

_____ 11th
_____ Annual Report
_____ 2005-06

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NECTAR LIFESCIENCES LIMITED

Board of Directors

Mr. Sanjiv Goyal	: Managing Director
Mrs. Raman Goyal	: Whole-time Director
Mr. Vijay J. Shah	: Independent Director
Dr. S.P. Singh	: Independent Director
Mr. V.D. Aggarwal	: Independent Director
Mr. Aryan Goyal	: Executive Director
V.P. Finance	: Mr. Sandeep Goel
Company Secretary	: Mr. Sunder Lal
Auditors	: Datta Singla & Co., Chartered Accountants SCO No. 2935 -36, 1st Floor, Sector 22-C, Chandigarh
Bankers	: Punjab National Bank, Sector 16D, Chandigarh State Bank of India, Specialised Commercial Branch, Sector 17B, Chandigarh
Registered Office	: Village Saidpura, Tehsil Derabassi, Distt. Mohali (Punjab) India Ph: 01762 - 308000, 308001 Fax: 01762 - 281187
Corporate Office	: SCO 38-39, Sector 9-D, Chandigarh 160 009 (U.T.) (INDIA) Ph: 0172 - 3047777, 3047701 Fax: 0172 - 3047755 Website: http://www.neclife.com

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Notice

NOTICE OF 11TH ANNUAL GENERAL MEETING

Notice is hereby given that the 11th Annual General Meeting of the members of Nectar Lifesciences Limited will be held on Friday, the 15th day of September, 2006 at the registered office and works of the company at Village Saidpura, Tehsil Derabassi, Distt. Mohali (Punjab) at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the Financial Year ended on that date, together with the Reports of Board of Directors and the Auditors thereon.
2. To confirm the payment of Interim Dividend of Re. 1/- per share, as declared by the Board of Directors as on 23.01.2006.
3. To appoint a Director in place of Mrs. Raman Goyal who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint M/s Datta Singla & Company, Chartered Accountants, the retiring Auditors of the company, as Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. Aryan Goyal, who was appointed as an additional director of the company by the Board of directors and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the company has received a notice in writing under section 257 proposing his candidature for the office of director, be and is hereby appointed as a director of the company, who will not be liable to retire by rotation."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) (hereinafter referred to as, "the Act"), read with Schedule XIII, Mr. Aryan Goyal, be and is hereby appointed as the Executive Director of the Company for a period of five years w.e.f. 05.12.2005 on the following remuneration:

- a) **Salary:** Rs. 1,00,000/- (Rupees One Lakh only) per month plus an annual increment of Rs. 10,000/- or such other

increment as may be decided by the Board of Directors from time to time.

- b) **Perquisites:** He shall be entitled to medical reimbursement, club fees, personal accident insurance, company maintained car, telephone and such other perquisites in accordance with the company's rules, the monetary value of such perquisites to be determined in accordance with the Income Tax Rules, 1962, being restricted to Rs.2.00 Lakhs per annum.

RESOLVED FURTHER THAT in addition to the perquisites referred to above, he will be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration:

- a) Leave Encashment at the end of the tenure.
- b) Contributions 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.
- c) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service
- d) Any other perquisites, which is specifically provided in the Companies Act, to be excluded for the purpose of computation of the ceiling on remuneration.

RESOLVED FURTHER THAT the Board shall have the discretion and authority to modify the foregoing terms of remuneration within the parameters of the applicable provisions of the Companies Act, 1956."

By order of the Board of Directors
of Nectar Lifesciences Limited
Sd/-

Date: 27.07.2006
Place: Chandigarh

(Sunder Lal)
Company Secretary

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his behalf and the proxy need not be a member of the company.
2. The instrument appointing proxy should, however, be deposited at the Registered Office of the company not less than forty-eight hours before the commencement of the meeting.
3. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
4. The register of members and the share transfer books of the company will remain closed from 12th September, 2006 to 15th September, 2006 (Both days inclusive) for the

NECTAR LIFESCIENCES LIMITED

purpose of Annual General Meeting.

