Continuing journey for

Excellence & Sustainability

Disclaimer

In this annual report, we have disclosed forward-looking information to help investors comprehend our prospects and take informed investment decisions. This report is based on certain forward-looking statements that we periodically make to anticipate results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Notice

NECTAR LIFESCIENCES LIMITED

Registered Office: Village Saidpura, Tehsil Derabassi, Distt. S.A.S. Nagar (Mohali) Punjab

Notice is hereby given that the 15th Annual General Meeting of the members of Nectar Lifesciences Limited will be held on Wednesday, the 29th day of September, 2010 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 March 31, 2010 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. 0.25 per share, as declared by the Board of Directors as on 15.01.2010.
3. To appoint a Director in place of Mr. 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:

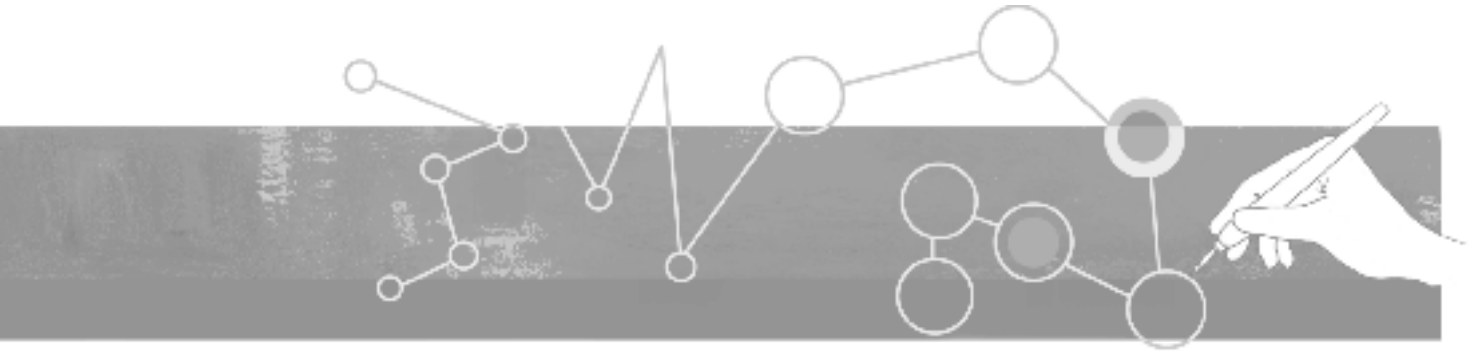
   "RESOLVED THAT Mr. Vivek Sett who was appointed as an additional director of the company by the Board of directors and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the company has received a notice in writing under section 257 proposing his candidature 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 an Ordinary Resolution:

   "RESOLVED THAT Dr. (Maj. Gen.) S. S. Chauhan, VSM 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."
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Mr. Raman Kapur, 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."
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 Mr. Dinesh Dua, Wholetime Director designated Chief Executive Officer & Director of the company as per followings:

   1. With Effect from October 1, 2009 till March 31, 2010 on the terms and conditions including remuneration as are set out hereinbelow:
      a) Salary: Rs. 880,000.00 (Rupees Eight Lac Eighty Thousand only) per month.
      b) He is also entitling to bonus of Rs. 840,000.00 for the financial year 2009-2010.
      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. 1.00 lacs per annum.

2. With Effect from April 1, 2010 till the end of his tenure i.e. 27.11.2013 on the terms and conditions including remuneration as are set out hereinbelow:

   a) Salary: Rs. 966,000.00 (Rupees Nine Lac Sixty Six Thousand only) per month or such other increment as may be decided by the Board of Directors from time to time.

   b) He is also entitling to bonus equivalent to his one month salary in a financial year.

   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. 1.00 lacs per annum.

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."

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 31of the Companies Act, 1956 and other applicable provisions, if any, the Articles of Associations of the company be and are hereby amended in the manner as set out below:

1) In the Article 2

I) After the definition of "the act", the following definitions have been inserted:

"Affiliate"

"Affiliate" means, in relation to any Person, any entity controlled, directly or indirectly, by that Person, any entity that controls, directly or indirectly, that Person, or any entity under common control with that Person or, in the case of a natural person, any Relative (as such term is defined in the Act) of such Person. For the purpose of this definition:

(i) control means the power to direct the management and policies of an entity whether through the ownership of voting capital, through the right to appoint a majority of directors to the board of an entity, by contract or otherwise (and the terms "controlled" and "controlling" shall be construed accordingly unless repugnant to the context), and

(ii) A holding or subsidiary company of any entity shall be deemed to be an Affiliate of that entity

"Agreement"

"Agreement" means the investment agreement dated 19 February 2010 entered into between the Company and the Investor.

"Annual Budget"

"Annual Budget" has the meaning as given to it in Article 210A (i).

II) After the definition of "the Board", the following definition has been inserted:

"Business"

"Business" means and includes manufacturing of bulk drugs Active Pharmaceutical Ingredients, generic pharmaceutical drug formulations, and/or finished dosage forms, empty hard gelatin. Capsules, and/or Phytochemicals (menthol).

III) After the definition of "The Company", the following definitions have been inserted:

"Competitor"

"Competitor" has the meaning as given to it in Article 44A.

"Completion"

"Completion" means the date on which all the Completion activities takes place.

"Completion Date"

"Completion Date" means the date of allotment of Subscription Shares i.e. 20 February 2010.

"Connected Person"

"Connected Person" of the Company means (i) any company under the same management (as defined by the erstwhile Section 370 (1-B) of the Act) as the Company; (ii) any director or key management personnel of the Company or of any of its Subsidiary or any relative (as defined under the Act) of any such director or key management personnel; (iii) the

Promoters or any Affiliate of any of the Promoters;(iv) any listed company in which the Company, the Promoters, or any Affiliate or partner of Promoters or Affiliate is a director or hold/s shares exceeding percentage ten (10 %) of the paid-up equity share capital of such listed company; (v) any company, the board of directors, managing director or manager whereof acts or is accustomed to act in accordance with the directions or instructions of the Board of Directors of the Company, of the Promoters, or of any Affiliate mentioned above; and (vi) all such Persons who have the ability to Control the Company, its Subsidiaries or any directors of the Company or its subsidiaries or exercise significant influence (which means participation in and not necessarily control over) over the Company or its Subsidiaries in making financial or operating decisions; Provided however that in no event shall the Investor, the Investor Director or any of its Affiliates or their respective directors be considered or deemed to be a Connected Person/Concern of the Company.

"Deed of Adherence"

"Deed of Adherence" means the deed of adherence a format of which is set out in Schedule 9 of the Agreement.

"Dilution Instrument"

"Dilution Instrument" means any Equity Shares, or any rights, options, warrants, appreciation rights or instruments entitling the holder to receive any Equity Shares of the Company or any options to purchase or rights to subscribe for Securities by their terms convertible into, or exchangeable for, Equity Shares.

IV) After the definition of "The Dividend", the following definitions have been inserted:

"Encumbrance"

"Encumbrance" means any encumbrance or restriction on transferability including, without limitation, any claim, debenture, mortgage, pledge, charge, hypothecation, lien, deposit by way of security, option or right of pre-emption, beneficial ownership (including usufruct and similar entitlements), public right, common right, any provisional or executional attachment and any other interest held by a third party and the term "Encumber" shall be construed accordingly.

"Equity Shares"

"Equity Shares" means the equity shares of the Company having a par/ nominal value of Re. 1 each.

"Existing FCCBs"

"Existing FCCBs" means the US$ 33,000,000 (United States Dollars Thirty Three Million only) foreign currency convertible bonds issued under the offering circular dated April 20, 2006 and held by Bank of New York, as custodian.

"Fully Diluted Basis"

"Fully Diluted Basis" means the basis for computation of share capital whereby all classes and series of Equity Shares outstanding and all fully paid compulsorily convertible securities/ instruments exchangeable or exercisable into Equity Shares, are assumed to have been so converted, exercised or exchanged.

"Government Approvals"

"Government Approvals" means any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, certificate, exemption, order, registration, declaration, filing, report or notice of, with or to any Government.

"Investor"

"Investor" means NSR Direct PE Mauritius, LLC.

"Investor Consent"

"Investor Consent" means the prior written consent of the Investor or consent of the Investor Director at the meeting of the Board or the consent of the Investor at the meeting of the shareholders on any of the Reserved Matters.

"Investor Director"

"Investor Director" has the meaning given to it in Article 129(1).

"Investor Shares"

"Investor Shares" means the Subscription Shares and any other Equity Shares or Securities convertible into, or exchangeable for, Equity Shares as may be subscribed to from time to time by the Investor or any of its Affiliates.

"Key Promoter"

"Key Promoter" means Mr. Sanjiv Goyal.

"Law"

"Law" includes all statutes, enactments, acts of legislature or parliament, laws, ordinances, rules, bye-laws, regulations, notifications, guidelines, policies, directions, directives and orders of any Government Authority and, if applicable, international (whether bilateral or multi-lateral) treaties, conventions and regulations having the force of law.

"Minimum Stake"

"Minimum Stake" means the shareholding of the Investor and its Affiliates, not less than percentage five (5%) of the paid-up equity share capital of the Company (calculated on a Fully Diluted Basis).

V) After the definition of "month", the following definition has been inserted:

"New GDRs"

"New GDRs" means the new global depository receipts of upto United State Dollar equivalent of

Rs.2,500,000,000 proposed to be issued by the Company".

VI) After the definition of "person", the following definitions have been inserted:

"Promoters"

"Promoters" means Sanjiv Goyal, Raman Goyal, Aryan Goyal, Saurabh Goyal and Sanjiv (HUF).

"Reserved Matter"

"Reserved Matter" shall mean the matters stated in Article 82A.

VII) After the definition of "seal", the following definition has been inserted:

Securities"

"Securities" means and has the meaning given to such term in the Securities Contracts (Regulation) Act, 1956.

"Subscription Shares"

"Subscription Shares" shall mean the 26,000,000 Equity Shares of the Company subscribed to by the Investor under the Agreement.

"Subsidiary"

"Subsidiary" means and has the meaning given to such term in the Act and shall include any subsidiaries incorporated/ set up after the date of the Agreement. For the avoidance of any doubt, Subsidiary shall include any subsidiary incorporated outside India and shall include subsidiaries of such subsidiaries.

"Transfer"

"Transfer" means any transfer by way of sale, any disposal, any assignment and wherever the context may so permit, transfer by way of Encumbrance or lease.

"Undertaking"

"Undertaking" means the Undertaking dated 19 February 2010 from the Promoters to the Investor.

2. In Article 7

After the words 'subject to compliance with of the provisions of' and before the words 'the act' the words and figures '"Section 70" has been amended as "Section 79".

3. In Article 8

After the words as Company in general meeting as aforesaid the provision of the Article 68 the word and figures "and 68A" has been inserted.

4. In Article 19

In clause (d) the word "every director" has been amended as "every Executive director"

5. The article 24 has been replaced with the following new article 24:

Director may extend the time

24 The Directors may from time to time, at their discretion extend the time for the payment of any call, and may extend such time as to payment of call from any of the members who reside at a distance or other cause, the Directors may be deemed entitled to grant such extension but no member shall be entitled to such extension save as a matter of grace and favour.

6. After the Article 44, the following new clause has been inserted:

Transfer of Shares by the Investor

44A (1) The Investor shall not sell the Investor Shares, together with their rights, to any Competitor. For this purpose, "Competitor" shall mean any company, Indian or overseas, which itself or along with one of its Affiliates derives (including, by way of consolidation of accounts), not less than percentage twenty (20%) of its revenues from generic pharmaceutical drug formulations and/or active pharmaceutical ingredient and/or phytochemicals (menthol) and as per the list set out in Schedule 10 of the Agreement.

Provided that nothing in this clause shall restrict any Transfer of shares by the Investor on any Exchange or in the event of the Investor exercising the tag along right in accordance with the Undertaking.

(2) It is hereby clarified that the Investor shall have the right to transfer all the Investor Shares held by it to any Competitor of the Company, subject to the Investor procuring the prior written approval of the Company and the Promoters in that regard.

(3) Subject to compliance with the provisions of sub-clause (1) above, the Investor shall be entitled to Transfer up to all its Investor Shares to any Person whether together with or without the rights and/or obligations of the Investor hereunder and under the Undertaking on signing the Deed of Adherence, provided, however, that the Transfer of rights shall not result in the multiplication of such rights.

(4) Subject to provisions of sub-clause (3) above, the Investor shall be entitled in its absolute discretion to transfer any or all of the Investor Shares in the Company to or for the benefit of its Affiliates so long as such Affiliate is not a Competitor and subject to the Affiliate signing the Deed of Adherence.

(5) Subject to the provisions of (1) and (3) above, the Investor shall have the right, at its discretion, to sell and assign similar rights, including the right to a Board representation, to another

investor or investors provided the incoming investor(s) shall hold a minimum shareholding of percentage ten (10%) of the entire issued share capital of the Company

Promoter Lock-In

44B (1) Except with the prior Investor Consent, Promoters shall not Transfer, during the duration of the Agreement or for two (2) years from the Completion Date, whichever is earlier, any shares, warrants or other Securities convertible into Equity Shares held by them in the Company in any manner whatsoever.

(2) Further, during the duration of the Agreement or for two (2) years from the Completion Date, whichever is earlier, the Promoters shall not Encumber any shares of the Company held by them in the Company, except

(i) for the purposes of raising funds in connection with the Business of the Company; or

(ii) up to percentage twenty (20%) of the Promoters' then aggregate shareholding in the Company can be Encumbered for any other purposes, provided that they hold at least percentage thirty (30%) of the share capital of the Company which shall either be un-Encumbered or Encumbered in accordance with (i) above; or

(iii) with the prior Investor Consent.

The restrictions contained in this Article 44B shall be referred to hereinafter as the "Promoter Lock in".

Promoter's share transfer subject to Investor's right to tag-along

44C (1) Nothing herein shall however restrict the Transfer inter se between the Promoters,

provided that save and except change in shareholding upon conversion of New GDRs and Existing FCCBs, if any, the shareholding of the Key Promoter shall not reduce, for any reason whatsoever, below the proportion of the share capital of the Company held by him in the Company on the date of execution of the Agreement and the Undertaking, provided that the Key Promoter shall be entitled to Transfer his shares in the Company to his immediate family on the condition that (i) the transferee and the Key Promoter both jointly and severally assume all obligations of the “Key Promoter” referred to in the Undertaking and in the Agreement and (ii) the Key Promoter shall, irrespective of his shareholding in the Company be liable for the actions of the transferee;

provided further that the promoter-transferee (including a Key Promoter transferee) (if not a signatory to the Agreement) shall execute a Deed of Adherence agreeing to be bound by the terms of the Agreement.

(2) Notwithstanding Articles 44B and 44C(1), if any Promoter ("Transferor") proposes to Transfer any Equity Shares, the Investor shall be entitled to participate on pro-rata basis in the proposed Transfer, provided however that the Investor shall be entitled to Transfer all the Investor Shares on a priority basis, in the event there is a change of control of the Company as a consequence of, or in connection with, any Transfer of Equity Shares by the Promoters or the Promoters' holding reduces below percentage twenty six (26%) of the then share capital of the Company calculated on a Fully Diluted Basis, in the following manner:

(i) The Transferor shall first give a written notice ("Offer Notice") to the Investor ("Offeree"). The Offer Notice shall state (i) the number of Equity Shares proposed to be Transferred by the Transferor (the "Sale Shares") and the number and class of Equity Shares the Transferor owns at that time on Fully Diluted Basis, (ii) the name and address of the proposed transferee (if any), (iii) the proposed price, including the proposed amount and form of consideration and terms and conditions offered by such proposed transferee, (iv) the estimated date of consummation of the proposed Transfer, (v) a representation that the proposed transferee (if there be any such proposed transferee) has been informed of the "tag-along" rights provided for in these Articles and that the proposed transferee has agreed to purchase all the Equity Shares required to be purchased in accordance with the terms of this clause, and (vi) a representation that no consideration, tangible or intangible (whether as non-compete consideration or otherwise) is being provided to the Transferor that will not be reflected in the price paid to the Investor on exercise of his tag-along rights hereunder. In the event that the proposed consideration for the Transfer includes consideration other than cash, including, non-compete consideration, the Transfer Notice shall include a calculation of the fair market value of such consideration and an explanation of the basis for such calculation. The total value of the consideration for the proposed Transfer is referred to herein as the "Offer Price".

(ii) The Investor shall be entitled to respond to the Offer Notice by serving a written notice (the "Response Notice") on the Transferor prior to the expiry of thirty (30) Business Days from the date of receipt of the Offer Notice ("Offer Period")

requiring the Transferor to ensure that the proposed transferee of the Sale Shares also purchases such number of the Equity Shares of the Investor, as mentioned in the Response Notice ("Offered Securities") at the same price and on the same terms as are mentioned in the Offer Notice, except that the Investor shall not be required to provide any representations or warranties to the proposed transferee other than with respect to their title to the Offered Securities and the Investor shall be entitled to receive the full consideration for such shares as received by the Promoters, including non-compete considerations (without having to provide any non-compete restriction) and the cash equivalent of any non-cash component of the Offer Price.

(iii) If:

(a) The Promoters continue to remain in control and management of the Company after such Transfer, and the proposed transferee is unwilling or unable to acquire all of the Offered Securities mentioned in the Response Notice upon such terms, then the Promoters may elect either to cancel such proposed Transfer or to allocate the maximum number of Equity Shares of the Company which the proposed transferee is willing to purchase among the Sale Shares and the Offered Securities specified by the Investor Group in the Response Notice, pro-rata in the ratio of the equity shareholding in the Company at such time of the Promoters and the Investor Group, and to consummate such Transfer on such terms. The Promoters shall not be entitled to Transfer any of the Sale Shares to any proposed transferee unless the proposed transferee simultaneously purchases and pays for the required number of Offered Securities in accordance with the provisions of this Article; or

(b) The Promoters cease to remain in control and management of the Company after such Transfer, the Promoters shall not be entitled to sell or Transfer any of the Sale Shares to any proposed transferee, unless the proposed transferee simultaneously purchases and pays for the Offered Securities for the same consideration and upon the same terms and conditions as applicable to the Sale Shares.

(iv) The Transferor shall ensure that, along with the Sale Shares, the proposed transferee also acquires the Offered Securities specified in each Response Notice for the Offer Price and upon the same terms and conditions as applicable to the Sale Shares, provided that, the Investor may choose to receive the cash equivalent of any such consideration which is in a form other than cash and the Investor shall not be required to provide any representations and warranties in respect of the Offered Securities other than with respect to their title to the Offered Securities. Where the Investor has properly elected to exercise its tag-along right and the proposed transferee fails to purchase from the Investor the Offered Securities which it is entitled to sell under this tag along provision, the Transferor shall not make the proposed Transfer of the Sale Shares, and if purported to be made, such Transfer shall be void and the Promoters shall procure and ensure that the Company does not register any such Transfer.

(v) In the event Investor does not deliver a Response Notice to the Promoters prior to the expiry of the Offer Period, then, upon the expiry of the Offer Period, the Transferor shall be entitled to sell and transfer the Sale Shares to the proposed transferee mentioned in the Offer Notice on the same terms and conditions and for the same consideration as is specified in the Offer Notice. Any transferee purchasing the Sale Shares shall deliver to the Transferor on or before the date of consummation of the proposed Transfer specified in the Offer Notice payment in full of the Offer Price in respect of the Sale Shares in accordance with the terms set forth in the Offer Notice. If completion of the sale and Transfer to the proposed transferee does not take place within the period of sixty (60) days of the expiry of the Offer Period, the Transferor's right to sell the Sale Shares to such a party shall lapse and the provisions of this sub-clause (2) shall once again apply to the Sale Shares.

For the purposes of this Article, the term "control" shall mean:

(p) the ability to appoint a majority of the Board;

(q) being the single largest shareholder of the Company;

(r) Equity Share holding being not less than percentage twenty six (26%) of the then issued and paid-up share capital of the Company;

(s) the ability to control the composition or the decisions of the Board, or

(t) the possession of power to direct or cause the direction of the management and policies of the Company by virtue of the articles of association or an agreement or contract or otherwise.

It is clarified that if any of the conditions above is not fulfilled, then the Promoters shall be deemed to have ceased to remain in control of the Company.

(3) Where the Investor requires prior Government Approvals for disposal of the Offered Securities pursuant to 44C, then notwithstanding any other provision of these Articles, the Investor shall only be obliged to dispose of the Offered Securities once such Governmental Approval is obtained. Any period within which a transfer of the Offered Securities by the Investor has to be completed shall be extended by such further period as is necessary for the purpose of obtaining such Governmental Approval. Provided that if any of such Governmental Approval is finally withheld, then the Investor shall be deemed not to have offered to sell the Offered Securities.

(4) The Transfer restrictions on the Promoters in the Undertaking, the Agreement and/or in these Articles shall not be capable of being avoided by the holding of Equity Shares indirectly through a company or other entity that can itself be sold in order to dispose of an interest in Equity Shares free of such restrictions. Any Transfer, issuance or other disposal of any shares (or other interest) resulting in any change in the control, directly or indirectly, of the Promoters, or of any Affiliate of any Promoter which holds, directly or indirectly, any Equity Shares, shall be treated as being a Transfer of the Equity Shares held by the Promoter, and the provisions of these Articles, the Undertaking and the Agreement that apply in respect of the Transfer of Equity Shares shall thereupon apply in respect of the Equity Shares so held.

(5) Any Transfer or attempted Transfer of any Securities of the Company in violation of these Articles shall be void and the Company shall ensure that no such Transfer shall be recorded on the Company's books and the purported transferee in any such Transfer shall not be treated (and the purported transferor shall be treated) as the owner of such Securities for all purposes.

(6) Subject to the terms of the Agreement, the Investor shall be entitled to deal with, dispose of, Transfer and/or Encumber all or any of their Equity Shares together with or without their rights and / or obligations hereunder, to any other Person. No restriction (including any restriction under Article 44A(3)) shall apply in respect of any sale of shares by the Investor pursuant to the tag along right at sub-clause (1) above.

Registration of Transfers

44D Notwithstanding anything contained in these Articles, any Transfer or attempt to Transfer any Equity Shares in violation of the Undertaking or the Agreement shall be null and void ab initio, and to the extent it is within the reasonable control of the Company, Company shall not register such Transfer and shall reject any such Transfers made or attempted, suo moto without necessity of a Board decision to institute proceedings for this purpose if required by Law.

7. In Article 50

After the word 'delivered to the company' and before the word 'prescribed period' the word “within” has been inserted

8. In Article 62

After the word 'responsibilities whatsoever' and before the word 'consequence' the word “is” be replaced with the word “in”

9. After Article 68 the new clause 68A has been inserted as follows:-

Pre-Emptive Rights & Future Subscriptions by Investor

68A (1) Except with the Investor Consent and other applicable laws, Company shall not issue Equity Shares or equity-linked securities of any kind (including, but not limited to, convertible notes, preference shares, warrants, options), save and except issue of Equity Shares on exercise of New GDRs and the conversion of the Existing FCCBs, for a period of one (1) year from the Completion Date at a price lower than Rs.35 per Equity Share/ equity-linked security. Without prejudice to the foregoing, in the event that the Company issues any Dilution Instrument at any time after complying with its obligation of securing the Investor's consent, then, the Investor shall be entitled to subscribe to such number of Dilution Instruments in proportion to its equity shareholding in the Company and shall also be entitled to subscribe to its pro rata number (calculated on the same basis after giving effect to the Investor's' subscription pursuant to this sub-clause (1), but not including the numbers of Equity Shares held by other shareholders not subscribing in such issuance) of any equity securities not subscribed for by the other shareholders.

(2) The Investor shall be entitled to acquire the Dilution Instruments on the terms on which the Company proposes to issue the Dilution Instruments to any other person. Notwithstanding anything contrary contained in these Articles, the Company shall not issue any Dilution Instrument in contravention of the provisions of sub-clause (1) above.

(3) In the event that the Investor subscribes to any Equity Shares or any Securities convertible into Equity Shares, then all such newly subscribed Equity Shares or convertible instruments will also be considered "Investor Shares" and shall be entitled to all the rights as enjoyed by Investor under the Agreement, the Undertaking and these Articles. Further, in the event the Investor

at any time wishes to convert or exercise any of the convertible Securities held by it, into Equity Shares, the Company shall, and shall procure that the Promoters shall, promptly and diligently take all necessary steps to facilitate such conversion by the Investor and ensure that such conversion by the Investor is in compliance with all applicable Laws, including without limitation, the FDI Policy of India and the regulations issued by the RBI under the Foreign Exchange Management Act, 1999.

9A. After Article 70 the new clause 70A has been inserted as follows:-

Buy Back of shares

70A Pursuant to section 77A and other applicable provisions of the Act and rules or regulation or guidelines as may be prescribed by Securities and Exchange Board of India , the company shall have power to purchase from time to time its own shares or other specified securities and to make payment in respect of such purchase(s)."

10. In Article 72

the paragraph Numbering a, b and c has been amended with 1,2 and 3 respectively.

11. In Article 73

the new sub-clause (2) has been inserted as follows:

Subscription Shares to be pari passu with other equity shares of the Company

(2) The Subscription Shares shall rank pari passu with the other Equity Shares of the Company in all respects, including without limitation, with respect to entitlement to dividend and voting rights.

12. After clause 73, the existing clause 73A has been re-numbered as 73B and the following new clause 73A has been inserted:

Investor not a promoter

73A. The Company acknowledges that on Completion the Investor will only be a minority financial investor and not acquire control and management of the Company. The Promoters shall continue to remain in control of the Company and continue to manage the Company and its business and affairs. The Company will ensure that: (i) the Investor shall not be considered/ classified/ named or deemed as a 'promoter' of the Company for any reason whatsoever (unless required by applicable Law) in the prospectus or any other documents related to a public offering or otherwise and (ii) the Investor Shares are not be subject to any restriction whatsoever (including that of lock-in or other restrictions) which are applicable to promoters under any applicable Law, unless such restriction is required by applicable Law to be placed specifically on the Investor. If applicable Law does not permit the abovementioned actions, the Parties shall exercise all their rights and take all actions to endeavour to achieve the objectives of this Article 73A in accordance with applicable Law.

13. After clause Article 82, the new Clause 82A has been inserted as follows:-

Reserved Matters at Board meeting and General meetings

82A The Company agrees that, so long as the Investor holds Minimum Stake, no action or decision relating to any of the Reserved Matters shall be taken (whether by the Board, any committee, the shareholders of the Company (or through any of the employees, officers or managers of the Company), except with the Investor Consent. The Reserved Matters are as follows:

1. Acquisition of shares, assets, business, business organization or division of any other person, creation of legal entities, joint ventures or partnerships, mergers, de-mergers, spin-offs and consolidations, creation of any new Subsidiaries of a value exceeding percentage twenty (20%) of the net worth of the Company as reflected in the latest audited or limited review balance sheet balance sheet of the Company;
2. Providing guarantees or making any loans other than in the ordinary course of Business exceeding percentage five (5%) of the net worth of the Company as reflected in the latest audited or limited review balance sheet of the Company;
3. Any changes in class rights for shares (directly or indirectly);
4. Commencement of any new line of business which is unrelated to the business of the Company, any changes in the scope of business, suspension or cessation of business or transfer of all or a portion of business;
5. Making of any investment (other than short-term deposits with banking institutions) of amounts exceeding Rs.100,000,000 (Rupees one hundred million only);
6. Any change in the issued, subscribed or paid up equity or preference share capital of the Company or Reorganisation of the share capital of the Company, including new issuance of shares or stock options or other securities of the Company or redemption, retirement or repurchase of any shares or other securities, issuance of convertible debentures or warrants, or grant of any options over its shares by the Company;
7. Other than the winding up of the Subsidiary in Sri Lanka, sale, transfer, winding up, divestiture, dissolution, liquidation or other disposition of, the Company or any of its Subsidiaries, whether or not voluntary, or any restructuring or reorganization

which has a similar effect;

8. Sale, transfer, assignment, agreement, arrangement, transaction or assignment of any assets, or otherwise dispose of, any assets or securities of the Company or any of its Subsidiaries not provided for in the budget and which exceeds percentage ten (10%) of the net block of the Company as reflected in the latest audited balance sheet of the Company.
9. Listing/de-listing of the Company shares on any stock-exchanges or change in legal status e.g. public to private company status etc.
10. Incurrence, issuance or assumptions of any form of indebtedness or the creation of any Encumbrance in respect hereof, so that the post issuance of Subscription Shares and New GDR, the debt: equity ratio exceeds 1.25:1 (For the purpose of this Clause 'equity' shall be taken as reflected in the latest audited balance sheet of the Company and 'debt' shall mean long term debts).
11. Capital expenditure, including constructions and leases, more than percentage twenty (20%) of the net worth of the Company as reflected in the latest audited balance sheet of the Company.
12. Any amendments, supplement, modification or restatement of the memorandum or articles of association of the Company or any of its Subsidiaries as in effect on the date hereof.
13. Delegation of authority or any of the powers of the board of the Company and/or its Affiliates relating to any Reserved Matter to any individual or committee.
14. Any commitment or agreement to do any of the foregoing.
15. Affiliated or related party transactions, agreement or arrangements between the Company and any Connected Person/Concern in excess of Rs.20,000,000 (Rupees Twenty million only) per transaction the aggregate of all such related party transaction not to exceed Rs.50,000,000 (Rupees fifty million only) in any financial year.
16. Any appointment and/or change of the internal auditor of the Company and the statutory auditor of the Company.
17. Any approval of the Annual Budget or any amendment to the Annual Budget.
18. Any sale, Encumbrance, disposal, pledge, charge or transfer, whether direct or indirect, of any of the securities held and/or owned by the Company.

