

12th

Annual Report

2006-07

Report  Junction.com



NecLife

NECTAR LIFESCIENCES LIMITED

Board of Directors

1. Sh. Sanjiv Goyal : Chairman & Managing Director
 2. Dr. S.P. Singh : Independent Director
 3. Sh. Basant Kumar Goswami, : Independent Director
I.A.S. (Retd.)
 4. Sh. Vijay J. Shah : Independent Director
 5. Smt. Raman Goyal : Wholetime Director
 6. Sh. Aryan Goyal : Executive Director
-
1. Vice President (Finance) : Sh. Sandeep Goel
 2. Company Secretary : Sh. Sunder Lal
 3. Auditors : Datta Singla & Co., Chartered Accountants
SCO No. 2935 -36, 1st Floor, Sector 22-C, Chandigarh
 4. Bankers : I. Punjab National Bank, Sector 16D, Chandigarh
II. State Bank of India, Specialised Commercial Branch,
Sector 17B, Chandigarh
III. Vijaya Bank, Barakhamba Road, New Delhi.
 5. Registered Office : Village Saidpura, Tehsil Derabassi, Distt. Mohali
(Punjab) India.
Ph: 01762 - 308000, 308001, Fax: 01762 - 281187
 6. 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>
 7. Head Office : #1596, Bhaigrath Place, Chandni Chowk, Delhi - 48.
Ph: 011-23866341, 23869202-03, Fax: 011-23866341
 8. Plant Locations: (existing) : I. Nectar Lifesciences Limited - Unit I
Village: Saidpura, Tehsil: Derabassi, Distt. Mohali (Punjab)
II. Nectar Lifesciences Limited - Unit II
Village: Saidpura, Tehsil: Derabassi, Distt. Mohali (Punjab)
III. Empty Hard Gelatin Capsule Unit
Village Bhatoli Kalan, Pargana Dharmapur,
Tehsil Nalagarh, Distt. Solan, (Himachal Pradesh)
IV. Formulation Unit
Village Bhatoli Kalan, Pargana Dharmapur,
Tehsil Nalagarh, Distt. Solan, (Himachal Pradesh)
V. Narbada Industries
Plot No. 2, Lane No. 4, Phase II,
SIDCO INDUSTRIAL COMPLEX
Bari Brahmana, Jammu (J & K)
 9. Registrar and Share Transfer : Karvy Computershare Private Limited,
Agent of the Company Unit: Nectar Lifesciences Limited
Karvy House, 46, Avenue 4, Street no. 1, Banjara Hills,
Hyderabad - 500 034.
Tel: (91-40) 23114058, Fax: (91-40) 23311968.

CONTENTS

| | |
|----------------------------------|----|
| Chairman Statements | 1 |
| Notice | 2 |
| Directors' Report | 7 |
| Corporate Governance Report | 14 |
| Management Discussion & Analysis | 21 |
| Auditors' Report | 25 |
| Balance Sheet | 28 |
| Profit & Loss Account | 29 |
| Schedules | 30 |
| Notes on Accounts | 36 |
| Cash Flow Statements | 41 |
| Balance Sheet Abstract | 42 |
| Consolidated Account Statements | 43 |
| Accounts of Chempharma Pvt. Ltd. | 58 |
| Accounts of Narbada Industries | 67 |

From the desk of chairman

Dear Shareholders.

I am delighted to inform you that your company, in line with our objectives, has yet again recorded very consistent and vibrant performance during the financial year 2006-07. During the year 2006-07, your company achieved sales turnover of Rs. 46518.14 Lacs registering 62.61% increase over the previous year (Rs. 28606.85 lacs). Income before interest and depreciation increased to Rs. 9139.65 lacs registering 89.59% increase over the previous year (Rs. 4820.81 lacs). The net profit increased to Rs. 4835.82 lacs registering 89.27% increase over the previous year (Rs 2555.01 lacs). Your Directors expect a consistent growth in company's performance in the years to come.

