



**BAFNA PHARMACEUTICALS LIMITED- FORMAT OF LETTER OF APPOINTMENT TO INDEPENDENT DIRECTOR**

**To**

**Sri.\*\*\*\*\***

**Director-Bafna Pharmaceuticals Ltd**

**Resi Address:**

**Dear Sir,**

**Sub: Appointment of Independent Director – reg**

**We are pleased to inform you that the Members of the Company at the Annual General Meeting duly convened and held on 10th day of September 2014 have Resolved to appoint you as an Independent Director of the Company.**

**The Members of the Company have also Resolved that your term of office as such Independent Director to be FIVE YEARS commencing from the conclusion of the said Annual General Meeting on 10.09.2014 for a consecutive period of five years or the date on which Annual General Meeting to be held in the year 2019, whichever is earlier. Your appointment is governed by the provisions of the Companies Act, 2013 and Rules made thereunder and listing Agreement executed with the Exchanges.**

**The Company has adopted the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Companies Act, 2013 and the Listing Agreement. Accordingly, the Independent Directors will serve for not more than two terms of five years each on the Board of the Company. However, as per the revised clause 49 (which is effective from 1<sup>st</sup> October 2014), those who have served for ten or more years will serve for a maximum period of one terms of five years only. The Company is at liberty to disengage Non- Executive Independent Director earlier, subject to compliance of relevant provisions of Companies Act, 2013.**

**During the said tenure of office, as may be decided by the Board, you may also required to serve one or more of Sub-Committees of the Board, such as Audit Committee , Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee , etc.**

**The dates of the meetings of Board of Directors and the Committees there will be intimated to you well in advance to enable you to attend the meetings. The meetings will be held as per the requirement of the Act, and listing agreement executed with the Exchanges. You will be expected to attend Board, Committees to which you may be appointed and the Shareholders meetings and to devote such time to your duties, as appropriate for you to discharge your duties effectively.**

**As per the present Remuneration Policy of the Company, you are entitled to Sitting Fees for the attending the meetings of the Board and the Board Sub Committees, as is determined by the Board. At the Directors are being paid Sittings Fee of Rs 5,000 for every meeting attended by them. In addition, you will be entitled to reimbursement of all travelling and out of pocket expenses incurred for attending the meetings.**

**You shall act in good faith in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interest of the Company. You shall discharge your duties with due and reasonable care, skill and diligence. You shall not involve yourself in a situation in which you may have a direct or indirect interest that conflict, or possibly may be conflict with the interest of the Company.**

Every Individual director would be bound by the Company's policy on Board evaluation, The Company will carry out an evaluation of the performance of the Board as a whole, Board committees and Directors on an annual basis.

There may be occasion when you consider that you need professional advice in furtherance of your duties as a Director and it will appropriate for you to consult independent advisers at the Company's expense. The Company will reimburse the full cost of expenditure incurred in accordance with the Company's policy.

You may resign from your position at any time and should you wish to do so, you are requested to serve a reasonable written notice on the Board. Continuation of your appointment is contingent on your getting re-elected by the shareholders in accordance with the provision of the Companies Act, 2013, the Rules framed thereunder and the Articles of Association of the Company, from time to time in force. You will not be entitled to compensation if the shareholders do not re-elect you at any time. Your appointment may also be terminated in accordance with the provisions of the Articles of Association of the Company from time to time in force.

This agreement is governed by and will be interpreted in accordance with Indian Law and YOUR engagement shall be subject to the Jurisdiction of the Indian Courts.

If you are willing to accept these terms of appointment relating to your appointment as No-Executive Independent Director of Bafna Pharmaceuticals Ltd, Kindly confirm your acceptance of these terms by signing and returning to us the enclosed copy of this letter.

Yours faithfully

for BAFNA PHARMACEUTICALS LIMITED

BAFNA MAHAVEER CHAND  
MANAGING DIRECTOR

**ANNEXURE**

1. Extract of Sec 166 ( Duties of Directors) of the Companies Act, 2013
2. Schedule V of the Companies Act, 2013

**AGREE AND ACCEPT**

I have read and understood the terms of my appointment as an Independent Director of the Company and I hereby affirm my acceptance to the same.

Signature:

Name :

Place : .....