14. the existing Article 128 has been replaced with following new article

Number of Directors

128 Unless otherwise determined by a Special Resolution and consented to by the Investor in writing, the number of Directors shall not less than three and more than twelve including the Debenture Director referred to in Article 130

15. the existing Article 129 has been replaced with following new article

First Director

129. The first Directors of the Company shall be :-
    1. Sh. Sanjeev Goyal
    2. Sh. Rajeev Goyal
    3. Smt. Raman Goyal
    4. Smt. Alka Goyal

Investor Directors

(1) The Investor shall be entitled to nominate such number of directors on the Board proportionate to its shareholding, provided that the number of Investor Directors shall at all times be less than the number of Directors nominated by the Promoters subject to the Investor being entitled to nominate at least one director, to attend any and all meetings of the Board and in the absence of any of the nominee alternate directors, the Investor shall be entitled to nominate alternate directors who shall have the right to attend any and all such meetings of the Board ("Investor Director(s)"). All Investor Director(s) shall be non-executive directors. The Company shall also appoint sufficient number of Independent Directors in order to comply with the provisions of the listing agreement of the Exchange.

(2) The appointment of the Investor Director shall be by direct nomination by the Investor and any appointment or removal under this Article shall unless the contrary intention appears, take effect from the date it is notified to the Company in writing.

(3) If the Law does not permit the person nominated by an Investor to be appointed as a Director of the Company merely by nomination by the Investor, the Company shall ensure that the Board forthwith (and in any event within seven (7) Business Days of such nomination or at the next Board meeting, whichever is earlier) appoints such person as a Director of the Company and further that, unless the concerned Investor changes or withdraws such nomination, such person is also elected as a Director of the Company at the next general meeting of the shareholders of the Company.

(4) Notwithstanding that the Investor Director may be an Independent director (as such expression is defined in any listing agreement entered into at any time between the Company and the Exchange) the Investor Director shall not be construed or counted by the Company as an independent director for the purpose of determining the number of independent directors which the Company is required to have on its Board by the listing agreement.

(5) Without prejudice to the above, the Company agrees to exercise all powers and rights available to it so as to fix the number of directors in accordance with this Article and to ensure that the persons nominated by the Investor are expeditiously appointed or removed (as the Investor may specify) as a Director of the Company and that the appointments and removals referred to in this Article result in the persons nominated / appointed or removed becoming or ceasing, as the case may be, to be Directors of the Company.

(6) None of the Investor Directors, nominated/appointed on the Board from time to time, shall be appointed on the board of any other company that may be in similar business as that of the Company and/or its Subsidiaries and/or their respective businesses.

16. After clause Article 129, the new Clause 129A has been inserted as follows:

129A (1) At least one Independent Director (who shall be mutually agreeable to the Promoters and the Investor) shall be primarily focused on strategy and business development for the regulated markets. Such Independent director shall focus on ANDA strategy, commercial partnerships, and new product development strategy. As long as the Investor holds the Minimum Stake, such appointment of the Independent director shall be in consultation with the Investor. The Investor believes that its consultation for such a nominee in such a role can significantly help the Company execute its growth plans, and as such, create value for all the shareholders of the Company.

17. In Article 135 after sub clause (1) the following sub-clause (2) has been inserted:

(2) The Company shall pay the Investor Director or his alternate such fees as per the prevailing policy of the Company.

The existing sub clause (2) and (3) has been re-numbered as (3) and (4) respectively.

18. After clause Article 143 the New clause 143A has been inserted as follows:

Investor's right to appoint director on the board of subsidiaries of the Company.

143A Notwithstanding anything contained in Article 143, the Investor shall be entitled to nominate and maintain in office one director on the board of directors of each of the Subsidiaries (and to remove from office any such director(s) so nominated and to nominate another in the place of the director(s) so removed) and the Company shall ensure that such nominated director(s) is appointed as a director(s) on the board of directors of such Subsidiaries. It is hereby clarified that the provisions of these Articles in relation to the Investor Directors including appointment, procedures for meetings, reserved matters, information and inspection rights, etc. shall, mutatis mutandis apply to each director nominated by the Investor on the board of directors of each of the Subsidiaries.

19. In Article 146 after sub clause (3), the sub Clause (4) has been inserted as follows:

Investor Director not to retire by rotation

(4) The Investor Director shall not be liable to retire by rotation.

20. The existing Article 156 has been replaced with following new article:

When meeting to be convened and notice thereof

156 A Director or the Managing Director may at any time and the Managing Director upon the request of a Director shall cause a meeting of the Director to be convened and a notice of such meeting of the Directors of the Company shall be given in writing to every Director (including alternate Director) for the time being in India and at his usual address in India at least 7 days in advance of such meeting, and if any Reserved Matters are to be considered at such meeting of the Board, at least 14 days in advance of such meeting, unless in any particular case a majority of the Directors (which majority shall include the Investor Director) agree otherwise in relation to the notice period.

21. After Article 156 the following article 156A has been inserted:

Agenda for Board meeting

156A The agenda for each Board meeting and all papers connected therewith and/or proposed to be placed or tabled before the Board shall be circulated together with the notice at least fourteen (14) days or seven (7) days, as the case may be, prior to the Board meeting and, no resolutions or decisions save and except those specified in the agenda may be passed or approved at any Board meeting, except with the written consent of the Investor Director.

22. The existing Article 157 has been replaced with following new article:

Quorum

157 Subject to the provisions of Section 287 and other applicable provisions (if any) of the Act, the quorum for a meeting of the Board of Directors shall be one-third of the total strength of the board of directors (excluding Directors if any, whose place may be vacant at the time and any fraction contained in that one-third being rounded off as one) or three Directors, whichever is higher; provided that where at any time the number of interested Directors exceed or is equal to two thirds of the total strength the number of remaining Directors, that is to say, the number of Directors who are not so interested and are present at

the meeting not being less than three shall be the quorum during such meeting. A meeting of the Directors at which a quorum is present, shall be competent to exercise all or any of the authorities, power and directors by or under the act, or the articles of the Company, for the time being exercisable by the Board of Directors generally.

23. The existing Article 162 has been numbered as sub clause (1) and after that sub Clause (2) & (3) has been inserted as follows:-

    (2) The Company shall have an effective committee for strategic initiatives and the composition of such committee will be determined in conjunction with the Investor.

    (3) The Investor Director shall be entitled to be a member of, or at the option of the Investor, an invitee on, all the committees of the Board including any sub-committees. The Investor shall be entitled to from time to time nominate a person, to be appointed as the alternate director to its Investor Director; and the Company shall exercise all its rights and powers and take all requisite actions to ensure that such person is appointed forthwith as the Investor Director's alternate director. In the absence of the Investor Director, his alternate shall be entitled to attend and act in place of the Investor Director on such committees.

24. After Article 194 the following article 194A has been inserted:

    Information to be Published

    194A (1) The Company shall publish any unpublished price sensitive information before providing it to the Investor. The Company has the right to suspend the information rights under Articles 194A(1), 194A(2), 198A, 202A, 202B, 202C and 204A, for the duration of the time the Board withholds publication of price sensitive information in the best interests of the Company.

    (2) Subject to the applicable securities Laws, the Investor shall be entitled to share information received from the Company (which is not unpublished price sensitive information) with its Affiliates, provided however that the Investor shall not be entitled to share any such information received by it from the Company, with any of its Affiliates that (i) is a Competitor of the Company or (ii) has invested in any company which is engaged in a business similar to the Business.

25. In Article 198, before the word Board of Directors the word "Without prejudice to the provisions of Article 202A, the" has been inserted

26. After Article 198 the following article 198A has been inserted:

    Investor's right to inspection

    198A Subject to Articles 194A(1) and 202C the Company shall give full access to the Investor and their authorized representatives (including lawyers, accountants, auditors and other professional advisors) to visit and inspect all properties, assets, corporate, financial and other records, reports, books, contracts and commitments of the Company and its Subsidiaries, and to discuss and consult its business, actions plans, budgets and finances with the directors and executive officers of the Company and its Subsidiaries. The Investor and their authorized representatives shall give at least seven (7) days prior notice of the same to the Company. All costs of such inspections shall be borne by the Company if, as a result of such inspection, any breach of Law or the Agreement is discovered.

27. After Article 202 the following articles 202A, 202B and 202C have been inserted:

    Investor's information rights

    202A Without prejudice to the Articles 194A(1), 194A(2), 198A, 202C and 204A and subject to any restriction contained in applicable Law, for so long as the Investor holds the Minimum Stake, the Investor shall have the right to receive from the Company (unless waived by Investor) and the Company shall provide the Investor the following information with respect to the Company:

    (1) Unaudited quarterly financial statement, within thirty (30) days of period end of the relevant quarter period (or such shorter period as specified in the listing agreement applicable to the Company) within one (1) day of publishing to the Exchanges;

    (2) Audited financial statements, including cash flow statements, within ninety (90) days of end of each Financial Year end (or such shorter period as specified in the listing agreement applicable to the Company);

    (3) Subject to Article 202C, such additional information as reasonably requested by the Investor.

    202B The Company shall provide to the Board, the un-audited half-yearly financial statements including cash flow statements within ninety (90) days of the relevant half yearly period (or such shorter period as specified in the listing agreement applicable to the Company).

    202C The Investor Director shall receive such information as requested by the Investor and/ or as per applicable Law.

28. After Article 204 the following articles 204A, and 204B have been inserted:

Corporate communication systems

204A As part of its initiatives to enhance and maintain high standards of reporting and corporate communication systems, the Company shall organise, at regular intervals, presentations to the Board, shareholders and analysts as may be directed by the Board.

Contracts with Connected Persons/ Concerns

204B All agreements and transactions between the Company and any Connected Person/Concern shall be entered into on an arm's length /market price basis.

29. The existing Article 205 has been numbered as sub clause (1) and after that sub Clause (2) has been inserted as follows:

(2) The Company shall continue to adopt and consistently apply the Indian GAAP.

30. After Article 210 the following articles 210A has been inserted:

Annual Budget

210A (1) The Company shall, on a yearly basis, prepare an annual budget (the "Annual Budget") for each Financial Year at least one month prior to the commencement of such Financial Year or such time as agreed between Investor and Company. This Annual Budget shall set out the details of projected profit and loss statements, and balance sheets (including but not limited to projected capital expenditure details and projected working capital details) of the Company and its Subsidiaries on a quarterly basis. The Annual Budget will contain details relating to operation and capital expenditure separately. Such Annual Budget shall be approved by the Board at least fifteen (15) days prior to the commencement of such Financial Year or such time as agreed between Investor and Company. The Company hereby agrees that neither it nor its Subsidiaries shall incur any capital expenditure, issue any share capital or any debt liability in the Company and its Subsidiaries, except as per such Annual Budget so approved by the Board.

(2) The Company shall additionally prepare, on a rolling quarterly basis, a capital budget and a revenue budget pertaining to its operations in India and its overseas operations, both of which shall be subject to the approval of the Board. The capital budget shall be reviewed by the Board at the meeting constituted to review the results of the previous quarter, and other than as sanctioned therein, no capital expenditure shall be incurred by the Company or any of its Subsidiaries.

(3) The Company and its Subsidiaries shall not make any capital commitment unless the entire funding for the same has been arranged and is available either in (i) in immediate funds or (ii) pursuant to in principle approvals from lenders (and the conditions contained therein can be met by the Company, in the opinion of the Board) at the time of the approval of the quarterly capital budget as sub-clause (1) above.

31. In Article 223, the sub clause (a) has been renumbered as sub clause (1). After the sub clause (1) New sub-clause 223(2) has been inserted as follows:

2) Without prejudice to the above, the Company shall have its executive directors and its senior management enter into agreements which contain confidentiality provisions.

And the sub clause (b) has been renumbered as sub clause (3).

32. The existing Article 224 has been replaced with following new article:

Director's and other's right of indemnity

224 (1) Subject to the provisions of Section 201 of the Act, every Director of the Company or Managing Director, Manager, Secretary and other office or employee of the company and trustees (if any) for the time being acting in relation to any of the affairs of the company and every one of them shall be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay all costs, losses an expenses (including traveling expenses) which any such Directors, managing Director, officer or employee and the trustees (if any) for the time being acting in co-relation to the Company may incur or become liable by reason of any contract entered into or any act or deed done by him as such director, officer or servant or in any way in the discharge of his duties.

(2) Subject to as aforesaid every Director, Managing Director, Manager, Secretary or other officer or employee of the company or the trustee (if any) for the time being acting in relation to any of the affairs of the Company and every one of them shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal in which Judgement is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the act in which relief is given to him by court.

(3) The Company shall indemnify the Investor Director to the fullest extent permissible under Law, including against:

(a) any act, omission or conduct of or by the Company, any of the Promoters, or their employees or agents as a result of which, in whole or in part, any Investor Director is made a party to, or otherwise incurs any Loss (including

all losses, claims, liabilities, costs, and damages (whether general, special, absolute, accrued, conditional or otherwise and whether or not resulting from third party claims), including interests and penalties with respect thereto and out-of-pocket expenses, including reasonable attorneys' and accountants' fees and disbursements but excluding any remote, punitive, exemplary damages or loss of profit) pursuant to, any action, suit, claim or proceeding arising out of or relating to any such conduct; or

(b) any action or failure to act undertaken by an Investor Director at the request of or with the consent of the Company or any of the Promoters; or

(c) contravention of any Law including, without limiting the generality of the foregoing, the Foreign Exchange (Management) Act 1999, Laws relating to provident fund, gratuity, labour, Environmental Laws, and any action or proceedings taken against an Investor Director in connection with any such contravention or alleged contravention;

in each case, except for those arising on account of fraud, gross negligence or wilful misconduct of the Investor Director which fraud, gross negligence or wilful misconduct is established by a final and non-appealable order of a court of competent jurisdiction.

(4) The Company shall obtain director's and officer's liability insurance for all the Directors (and alternate directors) for an amount and on terms determined by the Board.

FURTHER RESOLVED THAT Mr. Dinesh Dua, Chief Executive Officer & Director or Mr. Sunder Lal, Company Secretary be and are hereby severally authorized to do all such deeds, acts, things and sign all such documents to give effect to the above resolution."

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

"RESOLVED THAT Mr. Saurabh 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 be liable to retire by rotation."

11. 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 Mr. Saurabh Goyal as an Executive Director of the Company for a period of five years w.e.f. August 11, 2010 on the following remuneration:

a) Salary: Rs. 2,00,000/- (Rupees Two Lacs 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) 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 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."

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

"RESOLVED THAT Mr. Ajay Swaroop 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."

By order of the Board of Directors
of **Nectar Lifesciences Limited**

Date : August 11, 2010 **(Sunder Lal)**
Place : Chandigarh *Company Secretary*

Notes:

1. **A member entitled to attend and vote at the meeting is entitled to appoint one or more proxy(ies) to attend and vote on his behalf and the proxy(ies) need not be a member(s) 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 September 25, 2010 to September 29, 2010 (Both days inclusive) for Annual General Meeting.
5. 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.
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. Members may please note that no gifts shall be distributed at the meeting.
8. The Explanatory Statement Pursuant to Section 173 of the Companies Act, 1956 is annexed herewith.
9. 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. 5

Mr. Vivek Sett has been appointed as Additional Director on February 18, 2010 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. Vivek Sett as a regular director of the company.

Mr. Vivek Sett is nominee director of NSR Direct PE Mauritius LLC, vide Investment Agreement for subscription of 26 Million Equity Shares on preferential basis.

Mr. Vivek Sett, aged 55 years, is qualified Chartered Accountant and graduated with a degree in Commerce from Calcutta University. He is the partner of New Silk Route Advisors (NSR) since February 2007 and focused on private equity opportunities in the Indian sub-continent out of the Mumbai office. He started his professional career in 1984 with Ispat Industries Ltd., as a Senior Officer and was nominated to the Board of the company in 1994. He played a proactive role in the development of Ispat Group, which is today an industrial conglomerate and ranks among the top business houses in the country. In 1997 he joined the Board of Directors Hughes Telecom India Ltd and was appointed Chief Financial Officer (CFO) of the company in 2001 and Chief Executive Officer in 2002 prior to the takeover of the company by the Tata group. In Tata Group, he worked as Chief Financial Officer of Tata Teleservices Ltd. He supervised the finance function at Tata Teleservices Ltd., which implemented a US$4.5 billion wireless telecommunication project across the country. As a CFO, Vivek Sett structured the funding of complex, capital-intensive projects and restructured distressed assets with different groups of senior lenders and creditors.

Prior to joining NSR, Vivek Sett was Chief Financial Officer of Tata Realty and Infrastructure where he was mandated to lead the Tata Group's funding of a US$ 5 billion initiative to exploit the growth in the Indian Realty and Infrastructure Sectors.

Mr. Vivek Sett hold directorship in following companies:

1. New Silk Route Advisors Private Limited
2. New Silk Route Towers Private Limited
3. Infrastructure & Energy Limited
4. Rolex Rings Private Limited
5. K. S. Oils Limited
6. Aster Infrastructure Private Limited

He does not hold any equity share in the Company on March 31, 2010.

None of the Directors except Mr. Vivek Sett is interested in the proposed resolution.

ITEM NO. 6

The members may please note that Dr. S. P. Singh, the independent director of the company has expired on October 1, 2009, therefore, one independent director was to be appointed on the Board so as to comply the clause 49 of the Listing Agreement.

In this regard, Dr. (Maj. Gen.) S. S. Chauhan, VSM has been appointed as Additional Director on February 19, 2010 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 Dr. (Maj. Gen.) S. S. Chauhan, VSM as a regular director of the company.

Dr. (Maj. Gen.) S. S. Chauhan, VSM, aged 72 years, retired after holding the most prestigious and highest professional appointment of Senior Consultant Medicine as Head of the medicine and Allied Specialties/ Super Specialties in the Armed Forces from Ministry of Defence and Army Hospital (Research and Referral) Delhi. He has joined Defence forces on March 29, 1963 and super annuated on May 31, 1997.

He did his M.B.B.S. from Government M.G. Medical College Bhopal in 1961, did Advanced Course in Medicine from A.F.M.C. Pune in 1973, M.D. (Medicine) from Pune University in 1978 and F.I.C.P. from Indian College of Physicians Bombay in 1996. He also did management courses i.e., Medical Officers Senior Command Course from O.T.S.A.M.C. Centre Lucknow in 1977 and Senior Defence Management Course from College of Defence Management Secunderabad in 1993.During his service tenure he was delegated twice as leader of the specialist's teams abroad. He has the distinction of active service in both 1965 and 1971 wars with Pakistan and also commanded the largest zonal hospital/formation during insurgencies both in western and eastern threats. He had published over 30 papers/articles in national and international journals. He was on the editorial boards of prestigious journal of Association of Physicians of India and Indian Academy of Clinical Medicine.

He does not hold any equity share in the Company on March 31, 2010. He also does not hold any directorship in any other company.

None of the Directors except Dr. (Maj. Gen.) S. S. Chauhan, VSM is interested in the proposed resolution.

ITEM NO. 7

The members may please note that since Mr. Vivek Sett has been appointed as a nominee director of NSR Direct PE Mauritius LLC, vide Investment Agreement for subscription of 26 Million Equity Shares on preferential basis, therefore, one independent director has to be appointed on the Board so as to comply the clause 49 of the Listing Agreement.

In this regard, Mr. Raman Kapur has been appointed as Additional Director on February 19, 2010 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. Raman Kapur as a regular director of the company.

Mr. Raman Kapur aged 64 years. Mr. Kapur received a B.A. degree in economics from Columbia College, New York and a Mater in Business Administration (MBA) degree in finance and international business from Columbia University, New York. He was Chairman and a partner of Global Pharmaceutical Services, LLC and Transition Patient Services, LLC which he co-founded after electing voluntary early retirement from Schering Plough Corporation effective January 1, 2005. Mr. Kapur had a 30 year career with Schering Plough where he served as President, Warrick Pharmaceuticals, U.S.A. and President of the World-wide Generics business of Schering-Plough Corporation. Mr. Kapur's responsibilities included the sales and promotion of a group of legacy branded products in the U.S. market.

Mr. Kapur joined Schering-Plough as a financial analyst in 1975 serving in progressively more responsible finance, marketing and general management positions in the U.S. and internationally in Europe, Latin America, Middle East as well as India where he served for 5 years as Managing Director of Schering Plough's Indian subsidiary, Fulford India Ltd based in Mumbai.

Mr. Raman Kapur hold directorship in following companies:

1. Innopharma, New Jersey, USA
2. Lifeblood Medical, New Jersey, USA
3. Global Pharmaceuticals Services , New Jersey, USA
4. Princeton Opthalmics, New Jersey, USA
5. Capitol Health, New Jersey, USA

He holds 1,000,000 (0.46%) equity shares in the Company on March 31, 2010.

None of the Directors except Mr. Raman Kapur is interested in the proposed resolution.

ITEM NO. 8

Mr. Dinesh Dua has joined the company in the year 2007 as a Chief Executive Officer with directly report to the Managing Director. Based on his performance in the Company, the Board of Directors vide resolution dated November 28, 2008 have appointed him as a Wholetime Director designated as Chief Executive Officer on a monthly remuneration of Rs. 8,00,000/- per month. He was also entitled to some perquisites to the extent of Rs. 1 Lacs per annum. Considering the prevailing industry scenario and the performance of the company, the remuneration of Mr. Dua was further revised:

1. To Rs. 880,000/- per month with effect from October 1, 2009 till March 31, 2010 by the Board of Directors in their meeting held on October 20, 2009 with a bonus of Rs. 840,000/- for the financial year 2009-10.
2. To Rs. 966,000/- per month with effect from 01.04.2010 to the end of his tenure i.e. upto 27.11.2013 by the Board of Directors in their meeting held on May 28, 2010 with a bonus equivalent of his one month salary.

Members are requested to approve and ratify the revised remuneration of Mr. Dinesh Dua as embodied in the resolution. 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.

None of the Directors except Mr. Dinesh Dua, being himself, are concerned or interested in the proposed resolution.

ITEM NO. 9

The Company has entered into an investment agreement with NSR Direct PE Mauritius, LLC for subscription of 26,000,000 equity shares of Rs. 35 each, and consequently the certain provisions of the existing articles of association of the Company have to be amended so to incorporate certain rights of the investors including provisions relating to corporate governance, and share transfer. The Board has proposed the alteration of Articles in terms of Section 31 of the Companies Act, 1956 and the Articles of Association has been proposed to be amended through a restatement of the Articles of Association.

The key amendments in the restated version include certain modification to Article 2, a new Article 82A, certain modification to Article 129, new Articles 129A, 143A, 202A and 210A.

Pursuant to Section 31 of the Companies Act, 1956 the Articles of the Company may be altered, modified and substituted by passing a Special Resolution for approval by the members. None of the directors of the company is in any way concerned or interested in this resolution.

A copy of the proposed restated Articles of Articles of Association is available for inspection of the members at the company's Registered Office on any working day during business hours. None of the Director of the Company is concerned or interested in the said Resolution. The Board of Directors recommends the passing of the Special Resolution for amending the articles as per accompanying notice in the interest of the company.

ITEM NO. 10

Mr. Saurabh 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. Saurabh Goyal as a regular director of the company. Further, Mr. Saurabh Goyal has also been appointed as an Executive Director, subject to the approval of shareholders in their General Meeting. Members are requested to consider and approve his appointment as regular director of the company.

Mr. Saurabh Goyal, aged 24 years, holds a Masters degree in International Management from King's College London, United Kingdom. He belongs to the promoter family.

He holds 243000 Equity Share in the Company representing 0.11% of total paid up shares capital of the company. He is also does not have directorship in any other company.

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

ITEM NO. 11

As the Members are aware that the company is expanding its API facilities and keeping in view the requirement to manage day to day affairs of the company and to provide assistance to the Chairman & Managing Director, the Board of Directors of the Company in their meeting held on August 11, 2010 have appointed Mr. Saurabh Goyal as an Executive Director, subject to the approval of Members in their General Meeting. 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. 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.

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

ITEM NO. 12

The members may please note that after the induction of Mr. Saurabh Goyal on the Board of Directors, it was necessary to appoint one more Independent Director on the Board as per the provisions of clause 49 of the Listing Agreement.

In this regard, Mr. Ajay Swaroop has been appointed as Additional Director on August 11, 2010 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. Ajay Swaroop as a regular director of the company.

Mr. Swaroop, aged 61 years, holds B.Com., M.A. (Economics) and C.A.I.I.B. degrees. He has retired as Chief General Manager of Chandigarh circle of State Bank of India comprising of Punjab, Haryana, Himachal, Jammu & Kashmir and Chandigarh (U.T.) after 37 years of long and varied service. At the time of retirement, he was controlling Rs. 780,000 million of business, 1000 branches and 14000 employees.

He is presently holding Directorship in Emm Bee Financial Services Limited and Haryana State Industrial and Infrastructure Development Corporation Limited.

He does not hold any equity share in the Company.

None of the Directors except Mr. Ajay Swaroop is interested in the proposed resolution.

By order of the Board of Directors
of **Nectar Lifesciences Limited**

Date : August 11, 2010 **(Sunder Lal)**
Place : Chandigarh *Company Secretary*

Directors' Report

Dear members

Your Directors have pleasure in presenting the 15th Annual Report together with the audited accounts of Nectar Lifesciences Limited ('NLL' or 'Neclife' or 'Nectar' or 'the Company') for the financial year ended March 31, 2010.

Financial Results

(Rs. in million)

	March 31, 2010	March 31, 2009
Sales and other income	9047.75	7,860.43
Profit before interest and depreciation	2139.92	1,455.62
Interest	602.84	496.06
Depreciation	387.46	301.89
Profit before tax	1149.62	657.67
Provision for tax	195.35	74.49
Provision for deferred tax	100.02	98.06
Provision for FBT	-	2.30
Earlier years' adjustments	7.02	(1.66)
MAT credit entitlement	(72.51)	(61.29)
Profit after tax available for Appropriations	919.74	545.78
Interim Dividend 25% (Previous year NIL)	38.07	--
Final dividend NIL (Previous year 10%)	--	15.23
Tax on dividend	6.47	2.59
Transfer to general reserve	100.00	--
Balance c/f to balance sheet	775.20	527.96

Operations

During the Year:

Sales and other income are up by 15.11%.

Profit before interest and depreciation is up by 47.01%.

Profit before tax is up by 74.80%.

Management Discussion and Analysis Report

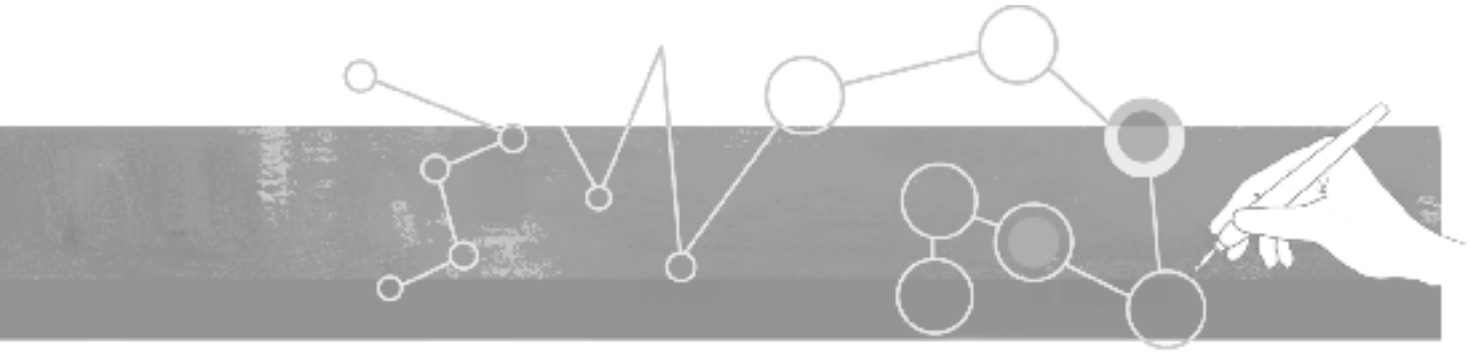
The details of the Company's various operations are discussed under Management Discussion and Analysis Report. The Management Discussion and Analysis of financial condition and result of operations of the Company for the financial year 2009-10 as required under the Clause 49 of the Listing Agreement with the stock exchanges, is given as Annexure III.