The most remarkable feature of the performance of your company has been the quality of our performance particularly in exports. During the previous year, distribution of sales was 67% domestic and 33% exports. This year exports have upsurged to 45% with domestic at 55%. We expect this trend to further accelerate more towards exports with an estimated 60:40 split between exports & domestic in the next financial year.

As a part of one of the fastest growing economies of the world i.e. India, our aspirations and aim is to be in sync & contribute that very little but significant part to India's increasing global presence besides catering to one of most robust domestic consuming market of the world.

One of the most significant aspect of this year has been marked improvement in performance of your company through ongoing expansion of the global business which includes presence in both the regulated markets like US, Europe & the most happening BRIC (Brazil, Russia, India & China) markets besides 35 other geographies of the world.

This rapid growth of your company is greatly attributed to a tremendous amount of cohesion between the management team as well as dedication and exemplary hard work put in by a highly skilled team of officers/executives, work force and other stakeholders of the company. In the lifesciences segment, where India is a very significant player globally, it is extremely essential and important to be a highly integrated player to not only survive in highly competitive environment but also to continue to register a sustainable growth as your company has done over the last few years. In this respect, your company is optimally integrated backwardly through the active pharmaceuticals ingredients segment particularly Cephalosporins which is the biggest segment of antibiotics/anti bacterials part of pharmaceuticals the world over.

In terms of forward integration our plant at Baddi in Himachal Pradesh, India for Finished Dossage Forms (FDF) has already gone on stream. This is a state of the art FDF facility which is comprehensively compliant with the highly stringent requirements of regulatory bodies like US FDA, EDQM, MHRA, MCC, TGA etc to name a few. It has global capacities for both Orals & Steriles forms and it is to the credit of a highly motivated team in your company

which has put together an excellent global sized facility in place in record time. This facility strategically positions your company in the CRAMS (Compact Research & Manufacturing Services) segment of Lifesciences in which India has registered the highest segmental growth in Lifesciences industry.

Additionally as part of the horizontal expansion, your company has also set up Empty Hard Gelatin Capsules (EHGC) Facility in Baddi which also is one of the most modern and technologically advanced facility. This unit will be the only EHGC unit in Baddi catering captively to practically all major Indian pharma units which are located in and around Baddi, Paonta Saahib, Uttaranchal & other tax exempted zones. The unit has been already operationalised. We expect to expand this unit also to global scale with an eye on the highly lucrative exports market.

As a part of our highly successful innovative diversification strategy, your company has emerged as one of the leading global players in phytochemicals & herbal products for Menthol Crystals, Flakes and various derivatives. Within a very short time in this financial year and in the next financial year you will appreciate extremely good and robust contributions from this very important and critical sector, which in a way is also related to pharmaceuticals. Your company is enhancing the capacities of phyto-chemicals to global levels which will contribute significantly to both the top and bottomline of the company in the coming years.

I take this opportunity to record my gratitude and appreciate tremendous work put in by one & all of your company right from the worker to the top management for their dedication and highly value added contributions which has collectively led to this robust performance of your company. I am confident that all the stakeholders of the company will continue to register even better performance in the forthcoming eventful year 2007-08 when we can come back to you with even better performance than this financial year.

I also take this opportunity to thank all other strategic stakeholders like the financial institutions, investors, our bankers and others without whose help and continued support we would not be able to do what we have done. I am absolutely reassured and confident that we will not only continue to get this support from them but even exceed your expectations so as to enable the company to continue to perform even better.

With Warm Regards
Yours Sincerely,

Place: Chandigarh
Date: 03.09.2007

SANJIV GOYAL
Chairman & Managing Director

Notice

NOTICE OF 12TH ANNUAL GENERAL MEETING

Notice is hereby given that the 12th Annual General Meeting of the members of Nectar Lifesciences Limited will be held on Friday, the 28th day of September, 2007 at the registered office and works of the company at Village Saidpura, Tehsil Derabassi, Distt. S.A.S. Nagar (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, 2007 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 declare Final Dividend @20% i.e. Rs. 2/- per equity share for the financial year ended on 31.03.2007.
3. To appoint a Director in place of Sh. Vijay J. Shah who retires by rotation and being eligible, offers himself 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 Sh. Basant Kumar Goswami, I.A.S. (Retd.) 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 be liable to retire by rotation."