Date : .....

**Extract of Sec 166 of the Companies Act, 2013 - . Duties of directors.**

**Sec166.**

- (1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.**
- (2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.**
- (3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.**
- (4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.**
- (5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.**
- (6) A director of a company shall not assign his office and any assignment so made shall be void.**
- (7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakhs rupees but which may extend to five lakhs rupees.**

**SCHEDULE V  
(See sections 196 and 197)**

**PART I**

**CONDITIONS TO BE FULFILLED FOR THE APPOINTMENT OF A MANAGING OR WHOLE-TIME DIRECTOR OR A MANAGER WITHOUT THE APPROVAL OF THE CENTRAL GOVERNMENT**

**APPOINTMENTS**

No person shall be eligible for appointment as a managing or whole-time director or a manager (hereinafter referred to as managerial person) of a company unless he satisfies the following conditions, namely:—

**(a) he had not been sentenced to imprisonment for any period, or to a fine exceeding one thousand rupees, for the conviction of an offence under any of the following Acts, namely:—**

- (i) the Indian Stamp Act, 1899 (2 of 1899);**
- (ii) the Central Excise Act, 1944 (1 of 1944);**
- (iii) the Industries (Development and Regulation) Act, 1951 (65 of 1951);**
- (iv) the Prevention of Food Adulteration Act, 1954 (37 of 1954);**
- (v) the Essential Commodities Act, 1955 (10 of 1955);**
- (vi) the Companies Act, 2013;**
- (vii) the Securities Contracts (Regulation) Act, 1956 (42 of 1956);**
- (viii) the Wealth-tax Act, 1957 (27 of 1957);**
- (ix) the Income-tax Act, 1961 (43 of 1961);**
- (x) the Customs Act, 1962 (52 of 1962);**
- (xi) the Competition Act, 2002 (12 of 2003);**

- (xii) the Foreign Exchange Management Act, 1999 (42 of 1999);
- (xiii) the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986);
- (xiv) the Securities and Exchange Board of India Act, 1992 (15 of 1992);
- (xv) the Foreign Trade (Development and Regulation) Act, 1922 (22 of 1922);
- (xvi) the Prevention of Money-Laundering Act, 2002 (15 of 2003);

(b) he had not been detained for any period under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (52 of 1974):

Provided that where the Central Government has given its approval to the appointment of a person convicted or detained under sub-paragraph (a) or sub-paragraph (b), as the casemay be, no further approval of the Central Government shall be necessary for the subsequent appointment of that person if he had not been so convicted or detained subsequent to such approval.

(c) he has completed the age of twenty-one years and has not attained the age of seventy years:

Provided that where he has attained the age of seventy years; and where his appointment is approved by a special resolution passed by the company in general meeting, no further approval of the Central Government shall be necessary for such appointment;

(d) where he is a managerial person in more than one company, he draws remuneration from one or more companies subject to the ceiling provided in section V of Part II;

(e) he is resident of India.

**Explanation I.**—For the purpose of this Schedule, resident in India includes a person who has been staying in India for a continuous period of not less than twelve months immediately preceding the date of his appointment as a managerial person and who has come to stay in India,—

- (i) for taking up employment in India; or
- (ii) for carrying on a business or vacation in India.

**Explanation II.**—This condition shall not apply to the companies in Special Economic Zones as notified by Department of Commerce from time to time:

Provided that a person, being a non-resident in India shall enter India only after obtaining a proper Employment Visa from the concerned Indian mission abroad. For this purpose, such person shall be required to furnish, along with the visa application form, profile of the company, the principal employer and terms and conditions of such person's appointment.

## PART II REMUNERATION

### Section I.— Remuneration payable by companies having profits:

Subject to the provisions of section 197, a company having profits in a financial year may pay remuneration to a managerial person or persons not exceeding the limits specified in such section.