6. Members desirous of having any information as regards accounts are requested to write to the company at least Seven days in advance so as to enable the Management to keep the information ready.
7. The members may please note that vide recent notification of Punjab Government the Derabassi subdivision stands transferred from Distt. Patiala to newly notified Distt. Mohali. Therefore, the registered office falls under Mohali Distt. of Punjab.
8. Members may please note that no gifts shall be distributed at the meeting.
9. The Explanatory Statement Pursuant to Section 173 of the Companies Act, 1956 is annexed herewith. This statement w.r.t. appointment/ re-appointment of Directors also contain the information as required under clause 49 of the Listing Agreement.

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

ITEM NO. 3

Mrs. Raman Goyal, 45, is a promoter of the Company and the wife of Mr. Sanjiv Goyal. In 1990, she founded Kala Elastic, a textiles firm. Mrs. Raman Goyal was a Director in Surya Pharmaceutical Limited from 1992 until 1997 and has been a Director of the Company since 4 June 1999. Further, she has been appointed as Wholetime director of the Company in July, 2004.

Mrs. Raman Goyal holds 2158400 Equity Shares in the Company.

Mrs. Raman Goyal, being herself the appointee and Mr. Sanjiv Goyal & Mr. Aryan Goyal being relatives to Mrs. Raman Goyal may be deemed to be concerned or interested in the Resolution.

ITEM NO. 5

Mr. Aryan Goyal was appointed as an additional director by the Board at its meeting held on 5th December, 2005. According to the provisions of section 260 of the Companies Act, 1956, he holds that office upto the date of this meeting. As required by section 257 of the Act, a notice has been received from a member signifying his intention to propose his appointment as a Director, along with a deposit of rupees five hundred.

Mr. Aryan Goyal, aged 23, the son of Promoter Directors of the Company i.e. Mr. Sanjiv Goyal and Mrs. Raman Goyal, comes from a family of business entrepreneurs, and is all set to take Nectar Lifesciences Limited to new heights. He holds a bachelors degree in Chemical Engineering and Management from PURDUE University, West Lafayette, Indiana, U.S.A. Apart from Nectar

Lifesciences Limited, Mr. Aryan Goyal also holds the Directorship in M/s Chempharma Private Limited, registered in Sri Lanka, a wholly owned subsidiary of the Company.

Mr. Aryan Goyal holds 29000 Equity Shares in the Company.

Mr. Aryan Goyal, being himself the appointee and Mr. Sanjiv Goyal & Mrs. Raman Goyal being relatives to Mr. Aryan Goyal may be deemed to be concerned or interested in the Resolution.

ITEM NO. 6

The Members may please note that the company is expanding its manufacturing facilities, at Punjab and setting up new units at Baddi, Himachal Pradesh and to look after such expansion plans, it is proposed to appoint one more whole time director in the company to help the Managing Director in day to day affairs of the company.

The Members may also please note that the Board of Directors of the Company in their meeting held on 05.12.2005 have already appointed Mr. Aryan Goyal as an Additional and Executive Director, subject to the approval of shareholders in their General Meeting. Since then he is taking active participation in the day to day Management of the company and looking after various departments independently and fit and proper person to be appointed as the Executive Director of the company. Members are requested to consider and approve his appointment on the terms and conditions embodied in the resolution for a period of 5 (five) years subject to the limits laid down in Section 198 & 309 of the Companies Act, 1956, read with Schedule XIII thereto and subject to such other approvals as may be necessary in this regard.

Mr. Aryan Goyal, being himself the appointee and Mr. Sanjiv Goyal & Mrs. Raman Goyal being relatives to Mr. Aryan Goyal may be deemed to be concerned or interested in the Resolution.