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

"RESOLVED THAT Smt. Raman 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 her candidature for the office of director, be and is hereby appointed as a director of the company, who will be liable to retire by rotation."

7. 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 read with Schedule XIII 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") and pursuant to the provisions of Memorandum and Articles of Association of the Company, the consent of the Members be and is hereby accorded to appoint Smt. Raman Goyal as a Wholtime Director of the Company for a period of five years w.e.f. 01.09.2007 on the following remuneration:

- a) **Salary:** Rs.1,00,000/- (Rupees One Lacs 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:** She 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 lacs per annum.

FURTHER RESOLVED THAT in addition to the perquisites referred to above, she 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.

FURTHER RESOLVED 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."

8. 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, and pursuant to the provisions of Memorandum and Articles of Association of the Company the consent of the Members be and is hereby accorded to the revision of remuneration of Sh. Sanjiv Goyal, Managing Director of the company w.e.f. 1st November, 2006 till the end of his tenure i.e. 31.05.2007 on the terms and conditions including remuneration as are set out hereinbelow:

- a) **Salary:** Rs.3,75,000/- (Rupees Three Lacs Seventy Five Thousand only) per month.
- b) **Commission/ Performance Linked Incentive of Bonus:** Not exceeding 2% of the net profit of the company in any financial year but has not exceeded the amount equivalent to the salary for the relevant period. Commission has been paid every month on pro-rata basis.
- c) **Perquisites:** He has been 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.10.00 lacs per annum.

FURTHER RESOLVED THAT in addition to the perquisites referred to above, he was eligible to the following perquisites which were not 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."

9. 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 read with Schedule XIII 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") and pursuant to the provisions of Memorandum and Articles of Association of the Company, the consent of the Members be and is hereby accorded to the re-appointment of Sh. Sanjiv Goyal as the Chairman & Managing Director of the company for a period of five years w.e.f. 1st day of June, 2007 on the terms and conditions including remuneration as are set out here in below:

- a) **Salary:** Rs.3,75,000/- (Rupees Three Lacs Seventy Five Thousand only) per month plus an annual increment of Rs. 25,000/- or such other increment as may be decided by the Board of Directors from time to time.
- b) **Commission/ Performance Linked Incentive of Bonus:** Not exceeding 2% of the net profit of the company in any financial year but shall not exceed the amount equivalent to the salary for the relevant period. Commission may be payable pro-rata on a monthly basis.
- c) **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.10.00 lacs per annum.

FURTHER RESOLVED 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.

FURTHER RESOLVED 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.

FURTHER RESOLVED THAT Sh. Sanjiv Goyal shall have all the requisite powers and authority to enable him to manage the company on a day to day basis."

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

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956, the Articles of Association of the company be and is hereby altered by substituting the following article for the existing articles no. 179:

Article 179: Subject to the provisions relating to the issue of share certificates, every Deed or other instrument to which the seal of the company is required to be affixed, shall unless the same is executed by a duly constituted attorney of the Company, be signed by a any Director or by the Secretary, provided nevertheless that certificates of debentures may be signed by one Director only or by the Secretary of the Company or by an attorney of the company duly authorised in this behalf and certificates of share shall be signed as provided in Article 16.

By order of the Board of Directors
of Nectar Lifesciences Limited

Sd/-

Date: 03.09.2007

(Sunder Lal)

Place: Chandigarh

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 20th September, 2007 to 28th September, 2007 (Both days inclusive) for payment of dividend on equity shares. In respect of shares held in Electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the

Depositories for this purpose.

