
We, the Directors of Bafna, hereby declare that, all the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Offer Document is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the disclosures and statements made in this Offer Document are true and correct.

**Signed by all the Directors**

**Mr. Bafna Mahaveer chand**  
Chairman & Managing Director



**Mr. Ratan Chand Lodha**  
Director



**Mr. Paras Bafna**  
Wholetime Director



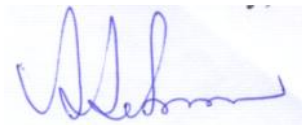
**Mr. Sunil Bafna**  
Director



**Mr. R. Dwarakanathan**  
Director



**Mr. V. Rajamani**  
Director



**Mr. A. Sahasranaman**  
Director

**SIGNED BY THE COMPANY SECRETARY AND COMPLIANCE OFFICER**

Company Secretary & Compliance Officer

**Place:** Chennai

**Date:** May 13, 2008