By order of the Board of Directors
of Nectar Lifesciences Limited

Sd/-

(Sunder Lal)

Company Secretary

Date: 27.07.2006
Place: Chandigarh



Directors' report

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 11th Annual report together with the Audited Accounts of the Company for the financial year ended 31st March, 2006. This report is the first since Company's Initial Public Offering of Equity Shares.

i) Financial Results:	(Rs.in Lacs)	
	As on 31.03.2006	As on 31.03.2005
Sales & Other Income	31046.64	23141.16
Profit before interest and depreciation	4820.81	3204.63
Interest	811.63	779.02
Depreciation	735.74	577.43
Profit before tax	3273.44	1848.18
Provision for tax	465.13	361.57
Provision for deferred Tax	245.30	159.31
Provision for FBT	8.00	-
Profit after tax available for appropriation	2555.01	1327.30
Appropriations		
Expenses relating to earlier years	-	43.57
Income Tax relating to earlier years	48.61	24.23
Interim Dividend	148.87	---
Final Dividend	-	110.17
Tax on distributed profit	20.88	14.40
Balance c/f to balance sheet	2336.65	1134.94

Operations

During the year 2005-06, your company achieved sales turnover of Rs. 31046.64 Lacs registering 34.16% increase over the previous year (Rs. 23141.16 lacs). Income before interest and depreciation increased to Rs.4820.81 lacs registering 50.43% increase over the previous year (Rs. 3204.63 lacs). The net profit increased to Rs. 2555.01 lacs registering 92.50% increase over the previous year (Rs 1327.30 lacs). Your Directors expect a consistent growth in company's performance in the years to come.

Initial Public Offering

Pursuant to the Red Hearing Prospectus dated 07.06.2005 and Prospectus dated 30.06.2005, the Company made an Initial Public Offering of 3,870,000 equity shares of Rs. 10/- each for cash at a price of Rs. 240/- per equity share through 100% Book Building Process. The issue was oversubscribed by around 15 times. The Amount of Rs. 928,800,000/- has been realized by the Company from this issue and after the Issue the paid up share capital has been increased to Rs. 148,866,670/- and its securities premium account increased to Rs. 985,933,350/-.

On 18th July, 2005 the equity shares of the Company were listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE).

Foreign Currency Convertible Bonds

Pursuant to the authority granted by the Members in their Extra-Ordinary General Meeting held on 15.12.2005, the Company

has successfully raised the funds from international market, to the tune of US\$ 35,000,000 by way of Foreign Currency Convertible Bonds (FCCBs). The FCCBs are allotted in the Board of Directors' Meeting held on 25.04.2006.

The FCCBs are listed on Singapore Exchange Securities Trading Limited. Each bondholder has a right to convert the bonds at any time after 04.06.2006 into equity shares of the Company at a predetermined price of Rs. 331.74 at a predetermined exchange rate of US \$ 1 = Rs. 44.6725. The conversion price can be adjusted on the happening of particular events as specified in the Terms and Conditions of the FCCBs.

Projects Under Implementation

1. STERILE CEPHALOSPORIN – USFDA APPROVABLE PLANT-DERABASSI

The company is expanding further in the field of Cephalosporins. Further capacities are being added for Cefotaxime Sodium Sterile and Ceftriaxone Sodium Sterile. The production facilities would be constructed on the land available at the Derabassi (Unit II) After the completion of the project the Company believes that the project will (i) increase its capacity to produce cephalosporin by up to 30 per cent.; (ii) provide it with the ability to cater to regulated markets, such as North America and Europe.

2. EMPTY HARD GELATIN CAPSULE PLANT AT BADDI, HIMACHAL PRADESH

The company is putting up a Empty Hard Gelatine Capsule Unit at Baddi. The 16 machines capsule manufacturing project shall have the installed capacity to manufacture 7128 million pieces of capsules per annum in various sizes. The total cost of project is estimated around Rs. 350 Million. The land has been acquired in Baddi, Himachal Pradesh and necessary approval from various authorities has been obtained to start the construction work and erection of plant & machinery. The products manufactured would be sold both in domestic and international market to the existing and new formulation units which are growing day by day.

The company would be entitled certain tax benefits which are allowed by the Central and Himachal Pradesh Government for setting up the projects in the Baddi.