5. Dividend on equity shares as recommended by the Directors for the year ended 31st March 2007, if declared, will be paid to those members whose names stand registered in the register of members as on 19th September, 2007 and the dividend will be paid by 27th October, 2007.
6. Reserve Bank of India has introduced Electronic Clearing Service (ECS) for facilitating crediting of dividend directly to the shareholder's bank account. This facility eliminates loss of dividend warrants sent by post due to pilferage in transit, delay in receipt of dividend warrants and ensures quick credit of the dividend. Members holding shares in dematerialised form are requested to notify / update their ECS details to / with their respective Depository Participants. However, the Members holding shares in physical form may notify the same to the Registrar and Share Transfer Agent of the Company.
7. Members holding shares in dematerialised form are requested to ensure that addresses furnished by them to their respective Depository Participants are correct and up-to-date, so that the correspondence from company could reach them promptly. However, the Members holding shares in physical form may notify the same to the Registrar and Share Transfer Agent of the Company.
8. 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.
9. Members may please note that no gifts shall be distributed at the meeting.
10. 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.
11. All documents referred to in the Notice and accompanying explanatory statement are open for inspection at the registered office of the company during business hours on all working days upto the conclusion of Annual General Meeting.

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

ITEM NO. 3

Sh. Vijay J. Shah aged 44 years is a holder of Bachelors Degree in

Commerce and Diploma in Business Administration. He has rich experience in managing the affairs of the corporate entities and financial matters. He is presently director of Stallion Laboratories Private Limited and Endurance Healthcare Limited.

Sh. Vijay J. Shah does not hold any Equity Share in the Company.

None of the Directors, except Sh. Vijay J. Shah being himself the appointee, is concerned or interested in the Resolution.

ITEM NO. 5

Sh. Basant Kumar Goswami was appointed as an additional director by the Board in its meeting held on 28th April, 2007. According to the provisions of section 260 of the Companies Act, 1956, he holds that office upto the date of ensuing Annual General 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.

Sh. Basant Kumar Goswami, aged 72 years, is holder of Masters Degree in English and secured First position in Punjab University. He joined the Indian Administrative Services in 1960 and held various positions in the government departments at various levels including the management of public sector undertakings. Some of the positions held during his tenure of service are as under:

1. Deputy Commissioner/District Magistrate Garhwal, Nainital, Allahabad & Delhi.
2. Deputy Secretary-cum-Additional Commissioner Uttarakhand in U.P. Secretariat from 1967-1970.
3. Director, Tea Promotion, Sydney (Australia) for about 4 years.
4. Chairman, Tea Board of India for over five years.
5. Commissioner Meerut Division (U.P.) for about three years.
6. Chief Secretary, Government of Jammu & Kashmir (1986-87).
7. Director General Tourism, Government of India.
8. Secretary Department of Civil Supplies, Public Distribution and Consumer Affairs, Government of India.
9. Secretary Tourism, Government of India.
10. Advisor to the Governor of UP (1993) -held portfolio of "Power" besides some other departments.
11. Chairman Task Force on Tourism constituted by the Government of Kerala in 1994-95.
12. Advisor to the Governor of Jammu & Kashmir (1994-96)-was in-charge of Power, Industries, Agriculture Irrigation and Law portfolios.
13. Chief Co-ordinator of SDR (Special Development Report) in

respect of the State of Jammu & Kashmir commissioned by Planning Commission of India (2002-03).

He has secured the following awards:

1. Received the "Hall of Fame Award" instituted by the Indian Association of Tour Operators (1995).
2. Received Lifetime Achievement Award from Union Tourism Minister Smt. Ambika Soni on 19th August 2006.

He is also involved in various social activities such as:

1. Chairman, Ajeevika, an NGO which works among slum dwellers, rag pickers and street vendors of Delhi.
2. Trustee Mata Vaishno Devi Shrine Board for over ten years.
3. On the Governing Board of Amity International School, New Delhi.
4. Chairman Governing Board Deshbandhu College, New Delhi.