Preferential Allotment of equity shares

The Company issued 26,000,000 equity shares of Rs. 35/- per share aggregating to Rs. 910.00 million by way of Preferential Allotment to NSR Direct PE Mauritius LLC (a non promoter entity) on February 20, 2010 as per the provisions of Section 81(1A) of the Companies Act, 1956 read with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

NSR Direct PE Mauritius LLC is a company of New Silk Route group. The group is a leading Asia-focused growth capital firm founded in 2006 with $1.4 billion under management, focused on the Indian subcontinent, as well as other rapidly growing economies in Asia and the Middle East.

The details of utilisation of such proceeds would be disclosed to the Audit Committee. The Company is utilizing these funds for purposes as stated in Notice for convening the Extraordinary General meeting held on February 11, 2010 vide which approval of members was received for the issue of said allotment.



Global Depository Receipts (GDRs)

GDRs: The Company has issued and allotted 46,000,000 equity shares of Re. 1/- each underlying 46,000,000 Global Depository Receipts (GDRs) of US$ 0.76 each on 26.02.2010. The total proceeds from the GDRs issue was US$ 34.96 Million. The GDRs are listed on:

Luxembourg Stock Exchange/ LuxSE
Société de la Bourse de Luxembourg S.A.
B.P. 165, L-2011 Luxembourg
Siége social, 11, av de la Porte-Neuve,
Telephone: (352) 47 79 36 1, Fax : (352) 47 32 98

After the allotment of underlying equity shares, the paid up equity capital of the company stands increased from Rs. 178,260,970/- to Rs. 224,260,970/- comprising of 224,260,970 equity shares of Re. 1/- each.

Foreign currency convertible bonds

The Company raised the funds to the tune of US$35,000,000 by way of foreign currency convertible bonds (FCCBs), on April 25, 2006. The details of utilisation of such proceeds were disclosed to the Audit Committee. The Company utilised these funds for purposes as stated in the notice for convening the Extraordinary General meeting held on December 15, 2005, vide which approval of members was received for the issue of the said FCCBs. The conversion price was adjusted on various occasions and currently it is Rs. 25.719.

The Company's equity share capital will further increase by 57,319,199 equity shares to 281,580,169 equity shares if the balance FCCBs of US$33 million are converted at an adjusted price of Rs. 25.719, at a predetermined exchange rate of US$1 = Rs. 44.6725.

Subsidiary company

The Company's wholly-owned subsidiary, M/s Chempharma Private Limited, was incorporated in Sri Lanka. The operations of said subsidiary remained suspended throughout the year and winding up process is going on.

A copy of the balance sheet, a copy of profit and 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:

1.	Name of the subsidiary		**M/s Chempharma Private Limited**
2.	Financial year of subsidiary ended on		31st March 2010
3.	Date from which it become subsidiary		18th October 2002
4.	Shares of subsidiary held by the Company as on March 31, 2010:		
	a.	Number and face value	9,614,165 shares of SLR 10 each
	b.	Extent of holding	100%
5.	The net aggregate amount of subsidiary company's profit (loss) so far as it concerns the members of the holding company		
	a.	Not dealt with in holding company's accounts	
		i. For the financial year ended March 31, 2010	Rs. 2
		ii. Up to the previous financial year of the subsidiary company	Rs. 1
	b.	Dealt with in the holding company's accounts	
		i. For the financial year ended March 31, 2010	Rs. 3,151,974
		ii. Up to the previous financial year of the subsidiary company	Rs. 3,581,049

Consolidated financial results

As required under the Listing Agreement with the stock exchanges, a consolidated financial statements for the year ended on March 31, 2010 of the Company are attached. The consolidated financial statements include the financial statements of Nectar Lifesciences Limited, the parent company and its subsidiary company, Chempharma (Private) Limited, Sri Lanka.

Dividend

During the current Financial Year the Company has declared an Interim Dividend of Re. 0.25 per share i.e. 25% on every equity share of Re. 1/- each. In view of the ongoing expansion and diversification projects, your directors are not recommending any more dividends for the financial year 2009-10 and the interim dividend so declared may be treated as final dividend.

As per the requirements of Section 205(2A) of the Companies Act, 1956 read with Companies (Transfer of Profit to Reserve) Rules, 1975, your directors has proposed to transfer the amount of Rs. 100,000,000/- from Net Profit to the General Reserve Account.

Directors

Mr. Vijay J. Shah, retires by rotation and being eligible, offers himself for reappointment. The Board recommends his reappointment.

On February 18, 2010, Mr. Vivek Sett was appointed as the Additional Director and vacates his office at the ensuing Annual General Meeting. However, the Company received a notice under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose the candidature of Mr. Vivek Sett as a regular Director of the Company. Mr. Vivek Sett is nominee director of NSR Direct PE Mauritius LLC, vide Investment Agreement for subscription of 26 Million Equity Shares on preferential basis.

Further, to meet the requirements of clause 49 of the Listing Agreement, the company has appointed Dr. (Maj. Gen.) S. S. Chauhan, VSM and Mr. Raman Kapur as additional directors on February 19, 2010. However, the Company received notices under Section 257 of the Companies Act, 1956, from members signifying their intentions to propose the candidature of Dr. (Maj. Gen.) S. S. Chauhan, VSM and Mr. Raman Kapur as regular Directors of the Company.

On August 11, 2010 Mr. Saurabh 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. Saurabh Goyal as a regular director of the company. Further, Mr. Saurabh Goyal has also been appointed as an Executive Director, subject to the approval of shareholders in their General Meeting.

On August 11, 2010, the Company has also appointed Mr. Ajay Swaroop as an additional Director of the company to meet the requirements of clause 49 of the Listing Agreement. Mr. Swaroop 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. Ajay Swaroop as a regular director of the company.

The Board recommend the appointment of above said directors as regular directors of the company.

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:

- That in the preparation of the accounts for the financial year ended March 31, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- That the Directors have selected such accounting policies and applied them consistently and made judgment 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;
- 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
- That the Directors have prepared the accounts for the financial year ended March 31, 2010 on a `going concern' basis.

Auditors

M/s Datta Singla & Co., Chartered Accountants, statutory auditors of the Company retires at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

The Audit Committee and Board of Directors recommend their re-appointment as auditors.

Auditors' Report

Observations made in the Auditors' Report are self-explanatory and therefore do not call for any further explanation.

Audit Committee

The Company constituted the Audit Committee as per the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The composition, powers and duties of the Audit Committee are detailed out in the Corporate Governance Report. The Board of Directors accepted all recommendations of the Audit Committee.

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 conservation of energy, technology absorption and foreign exchange earnings and outgo is given in Annexure I and forms a 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 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 Company's Auditors regarding the Compliance of Conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is given in Annexure II.

Acknowledgement

Your Directors would like to express their sincere and grateful appreciation for the assistance and cooperation received from bankers and government authorities and also thank the shareholders for the confidence reposed by them in the Company and looks forward to their valuable support in the future plans of the Company.

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

For and on behalf of the Board of Directors
of **Nectar Lifesciences Limited**

Place : Chandigarh
Date: August 11, 2010

Sanjiv Goyal
Chairman & Managing Director

Annexure I to Directors' Report

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

At Nectar we firmly believe that the key to sustenance lies in energy conservation, not only as the amount of nonrenewable energy sources are limited but also because of the impact of consumption on the environment.

Moving in this direction we realize our responsibilities and have started the journey toward the same with a broad and diversified approach. NLL's EHS (Environment Health & Safety Cell) strictly adheres to the US Environmental Protection Agency's principles of Green Chemistry to comply & fulfill in-house mandatory guidelines which are as Follows:

Prevent waste ; Design safety products ; Implement less hazardous chemical process ; Use renewable feed stocks, Employ catalysts instead of stoichiometric reagents, Avoid chemical derivatives, Reduce solvent use or use safer solvents and reaction conditions, Improve energy efficiency, Design biodegradability, Analyze in real time to prevent pollution, Minimize accidents, Recover all elements

- Energy efficiency: Power plant

- Improving energy efficiency is a strategic goal at NLL. Not only this has helped NLL to reduce overall manufacturing cost but has also helped to reduce environmental emissions thereby establishing a strong foundation for a corporate green house gas management programme.
- In order to achieve this dual mission of reducing environmental emissions & cost reducing NLL started its 6 MW captive power plant also called as NecLife Biomass Cogeneration Project.
- This agro-based captive power generation plant runs on husk and can be switched over to 10 other feed stocks if the need be like wood chips, saw dust and leaf cuttings.

- Process improvements: R&D

- Our highly capable R&D team has also been dedicated to this task with constant focus on process improvements at each stage so as to device mechanisms which minimize energy consumption and wastage.
- The most important aspect apart from these is the awareness amongst all the employees and the realization that they are the catalysts who through their individual efforts and measures can help achieve results that are significant and effective.

Nectar also gets carbon credit for this clean energy production technique which it can trade in international market at any point of time.

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

Nectar gets carbon credit for this clean energy production technique which it can trade in international market at any point of time.

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 and fuel consumption	2009-10	2008-09
1.	**Electricity**		
	(a) Purchased		
	Unit	9,253,276	7,941,410
	Total amount (Rs.)	40,737,377.00	36,364,246.00
	Rate / unit (Rs.)	4.40	4.58
	(b) Own generation		
	(i) Through diesel generator		
	Unit	3,033,023	2,697,969
	Total amount (Rs.)	25,895,336.00	27,321,000.00
	Rate / unit (Rs.)	8.54	10.13
	(ii) Through stream turbine/generator		
	Unit	30,179,326	28,804,342
	Total amount (Rs.)	75,181,741.00	84,125,108.00
	Rate / unit (Rs.)	2.49	2.92
2.	**Coal**		
	Quantity (tones)	-	-
	Total Cots (Rs.)	-	-
	Average Rate (Rs.)	-	-
3.	**Furnace oil**		
	Quantity (MT)	2168.42	2,503.48
	Total costs (Rs.)	50,299,910	61,849,792.00
	Average rate (Rs.)	23,196.57	24,705.56
4.	**Others/ internal generation**		
	Quantity -	-	
	Total costs (Rs.)	-	-
	Average rate (Rs.)	-	-
B.	**Consumption per unit (MT) of production**	**2009-10**	**2008-09**
	Electricity (Units)	9829.94	8,683.35
	Coal (MT)	-	-
	Furnace oil (Liters)	621.46	662.46
	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 and development

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

Nectar draws on over 13 years experience in dealing with Beta-lactams manufacturing & process research. Nectar has invested consistently in research teams and infrastructure. Its team comprises qualified scientist (PhDs & Post grads) in Analytical & Chemical research including patent holders in the Cephs range supported by a state of the Art R&D facility.

Complementary R&D Laboratories equipment and professionals helps Nectar faster commercialization of products & technologies. Nectar has scaled up

recently with full fledged formulation R&D centre.

Main objectives of the R&D program are:

- To develop novel and non-infringing processes for regulated markets.
- To develop and scale-up cost effective and environment-friendly processes.
- To protect the developed non-infringing processes by filing patent applications.
- To develop and validate precise and cost effective analytical methods.
- Synthesis of impurities for drug substances and their characterization as per regulatory requirements.
- To improve the yield and reduce the cost for existing processes.
- To file dossier in different countries for existing molecules
- To develop new molecules as well as file dossier
- To develop Non Cephalosporin Intermediates & APIs

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

Cost-effectiveness and user-friendly novel process leading to the grant of process patents. During the financial year, key achievements of R & D were:

Year	Synthetic Processes Developed and Validated	Analytical Processes Developed and Validated	Patents Filed
2009-10	Cefixime trihydrate;	Cefixime trihydrate;	8 Patents (7 Indians+ 1 PCT)
	Ceftriaxone Sodium (EP);	Ceftriaxone Sodium (EP);	Cefpodoxime proxetil;
	Cefotaxime Sodium (EP);	Cefotaxime Sodium (EP);	Cefpodoxime acid;
	Cefotaxime Sodium (US);	Cefotaxime Sodium (US);	Ceftriaxone Sodium;
	Ceftriaxone Sodium (US); PYCA; Cefepime hydrochloride; Cefuroxime sodium	Ceftriaxone Sodium (US); PYCA; Cefepime hydrochloride; Cefuroxime sodium	GVNE; Cefepime

In addition to above work other tasks performed includes:

- Integrated API R&D along with Formulation R&D development
- Supportive focus on process research & cost optimization (minimum target 20%)
- Many other alternative synthetic processes and the related analytical methods for the above products have been developed and validated.

3. Future plan of action

NLL has hugely emphasized on R&D both to be cost effect & create IP Asset. NLL envisages to complete in next 3 years within Cephalosporin space.

- 2 Non Infringing patents already filed during till April 30, 2010 & 23 more patents will be filed till March, 2013.
- Number of Cephs project under R&D is 11.

NLL is actively working on evaluating options to foray into Non Cephs Therapeutic areas.

4. Expenditure on R & D

Total R & D expenditure as apercentage of total turnover 1.69

II) Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

The developed technologies and processes 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 and product development, among others

New products were launched for regular commercial production, which broadened the Company's product range, 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 exported its pharmaceutical and phytochemicals and its allied products. The Company

is further making efforts to export new products in the new markets and in the current year the Company, further, expects to enhance its export sales.

2. a) Foreign exchange earnings during the financial year ended on March 31, 2010:

Foreign Exchange through Foreign Direct Investment and GDRs	Rs. 2521.13 million
Foreign Exchange through operational activities	Rs. 3245.18 million

b) Foreign exchange outgo during the financial year ended on March 31, 2010 — Rs. 3610.29 million

For and on behalf of the Board of Directors
of **Nectar Lifesciences Limited**

Place : Chandigarh
Date: August 11, 2010

Sanjiv Goyal
Chairman & Managing Director

Annexure II to Directors' Report

Auditor's Report on Corporate Governance

The members

M/s Nectar Lifesciences Limited

We have examined the compliance of conditions of Corporate Governance by M/s Nectar Lifesciences Limited for the year ended March 31, 2010, 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/

Yogesh Monga

Partner

Membership No.: 099813

Date: 28.05.2010

Place: Chandigarh

Annexure III to Directors' Report

Management Discussion and Analysis

Nectar Lifesciences Limited (hereinafter referred to as 'Neclife', 'Nectar', 'NLL' or 'the Company') is an integrated pharmaceutical organization based in Chandigarh, India. The Company manufactures Cephalosporin Active pharmaceutical ingredients, Finished dosage forms, Phytochemicals, and Hard gelatin capsules at its facilities spread across three Indian states of Punjab, Himachal Pradesh and Jammu. Nectar has developed sustainable production systems to manufacture high quality intermediates and APIs to meet the diverse requirements of its customer base in India and over 45 countries worldwide.

INDIAN PHARMA & HEALTHCARE

Indian pharmaceutical industry looks set for a solid long term growth, currently it ranks 14th by value and 2nd in volume globally. It is estimated to be amongst top 10 markets by 2020 .

Key happenings of 2009 are:

- Sustained 18% growth rate
- 2nd largest market in terms of consumption
- Tier II cities and rural areas constituted 40% of the market
- 85% of Formulations produced are sold in the domestic market wherein domestic formulation market was valued at USD 3.6Bio growing at 10% p.a

During last few years Indian pharma has emerged as a key destination for global pharma companies due to its high growth prospects and conducive regulatory environment. 2009 witnessed substantial change in strategy for MNCs who are aggressively scouting Indian markets with multi-pronged strategy to establish their stronghold in Indian market by introducing patented products, divesting non core businesses, merger & acquisitions, Strengthening sales and distribution network as well as developing India-centric portfolios.

The domestic formulations market curtailed a bit on account of the global economic crises due to cutback in the inventory levels at the retail levels as distributors and retailers went cautious. In 2010 however the domestic market is expected to pick up rapidly with the economy rolling over again.

The government has recently announced the setting up of a venture fund that will target the infusion of INR 20 Billion into the pharma sector to facilitate growth. The Government of India's big picture Vision 2015 expects 18% plus CAGR growth for the pharma sector, translating to a doubling of revenues to USD 40 Billion over the next 5 yrs.

Rural India home to 72% of India's population, have increasingly started enjoying continuous focus from pharma companies on account of sufficient buying power. Many Indian pharma companies including global MNCs have started dedicated divisions to tap this huge un-explored market, even new innovative model public private partnership like Arogya Parivar are fast gaining base.

Compared to developed and developing countries, India has one of the lowest health expenditure as % of GDP (3.6%). Only 25% of all healthcare expenditure in India is contributed by the government, the remaining is private expenditure of which 92% is out of the pocket expenses for patient. The Indian health insurance industry has undergone sea change recording phenomenal growth rate. There are around 50 health insurers that are contemplating entry in the Indian market. The entrance of foreign players will increase the competition and should result in increased penetration further helping favourable growth for the pharma industry. This segment in India was worth around US$ 605 Mio in 2008 and is further expected to reach around US$ 915 Million in 2010.

India has highest number of US FDA approved manufacturing sites (145) , more than any other country except the US. Among six offices that the US FDA has overseas, two are located in India(Delhi and Mumbai) which will facilitate faster audit & further approvals pushing growth of Indian pharma industry to next level .

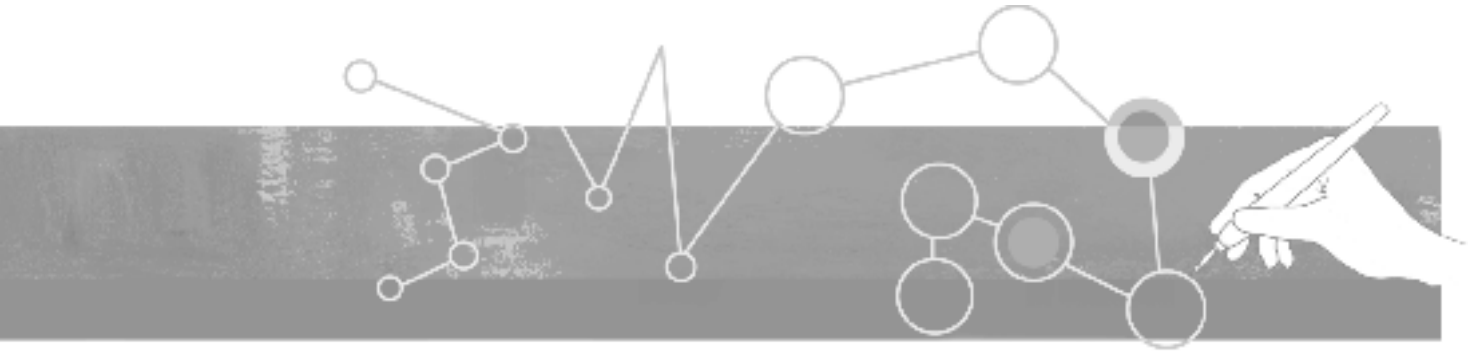
Medical Devices

This segment is at a nascent stage in India and is estimated to be at US$ 2.75 Billion in 2008, which is 1.25% of the global medical devices and supplies market of US$ 220 Billion. By 2012 it is expected to double at around US$ 5 Billion, the drivers of this growth would be the Improving Health Infrastructure such as increasing number of hospitals, clinics, and telemedicine services.

In India the low value medical supplies are produced by domestic manufacturers whereas the high end equipment is generally imported.

The segment is constituted as follows:

- Large Medical-Dental-Surgical equipment 50-60%
- Implantable Devices - 20-30%



- Plastic Disposables - 20%

The Indian medical services sector lacks the essential regulatory and R&D support. Also required is the institutional support for testing and validating facilities, as well as human resource development. Stricter competition is expected in the industry in the future from Europe and China.

Biotechnology and Biosimilars

The Indian biotechnology industry is based largely in Karnataka with other clusters of activity in West Bengal, Maharashtra, Andhra Pradesh, Hyderabad, Kerala and Ahmedabad. The sector sales in 2008-09 were US$ 2.64Billion growing at CAGR of 26%. Both the central and state governments have been supporting this sector and are targeting revenues of US$ 5 billion by 2010-11 to help India to get a share of the global opportunity emerging around biosimilars.

The biosimilar market is likely to grow around by US$ 2 billion by 2014, to reach a total of US$ 19.4 billion globally, following key patent expiration. The Indian biotechnology companies are slowly building capabilities in development and manufacturing of biosimilars to capture share of this huge opportunity.

GLOBAL PHARMA

Global pharma has seen consolidation during the past few years on account of acquisitions & urge to prune cost on account of recession. Added to this is the fact that most of the developed economies of the world are focusing on curtailing their healthcare expenditures.

As a result three key themes have emerged over the past few years that are shaping the Indian pharmaceutical landscape.

1) Cost control measures being implemented by developed economies
2) Growing importance of emerging markets
3) Growing significance of India's domestic market

Global pharma was valued at USD 820 Billion during 2009 & has reported 5% plus growth. US, Europe & Japan contributed 85% of the global sales. The top three Therapeutic segment contributed 36% of the total global market by value.

Top Three Therapeutic Category

Therapeutic Area	Market Size
CNS	US $ 118 billion
Cancer Drugs	US $ 70 billion
CBS	US $ 105 billion

The global generic market is worth USD 80 Billion and is experiencing 8% growth, up from last year's 3% (2008). In the US and UK, growth of generics is back to positive territory post 2008, which recorded huge plunge in topline for both the regions concerned.

For the first time ever, generics make up over half of the volume of total pharmaceutical sales in unit terms, though there continue to be dramatic difference in terms of market share in key markets ranging from over 60% in US and UK to less than 30% in Italy and Spain.

Upcoming patent expirations will offer significant opportunities for generics in many major markets. In the US alone, over USD 90 Billion in brand sales is at risk from patent expires taking place between 2009-13. The sharpened focus of global pharma on the generics market will also lead to greater outsourced manufacturing volumes in order to control costs. This could be either through higher contract manufacturing volumes, or through longer terms relationships/ alliances. India is well placed to benefit from this shift, with the country's strong manufacturing base, both in formulations, as well as in key inputs (bulk drugs and API's).

Market scenario for menthol

Domestic menthol consumption figures across the last few years demonstrate an upward trend. Currently, India is the world's largest menthol consumer. The important menthol consuming countries are:

- India
- China
- EU & the US
- Japan
- ROW

There was a tremendous demand surge in mid-2006-07, a major factor which marked NLL's entry into this venture. Menthol finds application mainly in pharmaceuticals, cosmetics, perfumes, confectioneries and beverages, among others. Menthol demand is ever increasing, fuelled by the burgeoning middle class which also explains the growth trajectory for exponential demand growth in demand.

OPPORTUNITIES

Post recession many big pharma companies have been focusing on cost containment and have taken to restructuring and made changes in different business strategies. As a part of various strategies many big pharma companies preferred to outsource at a much higher level than before countries like India & China to get cost arbitrage.

India has so far proved itself as a promising destination for custom manufacturing outsourcing, with a growth rate of 43%, which is thrice the global market growth rate. India is rated highest in terms of its cost efficiency and attractiveness among six countries India, China, Eastern Europe, Puerto Rico, Singapore and Ireland.

India is better positioned than China in outsourcing, although China offers lower prices and better infrastructure considering the fact India is better compliant to stringent regulations of

western worlds, US & Europe. India has around 119 USFDA and 84 UK MHRA approved plants many of which also have approvals from Canada, Australia, Germany and South Africa, where as China has only 27 USFDA approved facilities.

Global Cephalosporin API market is valued at US $ 6 billion & is growing at 7-9% CAGR. Regulated markets contribute about US $ 2.5 billion to this share (US/ Europe/ Japan) leaving about US $ 3.5 billion for the lesser & semi regulated markets. Although formulation market for regulated market is valued at US $ 8 billion however for API it is only US $ 2 billion the reason for which is that the API 's share of formulations is 20% for patented formulation in regulated markets which shoots to 40-50% on account of huge price difference in generic India & ROW markets.

ROW market for Cephalosporin API is largely volume driven where in cost of production & distribution are relatively lower. Thus it makes logical sense for Nectar to prioritize & capture these markets which are easy to enter and, in the process, emerge as winner.

Indian Cephalosporin formulation market is valued at US$ 1.1 billion out of which 1st & 2nd generation Cephalosporin derived from Pen-G which contributes about US $ 400 million. However this segment of market is too commoditized and thus is volume driven with relatively low realization both the top & bottom line.

As against this, 3rd & 4th generation Cephalosporin are derived from 7ACA & GCLE which are value added non commodised derivatives which accounts about US $ 700 million and is mainly restricted to only 3 highly integrated players in markets. This segment is more lucrative and not so price sensitive as 1st and 2nd generation.

Indian Cephalosporin API market is valued at about US $ 450 million, out of this 1st and 2nd generation Cephalosporins account US $ 200 million & balance US $ 250 million is accounted by 3rd & 4th generation Cephalosporins, this includes domestic markets as well as exports.

Nectar is attractively placed on account of global scale capacities offering flexibility of operations with requisite skilled & trained both technical & supportive manpower & expertise. NLL has taken global leader with respect to capacities for the big 5 Cephalosporin molecules i.e. Cefuroxime Axetil, Cefixime, Ceftriaxone, Cefotaxime, Ceftazidime. Integrated approach (API to Final dosage form) attractively position NLL amongst coveted partner for advanced market of US, EU & Japan.

Further to sustain in intensely competitive market place, NLL maintains itself as a partner with high-level niche capabilities and operations for collaboration and alliance.

NECLIFE: WHERE THE RUPEE IS EARNED

Our existing business operations are primarily concentrated on manufacturing and marketing of oral and sterile cephalosporins, phytochemicals and allied products. We currently manufacture and sell a comprehensive range of cephalosporins and phytochemicals. We are engage in contract manufacturing of API's for major pharmaceutical players besides being into formulations, empty hard gelatine capsules, generics, OTC's and diagnostics business.

Total domestic sale in 2009-10 was Rs. 5613.04 million whereas export sale was Rs. 3245.18 million.

The summary of turnover of various products is as follows:

Rs. in millions

Particulars	2009-10
Bulk drugs	
Domestic sales	3985.41
Export sales	1983.42
(A)	**5968.83**
Phytochemicals	
Domestic sales	738.70
Export sales	1107.67
(B)	**1846.37**
Generic, formulations, Diagnostics and EHGC	
Domestic sales	888.93
Export sales	154.09
(C)	**1043.02**
Total sales (A+B+C)	**8858.22**

Strong and sustainable business

FY 2009-10 was a year of fluctuating financial fortunes and even the brave and the bold had their rock bottom moments. NLL however witnessed sustained growth and new ideas & projects as green shoots taking roots & growth.

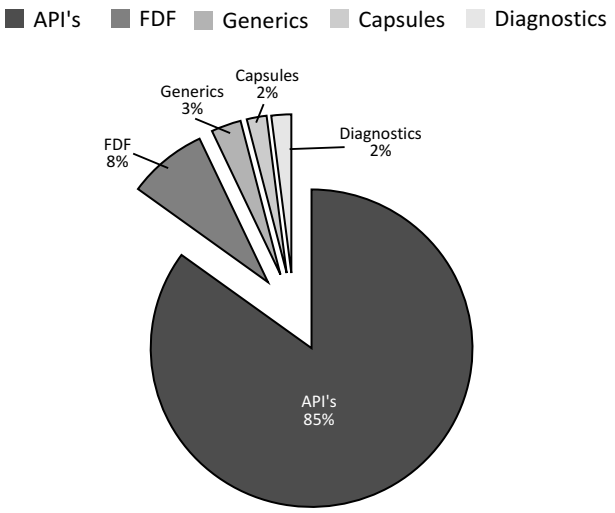
NLL is one of the few Indian pharmaceutical companies to engage in contract manufacturing of antibacterials like Cephalosporins. As both the other 2 top players already tied up by way of global alliances, NLL offers a strong footing to attract MNC clients and benefit from the CRAMS opportunity on account of its capacities, scale of operations & technology. Further, NLL also looking to expand its R&D centre, enhance its Cephalosporin capacity and venture into non-Cephalosporin APIs in the coming years adding further strategic advantage to its existing position.

Cephalosporin APIs

NLL has been able to attain a key global position in third and fourth generation Cephalosporin active pharmaceutical ingredients (APIs). It is the world's largest producer of Cefixime Trihydrate, the second largest producer of Cefuroxime Axetil. NLL's sterile Cephalosporin facility is the largest in Asia and capable of catering to innovators in all kinds of markets. Strategic alliance with a global innovator for supplying innovator molecule is expected to generate higher revenues and profits in the coming years.