3. FORMULATION UNIT AT BADDI, HIMACHAL PRADESH

The formulation project costing Rs. 400 Million approximately includes setting up of the following manufacturing and their packaging facilities.

- Tablet Section;
- Capsule Section;
- Dry Powder Vial (injectable);
- Dry Syrup Section

NECTAR LIFESCIENCES LIMITED

The proposed new unit will introduce our presence in the formulation segment. The setting up of this plant is in line with our long-term objectives of entering into high value and new generation cephalosporin drug segment, which will enable us to provide a one step further value added product to its clients instead of supplying only the bulk drug. Our Company has already acquired five (5) acres of land at Baddi. We propose to increase our export sales with the implementation of the new project. Our Company would be employing batch type processes for manufacturing the various newly proposed products.

Baddi has emerged to be the preferred investment destination for most of the leading pharmaceutical companies in India and we understand that more than fifteen (15) pharmaceutical projects are under implementation at Baddi. Our proposed facility at Baddi would be eligible for certain tax breaks including:

Particulars	Remarks
Income-tax	First five years 100% tax holiday and subsequent five years at 30% under section 80(IB) of the Income-tax Act, 1961
Excise duty	Ten (10) years Excise Duty exemption
Sales tax	One (1) per cent Central Sales Tax up to 2009

4. PHYTOCHEMICALS AND HERBALS FACILITIES

Your company proposes to enter in the arena of Phytochemical manufacturing. A Phytochemical (fight-o-chemical) is a natural bioactive compound found in fruits and vegetables that works together with vitamins, minerals, and fiber to promote good health in many ways. These are nonnutritive plant chemicals that contain protective, diseasepreventing compounds. More than 900 different phytochemicals have been identified as components of food, and many more phytochemicals continue to be discovered today. The cost of project of the proposed Phyto Chemicals & Herbs is around Rs. 800 Million.

The company proposes to enter the Phytochemicals arena with the manufacturing Menthol and its allied products to start with and range would be added over years.

5. CORPORATE QUALITY CONTROL CENTRE

The company is also setting up a Corporate Quality Control Centre with a total cost of Rs. 100 million.

6. RESEARCH AND DEVELOPMENT CENTRE

Research & Development forms an integral part of the pharmaceutical industry. Your Company has a small research & development set-up at our existing facility at Derabassi. In view of the various expansion projects undertaken, focus on entering the value added pharmaceutical segment and to compete effectively we are in the process of setting up a

modern Research & Development Centre. The total cost of the project is around 150 Million. The said R & D centre would be a profit centre of its own having a strength of around 200 scientists working on various models for big domestic & multinational companies towards:

Chemical Research

- To develop commercially viable technology of API's.
- To develop non infringing route of API's for regulated market.
- Trouble shooting & cost reduction work in existing products.

Analytical Research

- To develop analytical methods for reaction monitoring, intermediates & finish products.
- To prepare raw material specification & STP's for intermediate and API's.

Product Development Research

- To develop formulation technology for different dosage forms viz tablet, capsule, dry syrup, dry powder injections.
- To carry out stability studies during formulation development of various dosage forms.

Clinical Research

- To carry out clinical trials / bioequivalence study of different dosage forms as per latest guideline on animals and humans

Packaging Development

- To design and develop packaging requirement viz. blisters/strips/ALU ALU pack and external unit carton etc. for various dosage forms.

Regulatory

- To prepare Drug Master File/Dossier for API's and dosage forms for submission to Ministry of Health (MOH) of different countries for regulatory approval.