Sh. Goswami also holds the directorship on the Board of following Companies:

1. Jaiprakash Power Ventures Ltd.
2. Jaiprakash Associates Ltd.
3. Taj Kerala & Resorts Ltd. Cochin
4. Quest Venture Co-ordinators (P) Ltd.
5. Global Trust Capital Finance Ltd.
6. Mata Securities (P) Ltd.
7. Great India Aviation Ltd.
8. New Kennilworth Hotels Ltd.
9. Unisons Hotels Ltd.
10. American Hotels & Restaurants (P) Ltd.
11. L.H. Sugar Factories Ltd.
12. Blue Coast Hotels
13. Heritage North East
14. Seabuckthorn Indage Group
15. B & Multiwall Packaging Ltd.

Sh. Basant Kumar Goswami does not hold any Equity Share in the Company.

None of the Directors, except Sh. Basant Kumar Goswami being himself the appointee, are concerned or interested in the Resolution.

ITEM NO. 6

Smt. Raman Goyal was appointed as Director of the Nectar Lifesciences Limited on 4 June 1999 and has been appointed as Wholtime director of the Company in July, 2004. She resigned from the office of director on 26.03.2007 and ispo facto ceased to

be the Wholtime Director from that date. However, she was appointed again as an additional director by the Board in its meeting held on 30th July, 2007. According to the provisions of section 260 of the Companies Act, 1956, she holds that office upto the date of ensuing Annual General Meeting. As required by section 257 of the Act, a notice has been received from a member signifying his intention to propose her appointment as a Director, along with a deposit of rupees five hundred.

Smt. Raman Goyal, 45, is a promoter of the Company and wife of Sh. Sanjiv Goyal. In 1990, she founded Kala Elastics, a textiles firm. Smt. Raman Goyal was a Director in Surya Pharmaceutical Limited from 1992 until 1997 and has been appointed as a Director of the Nectar Lifesciences Limited on 4 June 1999. Further, she has been appointed as Wholtime director of the Company in July, 2004 and hold the same office upto 26.03.2007.

Smt. Raman Goyal holds 2158400 Equity Shares in the Company representing 14.50% of the total equity share paid up capital. She also holds the directorship in M/s Nectar Lifestyles Limited.

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

ITEM NO. 7

As stated above Smt. Raman Goyal has resigned from the office of director on 26.03.2007 and ispo facto ceased to be the Wholtime Director from that date. Keeping in view the requirement to manage day to day affairs of the company and to provide assistance to the Managing Director, the Board of Directors of the Company in their meeting held on 03.09.2007 have again appointed Smt. Raman Goyal as a Wholtime Director, subject to the approval of shareholders in their General Meeting. Members are requested to consider and approve her 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.

This explanatory statement together with the accompanying notice is to be regarded as an abstract of the terms of the agreement and memorandum of concern or interest under section 302 of the Companies Act, 1956.

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

ITEM NO. 8

The Members may please note that Sh. Sanjiv Goyal has been

appointed as a Managing Director of the company from 01.06.2002 on a monthly remuneration of Rs. 1,00,000/- per month with annual increment of Rs. 10,000/- per year. Besides he was also entitled to commission not exceeding 1% of the net profit of the company in any financial year but shall not exceed the amount equivalent to the salary for the relevant period. He was also entitled to some perquisites to the extent of Rs. 2 Lacs per annum. Considering the prevailing industry scenario and the performance of the company the Board of Directors has revised the remuneration of Sh. Sanjiv Goyal, Managing Director w.e.f. 01.11.2006 to the end of his tenure i.e. upto 31.05.2007 as embodied in the resolution.

Members are requested to approve and ratify the revised remuneration of Sh. Sanjiv Goyal as embodied in the resolution, from 01.11.2006 to the end of his tenure i.e. upto 31.05.2007.