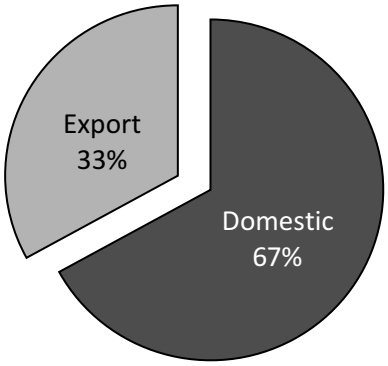
API still accounts for major of NLLs pharma business.

Pharma Performance



India represents a strategic part of our growth plans & thus contributes 60% of total top line. NLL will further expands its presence in India by venturing into Non Ceph areas thereby serving the demands of local markets.

APIs



During the FY '09-10 this segment has registered overall YOY growth of 17% where in exports has recorded growth of 27% & domestic sustained its 13% growth rate.

In line with strategic plan NLL continued to expand its base and growth in South East Asia, Asia & Middle East thereby registering double digit growth in all the markets. NLL is aligned with innovator for its key molecules, this relationship graduated to next level of sustainable business both in volume & value.

Finished Dosage formulations

NLL has sophisticated USFDA approvable global manufacturing capability for Cephalosporins at Baddi, Himachal Pradesh for tablets, capsules, dry syrups and dry powder injectables. NLL is currently engaged in B2B contract manufacturing arrangement with top Indian pharma houses, some of which features amongst top 10 in IMS.

During FY '09-'10, NLL partnered with Sales distributors, appropriate channel partners & multinational partners across South East Asia for structuring PAN South East Asia operations. CIS proved to be the important destination for growth during FY '09-10. NLL further is in process of finalizing strategies for Africa & Latin American markets.

NLL aims to enter regulated markets for its formulations as it has already filed drug master files (DMFs) for US FDA and EDQM approvals.

Empty Hard Gelatin Capsules business

EHGC registered strong growth of 30% with entry into new untapped domestic markets. NLL filed Type IV DMF for its capsule products thereby making it easy to export to US market. NLL has also been approved as vendor by European firm for its capsule shell requirement. Benefit of both these will accrue in current FY in terms of better bottom-line.

Generics: Domestics

This division has grown by 33% during FY '09-10 on account excellent growth recorded in Western & Central India. The division has emphasized on branding & Marketing to increase the visibility within the regions & create awareness about its key brands.

Diagnostics Business

NLL recently ventured into vitro diagnostic business under brand name Necpath. This division has entered into tieups & alliances with companies across for marketing their products in India. Division has already started its commercial operation during FY '09-10 & will expand its base further during current FY '10-11

Menthol

Demand slack in China, one of the key export market for NLL has led to change of strategy by moving towards value added products in domestics markets for menthol crystals and high grade derivates for the neutraceutical market has helped NLL in terms of better bottom-line. During FY '09-10, NLL has recorded growth of 32% in domestic business.

OUTLOOK

US market with a mammoth size of USD 312 billion is the largest pharma market across the globe. Regardless of intense competition & pricing pressure US remains the largest generic market in the world with a projected size of USD 52 Billion in 2011. All these drivers will provide impetus to NLL which is expecting its strategic entry in US market with 1st ANDA filing during 2010-11.

NLL expects its entry into top 5 EU countries France, Germany, UK, Italy & Spain, during 2012-13 which are part of the world's 2nd largest pharma market, Europe. Going forward NLL expect these markets to contribute to its growth on account of generics growth backed by Govt reforms to curb healthcare cost, increased demand from ageing population, rising need of preventive care.

Japan is one of the most lucrative destinations for pharma player mainly because of the rapidly ageing population & increasing incidence of western lifestyle diseases. Currently valued at USD 65 Bio it is expected to cross USD 79 Bio mark by 2013. NLL expects future value growth from this market for few Cephalosporin products which are still patent protected in Japan.

Seven emerging pharma markets of India, China, Brazil, Mexico, South Korea, Turkey and Russia which contributed 25% of the global pharma sales are growing at 12+% CARG on account of expanding economies, increasing affordability and broader access to healthcare. For NLL these one of major significance and will drive its export growth for both formulations & API's.

Replicating the successful of alliances with global innovator, NLL plans to be dedicated services provider, which offering services ranging from formulation development to cGMP compliant commercial manufacturing, to global pharmaceutical companies.

NLL has undergone massive metamorphosis sustaining its growth trajectory. NLL will continue to maintain its status as a pure-play contract manufacturer. FY '10-11 will be a year to spin new thoughts into new areas, new lines of inquiry & new field of study. Next few years will see NLLs ability to discover new markets & new opportunities gaining an invaluable advantage over competitors. NLL plans to grow both organically and inorganically in a short term. NLL is looking to invest in building a State of the Art facility targeting Non Cephalosporin areas.

Growth Enablers

- Entry into Niche portfolio
- Registration & commercialization
- Market optimization
- Licensing & partnerships
- Drug discovery & development

For NLL future growth will be driven by the expansion of customer projects, building long term relationship and entry into new markets segments i.e. Non Ceph's.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company introduced prescribed procedures in all the important functions affecting the daily operations of the business. In order to avoid duplication, many of the activities are designed to meet the GMP/FDA/ISO/management's or other statutory requirements. The top management of the Company continuously monitors compliance with the procedures and introduces new systems from time to time, wherever necessary. The Company inter-linked its various departments in such way so that any discrepancy would be found promptly. The highlights of the internal control weaknesses and internal audit reports are placed before Audit Committee meeting along with the recommendations and responses of the management. The members of the Board deliberate and advise the management on improvements/compliance. Apart from above, the statutory auditors also present their concerns to the members for improvements or developments.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Financial results *(Rs. in millions)*

	31st March 2010	31st March 2009
Sales and other income	9047.75	7,860.43
Profit before interest and depreciation	2139.92	1,455.62
Interest	602.84	496.06
Depreciation	387.46	301.89
Profit before tax	1149.62	657.67
Provision for tax	195.35	74.49
Provision for deferred tax	100.02	98.06
Provision for FBT	-	2.30
Earlier years' adjustments	7.02	(1.66)
MAT credit entitlement	(72.51)	(61.29)
Profit after tax available for Appropriations	919.74	545.78
Interim Dividend 25% (Previous year NIL)	38.07	-
Final dividend NIL (Previous year 10%)	-	15.23
Tax on dividend	6.47	2.59
Transfer to general reserve	100.00	-
Balance c/f to balance sheet	775.20	527.96

Operations

During the Year:

Sales and other income are up by 15.11%.

Profit before interest and depreciation is up by 47.01%.

Profit before tax is up by 74.80%.

Material Development in Human Resources Industrial Relations Front, including number of people employed

At Nectar Lifesciences we believe in maintaining a healthy and supportive work environment where employees can realise their potential to the fullest. Nectar Lifesciences' pool of approximately 1400 employees forms base of varied organisational backgrounds. This fact is strongly supported by the following key elements:

- Talent management at Nectar: Talent management describes the process through which employers of all kinds firms, governments and non-profits anticipate their human capital needs and set about meeting them. It involves getting the right people with the right skills into the right jobs. We at Nectar, ensure that we employ the best. It is necessary to define the role before the hiring is done. Keeping this in mind, we have well defined job responsibilities, in hand, for better clarity of role. Failures in talent management may be more recognisable than the

concept itself: Too many employees, leading to layoffs and restructurings on the one hand and not enough talent, leading to talent crunches on the other. We recognise the importance of this fact and thereby have manpower budgets in place, so that we don't hire, when it's really not required.

- Open door policy: We at Nectar believe in the open door policy, whereby the management is flexible, taking suggestions from employees on various business issues. The employees are entitled to hold open discussions with key elements, promoting healthy and supportive culture in the organisation. Different policies have been formulated and implemented in order to ensure system transparency. Superiors are not just 'bosses' at Nectar, but 'mentors'. The subordinates are treated with respect and equality.
- Well defined hierarchy: At Nectar, we believe in having a simple well-defined structure in order to reduce the ambiguities. We have a well-defined organisational structure at all locations. The system provides a clear pathway to the subordinates regarding their reporting, as well as their pathway to higher roles.
- Less crossovers: The organisational structure provides minimum crossovers. The management allows the flexibility for discussions and positive criticism. Employees are at liberty to approach the management for any issues faced in critical tasks.
- Flexibility in project work: Employees at Nectar have the freedom to introduce innovative ideas and suggestions for system improvement. The management is supportive and quite flexible, welcoming anything good for the organisation. This approach allows more flexibility in project implementation.

Corporate social responsibility: An essential component of our corporate social responsibility is to care for the community. We endeavour to contribute towards the development of underprivileged communities by supporting a wide range of socio-economic, educational and health initiatives. We intend to conduct the following activities in the near future:

- Conduct regular blood donation camps
- Donate school uniforms, school shoes and stationery along with educational CDs to underprivileged children
- Donate books for their library as part of the "books donation drive"
- Organise eye camps for the underprivileged
- Provide sewing machines for financially weak women
- Construct boundary wall for government schools
- Provide a weekly free meal for school children
- Organise campaigns to spread HIV/STD awareness
- Arrange for free dental check up

Retaining talent: We believe in retaining our employees to the best possible. Formal Exit Interviews are being carried out for the employees leaving the organization, for better analysis of Attrition. Moreover, we are trying to engage our employees to the maximum, so that the work environment is conducive. More of such practices are being thought of for retaining our employees. Due recognition is given to the employees having served long in our organization. All such measures have been helping us for retaining our valuable assets. The programs emphasized earlier under "Employee Relations" will serve as key change in strengthening the bond between the employees and the employers. Also by having the well defined job descriptions, in place, we have clarity among the employees regarding the role; he/she is supposed to play in the organization. Hence by focusing on such measures, we will surely be able to engage our employees and help in controlling the attrition as well as retaining talent.

RISKS, CONCERNS AND THREATS

"At Neclife, institutionalised risk management helps transform business uncertainties into growth opportunities."

What is risk?

Risk, in our case, is a tangible business reality that could have a material impact on our performance and prospects. Our response to this reality determines our growth.

What is risk management?

As a responsible corporate, we endeavour to minimise risks and maximise returns.

1) Delay in the ANDA approvals by USFDA

US, not only being the largest market but also the biggest growth driver for most of the pharma companies in India as well as globally. Any delay in product approvals from the USFDA would have severe impact not only on the revenues as well as margins of the company.

2) US Trade pact

This has raised concern for the domestic pharma companies as certain clauses would cause significant reduction in exports & thus will hit revenues as cheap generic versions would take longer to reach markets across the world due to patent extensions.

3) Pricing

Defensive price reductions by originators could serve as additional barriers to generic products.

4) Currency fluctuation

Unfavorable currency movement (mainly US dollar and Euro) and rising regulatory pressures remains key concern for the sector.

5) Curtailing Outsourcing

Outsourcing has always been associated with developing countries stealing jobs, but the past few years and many incidences such as Baxter's Heparin scare (contamination ingredients exported from China caused quite a few deaths), has added to the fears of counterfeit medicines and bioterrorism; which is one reason why many experts and lawmakers (especially in the US) have been considering to devise a law that would require certain drugs to be made or stockpiled in the base country.

What we are doing to derisk our business?

Nectar's integrated risk management framework comprises prudential norms, structured reporting and control, ensuring that the risk management discipline is centrally initiated by the senior management but is prudently decentralised across the organisation, percolating to managers at various organisational levels, enabling risk mitigation at the transactional level.

From the various available options only those business decisions are taken that balance risk and reward, ensuring that the revenue-generating initiatives are consistent with the risks taken. This risk management approach conforms to the Company's strategic direction and is consistent with the shareholders' desired total returns, the Company's credit rating and its risk appetite.

For and on behalf of the Board of Directors
of **Nectar Lifesciences Limited**

Place : Chandigarh
Date: 28th May 2010

Sanjiv Goyal
Chairman & Managing Director

Report on Corporate Governance

Nectar Lifesciences' philosophy on Corporate Governance

Nectar Lifesciences Limited believes in adopting the best practices in the area of Corporate Governance and follows the principles of full transparency and accountability. The Company is committed to maximise the wealth of its shareholders, besides catering to the interests of its customers, employees and associates, with the highest standards of professionalism, integrity, accountability, fairness, following its values, transparency at all levels, social responsiveness and business ethics.

The Company's governance practices go beyond the statutory and regulatory requirements as it tries its best endeavour to follow the spirit of good governance in addition to regulatory requirements.

The vision of the Company is: "To become an integrated international pharmaceutical Company offering excellence in product quality standards, services and commitment".

The Company's compliance of Corporate Governance guidelines as per Clause 49 of the Listing Agreement is as follows:

I. Board of Directors

The size and composition of the Board commensurate with the Company's future growth plans and also conforms to the requirements of the Corporate Governance Code under the Listing Agreement. The Company had total eight Directors on the Board as on March 31, 2010, comprising three directors (including the Chairman) who are Executive Directors, one Non-Independent & Non-Executive director and remaining four are Non-Executive and Independent Directors.

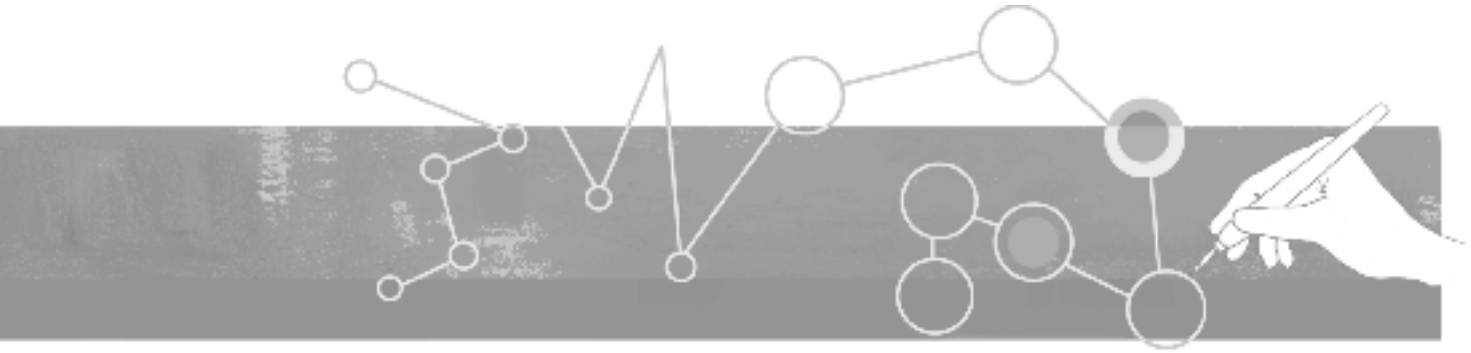
The responsibilities of the Board include charting out business plans; devising corporate strategy; brand equity; formulation of policies; new initiatives; other management matters; performance review and control and ensuring that the targeted objectives are met on a consistent basis. In all, the Board of Directors of Nectar believes to ensure compliance of all the applicable laws of the land, in letter as well as in spirit.

None of the Directors on the Board holds the office of Director in more than 15 public limited companies or memberships in Committees of the Board in more than 10 Committees or Chairmanship of more than 5 Committees.

Apart from receiving sitting fee for attending the meetings of the Board/Committees, there were no pecuniary relationships or transactions between the Company and the Non-Executive and Independent Directors.

During the financial year 2009-2010, eight Board meetings were held on June 30, 2009, July 24, 2009, September 22, 2009, October 20, 2009, January 12, 2010, January 15, 2010, February 19, 2010 and February 26, 2010.

The names and categories of the Directors on the Board, their attendance at the Board meetings during the financial year 2009-10 and at the last Annual General Meeting, as also the number of directorship, committee memberships and committee chairmanship held by them in other companies is given below:



Name and designation of Directors	Categor of Director	No. of Board meetings attended	Attendance at the AGM	No. of outside directorships held	No. of Board Committees of other companies in which	
					Member	Chairman
Mr. Sanjiv Goyal (Chairman and Managing Director)	Promoter & Executive Director	7	Present	3	Nil	N.A.
Mr. Aryan Goyal (Executive Director)	Promoter & Executive Director	7	Not-Present	2	Nil	N.A.
Mr. Dinesh Dua (Chief Executive Officer and Director)	Non Promoter & Executive Director	7	Not-Present	Nil	N.A.	N.A.
Mr. Basant Kumar Goswami, IAS (Retired) (Director)	Independent & Non-executive Director	4	Not-Present	15	7	3
Mr. Vijay J. Shah (Director)	Independent & & Non-executive Director	7	Present	2	Nil	N.A.
Dr. S. P. Singh (Director)[1]	Independent & Non-executive Director	1	Not-Present	Nil	N.A.	N.A.
Mr. Vivek Sett (Director)[2]	Non-Independent & Non-executive Director	1	Not Applicable	6	2	Nil
Dr. (Maj. Gen.) S. S. Chauhan, VSM (Director)[3]	Independent Non-executive Director	Nil	Not Applicable	Nil	N.A.	N.A.
Mr. Raman Kapur (Director)[4]	Independent Non-executive Director	Nil	Not Applicable	5	Nil	N.A.

1. Dr. S. P. Singh has expired on October 1, 2009. During his tenure three Board Meetings were held.
2. Mr. Vivek Sett appointed on the Board of Directors w.e.f. February 18, 2010 as a nominee director of NSR Direct PE Mauritius LLC, vide Investment Agreement for subscription of 26 Million Equity Shares on preferential basis. During his tenure two Board Meetings were held. Mr. Sett is member of Audit Committees of Private Companies.
3. Dr. (Maj. Gen.) S. S. Chauhan, VSM has been appointed on the Board of Directors w.e.f. February 19, 2010 as an Independent Director. During his tenure one Board Meeting was held.
4. Mr. Raman Kapur has been appointed on the Board of Directors w.e.f. February 19, 2010 as an Independent Director. During his tenure one Board Meeting was held. Mr. Raman Kapur is not holding any directorship in any company in India. He is Director across 5 foreign corporate bodies.

II. Code of Conduct

The Board of Directors adopted the Code of Conduct as per the provisions under Clause 49 of the Listing Agreement. The same has been posted on the Company's website www.neclife.com. All Board members and senior management personnel affirmed compliance with the Code. A declaration to this effect signed by Mr. Dinesh Dua, Chief Executive Officer and Director is attached to this Report.

III. Audit Committee

At the beginning of the financial year 2009-10, the Audit Committee comprised of three directors including Dr. S. P. Singh as Chairman with Mr. Vijay J. Shah and Mr. Sanjiv Goyal as Members. Dr. S. P. Singh had conveyed his inability to continue as the member Audit Committee of the Company after 24.07.2009 due to his health problems. Therefore, the Board of Directors has re-constituted the Audit Committee on the same day i.e. 24.07.2009 with

induction of Mr. B. K. Goswami, IAS (Retd.) as a Member and Mr. Vijay J. Shah was appointed as the Chairman. During the tenure of Dr. S. P. Singh three meetings ware held thereafter during the tenure of Mr. B. K. Goswami, IAS (Retd.) two meetings were held.

Mr. Vijay J. Shah holds the bachelors degree in Commerce and Diploma in business administration. He has rich experience in managing the affairs of the corporate entity and is currently working as the Managing Director of leading pharmaceutical companies. He fulfils the requirement that the Audit Committee Chairman must have financial expertise.

Mr. B. K. Goswami, IAS (Retd.) 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. He is also hold directorship in other companies in some of which he is also member/ chairman of Audit Committees. Mr. Sanjiv Goyal, Promoter Director of the Company, is a law and commerce graduate and has more than 20 years of experience in the Industry. Thus, the members are well versed with financial systems and have the ability to read and understand basic financial statements i.e. balance sheet, profit & loss account and statement of cash flows.

The terms of reference to the Audit Committee approved by the Board are in compliance to Section 292A of the Companies Act, 1956 and Clause 49 of the Listing agreement, which includes the following:

- Review the Company's financial statements, before submission to and approval by, the Board of Directors
- Review the Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other matters
- Review the management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management
- Monitor the integrity of the Company's internal financial controls
- Assess the scope and effectiveness of the systems established by the management to identify, assess, manage and monitor financial and non-financial risks
- Review the internal audit program and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company
- Receive a report on the results of the internal auditor's work on a periodic basis
- Review and monitor management's responsiveness to the internal auditor's findings and recommendations
- Monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system.

During the year under review, five meetings of the Audit Committee were held, the dates being April 20, 2009, June 29, 2009, July 23, 2009, October 20, 2009 and January 12, 2010.

The attendance of the members/permanent invitee at the Audit Committee meetings was as follows:

Name and	Category of member of committee	Number of meetings held during the tenure of each member	Number of meetings attended during the year
Dr. S. P. Singh (Chairman upto 24.07.2009)	Independent & Non-executive Director	3	3
Mr. Vijay J. Shah (Chairman after 24.07.2009)	Independent & Non-executive Director	5	5
Mr. Sanjiv Goyal	Managing Director	5	5
Mr. Basant Kumar Goswami IAS (Retired)	Independent & Non-executive Director	2	2

Mr. Sandeep Goel, Vice President (Finance) and Mr. Ravi Kant Aggarwal, Vice President (Accounts) of the Company and representatives from M/s Datta Singla & Co., Chartered Accountants, statutory auditors of the Company, as considered appropriate, attended the meetings as permanent invitees, while Mr. Sunder Lal, Company Secretary, acts as the Secretary to the Committee.

IV. Compensation Committee

The Company constituted the Compensation (Remuneration) Committee though it is not mandatory as per the provisions of Clause 49 of the Listing Agreement. At the beginning of the financial year 2009-10, the Compensation (Remuneration) Committee comprised of three directors including Dr. S. P. Singh as Chairman with Mr. Vijay J. Shah and Mr. Sanjiv Goyal as Members. Dr. S. P. Singh had expired on October 1, 2009. Therefore, the Board of Directors has re-constituted the Compensation (Remuneration) Committee on 15.01.2010 with induction of Mr. B. K. Goswami, IAS (Retd.) as a Member and Mr. Vijay J. Shah was appointed as the Chairman. Mr. Sunder Lal, Company Secretary acts as a secretary of the committee.

The Compensation Committee reviews the overall compensation structure, including managerial remuneration and related policies aimed at attracting, motivating and retaining personnel. The Compensation Committee has the authority to determine the compensation packages of Executive Directors and senior management and to determine the parameters and supervise the operation of the bonus schemes of the Company. The Committee also empowered to evaluate the possibilities of stock options to employees. The Compensation Committee reviews recommendations made to it by the Company and others and is authorised to investigate any activity within its terms of reference, seek any information from any employee of the Company and obtain independent professional advice.

The details of remuneration of Directors are given in disclosures part of this Report.

V. Share Transfer-cum-Shareholders' / Investors' Grievance Committee

At the beginning of the financial year 2009-10, the Transfer-cum-Shareholders' / Investors' Grievance Committee comprised of two directors including Dr. S. P. Singh as Chairman, Mr. Sanjiv Goyal and Mr. Aryan Goyal as Members. Dr. S. P. Singh had expired on October 1, 2009. Therefore, the Board of Directors has re-constituted the Transfer-cum-Shareholders' / Investors' Grievance Committee on 15.01.2010 with induction of Mr. Vijay J. Shah as the Chairman.

Mr. Sunder Lal, Company Secretary acts as the Secretary of the Committee and also the Compliance officer of the Company. The Committee focuses on strengthening investor relations and performs the following functions:

(i) Approves and monitors transfers, transmission, splitting and consolidation of securities, issue of share certificate upon rematerialisation requests and issue of duplicate share certificates.

(ii) Looks into various issues relating to shareholders including redressal of complaints relating to transfer of shares, non-receipt of annual reports and dividends, among others.

(iii) Ensures compliance of the Code of Conduct for prevention of insider trading formulated by the Company as per the Securities and Exchange Board of India Regulations

As on March 31, 2010, 67.89% of the Company's shares are held in electronic (demat) form.

One meeting of the Committee was held during the year on February 11, 2010. The attendance of the members at the Committee meetings was as follows:

Name and	Category of member of committee	Number of meetings held during the tenure of each member	Number of meetings attended during the year
Dr. S. P. Singh (Chairman upto 01.10.2019)	Independent & Non-executive Director	Nil	N.A.
Mr. Vijay J. Shah (Chairman after 01.10.2009)	Independent & Non-executive Director	1	1
Mr. Sanjiv Goyal	Managing Director	1	1
Mr. Aryan Goyal	Executive Director	1	Nil

All the complaints received during the year were duly redressed to the complete satisfaction of the respective shareholders expeditiously. The detail of complaints received and redressed follows:

Opening Balance	Received during the Financial Year 2009-10	Complaints resolved	Closing Balance
Nil	17	17	Nil

Quarter-wise details of complaints during 2009-10

Quarter	Complaints pending at the beginning of quarter	Complaints received during the quarter	Complaints resolved during the quarter	Complaints pending at the end of quarter
April-June	Nil	3	3	Nil
July-September	Nil	5	5	Nil
October-December	Nil	4	4	Nil
January-March	Nil	5	5	Nil

Secretarial audit

The Company conducts a secretarial audit on a quarterly basis in accordance with requirements of Securities and Exchange Board of India (Depositories and Participants) Reg. 1996 and SEBI Circular No. D&CC/ FITTC/ Cir-16/2002 dated 31.12.2002. M/s. V. Garg & Company, Company Secretaries were appointed by the Company to conduct secretarial audit. The Secretarial Audit Report, which was submitted to the stock exchanges within the stipulated period, inter-alia certifies that the Company's equity shares held in the dematerialised form and in the physical form confirm with the issued and paid-up equity shares capital of the Company.

Secretarial Compliance Certificate

As per the provisions of the Clause 47 (c) of the Listing Agreement entered with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited by the Company, the company has obtained the Secretarial Compliance Certificate on half-yearly basis from M/s. V. Garg & Company, Company Secretaries, to the effect that all transfer of shares among others, were effected within the stipulated time. The certificate was submitted with the stock exchanges within the prescribed time limit.

Reporting as per Clause 5A of the Listing Agreement

As required under Clause 5A of the Listing Agreement, the details of shares in suspense account, i.e. shares issued pursuant to the public issues or any other issue which remain unclaimed are as under:

At the beginning of the year i.e. April 1, 2009	Aggregate number of shareholders	29
	Outstanding shares in the suspense account	7360 equity shares of Re. 1/- each
Number of shareholders who approached issuer for transfer of shares from suspense account during the year		Nil
Number of shareholders to whom shares were transferred from suspense account during the year		Nil
At the end of the year i.e. March 31, 2010	Aggregate number of shareholders	29
	Outstanding shares in the suspense account	7360 equity shares of Re. 1/- each

Further, the voting rights on these shares will remain frozen till the rightful owner of such shares claims the shares.

VI. Financial Review Committee

The Financial Review Committee comprising one Non-Executive Director, Mr. Vijay J. Shah, as Chairman and two Executive Directors, Mr. Sanjiv Goyal and Mr. Aryan Goyal, as Member. Mr. Sunder Lal, Company Secretary, acts as the Secretary of the Committee.

The scope of functioning of the Committee is to consider and approve the un-audited quarterly financial results of the Company and limited review report on said results by the statutory auditors, if Board meeting is not held for the above purposes. However, if the Board meeting is held to approve the said results and report, then the Committee will not have any power to approve the above statements. The un-audited quarterly financial results of the Company and limited review report by auditors, if approved by the Committee, would also be placed before the next Board meeting.

During 2009-10, no meeting of the Committee was held.

VII. Allotment Committee

The Allotment Committee was constituted with Mr. Sanjiv Goyal as the Chairman and Mr. Vijay J. Shah and Mr. Aryan Goyal as members. Mr. Sunder Lal, Company Secretary, acts as the Secretary of the Committee.

The scope of functioning of the Committee is to approve the allotment of the equity shares upon conversion of Zero Coupon Convertible Bonds Due 2011 (FCCBs), in case the Board cannot meet for that purpose. Further, if the above allotment is approved by the Board, then the power of the Committee will automatically be rescinded.

During the Year under review, no meeting of the Committee was held since no allotment took place in that year.

VIII. Preferential Allotment Committee

The Board of Directors in their meeting held on February 19, 2010 had constituted the Allotment Committee with Mr. Aryan Goyal as Chairman and Mr. B. K. Goswami, IAS (Retd.) and Dr. (Maj. Gen.) S.S. Chauhan, VSM as Members. Mr. Sunder Lal, Company Secretary acts as the Secretary of the Committee.