### Section II.— Remuneration payable by companies having no profit or inadequate profit without Central Government approval:

Where in any financial year during the currency of tenure of a managerial person, a company has no profits or its profits are inadequate, it may, without Central Government approval, pay remuneration to the managerial person not exceeding the higher of the limits under (A) and (B) given below:—

(A):

(1)	(2)	
Where the effective capital is	Limit of yearly remuneration payable shall not exceed	-Rs
(i) Negative or less than 5 crores	30 lakhs	
(ii) 5 crores and above but less than 100 Crores	42 lakhs	
(iii) 100 crores and above but less than 250 Crores	60 lakhs	

**(iv) 250 crores and above**

**60 lakhs plus 0.01% of the effective Capital in excess of Rs. 250 crores:**

**Provided that the above limits shall be doubled if the resolution passed by the shareholders is a special resolution.**

**Explanation.—It is hereby clarified that for a period less than one year, the limits shall be pro-rated.**

**(B) In the case of a managerial person who was not a security holder holding securities of the company of nominal value of rupees five lakh or more or an employee or a director of the company or not related to any director or promoter at any time during the two years prior to his appointment as a managerial person, — 2.5% of the current relevant profit:**

**Provided that if the resolution passed by the shareholders is a special resolution, this limit shall be doubled: Provided further that the limits specified under this section shall apply, if—**

**(i) payment of remuneration is approved by a resolution passed by the Board and, in the case of a company covered under sub-section (1) of section 178 also by the Nomination and Remuneration Committee;**

**(ii) the company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of thirty days in the preceding financial year before the date of appointment of such managerial person;**

**(iii) a special resolution has been passed at the general meeting of the company for payment of remuneration for a period not exceeding three years;**

**(iv) a statement along with a notice calling the general meeting referred to in clause (iii) is given to the shareholders containing the following information, namely:—**

**I. General Information:**

**(1) Nature of industry**

**(2) Date or expected date of commencement of commercial production**

**(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus**

**(4) Financial performance based on given indicators**

**(5) Foreign investments or collaborations, if any.**

**II. Information about the appointee:**

**(1) Background details**

**(2) Past remuneration**

**(3) Recognition or awards**

**(4) Job profile and his suitability**

**(5) Remuneration proposed**

**(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)**

**(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.**

**III. Other information:**

**(1) Reasons of loss or inadequate profits**

**(2) Steps taken or proposed to be taken for improvement**

**(3) Expected increase in productivity and profits in measurable terms.**

**IV. Disclosures:**

**The following disclosures shall be mentioned in the Board of Director's report under the heading "Corporate Governance", if any, attached to the financial statement:—**

**(i) all elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the directors;**

**(ii) details of fixed component and performance linked incentives along with the performance criteria;**

**(iii) service contracts, notice period, severance fees;**

**(iv) stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable.**

**Section III.— Remuneration payable by companies having no profit or inadequate profit without Central Government approval in certain special circumstances:**

**In the following circumstances a company may, without the Central Government approval, pay remuneration to a managerial person in excess of the amounts provided in**

**Section II above:—**

**(a) where the remuneration in excess of the limits specified in Section I or II is paid by any other company and that other company is either a foreign company or has got the approval of its shareholders in general meeting to make such payment, and treats this amount as managerial remuneration for the purpose of section 197 and the total managerial remuneration payable by such other company to its managerial persons including such amount or amounts is within permissible limits under section 197.**

**(b) where the company—**

**(i) is a newly incorporated company, for a period of seven years from the date of its incorporation, or**

**(ii) is a sick company, for whom a scheme of revival or rehabilitation has been ordered by the Board for Industrial and Financial Reconstruction or National Company Law Tribunal, for a period of five years from the date of sanction of scheme of revival, it may pay remuneration up to two times the amount permissible under Section II.**

**(c) where remuneration of a managerial person exceeds the limits in Section II but the remuneration has been fixed by the Board for Industrial and Financial Reconstruction or the National Company Law Tribunal:**

**Provided that the limits under this Section shall be applicable subject to meeting all the conditions specified under Section II and the following additional conditions:—**

**(i) except as provided in para (a) of this Section, the managerial person is not receiving remuneration from any other company;**

**(ii) the auditor or Company Secretary of the company or where the company has not appointed a Secretary, a Secretary in whole-time practice, certifies that all secured creditors and term lenders have stated in writing that they have no objection for the appointment of the managerial person as well as the quantum of remuneration and such certificate is filed along with the return as prescribed under sub-section (4) of section 196.**