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

ITEM NO. 9

As stated above, Sh. Sanjiv Goyal has been appointed as a Managing Director of the company w.e.f. 01.06.2002 for a period of 5 years. As a result, his tenure as a Managing Director has expired on 31.05.2007. Therefore, based on the recommendation of the remuneration cum compensation Committee, the Board of Directors vide resolution dated 31st May, 2007, has decided to re-appoint Sh. Sanjiv Goyal as Chairman and Managing Director of the Company for a period of 5 years with effect from 01.06.2007 on the terms and conditions as set out in the proposed resolution, subject to the approval of the members.

Sh. Sanjiv Goyal, aged 47 years, is commerce and law graduate. Sh. Sanjiv Goyal started his career by setting up a proprietary concern by the name M/S Surya Narrow fabrics in Chandigarh in 1987. Sh. Sanjiv Goyal established M/s Nectar Lifesciences Limited in 1995 and has been the managing director ever since. The company became fully operational in April 1997. Sh. Sanjiv Goyal was conferred with the "Young Innovative Entrepreneur of the Year-2000" Award (an LMA Trident Award) by the Ludhiana Management Association (Affiliation to the All India Management Association).

Sh. Sanjiv Goyal is also a Director on the Board of M/s Nectar Lifestyles Limited and M/s Chempharma Private Limited.

Sh. Sanjiv Goyal holds 75,45,264 Equity Shares in the company representing 50.68% of the total equity share paid up capital of the company.

Members are requested to consider and approve his appointment



Directors' report

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.

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

ITEM NO. 10

Members may please also note that, as per existing articles 179 of the Articles of Association, the common seal of the company shall be affixed on any deed (other than the shares or debenture certificate) under the signature of Managing Director or two directors. The Board of Directors feels that some times the non availability of Managing Director and two directors at the same time may cause delay to the execution of documents and consequently delay in important matters. Therefore, it is proposed to amend the articles no. 179 so that common seal can be affixed on any deed (other than the shares or debenture certificate) under the signature of any director or secretary.

Members are requested to consider and approve the alteration in articles of associations of the company as embodied in the resolution by amending the article 179 regarding the execution of deeds under the seal of the company.

None of the directors are concerned or interested in the Resolution.

BY THE ORDER OF THE BOARD OF DIRECTORS
OF NECTAR LIFESCIENCES LIMITED

PLACE: CHANDIGARH
DATED: 03.09.2007

Sd/-
(SUNDER LAL)
COMPANY SECRETARY

Dear Members,

Your Directors have pleasure in presenting the 12th Annual report together with the Audited Accounts of the Company for the financial year ended 31st March, 2007.

| FINANCIAL RESULTS | (Rs. in lacs) | |
|--|---------------------|---------------------|
| | As on 31.03.2007 | As on 31.03.2006 |
| Sales & Other Income | 48734.17 | 31046.64 |
| Profit before interest and depreciation | 9139.65 | 4820.81 |
| Interest | 1869.84 | 811.63 |
| Depreciation | 1044.48 | 735.74 |
| Profit before tax | 6225.33 | 3273.44 |
| Provision for tax | 646.07 | 465.13 |
| Provision for deferred Tax | 733.64 | 245.30 |
| Provision for FBT | 9.80 | 8.00 |
| Profit after tax available for appropriation | 4835.82 | 2555.01 |
| Appropriations | | |
| Income Tax relating to earlier years | (154.29) | 48.61 |
| MAT Credit entitlement | (634.63) | - |
| Interim Dividend | - | 148.87 |
| Final Dividend (Proposed) | 297.73 | - |
| Tax on distributed profit | 50.60 | 20.88 |
| Transfer to General reserve | 570.00 | - |
| Balance c/f to balance sheet | 4706.42 | 2336.65 |

OPERATIONS

During the year 2006-07, your company achieved sales turnover & other income of Rs. 48734.17 Lacs registering 56.97% increase over the previous year (Rs. 31046.64 lacs). Income before interest and depreciation increased to Rs. 9139.65 lacs registering 89.59% increase over the previous year (Rs. 4820.81 lacs). The net profit increased to Rs. 4835.82 lacs registering 89.27% increase over the previous year (Rs 2555.01 lacs). Your Directors expect a consistent growth in company's performance in the years to come.