The scope of functioning of committee is to make the allotment of 26,000,000 equity shares pursuant to the authority granted by the members in their Extra Ordinary General Meeting held on February 11, 2010 and shall have requisite powers so as to give full effect to that allotment. For this purpose, a meeting of the committee was held on 20.02.2010, which was attended by all its Members.

IX. General Body meetings

Details of the last three Annual General Meetings held

1. 14th Annual General Meeting:

   September 22, 2009 at 10.00 am at the registered office and works of the Company i.e. Village Saidpura, Tehsil Derabassi, District S.A.S. Nagar (Mohali) Punjab

2. 13th Annual General Meeting:

   September 29, 2008 at 10.00 am at the registered office and works of the Company i.e. Village Saidpura, Tehsil Derabassi, District S.A.S. Nagar (Mohali) Punjab

3. 12th Annual General Meeting:

   September 28, 2007 at 10.00 am at registered office and works of the company i.e. Village Saidpura, Tehsil Derabassi, District S.A.S. Nagar (Mohali) Punjab

Detail of special resolutions

1. At the Extraordinary General Meeting held on February 11, 2010, the following three special resolutions were passed
   - i. Preferential issue of equity shares under Section 81 (1 A) of the Companies Act, 1956
   - ii. The issue of Global Depository Receipts / American Depository Receipts / any other international offerings up to Rs. 2500 million.
   - iii. Increase in the limit of shareholding of Foreign Institution Investors (FIIs) in the company to 74% under portfolio Investment Scheme.
2. At the 14th Annual General Meeting held on September 22, 2009, the following seven special resolutions were passed:
   - i. For the appointment of Mr. Dinesh Dua as a Wholetime Director designated as Chief Executive Officer & Director.
   - ii. For the increase in Borrowing Limits of the Company upto Rs. 2000 Crores.
3. At the 13th Annual General Meeting held on September 29, 2008, the following seven special resolutions were passed:
   - i. For the appointment of Mr. Saurabh Goyal as an Executive Director
   - ii. Revision in the remuneration of Mr. Sanjiv Goyal w.e.f. July 1, 2008
   - iii. Revision in the remuneration of Mr. Aryan Goyal w.e.f. July 1, 2008
   - iv. Preferential issue of warrants convertible into equity shares under Section 81(1A) of the Companies Act, 1956
   - v. Sub-division of every equity share of Rs. 10/- each into 10 equity shares of Re. 1/- each
   - vi. Consequential changes of sub-division in capital Clause of Memorandum of Association of the Company

vii. Consequential changes of sub-division in capital Clause of Articles of Association of the Company

4. At the Extraordinary General Meeting held on September 16, 2008, the following two special resolutions were passed

   i. Preferential issue of equity shares under Section 81 (1 A) of the Companies Act, 1956

   ii. The issue of Global Depository Receipts / American Depository Receipts / any other international offerings up to US$50 million.

5. At the 12th Annual General Meeting held on September 28, 2007, the following three special resolutions were passed

   i. For the appointment of Mrs. Raman Goyal as a Wholetime Director w.e.f. September 01, 2007

   ii. Revision in the remuneration of Mr. Sanjiv Goyal, Managing Director from October 01, 2006 to May 31, 2007

   iii. Re-appointment of Mr. Sanjiv Goyal as a Chairman & Managing Director w.e.f June 01, 2007

   Apart from the said resolutions, there was no other special resolution passed at the above General Meetings. All the resolutions passed in the above General Meetings were passed through show of hands.

   There was no resolution passed through postal ballot process during the last year.

   No special resolution to be passed through postal ballot is proposed at the ensuing Annual General Meeting.

X. Disclosures

a. There were no materially significant transactions made by the Company with its promoters, Directors or the management and their subsidiaries or relatives, among others, that may have potential conflict with the interests of the Company at large. However, the general related party disclosures are given in the Notes on Accounts.

b. There was not any material non-compliance by the Company and no penalties, strictures imposed on the Company by stock exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

c. The Company did not adopt the whistle blower policy, as it is a non-mandatory requirement. However, any personnel can approach the Audit Committee/ Chairman & Managing Director, for his grievance about the affairs of the Company.

d. i) Details of compliance with mandatory requirements: Given elsewhere in this Report

   ii) Adoption of the non-mandatory requirements of this Clause: Given elsewhere in this Report

e. Related Party Transactions: The details of all transactions, if any, with related parties are placed before the Audit committee on quarterly basis.

f. Disclosure of accounting treatment: In the preparations of financial statements, the Company followed the accounting standards issued under Companies (Accounting Standard) Rules, 2006, as amended upto date, to the extent applicable.

g. Disclosure of risk management: The Company regularly informed the Board of Directors about the risk assessment, if any, along with recommendations to reduce the risk.

h. Proceeds from the preferential issue: The Company issued 26,000,000 equity shares of Rs. 35/- per share aggregating to Rs. 910.00 million by way of Preferential Allotment to NSR Direct PE Mauritius LLC (a non promoter entity) on February 20, 2010. The details of utilisation of such proceeds would be disclosed to the Audit Committee. The Company is utilising these funds for purposes as stated in Notice for convening the Extraordinary General meeting held on February 11, 2010 vide which approval of members was received for the issue of said allotment.

I Proceeds from the GDRs issue: the Company issued 46,000,000 Equity shares underlying 46,000,000 Global Depository Receipts of US$ 0.76 each on February 26, 2010. The total proceeds from the issue were US$ 34.96 Million. The details of utilisation of such proceeds will be disclosed to the Audit Committee. The Company is utilising these funds for purposes as stated in the Notice for convening the Extraordinary General meeting held on February 11, 2010 vide which approval of members was received for the issue of said GDRs.

j. Remuneration of Directors: The Non-Executive Directors are entitled to sitting fee of Rs. 10,000 per board meeting attended by them. The sitting fee of Rs. 1000 is paid to them for every Committee meeting attended by them. Apart for the sitting fee, the Non-Executive Directors did not have any materially pecuniary relationship with the Company.

   During the financial year 2009-10, the Company paid the remuneration to Mr. Sanjiv Goyal, Chairman & Managing Director, Mr. Aryan Goyal, Executive Director, and Mr. Dinesh Dua, Chief Executive Officer & Director on the terms and conditions of their respective resolutions passed by the Board of Directors and members. The Company is not paying any sitting fee to its Executive Directors.

   The details of Directors' remuneration for the financial year ended March 31, 2010

Name and designation of Director	Sitting Fee (Rs.)	Salaries and perquisites (Rs.)	Commission (Rs.)	Period of service	No. of shares held as on 31st March 2010
Mr. Sanjiv Goyal Chairman and Managing Director	N.A.	6,279,981/-	6,225,000/-	5 years from June 01, 2007	75452640
Mr. Aryan Goyal Executive Director	N.A.	6,268,037/-	N.A.	5 years from December 05, 2005	290000
Mr. Dinesh Dua Chief Executive Officer & Director	N.A.	10,922,200/-	N.A.	5 years from November 28, 2008	Nil
Mr. Basant Kumar Goswami IAS (Retired) Non-Executive Director	43,000/-	N.A.	N.A.	N.A.	Nil
Dr. S. P. Singh Non-Executive Director	13,000/-	N.A.	N.A.	N.A.	Nil
Mr. Vijay J. Shah Non-Executive Director	76,000/-	N.A.	N.A.	N.A.	Nil
Mr. Vivek Sett Non-Executive Director	10,000/-	N.A.	N.A.	N.A.	Nil
Dr. (Maj. Gen.) S. S. Chauhan, VSM Non-Executive Director	1,000/-	N.A.	N.A.	N.A.	Nil
Mr. Raman Kapur Non-Executive Director	Nil	N.A.	N.A.	N.A.	10,00,000

The salary of Mr. Dinesh Dua has been revised to Rs. to Rs. 880,000/- per month with effect from October 1, 2009 till March 31, 2010 by the Board of Directors in their meeting held on October 20, 2010 with a bonus of Rs. 840,000/- for the financial year 2009-10.

The Company did not allot any shares to its Directors in the Initial Public Offerings. Further, the Company did not provide any stock option to its officers and employees.

XI. Means of communication

Quarterly results

The details of quarterly results are published are as under:

Quarter	English Daily	Punjabi Daily
April-June	1. Economic Times Mumbai, Delhi, Ahemdabad, Chandigarh 2. Financial Express All Editions	Des Sewak
July-September	1. Economic Times Mumbai, Delhi, Ahemdabad, Chandigarh 2. Financial Express All Editions 3. Business Standard All Editions	Des Sewak
October-December	1. Economic Times All editions 2. Business Standard All Editions	Des Sewak
Annual audited results for the year ended on March 31, 2010	1. Economic Times Mumbai, Delhi, Ahemdabad, Chandigarh 2. Financial Express All editions	Des Sewak

The results are also displayed on the company's website "www.neclife.com". The official news' are also displayed on the Company's website. Apart from the above, we also regularly provided the information to the Stock Exchanges as per the requirements of the Listing Agreement and the desired information can be accessed from the websites of the respective Stock Exchanges. Other than the annual accounts, the quarterly and half-yearly financial results are not sent to the household of each shareholder.

XII. PARTICULARS OF APPOINTMENT/REAPPOINTMENT OF DIRECTORS

1. Mr. Vijay J. Shah would retire at the forthcoming Annual General Meeting and he is proposed to be re-appointed as a Director thereat.

   Mr. Vijay J. Shah, aged 47 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 on March 31, 2010.

2. Mr. Vivek Sett was appointed as the Additional Director and vacates his office at the ensuing Annual General Meeting. However, the Company received a notice under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose the candidature of Mr. Vivek Sett as a regular Director of the Company.

   Mr. Vivek Sett is nominee director of NSR Direct PE Mauritius LLC, vide Investment Agreement for subscription of 26 Million Equity Shares on preferential basis.

   Mr. Vivek Sett, aged 55 years, is qualified Chartered Accountant and graduated with a degree in Commerce from Calcutta University. He is the partner of New Silk Route Advisors (NSR) since February 2007 and focused on private equity opportunities in the Indian sub-continent out of the Mumbai office. He started his professional career in 1984 with Ispat Industries Ltd., as a Senior Officer and was nominated to the Board of the company in 1994. He played a proactive role in the development of Ispat Group, which is today an industrial conglomerate and ranks among the top business houses in the country. In 1997 he joined the Board of Directors Hughes Telecom India Ltd and was appointed Chief Financial Officer (CFO) of the company in 2001 and Chief Executive Officer in 2002 prior to the takeover of the company by the Tata group. In Tata Group, he worked as Chief Financial Officer of Tata Teleservices Ltd. He supervised the finance function at Tata Teleservices Ltd., which implemented a US$4.5 billion wireless telecommunication project across the country. As a CFO, Vivek Sett structured the funding of complex, capital-intensive projects and restructured distressed assets with different groups of senior lenders and creditors.

   Prior to joining NSR, Vivek Sett was Chief Financial Officer of Tata Realty and Infrastructure where he was mandated to lead the Tata Group's funding of a US$ 5 billion initiative to exploit the growth in the Indian Realty and Infrastructure Sectors.

   Mr. Vivek Sett hold directorship in following companies:

   1. New Silk Route Advisors Private Limited
   2. New Silk Route Towers Private Limited
   3. Infrastructure & Energy Limited
   4. Rolex Rings Private Limited
   5. K. S. Oils Limited
   6. Aster Infrastructure Private Limited

   He does not hold any equity share in the Company on March 31, 2010.

3. Dr. (Maj. Gen.) S. S. Chauhan, VSM was appointed as the Additional Director and vacates his office at the ensuing Annual General Meeting. However, the Company received a notice under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose the candidature of Dr. Chauhan as a regular Director of the Company.

   Dr. (Maj. Gen.) S. S. Chauhan, VSM, aged 72 years, retired after holding the most prestigious and highest professional appointment of Senior Consultant Medicine as Head of the medicine and Allied Specialties/ Super Specialties in the Armed Forces from Ministry of Defence and Army Hospital (Research and Referral) Delhi. He has joined Defence forces on March 29, 1963 and super annuated on May 31, 1997.

   He did his M.B.B.S. from Government M.G. Medical College Bhopal in 1961, did Advanced Course in Medicine from A.F.M.C. Pune in 1973, M.D. (Medicine) from Pune University in 1978 and F.I.C.P. from Indian College of Physicians Bombay in 1996. He also did management courses i.e., Medical Officers Senior Command Course from O.T.S.A.M.C. Centre Lucknow in 1977 and Senior Defence Management Course from College of Defence Management Secunderabad in 1993.

   During his service tenure he was delegated twice as leader of the specialist's teams abroad. He has the distinction of active service in both 1965 and 1971 wars with Pakistan and also commanded the largest zonal hospital/formation during insurgencies both in western and eastern threats. He had published over 30 papers/articles in national and international journals. He was on the editorial boards of prestigious journal of Association of Physicians of India and Indian Academy of Clinical Medicine.

   He does not hold any equity share in the Company on March 31, 2010. He also does not hold any directorship in any other company.

4. Mr. Raman Kapur, was appointed as the Additional Director and vacates his office at the ensuing Annual General Meeting. However, the Company received a notice under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose the candidature of Mr. Raman Kapur as a regular Director of the Company.

   Mr. Raman Kapur, aged 64 years. Mr. Kapur received a B.A. degree in economics from Columbia College, New York and a Mater in Business Administration (MBA) degree in finance and international business from Columbia University, New York. He was Chairman and a partner of Global Pharmaceutical Services, LLC and Transition Patient Services, LLC which he co-founded after electing voluntary early retirement from Schering Plough Corporation effective January 1, 2005. Mr. Kapur had a 30 year career with Schering Plough where he served as President, Warrick Pharmaceuticals, U.S.A. and President of the World-wide Generics business of Schering-Plough Corporation. Mr. Kapur's responsibilities included the sales and promotion of a group of legacy branded products in the U.S. market.

   Mr. Kapur joined Schering-Plough as a financial analyst in 1975 serving in progressively more responsible finance, marketing and general management positions in the U.S. and internationally in Europe, Latin America, Middle East as well as India where he served for 5 years as Managing Director of Schering Plough's Indian subsidiary, Fulford India Ltd based in Mumbai.

Mr. Raman Kapur hold directorship in following companies:

1. Innopharma, New Jersey, USA
2. Lifeblood Medical, New Jersey, USA
3. Global Pharmaceuticals Services , New Jersey, USA
4. Princeton Opthalmics, New Jersey, USA
5. Capitol Health, New Jersey, USA

He holds 1,000,000 (0.46%) equity shares in the Company on March 31, 2010.

5. Mr. Saurabh Goyal has been appointed as Additional Director on August 11, 2010 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. Saurabh Goyal as a regular director of the company. Further, Mr. Saurabh Goyal has also been appointed as an Executive Director, subject to the approval of shareholders in their General Meeting.

   Mr. Saurabh Goyal, aged 24 years, holds a Masters degree in International Management from King's College London, United Kingdom. He belongs to the promoter family.

   He holds 243000 Equity Share in the Company representing 0.11% of total paid up shares capital of the company. He is also does not have directorship in any other company.

6. Mr. Ajay Swaroop has been appointed as Additional Director on August 11, 2010 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. Ajay Swaroop as a regular director of the company.

   Mr. Swaroop, aged 61 years, holds B.Com., M.A. (Economics) and C.A.I.I.B. degrees. He has retired as Chief General Manager of Chandigarh circle of State Bank of India comprising of Punjab, Haryana, Himachal, Jammu & Kashmir and Chandigarh (U.T.) after 37 years of long and varied service. At the time of retirement, he was controlling Rs. 780,000 million of business, 1000 branches and 14000 employees.

   He is presently holding Directorship in Emm Bee Financial Services Limited and Haryana State Industrial and Infrastructure Development Corporation Limited.

   He does not hold any equity share in the Company.

XIII. General Shareholder Information

i.	**15th Annual General Meeting**		
	Date	:	September 29, 2010
	Time	:	10.00 am
	Venue	:	Registered Office and Works: Village Saidpura Tehsil Derabassi, District Mohali (Punjab)
ii.	**Financial year**	:	April 1, 2009 to March 31, 2010
iii.	**Date of book closure**	:	September 25, 2010 to September 29, 2010 (both days inclusive)
iv.	**Dividend payment date**	:	Not Applicable
v.	**The equity shares of Re. 1/-each of the Company are listed on**	:	**1. The National Stock Exchange of India Limited (NSE)** Regd Office : "Exchange Plaza", Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India Tel : 91-22-26598100, 56418100 Fax : 91-22-26598237/38, 26598120 **2. The Bombay Stock Exchange Limited (BSE)** New Trading Ring, Rotunda Building Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai - 400 001, Maharashtra, India Tel : 91-22-22721233, 22721234 Fax : 91-22-22723677, 22722082 / 3132
vi	**Zero Coupon Convertible Bonds due 2011 (FCCBs) listed on**	:	**Singapore Exchange Securities Trading Limited** (SGX-ST), 2 Shenton Way, #19-00 SGX Centre 1 Singapore 068804 Telephone: (65) 6236 8888, Fax: (65) 6535 6994
vii	**Global Depository Receipts (GDRs) listed on**	:	Luxembourg Stock Exchange/ LuxSE Société de la Bourse de Luxembourg S.A. B.P. 165, L-2011 Luxembourg Siége social, 11, av de la Porte-Neuve, Telephone: (352) 47 79 36 1, Fax : (352) 47 32 98
viii.	**Listing fee**	:	The annual listing fees have been paid to the above exchanges and there is no outstanding payment towards the exchanges, as on date.

ix.	**Equity shares' stock code / symbol**	:	BSE Code : 532649 NSE Symbol : NECLIFE
x.	**FCCBs' common code**	:	SGX-ST Code: 024957900
xi.	**GDRs common code**	:	039031680
xii.	**ISIN of Company's equity shares**	:	INE023H01027
xiii.	**ISIN of Company's FCCBs**	:	XS0249579003
xiv.	**ISIN of Company's GDRs**	:	US63975T1051
xv.	**CUSIP of Company's GDRs**	:	63975T 105
xvi.	**Corporate Identification Number (CIN)**	:	L24232PB1995PLC016664

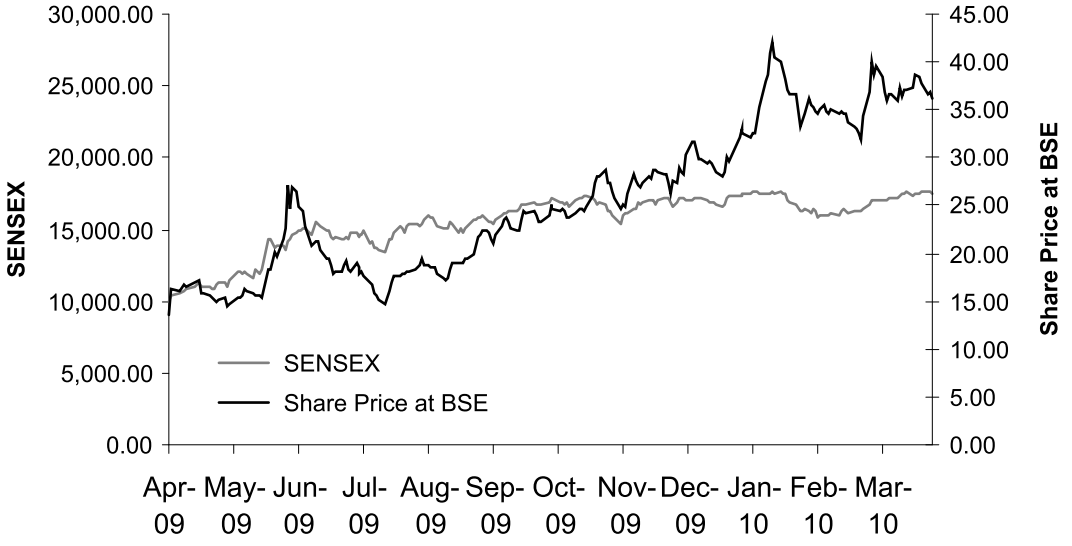
xvii. Market price data

The high and low prices of the Company's share (of Re. 1/- each) at BSE and NSE from April 1, 2009 to March 31, 2010 were as below:

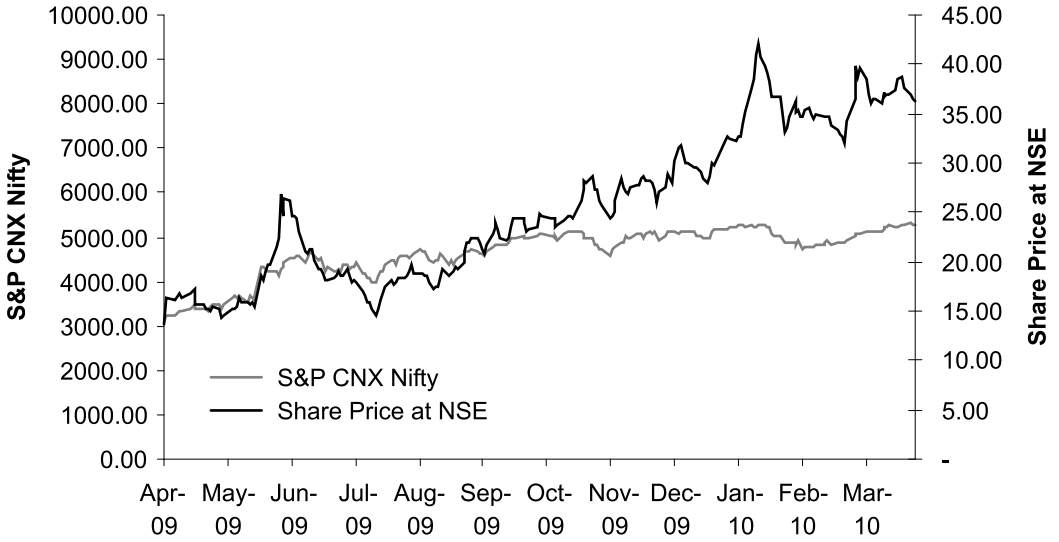
Month	NSE			BSE		
	High (Rs.)	Low (Rs.)	Total trade quantity	High (Rs.)	Low (Rs.)	Total traded quantity
April-09	17.90	11.20	1,589,126	17.75	11.15	1,023,632
May-09	27.70	14.30	5,656,678	28.22	14.61	6,621,707
June-09	28.00	17.15	2,591,937	27.85	17.30	2,143,109
July-09	20.10	14.50	631,255	20.00	14.50	752,926
August-09	22.80	16.75	1,202,097	22.90	16.85	1,028,907
September-09	25.00	20.75	2,246,035	25.20	20.45	2,095,320
October-09	29.40	22.40	4,799,357	29.50	22.70	3,852,723
November-09	30.00	23.85	2,745,698	30.00	23.95	3,222,028
December-09	33.35	27.25	7,841,684	33.50	27.10	6,519,456
January-10	43.65	31.90	20,906,163	43.50	31.75	17,788,961
February-10	37.60	31.50	3,369,757	37.50	31.70	2,448,309
March-10	42.10	35.00	21,694,920	42.05	35.00	18,588,696

xviii. Performance of the Company's share price with BSE Sensex and NSE Nifty

a. Performance of the Company's share price at BSE in comparison with BSE Sensex



b. Performance of the Company's share price at NSE in comparison with NSE Nifty



xix. Registrar and Transfer Agents and contact person thereat

Karvy Computershare Private Limited
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
Contact Person : Mr. V. K. Jayaraman
E-mail: jayaramanvk@karvy.com

xx. Address for correspondence at the Company

Nectar Lifesciences Limited
SCO 38-39, Sector 9-D, Chandigarh -160 009
Ph. No. 0172-3047777,3047701
Fax No. 0172-3047755

xxi. Compliance Officer and contact person at the Company

Mr. Sunder Lal, Company Secretary
E-mail: sunderlal@neclife.com
Website : www.neclife.com

xxii. Share transfer system

Almost 67.89% of the shares of the Company are held in dematerialised form. Transfers of these dematerialised shares are done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form, the transfer documents can be lodged with the Registrar and Share Transfer Agent of the Company.

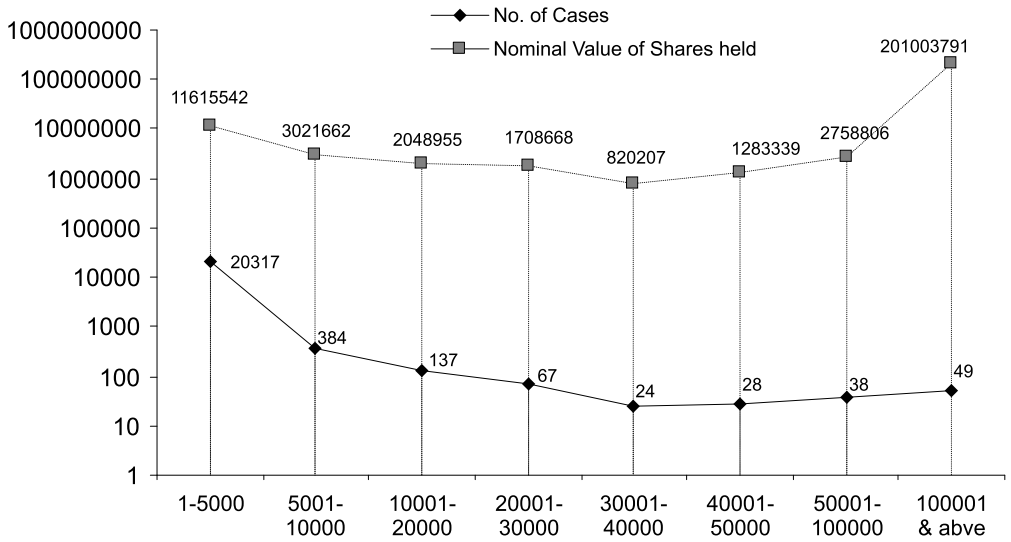
Transfers of shares in physical form are normally processed within 20-25 days from the date of receipt, if documents are complete in all respects. The Shareholders'/Investors' Grievance Committee approves the transfer and transmission of shares.

xxiii. Distribution of Shareholding

(a) Class-wise distribution of Equity Shares as on March 31, 2010

Category (Amount)	No. of cases	Percentage of cases	Total shares	Nominal value of shares held (Rs.)	Percentage of amount
1-5000	20317	96.55	11615542	11615542	5.18
5001 - 10000	384	1.82	3021662	3021662	1.35
10001 - 20000	137	0.65	2048955	2048955	0.91
20001 - 30000	67	0.32	1708668	1708668	0.76
30001 - 40000	24	0.11	820207	820207	0.37
40001 - 50000	28	0.13	1283339	1283339	0.57
50001 - 100000	38	0.18	2758806	2758806	1.23
100001 & Above	49	0.23	201003791	201003791	89.63
Total	21044	100.00	224260970	224260970	100.00

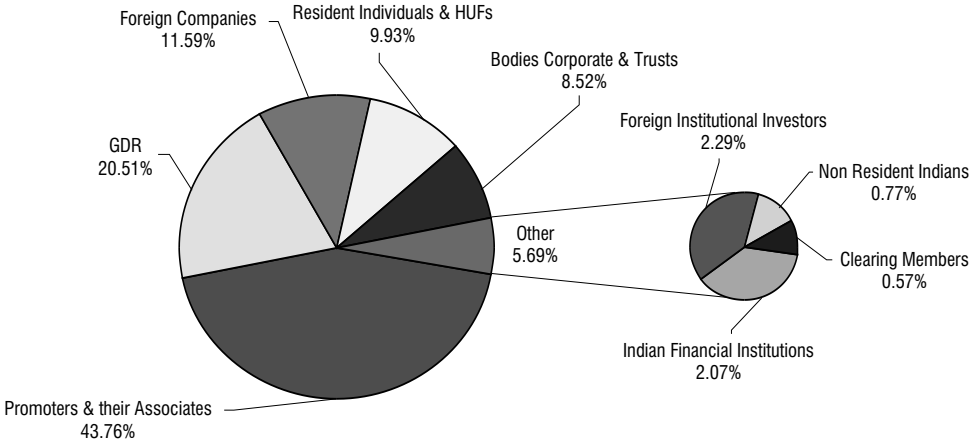
Distribution Schedule as on March 31, 2010



b) Shareholding pattern as on March 31, 2010

Category	No. of Cases	Total Shares	% to Equity
PROMOTERS	5	98141640	43.76
GDR	1	46000000	20.51
FOREIGN COMPANIES	1	26000000	11.59
RESIDENT INDIVIDUALS	19356	21514530	9.59
BODIES CORPORATES	679	19053608	8.50
FOREIGN INSTITUTIONAL INVESTORS	6	5127579	2.29
INDIAN FINANCIAL INSTITUTIONS	1	4631288	2.07
NON RESIDENT INDIANS	274	1723858	0.77
CLEARING MEMBERS	103	1273604	0.57
H U F	615	752563	0.34
TRUSTS	3	42300	0.02
Total	21044	224260970	100.00

Shareholding pattern as on March 31, 2010

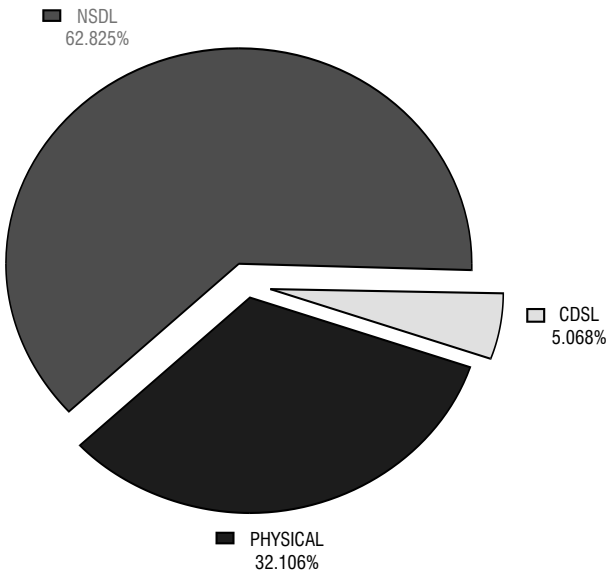


xxiv. Dematerialisation of shares and liquidity

The Company's shares are compulsory traded in dematerialized form. Equity shares of the Company representing 67.89% of the Company's share capital were dematerialised as on March 31, 2010.