7. CAPTIVE POWER GENERATION UNIT AT DERABASSI (UNIT-II)

The company is also putting up a AGRO-BASED Captive Power Generation Plant at Derabassi (Unit - II) to run on husk. With plenty of underground water and good overhead capacity tanks, big chunk of land for storage, the power generation unit would be a shot in the arm as besides being eco-friendly it would reduce the company's utility cost. To generate electrical power at Derabassi a 8MW captive power plant is envisaged which would cater to the equipment of Unit-I and Unit-II at Derabassi. At present we have 3500 KW connected load for our unit-I & have 1200 KW connected load for unit -II (Block-1 + BCK), load of Unit -II would go



up by another 2300 KW with commissioning of ETP, and other expansions, Thus total connected load will be around 7MW and considering diversely factor 70% approximately 5 KW will be regular running load. Captive power plant shall cater to the existing 7 KW load and boiler shall be installed with 50 TPH steam generation @ 100Kg/Cm². Out of 50TPH capacity boiler 20 Tonnes of steam shall be used in process after passing through the turbine where the electrical energy is already yielded. The steam cost gets nullified except to the extent the fuel burnt to superheat the steam.

Subsidiary Company

The Company has the wholly owned subsidiary M/s Chempharma Private Limited incorporated in Sri Lanka. A copy of Balance Sheet, a copy of Profit & Loss Account, a copy of Directors' Report and a copy of Auditors' report of its subsidiary company is attached. However, the statement pursuant to Sections 212 of the Companies Act, 1956 in respect of the subsidiary is given below:

Name of Subsidiary	M/s Chempharma Private Limited
Financial Year of subsidiary ended on	31st March, 2006

Date from which it become subsidiary 18th October, 2002

Shares of subsidiary held by the Company as on 31.03.2006:

- | | |
|------------------------|-----------------------------------|
| a. Number & Face Value | 9,614,165 shares of Rs. 10/- each |
| b. Extent of Holding | 100% |

The net aggregate amount of subsidiary company's Profit (Loss) so far as it concerns the members of holding company

- | | |
|---|--------------------|
| a. Not dealt with in holding company's accounts | |
| i. For the financial year ended 31.03.2006 | Rs. 73/- |
| ii. Upto previous financial years of the subsidiary company | Rs. 32/- |
| b. Dealt with in holding company's accounts | |
| i. For the financial year ended 31.03.2006 - | Rs. 34,35,12,696/- |
| ii. Upto previous financial years of the subsidiary company | Rs. 10,07,72,182/- |

Consolidated Financial Results

As required under the Listing Agreement with the Stock Exchanges a Consolidated Financial Statements of the Company are attached. The consolidated financial statements include the financial statements of Nectar Lifesciences Limited the parent company, its subsidiary company Chempharma (Private) Limited, Sri Lanka and Narbada Industries, Jammu in which company is a

major partner. Further the Balance Sheet of M/s Narbada Industries alongwith relevant schedules is also attached.

Dividend

During the current Financial Year the Company has declared an Interim Dividend @ 10% on the equity shares of the company. In view of the ongoing expansion and diversification projects, your directors are not recommending any more dividends for the financial year 2005-06 and the interim dividend so declared may be treated as final dividend.

Directors

During the year, Mr. Rajesh Garg resigned from the Board on 05th December, 2005. The Board while accepting resignation of Mr. Rajesh Garg, recorded with appreciation his contribution during his tenure on the Board.

Further, on 05th December, 2005 Mr. Aryan Goyal has been appointed as Additional Director and vacates his office at the ensuing Annual General Meeting. However, the company has received a notice under section 257 of the Companies Act, 1956, from a member signifying his intention to propose the candidature of Mr. Aryan Goyal as a regular director of the company. Further, Mr. Aryan Goyal has also been appointed as an Executive Director, subject to the approval of shareholders in their General Meeting. Thus, your directors recommend his appointment as a regular as well as Executive Director.

Mrs. Raman Goyal retires by rotation and being eligible, offers herself for re-appointment. The Board recommends her re-appointment.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, your Directors confirm:

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made Judgement and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the year under review;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2006 on a 'going concern' basis.

NECTAR LIFESCIENCES LIMITED**Auditors**

The members may please note that the firm of Statutory Auditors of the Company i.e. M/s Bansal Mittal & Co., Chartered Accountants has been merged with M/s Datta Singla & Co., Chartered Accountants w.e.f. 1st January, 2006, and hence by virtue of that merger, all assignments of erstwhile M/s Bansal Mittal & Co. had become the assignments of M/s Datta Singla & Co., Chartered Accountants.