1. API Facilities

The Company's principal production facility is located at Unit I in Derabassi, Punjab, India and produces oral and sterile forms of SSPs and cephalosporins. The project is expanded at Unit II, which is close to the existing production facility.

The Company is a recognized "Export House" by the Indian

Director General of Foreign Trade. Nectar Lifesciences has received WHO GMP certification from the State Drugs Controlling Authority, Directorate of Health and Family Welfare, Punjab for its products. Company has filed Drug Master File for two of its Oral Cephalosporin Active Ingredient both with US-FDA (US Food & Drug Administration) and EDQM (European Directorate of Quality & Medicines). After these filing company expects to get inspected by the concerned authorities for further approvals and business initiation in regulated market. The company is also planning to file more DMFs in due course of time.

2. Phyto Chemicals / Herbal Products

At unit II, the company has established a state of art Mint Derivatives Plant initiating its business activity into the phytochemicals arena. The company has the wide range of products like Menthol crystals (BP/USP/IP/JP) Distilled Menthol Oil (all grades), Peppermint Oil, Dementholised Peppermint Oil, Liquid Menthol, Menthol Flakes/Powder, Terpenes, Menthones, Menthyl Acetate, Menthyl Lactate and many others are on anvil.

The company had also set up a Menthol Flakes facilities at SIDCO Industrial Complex, Jammu to add on the requisite business activity with all the locational benefits to Industry in J&K.

3. Empty Hard Gelatin Capsule

The company has also established a Empty Hard Gelatin Capsule unit at Baddi, Himachal Pradesh referred as Unit VII which has commenced production w.e.f. April, 2007. Nectar's two-piece double lock gelatin capsules, manufactured under GMP standards and ISO 9002 guidelines; are BSE-Free and contain no sulfites. Due to their neutral taste and ease of swallowing, capsules are the preferred dosage form and have the following characteristics:

- Easy fill design for use on high speed, semiautomatic and manually operated machines;
- No risk of the B.S.E. (Bovine spongiform encephalopathy) virus (mad cow disease);
- Available in a variety of colors, with or without printing;
- Printing options like Linear, Circular, Spiral, Single Color, Double Color, oriented and Non-Oriented can be offered.
- 5 year shelf life
- Manufactured with pharmaceutical grade gelatin

- Ethylene oxide free
- Sulfite free
- Sodium free
- GMP manufactured
- ISO 9002 certified
- FDA approved

4. Finished Dosage Facilities

In pursuance to its philosophy of being a complementing partner to leading companies world wide and to aid them in achieving high performance growth the Company has set up a Formulation Unit at Baddi, Himachal Pradesh referred as Unit No. VI where it is now offering specialized & high quality Finished Dosage Forms from a dedicated, USFDA Compliant Sterile and Oral facility for Win-Win tie-ups. The Unit started production from April, 2007.

Aimed at the advanced markets of US, Europe and other Regulated Markets, the green field facility is set up in 600 square meter site at Baddi, Himachal Pradesh, which latest and sophisticated equipment to produce & deliver products of high and consistent quality adhering to stringent systems and processes tuned for regulatory compliance. This highly specialized operation is handled by experienced & high performance team.

The installed production capacities for various Cephalosporin dosage forms are as under:

Tablets (coated /uncoated) - 150 million*

Capsules (Hard shell) - 150 million *

Dry Oral Suspension (bottles) - 15 million *

Injectables (vials and amps) - 30 million *

* Capacity per annum considering single shift per day

Benefits - Since Nectar also manufactures High Quality APIs in GMP compliant facilities, it can offer end to end solutions for pharmaceutical requirements. NecLife has considerable expertise in the manufacture of finished product for a variety of Sterile and Oral APIs. These services are provided at the clinical or commercial scale under full cGMP, and can be combined with its bulk API manufacturing capabilities to provide one stop shopping for our customers.

5. Captive Power Plant

The company has also put up an AGRO-BASED Captive Power