The Distribution of shareholding of the Company as per the depository system as on March 31, 2010 was as under:

Sr.	Category	No. of holders	Total shares	% to equity
1.	Physical	15	72002340	32.11
2.	NSDL	14526	140892318	62.83
3.	CDSL	6503	11366312	5.07
	Total	**15**	**72002340**	**32.11**



The Company's shares are regularly traded on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange limited (BSE), in electronic form.

Under the depository system, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE023H01027.

xxv. Outstanding GDRs/ADRs/warrants or any convertible instruments, conversion date and likely impact on equity

1. GDRs: The Company has issued and allotted 46,000,000 equity shares of Re. 1/- each underlying 46,000,000 Global Depository Receipts (GDRs) of US$ 0.76 each on 26.02.2010. The total proceeds from the GDRs issue was US$ 34.96 Million. The GDRs are listed on:

   Luxembourg Stock Exchange/ LuxSE
   Société de la Bourse de Luxembourg S.A.
   B.P. 165, L-2011 Luxembourg
   Siége social, 11, av de la Porte-Neuve,
   Telephone: (352) 47 79 36 1, Fax : (352) 47 32 98

   After the allotment of underlying equity shares, the paid up equity capital of the company stands increased from Rs. 178,260,970/- to Rs. 224,260,970/- comprising of 224,260,970 equity shares of Re. 1/- each.

2. FCCBs: The Company made the issue of US$35 million of Zero Coupon Convertible Bonds (Foreign Currency Convertible Bonds (FCCBs)) due on April, 26, 2011. Of which, bonds of US$2 million were converted in financial year 2007-08. The outstanding FCCBs on March 31, 2010 were of US$33 million. The FCCBs are listed on

   Singapore Exchange Securities Trading Limited
   2 Shenton Way, #19-00 SGX Centre 1, Singapore 068804
   Telephone: (65) 6236 8888, Fax: (65) 6535 6994

   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 has been adjusted on various occasions and currently it is Rs. 25.719.

   The Company's equity share capital will further be increased by 57,319,199 equity shares to 281,580,169 equity shares if the balance FCCBs of US$33 million are converted at a adjusted price of Rs. 25.719 at a predetermined exchange rate of US$1 = Rs. 44.6725.

xxvi. Registered office location

Nectar Lifesciences Limited
Village: Saidpura, Tehsil Derabassi, District Mohali (Punjab)

xxviii. Plant locations

1. Nectar Lifesciences Limited unit I
   Village: Saidpura, Tehsil Derabassi, Distt. Mohali (Punjab)
2. Nectar Lifesciences Limited unit II
   Village: Saidpura, Tehsil Derabassi, District Mohali (Punjab)
3. Empty Hard Gelatin Capsule Unit
   Village Bhatoli Kalan, Pargana Dharmpur, Tehsil Nalagarh

District Solan, (Himachal Pradesh)

4. Formulation unit
   Village Bhatoli Kalan, Pargana Dharmpur,
   Tehsil Nalagarh District Solan, (Himachal Pradesh)
5. Narbada Industries
   Plot No. 2, Lane No. 4, Phase II,
   SIDCO INDUSTRIAL COMPLEX
   Bari Brahmana, Jammu (J & K)

XIV. CEO / CFO certification

As required under Clause 49 of the Listing Agreement the certificates duly signed by Mr. Dinesh Dua, Chief Executive Officer & Director and Mr. Sandeep Goel, Vice-President (Finance)- CFO, were placed at the meeting of the Board of Directors held on May 28, 2010

XV. Auditor's certificate on compliance of conditions of Corporate Governance

Certificate from the auditors on compliance of conditions on Corporate Governance is enclosed along with the Directors' Report.

For and on behalf of the Board of Directors
of **Nectar Lifesciences Limited**

Place : Chandigarh
Date: August 11, 2010

Sanjiv Goyal
Chairman & Managing Director

Declaration to the Compliance with code of conduct as per clause 49 of the Listing Agreement

I, Dinesh Dua, Chief Executive Officer & Director of Nectar Lifesciences Limited having its registered office at Village Saidpura, Tehsil Derabassi, Distt. Mohali (Punjab) do hereby certify that the Board of Directors has formulated the code of conduct as per the provisions of clause 49 of the Listing Agreement for the Directors and Senior Management Personnel, which has been posted on the website of the company.

Further, it is hereby confirmed that all the Directors and Senior Management Personnel have complied with the code of conduct and a confirmation to this effect has been obtained from Directors and Senior Management Personnel.

For and on behalf of the Board of Directors
of Nectar Lifesciences Limited

Place: Chandigarh
Date: May 28, 2010

(Dinesh Dua)
Chief Executive Officer & Director

AUDITORS' REPORT

To

The Members

M/S. NECTAR LIFESCIENCES LIMITED

We have audited the attached Balance sheet of **M/S. NECTAR LIFESCIENCES LIMITED** as at 31st March, 2010 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. As required by the Companies (Auditor's Report) Order, 2003 issued by the Ministry of Corporate Affairs in terms of Section 227 (4A) of the Companies Act, 1956 we enclose in the annexure A statement on the matters specified in paragraph 4 & 5 of said order:

3. Further to our comments in the annexure referred to in paragraph (1) above, we report that:

   a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

   b) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of the books.

   c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.

   d) In our opinion, the balance sheet and the profit and loss account comply with the Accounting Standards referred to in sub section (3C) of section 211 of the companies Act, 1956, subject to Notes on Accounts forming part of Balance Sheet.

   e) As per information and explanation given to us, none of the directors of the company is disqualified from being appointed as a Director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.

   f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.

      i) In the case of the Balance Sheet of the State of affairs of the company as at 31st March, 2010 and

      ii) In the case of the Profit and Loss account, of Profit of the company for the year ended on that date.

      iii) In case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **Datta Singla & Co.**
Chartered Accountants
Firm Regn. No. 006185N

Yogesh Monga
Partner
Membership No. 099813

Place: Chandigarh
Date: 28.05.2010

ANNEXURE TO THE AUDITORS' REPORT

Annexure A referred to in Paragraph 2 of our report of the Auditors to the Members of M/s Nectar Lifesciences Limited on the accounts for the year ended 31st March, 2010.

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
   (b) As explained to us, the fixed assets have been physically verified by the management at the reasonable intervals during the year under review and no material discrepancies were noticed in the said verification.
   (c) During the year, the company has not disposed off substantial part of the fixed assets.
2. (a) Physical verification of inventory has been conducted by the management during the year and in our opinion, the frequency of verification was reasonable.
   (b) In our opinion, the procedures of physical verification of inventory followed by the management are adequate in relation to the size of the company and the nature of its business.
   (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. As explained to us, the discrepancies noticed on physical verification between the physical stocks and the books/records were not material and have been properly dealt in the books of accounts.
3. (a) The company has not granted any loans, secured or unsecured to Companies, Firms and other Parties Listed in the register maintained under Section 301 of the Companies Act 1956.
   (b) The company has not taken any loans, secured or unsecured from Companies, Firms and other Parties Listed in the register maintained under Section 301 of the Companies Act 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of stores, raw materials including the plant & machinery, vehicles, equipment and other assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanation given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
   (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts and arrangements referred to in point (a) above and exceeding the value of Rs.5 lakh with any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for the purchases of certain items of inventories which are for Company's specialized requirements and similarly for sale of certain goods for the specialized requirements of the buyers and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
6. In our opinion and according to the information and explanations given to us, the company has not invited any deposits from public attracting the provisions of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules,1975.
7. In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed books of accounts maintained by the Company, pursuant to the rules made by the Central Government for the maintenance of cost records U/s 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth tax, customs duty, service tax, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.
   (b) According to the information and explanation given to us and records of the company examined by us, there are no dues of Service Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty, which are outstanding as at 31st March, 2010, which have not been deposited on account of any dispute. The particulars of dues of income tax as at 31st March, 2010 which have not been deposited on account of a dispute are as follows:

Statute	Nature of the dues	Amount Rs. in Millions	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	3.73	Assessment Year 2001-02	Income Tax Appellate Tribunal, Delhi
Income Tax Act, 1961	Income Tax	2.23	Assessment Year 2004-05	Income Tax Appellate Tribunal, Delhi
Income Tax Act, 1961	Income Tax	2.34	Assessment Year 2001-02	Commissioner of Income Tax Appeal, Delhi
Income Tax Act, 1961	Income Tax	1.84	Assessment Year 2003-04	Income Tax Appellate Tribunal, Delhi
Income Tax Act, 1961	Income Tax	20.62	Assessment Year 2005-06	Commissioner of Income Tax Appeal, Delhi
Income Tax Act, 1961	Income Tax	2.91	Assessment Year 2005-06	Income Tax Appellate Tribunal, Delhi
Income Tax Act, 1961	Income Tax	4.73	Assessment Year 2006-07	Commissioner of Income Tax Appeal, Delhi

10. The company has no accumulated losses as at the March 31, 2010 and it has not incurred cash losses during the financial year ended on that date or in the immediately preceding financial year.

11. According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.

12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The company is not a chit fund or a nidhi or a mutual benefit fund/society. Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.

14. In our opinion and according to the information and explanations given to us the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.

15. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

16. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

17. According to the information and explanation given to us and based on overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long term investment other than temporary deployment pending application.

18. During the year the company has not made any preferential allotment of shares to parties, firms and companies covered in the register maintained under section 301 of the Companies Act, 1956.

19. The company has not issued any debentures during the year and there are no debentures outstanding as at the year end.

20. We have verified the end-use of money raised by public issues as disclosed in the notes to the financial statements (Refer Note No. A 6)

21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For **Datta Singla & Co.**
Chartered Accountants
Firm Regn. No. 0006185N

Yogesh Monga
Partner
Membership No. 099813

Place: Chandigarh
Date: 28.05.2010

BALANCE SHEET As at March 31, 2010

(Rupees in Million)

Particulars	Schedule	March 31, 2010		March 31, 2009	
I. SOURCES OF FUNDS :					
1. SHARE HOLDERS' FUNDS					
Share Capital	**I**	224.26		152.26	
Reserves & Surplus	**II**	5,985.52	6,209.78	2,879.00	3,031.26
2. LOAN FUNDS					
Secured Loans	**III**	4,521.45		5,022.33	
Unsecured Loans	**IV**	1,487.48	6,008.93	2,021.13	7,043.45
3. **DEFERRED TAX LIABILITIES**	**V**		501.86		401.84
			12,720.57		**10,476.55**
II. APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	VI	7,541.69		6,144.40	
Less : Depreciation		1,269.09		883.72	
Net Block			6,272.60		5,260.68
Capital Work in Progress			555.13		740.30
2. Investments	VII		256.93		56.16
3. Current Assets, Loans & Advances					
Inventories	VIII	3,963.54		3,496.20	
Sundry Debtors	IX	2,224.55		1,672.56	
Cash & Bank Balances	X	305.17		344.02	
Loans & Advances	XI	964.40		1,005.87	
Other Current Assets	XII	264.66		321.54	
		7,722.32		6,840.20	
Less: Current Liabilities & Provisions					
Current Liabilities	XIII	1,437.14		1,883.87	
Provisions	XIV	649.63		540.29	
		2,086.77		2,424.16	
Net Current Assets			**5,635.55**		**4,416.04**
4. Miscellaneous Expenditure	XV		0.36		3.36
(To the extent not written off or adjusted)					
			12,720.57		**10,476.55**
Significant Accounting Policies and Notes to the Accounts	XXIV				

The Schedules referred to above form an integral part of the Balance Sheet

Auditors' Report
As per our report of even date

For **Datta Singla & Co.**
Chartered Accountants
Firm Regn. No. 006185N

For **Nectar Lifesciences Limited**

Yogesh Monga
Partner
Membership No. 099813

Sanjiv Goyal
Chairman & Managing Director

Aryan Goyal
Executive Director

Dinesh Dua
CEO & Director

Place: Chandigarh
Date: 28.05.2010

R.K. Aggarwal
V.P. Accounts

Sandeep Goel
V.P. Finance

Sunder Lal
Company Secretary

PROFIT AND LOSS ACCOUNT For the year ended March 31, 2010

(Rupees in Million)

Particulars	Schedule	March 31, 2010		March 31, 2009	
INCOME					
Sales		8,858.22		7,799.77	
Less: Excise Duty		400.23		520.09	
			8,457.99		7,279.68
Other Income	XVI		189.53		60.66
Increase/(Decrease) in Finished Goods			(93.94)		73.42
			8,553.58		**7,413.76**
EXPENDITURE					
Raw Material Consumed	XVII		5,349.17		4,933.28
Manufacturing Expenses	XVIII		349.81		334.94
Personnel Expenses	XIX		318.77		277.25
Administrative Expenses	XX		113.79		160.14
Financial Expenses	XXI		602.84		496.06
Repair & Maintenance	XXII		57.38		36.00
Selling & Distribution Expenses	XXIII		224.66		216.46
Depreciation			387.46		301.89
Preliminary Expenses written-off			0.08		0.08
			7,403.96		**6,756.09**
PROFIT BEFORE TAX			**1,149.62**		**657.67**
Provision for Tax					
- Current Tax		195.35		74.49	
- Fringe Benefit Tax		-		2.30	
- Deferred Tax		100.02		98.05	
Previous Year Adjustments		7.02		(1.67)	
MAT Credit Entitlement		(72.51)	229.88	(61.29)	111.89
PROFIT AFTER TAX			**919.74**		**545.78**
Balance as per last Balance Sheet			2,345.44		1,817.47
AMOUNT AVAILABLE FOR APPROPRIATION			**3,265.18**		**2,363.26**
APPROPRIATIONS					
Interim Dividend on Equity Shares			38.07		-
Tax on Interim Dividend			6.47		-
Proposed Dividend on Equity Shares			-		15.23
Tax on Dividend			-		2.59
Transfer to General Reserve			100.00		-
Surplus carried forward			3,120.64		2,345.44
			3,265.18		**2,363.26**
EARNINGS PER SHARE (Equity shares of Re. 1/- each fully paid up)					
Basic (Rs.)			5.81		3.57
Diluted (Rs.)			4.28		2.60
Significant Accounting Policies and Notes to the Accounts	**XXIV**				

The Schedules referred to above form an integral part of the Profit and Loss Account

Auditors' Report
As per our report of even date

For **Datta Singla & Co.**
Chartered Accountants
Firm Regn. No. 006185N

For **Nectar Lifesciences Limited**

Yogesh Monga
Partner
Membership No. 099813

Sanjiv Goyal
Chairman & Managing Director

Aryan Goyal
Executive Director

Dinesh Dua
CEO & Director

Place: Chandigarh
Date: 28.05.2010

R.K. Aggarwal
V.P. Accounts

Sandeep Goel
V.P. Finance

Sunder Lal
Company Secretary

SCHEDULE FORMING PART OF ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
I SHARE CAPITAL		
Authorised Share Capital		
35,00,00,000 (35,00,00,000) Equity Shares of Re. 1/- (Re. 1/-) each	350.00	350.00
Issued, Subscribed and Paid Up Capital		
22,42,60,970 (15,22,60,970) Equity Shares of Re. 1/- (Re. 1/-) each Fully Paid Up	224.26	152.26
	224.26	**152.26**

Note:

1. During the year Company issued 2,60,00,000 equity shares of Re. 1/- each as private placement at a premium of Rs. 34/- each
2. During the year Company allotted 4,60,00,000 Global Depository Receipts (GDRs) representing 4,60,00,000 equity shares of Re.1/- each at a premium of Rs. 34.02 per share.

II RESERVES AND SURPLUS		
Profit and Loss Account		
Opening Balance	2,345.44	1,817.47
Transferred from Profit and Loss Account	775.20	527.97
(A)	**3,120.64**	**2,345.44**
Security Premium A/c		
Opening Balance	492.53	719.82
Add: Premium on Public Issue of Equity Shares and GDRs	2,449.13	-
Less: Provision for Premium on Redemption of FCCB	109.56	227.28
Less: Equity Shares and GDR Issue Expenses written off	108.24	-
(B)	**2,723.86**	**492.53**
General Reserve		
Opening Balance	41.02	142.00
Add: Transfer from Profit and Loss Account during the year	100.00	-
Less: Adjustment of Exchange Fluctuation (FCCB) of Previous Year	-	100.98
(C)	141.02	41.02
(A+B+C)	**5,982.52**	**2,879.00**

III SECURED LOANS		
Term Loan	2,915.97	1,986.53
Working Capital Limits	1,605.48	3,035.79
	4,521.45	**5,022.33**

Note: Amount due within one year Rs. 675.60 million (Previous Year Rs. 476.41 million)

IV UNSECURED LOANS		
Inter Corporate Deposits	-	350.00
Foreign Currency Convertible Bonds (FCCB)	1,487.48	1,671.13
	1,487.48	**2,021.13**

Note: Amount due within one year Rs. Nil (Previous Year Rs. 350.00 million)

SCHEDULE FORMING PART OF ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars		March 31, 2010	March 31, 2009
V DEFERRED TAX LIABILITIES			
DEFERRED TAX LIABILITIES ARISING ON ACCOUNT OF DEPRECIATION		1,621.31	1,220.26
Total	**A**	**1,621.31**	**1,220.26**
DEFERRED TAX ASSETS ARISING ON ACCOUNT OF PROVISION FOR:			
Retirement Benefits		24.13	20.26
Other Expenses and Provisions available		120.69	17.78
Total	**B**	**144.82**	**38.03**
NET DEFERRED TAX LIABILITY (A - B)		1,476.49	1,182.23
TAX IMPACT		501.86	401.84

VI FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at April 1, 2009	Additions*	Sale/ Dele-tion*	As at March 31, 2010	Upto March 31, 2009	During the year	Deletion/ Adjust-ments	Upto March 31, 2010	As at March 31, 2010	As at March 31, 2009
Freehold Land & Site Development	1,004.25	0.32	21.86	982.71	-	-	-	-	982.71	1,004.25
Leasehold Land	3.27	-	-	3.27	0.06	0.02	-	0.08	3.19	3.21
Buildings	1,057.20	87.19	56.27	1,088.12	69.42	34.43	-	103.86	984.27	987.78
Tube Well	7.05	1.84	-	8.89	0.52	0.24	-	0.76	8.14	6.53
Plant & Machinery	2,860.42	1,132.79	121.06	3,872.15	568.37	254.77	2.10	821.03	3,051.11	2,292.06
Plant & Machinery (R & D)	580.98	149.30	-	730.28	94.19	29.62	-	123.81	606.47	486.79
Boiler	2.40	18.74	-	21.13	0.96	0.85	-	1.81	19.32	1.44
Pollution Control Equipment	75.15	(0.00)	-	75.15	17.00	3.57	-	20.57	54.58	58.15
Laboratory	63.88	3.97	0.14	67.70	8.33	3.11	-	11.43	56.27	55.55
Miscellaneous Fixed Assets	376.56	188.95	7.00	558.50	99.09	50.96	-	150.05	408.46	277.47
Furniture & Fixture	54.25	8.47	0.40	62.32	6.65	3.64	-	10.29	52.03	47.60
Motor Vehicles	43.32	9.86	0.12	53.07	12.90	3.93	-	16.83	36.24	30.43
Computer	15.68	2.75	0.03	18.40	6.25	2.33	-	8.57	9.83	9.44
Total	**6,144.40**	**1,604.17**	**206.88**	**7,541.69**	**883.72**	**387.46**	**2.10**	**1,269.09**	**6,272.61**	**5,260.68**
Previous Year	4,202.71	2,135.57	193.88	6,144.40	586.86	301.89	5.03	883.72	5,260.68	3,615.85

*includes deletion on account of foreign exchange fluctuation on FCCBs amounting to Rs.183.65 millions during the year (previous year addtions Rs. 246.52 millions).

Particulars	March 31, 2010	March 31, 2009
VII INVESTMENTS		
A. CURRENT		
NON TRADE		
QUOTED		
1600 (1600) Equity Shares of Rs. 10/- each	0.04	0.04
Fully Paid up in Vijaya Bank		
1271 (1271) Equity Shares of Rs. 10/- each	0.06	0.06
Fully Paid up in Yes Bank Ltd.		
1 (31,000) Equity Shares of Rs. 5/- each	0.00	8.81
Fully Paid up in Aurobindo Pharma Ltd.		
2350 (2350) Equity Shares of Rs. 10 each	1.31	1.31
Fully Paid up in Parsavnath Developers Ltd.		
12267 (12267) Equity Shares of Rs. 10/- each	0.33	0.33
Fully Paid up in Punjab Alkalies Ltd.		
13987 (13987) Equity Shares of Rs. 10 each	8.18	8.18
Fully Paid up in Ranbaxy Laboratories Ltd.		
PNB - Principal Mutual Fund	2.76	1.50
SBIMF - MICF-Daily Dividend Scheme	200.00	-
Total (A)	**212.67**	**20.22**

SCHEDULE FORMING PART OF ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
VII INVESTMENTS *(Contd.)*		
B. Unquoted		
20 (20) Equity Shares of Rs. 50/- each in the Thane Janta Sahakari Bank Ltd.	0.00	0.00
50,000 (50,000) Equity Shares of Rs. 10/- each,		
Fully Paid up in Nimbua Greenfield (Punjab) Ltd.	0.50	0.50
Total (B)	**0.50**	**0.50**
C. Long Term		
Trade		
Unquoted - In Subsidiary Company		
96,14,165 (96,14,165) Equity Shares of SLR 10/- each	46.36	46.36
Issued at par Fully Paid up in Chempharma Pvt. Ltd., Sri Lanka		
Total (C)	**46.36**	**46.36**
Total (A + B + C)	**259.53**	**67.08**
Less: Provision for Loss on Investment	2.60	10.92
	256.93	**56.16**

Market value of quoted investments is Rs. 210.52 millions (Previous Year Rs. 9.30 millions)

VIII INVENTORIES		
(As certified by the Management)		
Raw Material*	533.91	416.59
Other Miscellaneous Stocks	116.40	126.36
Work in Progress	3,172.70	2,718.78
Finished Goods*	140.53	234.48
	3,963.54	**3,496.20**
*Includes material with 3rd parties and stock in transit.		

IX SUNDRY DEBTORS		
Outstanding for a Period		
Less than six months (Unsecured)	2,219.20	1,582.66
Outstanding for a Period		
Exceeding six months (Unsecured)		
- Considered Good	5.35	89.90
- Considered Doubtful	17.71	17.78
	2,242.26	1,690.34
Less: Provision for Doubtful Debts	17.71	17.78
	2,224.55	**1,672.56**

X CASH AND BANK BALANCES		
Cash in Hand	1.16	3.73
Balance with Scheduled Banks		
In Current A/c	62.03	61.69
Fixed Deposits	241.07	277.89
In unclaimed Dividend and Share Application Money Accounts	0.86	0.71
Balance with Other Banks		
In Current A/c	0.05	-
	305.17	**344.02**

SCHEDULE FORMING PART OF ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
XI LOANS AND ADVANCES		
Advances Recoverable in cash or in kind or for value to be received*	794.05	716.38
Security Deposits	12.12	10.84
Excise Duty Balances	174.62	295.04
	980.78	1,022.26
Less: Provision for Doubtful Advances	16.38	16.38
	964.40	**1,005.87**

*Includes amount of advance towards share application money pending allotment Rs. 114.83 millions

XII OTHER CURRENT ASSETS		
Export Incentives Accrued	123.34	143.38
Insurance Claim Receivable	21.05	24.33
Interest Accrued but not due	0.06	2.53
Other Current Assts	120.22	151.29
	264.66	**321.54**

XIII CURRENT LIABILITIES		
Sundry Creditors*		
- Due to micro and small enterprises	1.84	2.93
- Due to others	1,343.32	1,797.57
Advances from Customers	16.18	10.19
Other Liabilities	75.81	73.19
	1,437.14	**1,883.87**

*Includes Nil (Previous Year Rs. 47.20 Million) payable to Subsidiary Company.

XIV PROVISIONS		
Proposed Dividend	-	15.23
Provision for Income Tax (Net of Advance Tax and TDS)	56.44	42.59
Provision for Fringe Benefit Tax (Net of Advance Tax)	-	2.30
Provision for Excise Duty on Finished Goods	4.95	5.35
Provision for Gratuity	24.13	20.26
Provision for Redemption Premium on FCCB	564.12	454.56
	649.63	**540.29**

SCHEDULE FORMING PART OF ACCOUNTS For the year ended March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010		March 31, 2009	
XV MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
Preliminary Expenses				
Opening Balance	0.44		0.52	
Add: During the year	-	-		
	0.44		0.52	
Less: Written off	0.08	0.36	0.08	0.44
Deferred Revenue Expenditure				
Opening Balance	2.91		5.36	
Add: During the year	-		-	
	2.91		5.36	
Less: Written off	2.91	-	2.44	2.91
Public/GDR Issue Expenses				
Opening Balance	-		-	
Add: During the year	108.24		-	
	108.24		-	
Less: Written off against Security Premium	108.24		-	
		-		-
		0.36		**3.36**

XVI OTHER INCOME		
Interest on FDRs'	7.30	27.79
Interest Received	6.23	0.37
Dividend from Investments	0.16	0.20
Operating Income	40.96	31.43
Profit on Sale of Fixed Assets	86.23	0.87
Profit on Sale/Restatement of Investment	16.74	-
Insurance Claim	31.91	-
	189.53	**60.66**

XVII RAW MATERIAL CONSUMED				
Opening Stock				
Raw Materials	416.59		334.54	
Work-in-Progress	2,718.78	3,135.37	1,443.26	1,777.80
Add Purchase of Raw Material		5,920.41		6,290.85
		9,055.78		8,068.65
Less: Closing Stock				
Raw Materials	533.91		416.59	
Work-in-Progress	3,172.70	3,706.61	2,718.78	3,135.37
		5,349.17		**4,933.28**

SCHEDULE FORMING PART OF ACCOUNTS For the year ended March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
XVIII MANUFACTURING EXPENSES		
Consumable Stores	57.05	56.23
Oil and Lubricants	3.46	3.90
Power, Fuel and Steam Expenses	284.44	269.63
Chemical Testing Expenses	4.87	5.19
	349.81	**334.94**

XIX PERSONAL EXPENSES		
Salaries and Wages	258.87	224.46
Payment to Directors	29.70	20.62
Contribution to Provident and Other Funds	10.35	9.19
Staff Welfare	19.85	22.98
	318.77	**277.25**

XX ADMINISTRATIVE EXPENSES		
Traveling and Conveyance	22.29	19.23
Advertisement and Subscription	4.24	4.49
Books and Periodicals	0.45	0.28
Business Promotion	6.05	10.00
Insurance	16.23	25.67
Electricity Expenses (Office)	1.26	1.36
Postage, Telephone and Telegram	7.18	6.52
Printing and Stationery	9.91	8.65
Professional Fees	11.29	12.52
Rate, Fees and Taxes	4.61	3.09
Vehicle Running and Maintenance	8.00	6.79
Rent	6.77	5.94
Audit Fees	1.50	1.50
Office Expenses	1.25	1.18
Diwali Expenses	2.00	2.14
Donation	10.62	24.82
Directors' Sitting Fees	0.14	0.11
Less on Investments	-	25.84
	113.79	**160.14**

SCHEDULE FORMING PART OF ACCOUNTS For the year ended March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
XXI FINANCIAL EXPENSES		
Bank Interest and Charges	602.84	496.06
	602.84	**496.06**

XXII REPAIR AND MAINTENANCE		
Electricals	5.75	1.68
Machinery	45.84	29.62
Building	5.79	4.71
	57.38	**36.00**

XXIII SELLING AND DISTRIBUTION EXPENSES		
Discount / Samples	28.96	32.57
Freight and Cartage Outward	54.69	51.16
Packing Expenses	63.58	63.18
Sales Commission	50.20	55.98
Deferred Revenue Expenditure written off	2.91	2.44
Bad Debts Written Off / Provision for Doubtful Debts	24.32	11.12
	224.66	**216.46**

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of financial statements

i) The financial statements of **Nectar Lifesciences Limited** (" the Company ") have been prepared and presented to comply with the historical cost conventions in accordance with the Indian Generally Accepted Accounting Principles (GAAP), mandatory Accounting Standards referred to in the Companies (Accounting standards) Rule 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of Section 642 read with sub section (3C) of Section 211 & sub-section (1) of Section 210 A to the extent applicable and the provisions of the Companies Act, 1956 and on the basis of going concern.

ii) All the Incomes & Expenditures are recognized on accrual basis.

iii) Figures have been taken nearest to million rupees.

iv) Previous year figures have been re-grouped and re-arranged wherever considered necessary

2. Fixed Assets and Depreciation

i) Fixed Assets have been stated at cost net of Cenvat/Value Added Tax availed, but inclusive of attributable costs of bringing the asset to their working condition for their intended use less depreciation and impairment loss, if any.

ii) Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

iii) Leasehold assets cost is amortized over the period of the lease.