**(iii) the auditor or Company Secretary or where the company has not appointed a secretary, a secretary in whole-time practice certifies that there is no default on payments to any creditors, and all dues to deposit holders are being settled on time.**

**(d) a company in a Special Economic Zone as notified by Department of Commerce from time to time which has not raised any money by public issue of shares or debentures in India, and has not made any default in India in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of thirty days in any financial year, may pay remuneration up to Rs. 2,40,00,000 per annum.**

**Section IV.— Perquisites not included in managerial remuneration:**

- 1. A managerial person shall be eligible for the following perquisites which shall not be included in the computation of the ceiling on remuneration specified in Section II and Section III:—**

(a) contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961 (43 of 1961);

(b) gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and

(c) encashment of leave at the end of the tenure.

2. In addition to the perquisites specified in paragraph 1 of this section, an expatriate managerial person (including a non-resident Indian) shall be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified in Section II or Section III—

(a) *Children's education allowance:* In case of children studying in or outside India, an allowance limited to a maximum of Rs. 12,000 per month per child or actual expenses incurred, whichever is less. Such allowance is admissible up to a maximum of two children.

(b) *Holiday passage for children studying outside India or family staying abroad:*

Return holiday passage once in a year by economy class or once in two years by first class to children and to the members of the family from the place of their study or stay abroad to India if they are not residing in India, with the managerial person.

(c) *Leave travel concession:* Return passage for self and family in accordance with the rules specified by the company where it is proposed that the leave be spent in home country instead of anywhere in India.

*Explanation I.—* For the purposes of Section II of this Part, "effective capital" means the aggregate of the paid-up share capital (excluding share application money or advances against shares); amount, if any, for the time being standing to the credit of share premium account; reserves and surplus (excluding revaluation reserve); long-term loans and deposits repayable after one year (excluding working capital loans, over drafts, interest due on loans unless funded, bank guarantee, etc., and other short-term arrangements) as reduced by the aggregate of any investments (except in case of investment by an investment company whose principal business is acquisition of shares, stock, debentures or other securities), accumulated losses and preliminary expenses not written off.

*Explanation II.—*

(a) Where the appointment of the managerial person is made in the year in which company has been incorporated, the effective capital shall be calculated as on the date of such appointment;

(b) In any other case the effective capital shall be calculated as on the last date of the financial year preceding the financial year in which the appointment of the managerial person is made.

*Explanation III.—* For the purposes of this Schedule, "family" means the spouse, dependent children and dependent parents of the managerial person.

*Explanation IV.—* The Nomination and Remuneration Committee while approving the remuneration under Section II or Section III, shall—

(a) take into account, financial position of the company, trend in the industry, appointee's qualification, experience, past performance, past remuneration, etc.;

(b) be in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the company and the shareholders.

*Explanation V.—* For the purposes of this Schedule, "negative effective capital" means the effective capital which is calculated in accordance with the provisions contained in *Explanation I* of this Part is less than zero.

**Explanation VI.—** For the purposes of this Schedule:—

**(A)** “current relevant profit” means the profit as calculated under section 198 but without deducting the excess of expenditure over income referred to in sub-section 4 (l) thereof in respect of those years during which the managerial person was not an employee, director or shareholder of the company or its holding or subsidiary companies.

**(B)** “Remuneration” means remuneration as defined in clause (78) of section 2 and includes reimbursement of any direct taxes to the managerial person.

**Section V. —Remuneration payable to a managerial person in two companies:**

Subject to the provisions of sections I to IV, a managerial person shall draw remuneration from one or both companies, provided that the total remuneration drawn from the companies does not exceed the higher maximum limit admissible from any one of the companies of which he is a managerial person.

### **PART III**

**Provisions applicable to Parts I and II of this Schedule**

- 1.** The appointment and remuneration referred to in Part I and Part II of this Schedule shall be subject to approval by a resolution of the shareholders in general meeting.
- 2.** The auditor or the Secretary of the company or where the company is not required to appointed a Secretary, a Secretary in whole-time practice shall certify that the requirement of this Schedule have been complied with and such certificate shall be incorporated in the return filed with the Registrar under sub-section (4) of section 196.

### **PART IV**

The Central Government may, by notification, exempt any class or classes of companies from any of the requirements contained in this Schedule.