Therefore, M/s Datta Singla & Co., Chartered Accountants, Statutory Auditors of the company retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

The Audit Committee of the Board recommends their re-appointment as Auditors.

Auditors' Report

Observations made in the auditors report are self explanatory and therefore do not call for any further comments.

Energy, Technology And Foreign Exchange

Information required under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 with respect to conversation of energy, technology absorption and foreign earnings and outgo is given in Annexure I and forms part of this report.

Personnel

Information pursuant to section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, forms part of the report. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956 the report and accounts are being sent to the share holders excluding statement of particulars of employees under section 217(2A) of the Act. Any shareholder interested in obtaining the copy of the said statement, may write to Secretarial Department at the corporate office of the company.

The company enjoyed cordial relations with its employees at all levels.

Fixed Deposits

During the year under report, your company did not accept any deposits from the Public in terms the provisions of Sections 58A and 58AA of the Companies Act, 1956.

Corporate Governance

The company has aimed to conduct its affairs in an ethical manner. A separate report on corporate governance forms a part of the Annual Report. A certificate from the Auditors of the Company regarding the Compliance of Conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is given in Annexure II.

Management Discussion And Analysis Report

Management Discussion and Analysis of Financial Condition and Result of Operations of the Company for the financial year 2005-06 as required under the Clause 49 of the Listing Agreement with the Stock Exchanges, is given as separate statement in the Annual Report.

Acknowledgement

Your directors would like to express their grateful appreciation for the assistance and co-operation received from Bankers and Government Authorities and also thank the shareholders for the confidence reposed by them in the Company and look forward to their valuable support for the future plans of the company.

Your directors also thank its agents and medical professionals and other customers for their continued patronage to the Company's products.

For and on Behalf of the Board of Directors of
Nectar Life Sciences Limited

Sd/-

Place: Chandigarh

Date: 27.07.2006

(SANJIV GOYAL)

Chairman & Managing Director



Annexures to Directors' Report

ANNEXURE I

STATEMENT OF PARTICULARS UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A) Conservation of Energy

a) Energy conservation measures taken:

The Company's operations involve low energy consumption and there are no major areas where energy conservation measures could be considered. However, efforts to conserve and optimise the use of energy, improved operational methods will continue. Training programmes are conducted to increase awareness of conservation of energy among the workforce.

b) Additional investments/ proposals, if any, for the reduction of energy consumption:

Continuous efforts are being made to further reduce expenditure on power and fuel.

c) Impact of measures taken and impact on cost of production of goods:

The energy conservation measures, indicated above, have resulted in the considerable reduction in energy cost thereby reducing the cost of production.

d) Total energy consumption and energy consumption per unit of production:

Form - A

Form for disclosure of particulars with respect to conservation of energy

A. Power & Fuel Consumption	2005-06	2004-05
1. Electricity		
(a) Purchased		
Unit	7388030	7327183
Total Amount (Rs.)	31793606	27739450
Rate / Unit (Rs.)	4.30	3.79
(b) Own generation		
(i) Through diesel generator		
Unit	4116682	4928464
Total Amount (Rs.)	26017431	25923722
Rate / Unit (Rs.)	6.32	5.26
(ii) Through stream turbine/generator		
Unit	-	-
Total Amount (Rs.)	-	-
Rate / Unit (Rs.)	-	-
2. Coal		
Quantity (tones)	-	-
Total Cots (Rs.)	-	-
Average Rate (Rs.)	-	-
3. Furnace Oil		
Quantity (MT)	2191	1498
Total Cots (Rs.)	38094220	18094444
Average Rate (Rs.)	17383.59	12079.07
4. Others/ Internal Generation		
Quantity	-	-
Total Cots (Rs.)	-	-
Average Rate (Rs.)	-	-

B. Consumption Per Unit (MT) of Production	2005-06	2004-05
Electricity (Units)	23872	22463
Coal (MT) -	-	-
Furnace Oil (Liters)	4547	2746
Others/ Internal Generation	-	-