3. Inventories

a. Raw materials, Stores and Spares and Packing material

Lower of Cost and Net Realizable value. Cost of inventory comprises all cost of purchase and other cost incurred in bringing the inventories to their present location and condition.

b. Finished Goods and work in process

Lower of cost and net realizable value. Cost includes direct material, labour and proportion of manufacturing overheads. Cost of finished goods includes excise duty.

4. Foreign Exchange Transactions

a. Initial Recognition

Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment. Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.

b. Conversion

Monetary assets and liabilities denominated in foreign currencies, as at the balance sheet date, not covered by forward exchange contracts, are translated at year end rates.

c. Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognized as income or expense in the year in which they arise. The exchange difference on foreign currency denominated long term borrowings relating to the acquisition of depreciable capital assets are adjusted in the carrying cost of such assets for current year.

5. Revenue Recognition

i) Revenue from product sales is stated exclusive of returns, inter-division transfers, and sales tax but includes excise duty.

ii) Dividend income is recognized as and when the right to receive is established.

iii) Export benefits and other benefits are accounted for on accrual basis.

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

6. Employee Benefits

i) Short Term Employee Benefits:

Employee benefits payable fully within twelve months of rendering the service are classified as short term employee benefit and are recognized in the period in which the employee renders the related service.

ii) Post Employment Benefits (Defined Benefit Plans)

The employees gratuity scheme is a defined benefit plan. The present value of the obligation under such defined benefit plan is determined at balance Sheet date based on an actuarial valuation carried out by an independent actuary using the projected unit credit method. Actuarial gains and losses and past service cost are recognized immediately in the profit and loss account.

iii) Post Employment Benefits (Defined Contribution Plans)

Contributions to the Provident Fund, which is a defined contribution scheme, is recognized as an expense in the profit and loss account in the period in which the contribution is due.

iv) Long Term Employee Benefits

Long term employee benefit comprises of compensated absences. These are measured based on an actuarial valuations carried out by an independent actuary using the projected unit method at balance sheet date unless they are insignificant. Actuarial gains and losses and past service cost are recognized immediately in the profit and loss account.

7. Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized as an expense in the period in which they are incurred.

8. Leases

Lease rental for assets taken on operating lease are charged to the profit and loss account in accordance with Accounting Standard 19 on leases.

9. Government Grants and Subsidies

Grants and Subsidies are recognized when there is a reasonable assurance that the grant or subsidy will be received and that all underlying conditions will be complied with. When the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

10. Earnings Per Share

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

11. Miscellaneous Expenditure

i) Preliminary expenses are written off over a period of 10 years.

ii) Deferred Revenue Expenditures are written off over a period of 5 years.

II. NOTES TO ACCOUNTS

A. BALANCE SHEET

1. SECURED LOANS

I. Term Loans from various banks (excluding vehicle loans) are secured by way of First Pari Passu Charge on all the fixed assets of the Company and further secured by way of Second Pari Passu Charge on all the current assets of the Company and personal guarantee of directors namely Sh. Sanjiv Goyal & Sh. Aryan Goyal.

II. Working Capital Limits & Corporate Loans are secured by way of First Pari Passu Charge on all the current assets of the Company and further secured by way of Second Pari Passu Charge on all the fixed assets of the Company and personal guarantee of directors namely Sh. Sanjiv Goyal & Sh. Aryan Goyal.

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

III. Term Loan includes Vehicle Loan amounting to Rs. 11.30 million from various banks.

2. FIXED ASSETS

A sum of Rs.149.30 Millions has been capitalized under the head Plant & Machinery (Research & Development). The company has been regularly working on modernization and development of its existing technological system and development of new products & processes. As such, there has been loss of capacity utilization because of the development of new product and processes. In the opinion of management, the above process will yield benefits in the coming years in the shape of more demand in the international market as well as better price.

3. INVESTMENTS

Investments are classified into current and long term investments. Long Term Investments condered long term are stated at cost and current investments are valued stated at cost or market value whichever is less.

4. CURRENT ASSETS, LOANS & ADVANCES

In the opinion of the management of the Company, the current assets, loans and advances are approximately of the value as stated, if realized in the ordinary course of business.

5. CURRENT LIABILITIES

i) The principal amount remaining unpaid as at 31st March 2010 in respect of enterprises covered under the "Micro, Small and Medium Enterprises Development Act, 2006" are Rs. 1.84 millions (previous year Rs. 2.93 millions). The interest amount computed based on the provisions under Section 16 of the MSMEDAct Rs. 0.31 millions (previous year Rs 0.33 millions) is remaining unpaid as of 31st March 2010. The principal amount that remained unpaid as at 31st March 2009 was paid during the year. The list of undertakings covered under MSMDA was determined by the Company on the basis of information available with the Company and have been relied upon by the auditors.

ii) Investor Education and Protection Fund

Other liabilities include Rs 0.86 million which relates to unclaimed dividend and share application money refundable. Out of it no amount has become due for deposit to Investor Education and Protection Fund as on balance sheet date.

6. UTILISATION OF FUNDS RAISED ON GDR ISSUE AND PRIVATE EQUITY

In February 2010, the company allotted 26.00 million equity shares having face value of Re.1 each on preferential basis and 46.00 million equity shares having face value of Re.1 each underlying Global Depository Receipts (GDRs) to the institutional investors. The aggregate funds raised by such issue (including securities premium) were Rs.2412.89 million (net of share issue expenses of Rs.108.24 million). The equity shares represented by the GDRs/private placement carry equivalent rights with respect to voting and dividends as the ordinary equity shares. Out of these funds, the company had invested Rs.200.00 million in the Mutual Funds and the balance amount has been parked in the various bank accounts of the company.

7. CONTINGENT LIABILITIES

(Rupees in Million)

S.No.	Particulars	March 31, 2010	March 31, 2009
i)	Letter of Credit (Foreign / Inland)	307.25	571.58
ii)	Bank Guarantees	5.12	6.78
iii)	Bills Discounted	149.37	189.60
iv)	Differential amount of custom duty in respect of machinery imported under EPCG SCheme	78.31	86.61
v)	Claims not acknowledged as debts:**		
	- Income Tax matters	31.32	27.03
vi)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)	7.95	19.15

** The matters are subject to legal proceedings in the ordinary course of business. The legal proceedings, when ultimately concluded will not, in the opinion of management, have a material effect on the results of operation or financial position of the company.

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

B. PROFIT & LOSS ACCOUNT

i) Directors' Remuneration

a. Details of Remuneration to Managing Director, Whole Time Directors and to other Directors are as follows:

(Rs. in Million)

PARTICULARS	2009-10	2008-09
Salaries and Allowances	23.37	14.83
Directors Fees	0.14	0.11
Commission	6.23	5.65
Perquisites	0.10	0.14
TOTAL	**29.84**	**20.73**

b. Calculations of profit in accordance with Section 198 of the companies Act, 1956.

(Rs. In Million)

PARTICULARS	2009-10	2008-09
Profit Before Tax As per Profit & Loss Account	1149.63	657.67
Add: Director Remuneration as above	29.84	20.73
Loss on Investments	--	25.84
Depreciation as per Profit & Loss Account	387.46	301.89
Total	**1566.93**	**1006.13**
Less: Depreciation under Section 350	387.46	301.89
Profit on sale of Fixed Assets	86.23	0.87
Profit on Investments	16.74	---
Net Profit	**1076.50**	**703.37**
Remuneration to Directors	**29.84**	**20.73**

ii) Payment to auditors (Rs. In Million)

PARTICULARS	2009-10	2008-09
Statutory Audit Fee	1.25	1.25
Tax Audit Fee	0.25	0.25

iii) Sales Tax Assessments for earlier years are in progress. No sales tax liability exists as on Balance Sheet date.

iv) Income Tax

Current Tax

Provision for Income tax and fringe benefit tax, wherever applicable, has been made as per Income-tax Act, 1961.

Deferred Tax

In compliance with Accounting Standard (AS-22) relating to "Accounting on Taxes on Income" issued under Companies (Accounting standards) Rule 2006, as amended upto date , the Company has provided Deferred Tax Liability accruing during the year aggregating to Rs. 100.02 million (Previous Year Rs 98.05 million) and it has been recognized in the Profit & Loss Account. In accordance with clause 29 of Accounting Standard (AS 22) Deferred tax Assets and Deferred tax liabilities have been set off.

v) Traveling & Conveyance Rs 22.29 million (Previous Year Rs. 19.23 million) includes: (Rs. In million)

S.No	Particulars	March 31, 2010	March 31, 2009
(a)	**Director**		
i)	Foreign Traveling	6.53	4.47
ii)	Others	1.14	1.17
(b)	**Staff**		
i)	Foreign Traveling	5.25	4.56
ii)	Others	9.37	9.03

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

vi) Purchases include goods worth Rs. 725.10 millions (previous year Rs. 396.74 million) purchased for trading.

vii) Leases

Operating leases are mainly in the nature of lease of office premises with no restrictions and are renewable/ cancelable at mutual consent. There are no restrictions imposed by lease arrangements. There are no sub leases.

Lease payments recognized in the profit and loss account are Rs. 6.77 millions(Previous Year Rs. 5.94 millions)

The company has not executed any finance lease.

C. SEGMENT REPORTING

Primary Segment (Business Segments)

The Company operates only in the business segment of "Pharmaceuticals Products", and in the opinion of the management the inherent nature of activities in which it is engaged are governed by the same set of risks and reward. As such the activities are identified as single segment in accordance with the Accounting Standard (AS-17) issued under Companies (Accounting standards) Rule 2006, as amended upto date.

Secondary Segment (By Geographical Segment) *(Rs. In million)*

S.No.	Particulars	31.03.2010	31.03.2009
(a)	**India**	5613.04	4590.25
(b)	Outside India	3245.18	3209.52
	Total Sales	**8858.22**	**7799.77**

In view of the interwoven / intermix nature of business and manufacturing facility, other segmental information is not ascertainable.

D. RELATED PARTY DISCLOSURES

Related party disclosures as required under Accounting Standard (AS-18) on "Related Party Disclosures" issued under Companies (Accounting standards) Rule 2006, as amended up to date , are given below:

a) Relationship

i) Subsidiary Companies
M/s Chempharma Private Limited Sri Lanka

ii) Joint Ventures and Associates : NIL

iii) Key Management Personnel (Managing Director/Whole-time directors)
Sh. Sanjiv Goyal
Sh. Aryan Goyal
Sh. Dinesh Dua

iv) Relatives of the Key Management Personnel
Smt. Raman Goyal
Sh. Saurabh Goyal

v) Entities over which key management personnel/their relatives are able to exercise significant influence*
M/s Surya Narrow Fabrics New Delhi
M/s Nectar Lifestyle Limited- New Delhi
M/s Nectar Organics Ltd. New Delhi
* With whom the company had transactions.

b) The following transactions were carried out with related parties in the ordinary course of business

i) Subsidiary Companies *(Rs. in Million)*

S.No.	PARTICULARS	31.03.2010	31.03.2009
i.	Investments	46.36	46.36

ii) Entities over which key management personnel/their relatives are able to exercise significant influence

S.No.	PARTICULARS	31.03.2010	31.03.2009
i.	Investments	114.83	114.83
ii.	Rent	0.96	0.96

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

iii) Key Management Personnel and their relatives *(Rs. in Million)*

S.No.	PARTICULARS	31.03.2010	31.03.2009
i.	Remuneration & Perquisites	29.70	20.62
ii.	Purchase	-	-
iii.	Sales	-	-

E. Foreign Currency Convertible Bonds (FCCBs)

During the year 2006-2007, the company raised Zero Coupon FCCB aggregating to USD 35 million (Rs. 1563.50 Million as on the date of the issue) for financing its capital expenditure and other permitted expenditure. The bond holders, have the option to convert the FCCBs into equity shares of the company at an initial conversion price of Rs. 25.996 per share at a fixed rate of exchange on conversion Rs. 44.6725 per US$, at any time on and after 4th June, 2006 and prior to 16th April 2011. Further the company has an option of early redemption of these FCCBs in whole at any time on or after 25th April, 2009 and prior to 26th April, 2011, subject to certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the FCCBs will be redeemed in US$ on 26th April, 2011 at 150.71 per cent of their principal amount.

The FCCBs premium payable on redemption of Rs 109.56 million (previous year Rs. 227.28 million) being the pro-rata charge for the year have been made on the gross value without adjusting any tax impact, have been adjusted against Securities Premium account (SPA). In the event that the conversion option is exercised by the holder of FCCBs in the future, the amount of premium charged to Securities Premium account (SPA) will be suitably adjusted in the respective year.

F. DERIVATIVES

CURRENCY DERIVATIVES

The company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts and currency options is governed by Company's strategy. The company does not use forward contracts and currency options for speculative purposes.

G. ADDITIONAL INFORMATION PURSUANT TO THE PROVISION OF PARAGRAPH 3,4 C AND 4D OF PART II OF SCHEDULE VI OF COMPANIES ACT, 1956 ARE AS UNDER:

Licensed and installed capacity and actual production:

S.No.	Particulars	March 31, 2010	March 31, 2009
a)	**Licensed Capacity**	N.A.	N.A.
b)	**Installed Capacity (Net of Captive)**		
	(As certified by the management being a technical matter)		
	- Bulk Drug & Sterile (In MTs)	1600.00	650.00
	- Phytochemicals Menthol (In MTs)	7600.00	7600.00
	- EH Gelatin Capsules (Nos in Millions)	2880.00	2880.00
	- Formulations (Nos in Millions)	345.00	345.00
c)	**Actual Production**		
	-Bulk Drug & Sterile (In MTs)	1063.014	643.385
	-Job Work Executed (In MTs)	9.42	13.71
	- Phytochemicals Menthol (In MTs)	2266.450	2990.625
	- EH Gelatin Capsules(Nos in Millions)	2627.02	2268.86
	- Formulations (Nos in Millions)	169.43	125.76

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

H. QUANTITATIVE DETAILS OF MAIN RAW MATERIAL CONSUMPTION

S.No.	Particulars	Unit	2009-2010	2008-2009
	RAW MATERIAL			
1.	7 ACA	MT	138.928	118.087
2.	GCLE	MT	266.728	233.960
3.	Crude Mentha oil	MT	2483.751	3426.009
4.	Ceftriaxone Sodium (NS)	MT	108.630	111.000

I. Particulars in respect of production and sales of finished goods. (In MT's)

Particulars	Opening Stock	Production	Sales	Closing Stock
Oral	12.417	827.211	826.832	12.796
(In MTs)	(1.756)	(428.974)	(418.313)	(12.417)
Sterile	4.128	235.803	236.987	2.944
(In MTs)	(3.680)	(214.411)	(213.963)	(4.128)
Menthol	159.406	2266.450	2413.875	11.981
(In MTs)	(101.400)	(2990.625)	(2932.619)	(159.406)
EHGC	362.82	2627.02	2787.24	202.60
(in Millions)	(124.90)	(2268.86)	(2030.94)	(362.82)
Formulation	1.84	169.43	167.16	4.11
(in Millions)	(1.59)	(125.76)	(125.51)	(1.84)

Note: Includes captive consumption also. Further sales include trading sales amounting to Rs. 792.52 million (Previous Year Rs.441.80 million).

J. RAW MATERIAL CONSUMED

S.No.	Particulars	Value (Rs. in Million)	2009-2010 (%age)	Value (Rs. in Million)	2008-2009 (%age)
1.	Imported	3169.06	59.24%	3227.79	65.43%
2.	Indigenous	2180.11	40.76%	1705.49	34.57%

(Rs in Million)

S.No.	Particulars	2009-2010	2008-2009
(a)	**CIF Value of Imports**		
1.	Raw Material	**3187.14**	**3096.21**
2.	Capital Goods and Stores & Spares	43.99	176.49
(b)	**Expenditure in Foreign Currencyy**		
1.	Traveling Expenses	5.79	4.98
2.	Export Commission	36.71	39.33
3.	GDR issue expenses	64.12	Nil
4.	Other Expenses	0.12	4.38
(c)	**Remittances in Foreign Currencyy**		
1.	Raw Material	3454.88	2622.56
2.	Capital Goods	48.66	24.00
3.	GDR Issue & Other Expenses	106.74	48.69
(d)	**Earnings in Foreign Currency**		
1.	Exports	3245.18	3209.52

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

K. EARNING PER SHARE (EPS)

Particulars	Unit	March 31. 2010	March 31, 2009
Profit After Tax	Rs in million	926.76	544.12
No of Shares Outstanding*	Nos.	224260970	152260970
No of Weighted Average equity shares			
Basic	Nos.	159395217	152260970
Effect of dilutive equity shares on account of Foreign Currency Convertible Bonds	Nos.	57319199	56708436
Diluted	Nos.	216714416	208969406
Nominal value of equity shares	Re.	1.00	1.00
Earnings per Share			
- Basic	Rs.	5.81	3.57
- Diluted	Rs.	4.28	2.60

*During the year, the company has allotted 26,00,0000 equity shares on preferential basis on 20.2.2010 and 46,00,0000 equity shares underlying GDRs on 26.02.2010.

L. IMPAIRMENT OF ASSETS

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

Auditors' Report
As per our report of even date

For **Datta Singla & Co.**
Chartered Accountants
Firm Regn. No. 006185N

For **Nectar Lifesciences Limited**

Yogesh Monga
Partner
Membership No. 099813

Sanjiv Goyal
Chairman & Managing Director

Aryan Goyal
Executive Director

Dinesh Dua
CEO & Director

Place: Chandigarh
Date: 28.05.2010

R.K. Aggarwal
V.P. Accounts

Sandeep Goel
V.P. Finance

Sunder Lal
Company Secretary

BALANCE SHEET ABSTRACT

Balance Sheet Abstract and Company's General Business Profile

I Registration Details

Registration No. 16-16664 State Code 16

Balance Sheet Date 31 03 2010

II Capital raised during the year *(Rs. in Million)*

Public Issue	Right Issue
NIL	NIL
Bonus Issue	**Private Placement/GDR Issue**
NIL	72.00

III Position of Mobilisation and Deployment of Funds *(Rs. in Million)*

Total Liabilities	Total Assets
14807.34	14807.34

Sources of Funds

Paid-up Capital	Application Money
224.26	NIL
Reserves and Surplus	**Deferred Tax Liabilities**
5985.53	501.86
Secured Loan	**Unsecured Loan**
4521.45	1487.48

Application of Funds

Net Fixed Assets	Investments
6827.74	256.93
Net Current Assets	**Misc. Expenditure**
5635.54	0.36

IV Performance of the Company *(Rs. in Million)*

Turnover	Total Expenditure
9047.75	7898.13
Profit before Tax	**Profit after Tax**
1149.62	919.73
Earnings Per Share in Rs.	**Dividend Rate %**
5.81	25

V Generic Names of three Principal Products/Services of Company (As per monetary terms)

Product Description	ITC Code No. (ITC Code)
Cefixime Trihydrate	29419090
Cefixime Sodium Sterile	29419090
Cefixime Sodium Sterile	29419090

Auditors' Report
As per our report of even date

For **Datta Singla & Co.**
Chartered Accountants
Firm Regn. No. 006185N

Yogesh Monga
Partner
Membership No. 099813

Place: Chandigarh
Date: 28.05.2010

For **Nectar Lifesciences Limited**

Sanjiv Goyal
Chairman & Managing Director

Aryan Goyal
Executive Director

Dinesh Dua
CEO & Director

R.K. Aggarwal
V.P. Accounts

Sandeep Goel
V.P. Finance

Sunder Lal
Company Secretary

CASH FLOW STATEMENT For the year ended March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before Tax and Extra Ordinary Items	1,149.62	657.67
Adjustment For:		
Depreciation	387.46	301.89
Misc. Expenditure written off	2.99	2.52
Interest on Borrowings	602.84	496.06
Other non-operating Income	(148.57)	(29.22)
Operating Profit before Working Capital changes	**1,994.34**	**1,428.91**
Adjust For:		
(Increase)/Decrease in Current Assets	(920.96)	(1,486.91)
Increase/(Decrease) in Current Liabilities	(443.26)	795.78
Working Capital Borrowings	(1,430.31)	707.74
Misc. Expenditure	-	-
Cash Generated from Operations	**(800.20)**	**1,445.51**
Direct Taxes Paid	(124.79)	(103.13)
Cash Flow before Extra-Ordinary Items	(924.98)	1,342.38
Extra-Ordinary Items	-	-
Net Cash Flow from Operating Activities (A)	**(924.98)**	**1,342.38**
NET CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,418.99)	(1,951.01)
Purchase of Investments	(201.26)	(6.40)
Interest Received	13.53	28.15
Dividend Received	0.16	0.20
Sale of Fixed Assets	107.36	87.73
Sale of Investments	17.23	-
Insurance Claim	31.91	-
Net Cash used in Investing Activities (B)	**(1,450.06)**	**(1,841.34)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Equity Shares and GDRs including Securities Premium	2,521.13	-
Issue expenses of Equity Shares and GDRs	(108.24)	-
Inter Corporate Deposits	(350.00)	249.24
Proceeds from Long Term Borrowings	929.43	890.61
Dividend Paid	(53.29)	(60.90)
Interest Paid	(602.84)	(496.06)
Net Cash Generated from Financing Activities (C)	**2,336.19**	**582.89**
Net Increase/(Decrease) in Cash and Cash Equivalents (A + B +C)	**(38.85)**	**83.92**
Cash and Cash Equivalents at the Beginning of the period	**344.03**	**260.10**
Cash and Cash Equivalents at the Close of the period	**305.17**	**344.02**

Auditors' Report
As per our report of even date

For **Datta Singla & Co.**
Chartered Accountants
Firm Regn. No. 006185N

For **Nectar Lifesciences Limited**

Yogesh Monga
Partner
Membership No. 099813

Sanjiv Goyal
Chairman & Managing Director

Aryan Goyal
Executive Director

Dinesh Dua
CEO & Director

Place: Chandigarh
Date: 28.05.2010

R.K. Aggarwal
V.P. Accounts

Sandeep Goel
V.P. Finance

Sunder Lal
Company Secretary

CONSOLIDATED AUDITORS' REPORT

To

The Members

M/S. NECTAR LIFESCIENCES LIMITED

We have audited the attached consolidated Balance sheet of **M/S NECTAR LIFESCIENCES LIMITED** and its subsidiary company Chempharma (Pvt.) Ltd. as at 31st March, 2010 and also the consolidated Profit and Loss Account and Consolidated Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion

2. We did not audit the financial statements of wholly owned subsidiary CHEMPHARMA (PVT.) LTD, whose financial statements reflect total assets of Rs. 43.05 millions as at March 31, 2010 and total revenues of Rs. 4.45 millions for the year ended March 31, 2010 (these figures include intragroup balances and intragroup transactions, which have been eliminated on consolidation). These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of other auditor.

3. We report that the consolidated financial statements have been prepared by NECTAR LIFESCIENCES LTD.'s management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

4. Based on our audit and on consideration of report of other auditor on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;

   In case of;

   a) The consolidated Balance Sheet, of the Consolidated State of Affairs of Nectar Lifesciences Limited and its subsidiary as at March 31, 2010;

   b) In the case of Consolidated Profit and Loss Account, of the consolidated results of operations of Nectar Lifesciences Limited and its subsidiary for the year ended on that date; and

   c) In the case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flows of Nectar Lifesciences Limited and its subsidiary for the year ended on that date.

For **Datta Singla & Co.**
Chartered Accountants
Firm Regn. No. 006185N

Yogesh Monga
Partner
Membership No. 099813

Place: Chandigarh
Date: 28.05.2010

CONSOLIDATED BALANCE SHEET As at March 31, 2010

(Rupees in Million)

Particulars	Schedule	March 31, 2010		March 31, 2009	
I. SOURCES OF FUNDS :					
1. SHARE HOLDERS' FUNDS					
Share Capital	I	224.26		152.26	
Reserves & Surplus	II	5,982.22	6,206.48	2,881.27	3,033.53
2. Minority Interest			0.00		0.00
(Absolute amount Rs. 14, Previous Year Rs. 16)					
3. LOAN FUNDS					
Secured Loans	III	4,521.45		5,022.33	
Unsecured Loans	IV	1,487.48	6,008.93	2,021.13	7,043.45
3. **DEFERRED TAX LIABILITIES**	V		501.86		401.84
			12,717.26		**10,478.82**
II. APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	VI	7,541.69		6,144.37	
Less : Depreciation		1,269.09		885.00	
Net Block			6,272.61		5,259.38
Capital Work in Progress			555.13		740.30
2. Investments	VII		210.57		9.80
3. Current Assets, Loans & Advances					
Inventories	VIII	3,963.54		3,496.20	
Sundry Debtors	IX	2,224.55		1,672.56	
Cash & Bank Balances	X	347.90		344.74	
Loans & Advances	XI	965.53		1,008.13	
Other Current Assets	XII	264.66		321.54	
		7,766.17		6,843.17	
Less: Current Liabilities & Provisions					
Current Liabilities	XIII	1,437.95		1,836.91	
Provisions	XIV	649.63		540.29	
		2,087.58		2,377.20	
Net Current Assets			5,678.59		4,465.97
4. Miscellaneous Expenditure	XV		0.36		3.36
(To the extent not written off or adjusted)					
			12,717.26		**10,478.82**
Significant Accounting Policies and Notes to the Accounts	XXIV				

The Schedules referred to above form an integral part of the Balance Sheet

Auditors' Report
As per our report of even date

For **Datta Singla & Co.**
Chartered Accountants
Firm Regn. No. 006185N

For **Nectar Lifesciences Limited**

Yogesh Monga
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Membership No. 099813

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Dinesh Dua
CEO & Director

Place: Chandigarh
Date: 28.05.2010

R.K. Aggarwal
V.P. Accounts

Sandeep Goel
V.P. Finance

Sunder Lal
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31 March 2010

(Rupees in Million)

Particulars	Schedule	Year ended 31 March 2010		Year ended 31 March 2009	
INCOME					
Sales		8,858.22		7,799.77	
Less: Excise Duty		400.23		520.09	
			8,457.99		7,279.68
Other Income	XVI		193.98		62.44
Increase/(Decrease) in Finished Goods			(93.95)		73.42
			8,558.02		**7,415.55**
EXPENDITURE					
Raw Material Consumed	XVII		5,349.17		4,933.28
Manufacturing Expenses	XVIII		349.81		336.07
Personnel Expenses	XIX		319.34		281.55
Administrative Expenses	XX		114.11		170.15
Financial Expenses	XXI		603.02		496.15
Repair & Maintenance	XXII		57.38		36.00
Selling & Distribution Expenses	XXIII		224.66		217.57
Depreciation			387.46		303.07
Preliminary Expenses written-off			0.08		0.08
			7,405.03		**6,773.92**
Profit before Tax			**1,152.99**		**641.63**
Provision for Tax					
- Current Tax		195.57		74.49	
- Fringe Benefit Tax		-		2.30	
- Deferred Tax		100.02		98.05	
Previous Year Adjustments		7.02		(1.67)	
MAT Credit Entitlement		(72.51)	230.10	(61.29)	111.89
Profit after Tax			**922.89**		**529.74**
Balance as per last Balance Sheet			2,365.57		1,853.65
AMOUNT AVAILABLE FOR APPROPRIATION			3,288.46		2,383.39
APPROPRIATIONS					
Interim Dividend			38.07		-
Tax on Interim Dividend			6.47		-
Proposed Dividend on Equity Shares			-		15.23
Tax on Dividend			-		2.59
Transfer to General Reserve			100.00		-
Surplus carried forward to Reserves and Surplus			3,143.92		2,365.57
			3,288.46		**2,383.39**
EARNINGS PER SHARE (Equity shares of Re. 1/- each fully paid up)					
Basic (Rs.)			5.83		3.47
Diluted (Rs.)			4.29		2.53
Significant Accounting Policies and Notes to the Accounts	**XXIV**				

The Schedules referred to above form an integral part of the Profit and Loss Account

Auditors' Report
As per our report of even date

For **Datta Singla & Co.**
Chartered Accountants
Firm Regn. No. 006185N

For **Nectar Lifesciences Limited**

Yogesh Monga
Partner
Membership No. 099813

Sanjiv Goyal
Chairman & Managing Director

Aryan Goyal
Executive Director

Dinesh Dua
CEO & Director

Place: Chandigarh
Date: 28.05.2010

R.K. Aggarwal
V.P. Accounts

Sandeep Goel
V.P. Finance

Sunder Lal
Company Secretary

SCHEDULE FORMING PART OF CONSOLIDATED ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
I SHARE CAPITAL		
Authorised Share Capital		
35,00,00,000 (35,00,00,000) Equity Shares of Re. 1/- (Re. 1/-) each	350.00	350.00
Issued, Subscribed and Paid Up Capital		
22,42,60,970 (15,22,60,970) Equity Shares of Re. 1/- (Re. 1/-) each Fully Paid up	224.26	152.26
	224.26	**152.26**

Note:

1. During the year Company issued 2,60,00,000 equity shares of Re. 1/- each as private placement at a premium of Rs. 34/- each
2. During the year Company allotted 4,60,00,000 Global Depository Receipts (GDRs) representing 4,60,00,000 equity shares of Re.1/- each at a premium of Rs. 34.02 per share.