B) Technology Absorption

The information required to be disclosed under Rule 2 aforesaid Rules is given hereunder in Form - B

Form - B

Form for disclosure of particulars with respect to absorption

I) RESEARCH & DEVELOPMENT

1. Specific Areas in which R & D is being carried out by the Company

The main thrust of your company is on Cephalosporin based drugs in keeping pace with the international trend. The Company is focusing on development of newer variants of Cephalosporin's and Non-Antibiotics. We are also undertaking extensive research in the field of non-antibiotics like Cardiovascular, Anti-Histamines and others. Our research & development effort revolves around developing patent free non-infringing processes, achieving process improvements, achieving production cost efficiencies, optimizing raw material sourcing, produce new products, innovate and enhance fermentation and other manufacturing techniques and continually expand our general scientific and engineering capabilities. Our research & development focus enables us to deliver newer products to our customers in a cost effective and timely manner.

2. Benefits derived as a result of the above R & D.

Pursuant to the Research and Development Activities of the Company, it has been able to develop and launch new products in the market. The main products developed and products launched during the year are Atorvastatin, Cefalothin, Cefdinir, Cefprozil and Clythromycin.

During the year, the Company has made the improvements in solvent recovery plant for recovery of various chemicals and solvents which has reduced the cost of production.

3. Future Plan of Action

Research & Development forms an integral part of the pharmaceutical industry. Your Company has research & development set-up at the existing facility at Derabassi. In view of the various expansion projects undertaken, focus on entering the value added pharmaceutical segment and to compete effectively

we are in the process of setting up a modern Research & Development Centre. The detail is given in projects under implementation elsewhere in this report.

Further, the in-process quality control is already built in current and proposed expansion and we are in the process of setting up the Corporate Quality Control Centre. This proposed Quality Control centre will also go a long way in getting the US FDA approval. The total cost of this centre is around Rs. 100 Million.

4. Expenditure on R & D

Total R & D expenditure as a percentage of total turnover 3.88%.

II) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief made towards technology, absorption, adaptation and innovation.
 - The developed technologies and the process were used to manufacture APIs for commercial purpose for domestic as well as export markets.
2. Benefits derived as a result of above efforts e.g. product improvement, cost reduction, product development etc.
 - New products have been launched for regular commercial production, which have broadened the product range of the Company leading the organisation to the stage of a research-based organisation.
3. Information in case of imported technology (Imports during last five years).
 - Not applicable

C) Foreign Exchange Earnings And Outgo

1. During the year the company has exported its products namely Ampicillin Sodium Sterile, Cloxacillin Sodium Sterile and Amoxycillin Trihydrate, Cefixime Trihydrate, Cefotaxime Sodium Sterile, Ceftriaxone Sodium Sterile, Cefazolin Sodium Sterile to Singapore, Taiwan, Germany, Nigeria & HongKong etc. The company is further making efforts to export new products in the new markets and in the current year the company further expects better its export sales.
2.

a) Foreign Exchange Earnings during the financial year 2005-06	Rs. 4687.27 lacs
b) Foreign Exchange Outgo during the financial year 2005-06	Rs. 16151.70 lacs

ANNEXURE II

AUDITOR'S REPORT ON CORPORATE GOVERNANCE

The Members

M/s Nectar Lifesciences Limited

Chandigarh.

We have examined the compliance of conditions of Corporate Governance by M/s Nectar Lifesciences Limited for the year ended 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said company, with Stock Exchanges(s).

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to explanations given to us by the Directors and the Management, we certify that the company has complied with the conditions of corporate governance as stipulated in the Listing Agreement.

Based on the records maintained & certified by the Secretary of the company, there are no investor grievances pending against the company for a period exceeding one month.

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

For Datta Singla & Co.
Chartered Accountants

Sd/-

Mukul Bansal

Partner

Membership no. 84281

Date: 27.07.2006

Place: Chandigarh