II RESERVES AND SURPLUS		
Profit and Loss Account		
Opening Balance	2,355.51	1,843.58
Transferred from Profit and Loss Account	778.35	511.92
	3,133.86	**2,355.51**
Less: Minority Interest	(0.00)	(0.00)
[Absolute Amount Rs. 2 (Loss), Previous Year Rs. 2 (Loss)]		
Add: Adjustment relating to earlier years	1.31	-
(A)	**3,135.16**	**2,355.51**
Security Premium A/c		
Opening Balance	492.53	719.82
Add: Premium on Public Issue of Equity Shares and GDRs	2,449.13	-
Less: Provision for Premium on Redemption of FCCB	109.56	227.28
Less: Equity Shares and GDR Issue Expenses written off	108.24	-
(B)	**2,723.86**	**492.53**
General Reserve		
Opening Balance	41.02	142.00
Add: Transfer from Profit and Loss Account during the year	100.00	-
Less: Adjustment of Exchange Fluctuation (FCCB) of Previous Year	-	100.98
(C)	**141.02**	**41.02**
FOREIGN CURRENCY TRANSLATION RESERVE		
Opening Balance	(7.79)	(17.53)
Add: Transfer during the year	(10.03)	9.74
(D)	**(17.82)**	**(7.79)**
(A+B+C+D)	**5,982.23**	**2,881.27**

III SECURED LOANS		
Term Loan	2,915.97	1,986.53
Working Capital Limits	1,605.48	3,035.79
	4,521.45	**5,022.33**

Note: Amount due within one year Rs. 675.60 million (Previous Year Rs. 476.41 million)

IV UNSECURED LOANS		
Inter Corporate Deposits	-	350.00
Foreign Currency Convertible Bonds (FCCB)	1,487.48	1,671.13
Others	-	-
	1,487.48	**2,021.13**

Note: Amount due within one year Rs. Nil (Previous Year Rs. 350.00 million)

SCHEDULE FORMING PART OF CONSOLIDATED ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars		March 31, 2010	March 31, 2009
V DEFERRED TAX LIABILITIES			
DEFERRED TAX LIABILITIES ARISING ON ACCOUNT OF DEPRECIATION		1,621.31	1,220.26
Total	**A**	**1,621.31**	**1,220.26**
DEFERRED TAX ASSETS ARISING ON ACCOUNT OF PROVISION FOR:			
Retirement Benefits		24.13	20.26
Other Expenses and Provisions available		120.69	17.78
Total	**B**	**144.82**	**38.03**
NET DEFERRED TAX LIABILITY (A - B)		1,476.49	1,182.23
TAX IMPACT		501.86	401.84

VI FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET ASSET	
	As at April 1, 2009	Additions*	Sale/ Dele-tion*	Total Cost as at March 31, 2010	Upto March 31, 2009	During the year	Deletion/ Adjust-ments**	Upto March 31, 2010	As at March 31, 2010	As at March 31, 2009
Freehold Land & Site Development	1,004.25	0.32	21.86	982.71	-	-	-	-	982.71	1,004.25
Leasehold Land	3.27	-	-	3.27	0.06	0.02	-	0.08	3.19	3.21
Buildings	1,057.46	87.19	56.53	1,088.12	69.68	34.43	0.26	103.86	984.27	987.78
Tube Well	7.05	1.84	-	8.89	0.52	0.24	-	0.76	8.14	6.53
Plant & Machinery	2,860.05	1,132.79	120.69	3,872.15	569.30	254.77	3.03	821.03	3,051.11	2,290.75
Plant & Machinery (R & D)	580.98	149.30	-	730.28	94.19	29.62	-	123.81	606.47	486.79
Boiler	2.40	18.74	-	21.13	0.96	0.85	-	1.81	19.32	1.44
Pollution Control Equipment	75.15	-	-	75.15	17.00	3.57	-	20.57	54.58	58.15
Laboratory	63.88	3.97	0.14	67.70	8.33	3.11	-	11.43	56.27	55.55
Miscellaneous Fixed Assets	376.61	188.95	7.05	558.50	99.14	50.96	0.05	150.05	408.46	277.47
Furniture & Fixture	54.26	8.47	0.41	62.32	6.66	3.64	0.01	10.29	52.03	47.60
Motor Vehicles	43.32	9.86	0.12	53.07	12.90	3.93	-	16.83	36.24	30.43
Computer	15.70	2.75	0.05	18.40	6.27	2.33	0.02	8.57	9.83	9.44
Total	**6,144.37**	**1,604.17**	**206.85**	**7,541.69**	**885.00**	**387.46**	**3.37**	**1,269.09**	**6,272.61**	**5,259.38**
Previous Year Figures	4,227.66	2,134.27	217.56	6,144.37	593.66	303.07	11.74	885.00	5,259.38	3,634.00

*includes deletion on account of foreign exchange fluctuation on FCCBs amounting to Rs.183.65 millions during the year (previous year addtions Rs. 246.52 millions).

Particulars	March 31, 2010	March 31, 2009
VII INVESTMENTS		
A. CURRENT		
NON TRADE		
QUOTED		
1600 (1600) Equity Shares of Rs. 10/- each	0.04	0.04
Fully Paid up in Vijaya Bank		
1271 (1271) Equity Shares of Rs. 10/- each	0.06	0.06
Fully Paid up in Yes Bank Ltd.		
1 (31,000) Equity Shares of Rs. 5/- each	0.00	8.81
Fully Paid up in Aurobindo Pharma Ltd.		
2350 (2350) Equity Shares of Rs. 10 each	1.31	1.31
Fully Paid up in Parsavnath Developers Ltd.		
12267 (12267) Equity Shares of Rs. 10/- each	0.33	0.33
Fully Paid up in Punjab Alkalies Ltd.		
13987 (13987) Equity Shares of Rs. 10 each	8.18	8.18
Fully Paid up in Ranbaxy Laboratories Ltd.		
PNB - Principal Mutual Fund	2.76	1.50
SBIMF - MICF-Daily Dividend Scheme	200.00	-
Total (A)	**212.67**	**20.22**

SCHEDULE FORMING PART OF CONSOLIDATED ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
VII INVESTMENTS *(Contd.)*		
B. Unquoted		
20 (20) Equity Shares of Rs. 50/- each in the Thane Janta Sahakari Bank Ltd.	0.00	0.00
50,000 (50,000) Equity Shares of Rs. 10/- each,		
Fully Paid up in Nimbua Greenfield (Punjab) Ltd.	0.50	0.50
(B)	**0.50**	**0.50**
Total (A + B)	**213.17**	**20.72**
Less: Provision for Loss on Investment	2.60	10.92
	210.57	**9.80**

Market value of quoted investments is Rs. 210.52 millions (Previous Year Rs. 9.30 millions)

VIII INVENTORIES		
(As certified by the Management)		
Raw Material*	533.91	416.59
Other Miscellaneous Stocks	116.40	126.36
Work in Progress	3,172.70	2,718.78
Finished Goods*	140.53	234.48
	3,963.54	**3,496.20**
*Includes material with 3rd parties and in transit.		

IX SUNDRY DEBTORS		
Outstanding for a Period		
Less than six months (Unsecured)		
Considered Good	2,219.20	1,582.66
Outstanding for a Period		
Exceeding six months (Unsecured)		
- Considered Good	5.35	89.90
- Considered Doubtful	17.71	17.78
	2,242.26	1,690.34
Less: Provision for Doubtful Debts	17.71	17.78
	2,224.55	**1,672.56**

X CASH AND BANK BALANCES		
Cash in Hand	1.16	3.75
Balance with Scheduled Banks		
In Current A/c	104.75	62.39
Fixed Deposits	241.07	277.89
In unclaimed Dividend and Share Application Money Accounts	0.86	0.71
Balance with Other Banks		
In Current A/c	0.05	-
	347.90	**344.74**

SCHEDULE FORMING PART OF CONSOLIDATED ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010		March 31, 2009	
XI LOANS AND ADVANCES				
Advances Recoverable in cash or in kind or for value to be received*		794.05		716.38
Security Deposits		12.12		10.84
Excise Duty Balances		175.75		297.30
		981.91		1,024.51
Less: Provision for Doubtful Advances		16.38		16.38
		965.53		**1,008.13**

*Includes amount of advance towards share application money pending allotment Rs. 114.83 millions

XII OTHER CURRENT ASSETS				
Export Incentives Accrued		123.34		143.38
Insurance Claim Receivable		21.05		24.33
Interest Accrued but not due		0.06		2.53
Other Current Assts		120.22		151.29
		264.66		**321.54**

XIII CURRENT LIABILITIES				
Sundry Creditors*				
- Due to micro and small enterprises		1.84		2.93
- Due to others		1,343.32		1,750.37
Advances from Customers		16.18		10.19
Other Liabilities		76.62		73.43
		1,437.95		**1,836.91**

XIV PROVISIONS				
Proposed Dividend		-		15.23
Provision for Income Tax (Net of Advance Tax and TDS)		56.44		42.59
Provision for Fringe Benefit Tax (Net of Advance Tax)		-		2.30
Provision for Excise Duty on Finished Goods		4.95		5.35
Provision for Gratuity		24.13		20.26
Provision for Redemption Premium on FCCB		564.12		454.56
		649.63		**540.29**

SCHEDULE FORMING PART OF CONSOLIDATED ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010		March 31, 2009	
XV MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
Preliminary Expenses				
Opening Balance	0.44		0.52	
Add: During the year	-	-		
	0.44		0.52	
Less: Written off	0.08	0.36	0.08	0.44
Deferred Revenue Expenditure				
Opening Balance	2.91		5.36	
Add: During the year	-		-	
	2.91		5.36	
Less: Written off	2.91	-	2.44	2.91
Public/GDR Issue Expenses				
Opening Balance	-		-	
Add: During the year	108.24		-	
	108.24		-	
Less: Written off against Security Premium	108.24		-	
		-		-
		0.36		**3.36**

XVI OTHER INCOME				
Interest on FDRs'		7.30		27.79
Interest Received (Others)		6.23		0.37
Dividend from Investments		0.16		0.20
Operating Income		40.96		31.43
Profit on Sale of Fixed Assets		86.23		-
Profit on Sale/Restatement of Investment		16.74		-
Insurance Claim		31.91		-
Foreign Exchange Gain (Net)		4.43		-
Scrap and Waste Sales		0.02		2.65
		193.98		**62.44**

XVII RAW MATERIAL CONSUMED				
Opening Stock				
Raw Materials	416.59		334.54	
Work-in-Progress	2,718.78	3,135.37	1,443.26	1,777.80
Add Purchase of Raw Material		5,920.41		6,290.85
		9,055.78		8,068.65
Less: Closing Stock				
Raw Materials	533.91		416.59	
Work-in-Progress	3,172.70	3,706.61	2,718.78	3,135.37
		5,349.17		**4,933.28**

SCHEDULE FORMING PART OF CONSOLIDATED ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
XVIII MANUFACTURING EXPENSES		
Consumable Stores	57.05	56.23
Oil and Lubricants	3.46	4.78
Power, Fuel and Steam Expenses	284.44	269.88
Chemical Testing Expenses	4.87	5.19
	349.81	**336.07**

XIX PERSONAL EXPENSES		
Salaries and Wages	259.44	228.64
Payment to Directors	29.70	20.62
Contribution to Provident and Other Funds	10.35	9.19
Staff Welfare	19.85	23.10
	319.34	**281.55**

XX ADMINISTRATIVE EXPENSES		
Traveling and Conveyance	22.32	19.23
Advertisement and Subscription	4.24	4.51
Books and Periodicals	0.45	0.28
Business Promotion	6.05	10.00
Insurance	16.23	25.78
Electricity Expenses (Office)	1.26	1.36
Postage, Telephone and Telegram	7.22	6.75
Printing and Stationery	9.91	8.67
Professional Fees	11.32	12.64
Rate, Fees and Tazes	4.61	3.09
Vehicle Running and Maintenance	8.00	6.82
Rent	6.99	6.36
Audit Fees	1.51	1.53
Office Expenses	1.25	1.24
Diwali Expenses	2.00	2.14
Donation	10.62	24.83
Directors' Sitting Fees	0.14	0.11
Guest House Expenses	-	0.16
Loss on Investments	-	25.84
Visa Expenses	-	0.18
Loss on Sale of Fixed Assets	-	8.63
	114.11	**170.15**

SCHEDULE FORMING PART OF CONSOLIDATED ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
XXI FINANCIAL EXPENSES		
Bank Interest and Charges	603.02	496.15
	603.02	**496.15**

XXII REPAIR AND MAINTENANCE		
Electricals	5.75	1.68
Machinery	45.84	29.62
Building	5.79	4.71
	57.38	**36.00**

XXIII SELLING AND DISTRIBUTION EXPENSES		
Discount / Samples	28.96	32.57
Freight and Cartage Outward	54.69	51.97
Packing Expenses	63.58	63.18
Sales Commission	50.20	55.98
Deferred Revenue Expenditure written off	2.91	2.44
Bad Debts Written Off / Provision for Doubtful Debts	24.32	11.12
Other Selling Expenses	-	0.03
Custom Duty	-	0.27
	224.66	**217.57**

SCHEDULE FORMING PART OF THE COSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of financial statements

i) The financial statements of **Nectar Lifesciences Limited** (" the Company ") have been prepared and presented to comply with the historical cost conventions in accordance with the Indian Generally Accepted Accounting Principles (GAAP), mandatory Accounting Standards referred to in the Companies (Accounting standards) Rule 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of Section 642 read with sub section (3C) of Section 211 & sub-section (1) of Section 210 A to the extent applicable and the provisions of the Companies Act, 1956 and on the basis of going concern.

ii) All the Incomes & Expenditures are recognized on accrual basis.

iii) Figures have been taken nearest to million rupees.

iv) Previous year figures have been re-grouped and re-arranged wherever considered necessary

2. Principles of consolidation

The consolidated financial statements include the financial statements of Nectar Lifesciences Ltd., the parent company, and its subsidiary company Chempharma (Pvt.) Ltd.

The consolidated financial statements have been combined on a line-by-line basis by adding the book values of the items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealized profit in full.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

The consolidated financial statements have been prepared in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements issued by The Institute of Chartered Accountants of India".

3. Fixed Assets and Depreciation

i) Fixed Assets have been stated at cost net of Cenvat/Value Added Tax availed, but inclusive of attributable cost of bringing the asset to their working condition for their intended use less depreciation and impairment loss, if any.

ii) Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956.

iii) Leasehold assets cost is amortized over the period of the lease.

4. Inventories

a. Raw materials, Stores and Spares and Packing material

Lower of Cost and Net Realizable value. Cost of inventory comprises all cost of purchase and other cost incurred in bringing the inventories to their present location and condition.

b. Finished Goods and work in process

Lower of cost and net realizable value. Cost includes direct material, labour and proportion of manufacturing overheads. Cost of finished goods includes excise duty.

5. Foreign Exchange Transactions

a. Initial Recognition

Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment. Transactions denominated in foreign currencies are recorded at the rates prevailing on the date of the transaction.

b. Conversion

Monetary assets and liabilities denominated in foreign currencies, as at the balance sheet date, not covered by forward exchange contracts, are translated at year end rates

c. Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognized as income or expense in the year in which they arise. The exchange difference on foreign currency denominated long term borrowings relating to the acquisition of depreciable capital assets are adjusted in the carrying cost of such assets for current year.

d. Reporting Currency

Indian Rupee is the reporting currency for the Nectar Lifesciences Ltd. However, the local currency of the overseas

SCHEDULE FORMING PART OF THE COSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

subsidiary is different from the reporting currency of the Nectar Lifesciences Ltd. The translation of local currency in Indian Rupees is performed for assets and liabilities (excluding share capital and fixed assets), using the exchange rate at the balance sheet date, for revenues, costs and expenses using average rate during the reporting period. Fixed assets have been translated at the rate prevailing at the time of acquisition. The resultant currency translation exchange gain/loss is carried as "Foreign Currency Translation Reserve" under reserves and surplus.

6. Revenue Recognition

i) Revenue from product sales is stated exclusive of returns, inter-division transfers, sales tax but includes excise duty.

ii) Dividend income is recognized as and when the right to receive is established.

iii) Export benefits and other benefits are accounted for on accrual basis.

7. Employees Retirement Benefits

i) Short Term Employee Benefits:

Employee benefits payable fully within twelve months of rendering the service are classified as short term employee benefit and are recognized in the period in which the employee renders the related service.

ii) Post Employment Benefits (Defined Benefit Plans)

The employees gratuity scheme is a defined benefit plan. The present value of the obligation under such defined benefit plan is determined at balance Sheet date based on an actuarial valuation carried out by an independent actuary using the projected unit credit method. Actuarial gains and losses and past service cost are recognized immediately in the profit and loss account.

iii) Post Employment Benefits (Defined Contribution Plans)

Contributions to the Provident Fund, which is a defined contribution scheme, is recognized as an expense in the profit and loss account in the period in which the contribution is due.

iv) Long Term Employee Benefits

Long term employee benefit comprises of compensated absences. These are measured based on an actuarial valuations carried out by an independent actuary using the projected unit method at balance sheet date unless they are insignificant. Actuarial gains and losses and past service cost are recognized immediately in the profit and loss account.

8. Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized as an expense in the period in which they are incurred.

9. Leases

Lease rental for assets taken on operating lease are charged to the profit and loss account in accordance with Accounting Standard 19 on leases.

10. **Government Grants and Subsidies**

Grants and Subsidies are recognized when there is a reasonable assurance that the grant or subsidy will be received and that all underlying conditions will be complied with. When the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

11. Earnings Per Share

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

12. Miscellaneous Expenditure

i) Preliminary expenses are written off over a period of 10 years.

ii) Deferred Revenue Expenditures are written off over a period of 5 years.

II. NOTES TO ACCOUNTS

A. BALANCE SHEET

1. SECURED LOANS

I. Term Loans from various banks (excluding vehicle loans) are secured by way of First Pari Passu Charge on all the fixed assets of the Company and further secured by way of Second Pari Passu Charge on all the current assets of the

SCHEDULE FORMING PART OF THE COSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Company and personal guarantee of directors namely Sh. Sanjiv Goyal & Sh. Aryan Goyal.

II. Working Capital Limits & Corporate Loans are secured by way of First Pari Passu Charge on all the current assets of the Company and further secured by way of Second Pari Passu Charge on all the fixed assets of the Company and personal guarantee of directors namely Sh. Sanjiv Goyal & Sh. Aryan Goyal.

III. Term Loan includes Vehicle Loans amounting to Rs. 11.30 million from various banks.

2. FIXED ASSETS

A sum of Rs.149.30 Millions has been capitalized under the head Plant & Machinery (Research & Development). The company has been regularly working on modernization and development of its existing technological system and development of new products & processes. As such, there has been loss of capacity utilization because of the development of new product and processes. In the opinion of management, the above process will yield benefits in the coming years in the shape of more demand in the international market as well as better price.

3. INVESTMENTS

Investments are classified into current and long term investments. Long Term Investments are stated at cost and current investments are valued at cost or market value whichever is less.

4. CURRENT ASSETS, LOANS & ADVANCES

In the opinion of the management of the Company, the current assets, loans and advances are approximately of the value as stated, if realized in the ordinary course of business.

5. CURRENT LIABILITIES

i) The principal amount remaining unpaid as at 31st March 2010 in respect of enterprises covered under the "Micro, Small and Medium Enterprises Development Act, 2006" are Rs. 1.84 millions (previous year Rs. 2.93 millions). The interest amount computed based on the provisions under Section 16 of the MSMED Act Rs. 0.31 millions (previous year Rs 0.33 millions) is remaining unpaid as of 31st March 2010. The principal amount that remained unpaid as at 31st March 2009 was paid during the year. The list of undertakings covered under MSMDA was determined by the Company on the basis of information available with the Company and have been relied upon by the auditors.

ii) Investor Education and Protection Fund

Other liabilities include Rs 0.86 million which relates to unclaimed dividend and share application money refundable. Out of it no amount has become due for deposit to Investor Education and Protection Fund as on balance sheet date.

6. UTILISATION OF FUNDS RAISED ON GDR ISSUE AND PRIVATE EQUITY

In February 2010, the company allotted 26.00 million equity shares having face value of Re.1 each on preferential basis and 46.00 million equity shares having face value of Re.1 each underlying Global Depository Receipts (GDRs) to the institutional investors. The aggregate funds raised by such issue (including securities premium) were Rs.2412.89 million (net of share issue expenses of Rs.108.24 million). The equity shares represented by the GDRs/private placement carry equivalent rights with respect to voting and dividends as the ordinary equity shares. Out of these funds, the company had invested Rs.200.00 million in the Mutual Funds and the balance amount has been parked in the various bank accounts of the company.

7. CONTINGENT LIABILITIES

(Rupees in Million)

S.No.	Particulars	March 31, 2010	March 31, 2009
i)	Letter of Credit (Foreign / Inland)	307.25	571.58
ii)	Bank Guarantees	5.12	6.78
iii)	Bills Discounted	149.37	189.60
iv)	Differential amount of custom duty in respect of machinery imported under EPCG SCheme	78.31	86.61
v)	Claims not acknowledged as debts:**		
	- Income Tax matters	31.32	27.03
vi)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)	7.95	19.15

** The matters are subject to legal proceedings in the ordinary course of business. The legal proceedings, when ultimately concluded will not, in the opinion of management, have a material effect on the results of operation or financial position of the company.

SCHEDULE FORMING PART OF THE COSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

B. PROFIT & LOSS ACCOUNT

i) Directors' Remuneration

a. Details of Remuneration to Managing Director, Whole Time Directors and to other Directors are as follows:

(Rs. in Million)

PARTICULARS	2009-10	2008-09
Salaries and Allowances	23.37	14.83
Directors Fees	0.14	0.11
Commission	6.23	5.65
Perquisites	0.10	0.14
TOTAL	**29.84**	**20.73**

b. Calculations of profit in accordance with Section 198 of the companies Act, 1956.

(Rs. In Million)

PARTICULARS	2009-10	2008-09
Profit Before Tax As per Profit & Loss Account	1152.99	641.63
Add: Director Remuneration as above	29.84	20.73
Loss on Investments	-	25.84
Loss on sale of Fixed Assets	-	8.63
Depreciation as per Profit & Loss Account	387.46	303.07
Total	**1570.29**	**1000.00**
Less: Depreciation under Section 350	387.46	303.07
Net Profit	**1182.83**	**696.83**
Remuneration to Directors	**29.84**	**20.73**

ii) Payment to auditors (Rs. In Million)

PARTICULARS	2009-10	2008-09
Statutory Audit Fee	1.26	1.28
Tax Audit Fee	0.25	0.25

iii) Sales Tax Assessments for earlier years are in progress. No sales tax liability exists as on Balance Sheet date.

iv) Income Tax

Current Tax

Provision for Income tax and fringe benefit tax, wherever applicable, has been made as per Income-tax Act, 1961.

Deferred Tax

In compliance with Accounting Standard (AS-22) relating to "Accounting on Taxes on Income" issued under Companies (Accounting standards) Rule 2006, as amended upto date , the Company has provided Deferred Tax Liability accruing during the year aggregating to Rs. 100.02 million (Previous Year Rs 98.05 million) and it has been recognized in the Profit & Loss Account. In accordance with clause 29 of Accounting Standard (AS 22) Deferred tax Assets and Deferred tax liabilities have been set off.

v) Traveling & Conveyance Rs 22.30 million (Previous Year Rs. 19.23 million) includes: (Rs. In million)

S.No	Particulars	March 31, 2010	March 31, 2009
(a)	**Director**		
i)	Foreign Traveling	6.53	4.47
ii)	Others	1.14	1.17
(b)	**Staff**		
i)	Foreign Traveling	5.25	4.56
ii)	Others	9.37	9.03

SCHEDULE FORMING PART OF THE COSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

vi) Purchases include goods worth Rs. 725.10 millions (previous year Rs. 396.74 million) purchased for trading.

vii) Leases

Operating leases are mainly in the nature of lease of office premises with no restrictions and are renewable/ cancelable at mutual consent. There are no restrictions imposed by lease arrangements. There are no sub leases.

Lease payments recognized in the profit and loss account are Rs. 6.77 millions(Previous Year Rs. 5.94 millions)

The company has not executed any finance lease.

C. SEGMENT REPORTING

Primary Segment (Business Segments)

The Company operates only in the business segment of "Pharmaceuticals Products", and in the opinion of the management the inherent nature of activities in which it is engaged are governed by the same set of risks and reward. As such the activities are identified as single segment in accordance with the Accounting Standard (AS-17) issued under Companies (Accounting standards) Rule 2006, as amended upto date.

Secondary Segment (By Geographical Segment) *(Rs. In million)*

S.No.	Particulars	31.03.2010	31.03.2009
(a)	**India**	5613.04	4590.25
(b)	Outside India	3245.18	3209.52
	Total Sales	**8858.22**	**7799.77**

In view of the interwoven / intermix nature of business and manufacturing facility, other segmental information is not ascertainable.

D. RELATED PARTY DISCLOSURES

Related party disclosures as required under Accounting Standard (AS-18) on "Related Party Disclosures" issued under Companies (Accounting standards) Rule 2006, as amended up to date , are given below:

a) Relationship

i) Subsidiary Companies
M/s Chempharma Private Limited Sri Lanka

ii) Joint Ventures and Associates - NIL

iii) Key Management Personnel (Managing Director/Whole-time directors)
Sh. Sanjiv Goyal
Sh. Aryan Goyal
Sh. Dinesh Dua

iv) Relatives of the Key Management Personnel
Smt. Raman Goyal
Sh. Saurabh Goyal

v) Entities over which key management personnel/their relatives are able to exercise significant influence*
M/s Surya Narrow Fabrics New Delhi
M/s Nectar Lifestyle Limited- New Delhi
M/s Nectar Organics Ltd. New Delhi
* With whom the company had transactions.

b) The following transactions were carried out with related parties in the ordinary course of business

i) Subsidiary Companies *(Rs. in Million)*

S.No.	PARTICULARS	31.03.2010	31.03.2009
i.	Investments	46.36	46.36

ii) Entities over which key management personnel/their relatives are able to exercise significant influence

S.No.	PARTICULARS	31.03.2010	31.03.2009
i.	Investments	114.83	114.83
ii.	Rent	0.96	0.96

SCHEDULE FORMING PART OF THE COSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

iii) Key Management Personnel and their relatives *(Rs. in Million)*

S.No.	PARTICULARS	31.03.2010	31.03.2009
i.	Remuneration & Perquisites	29.70	20.62
ii.	Purchase	-	-
iii.	Sales	-	-

E. Foreign Currency Convertible Bonds (FCCBs)

During the year 2006-2007, the company raised Zero Coupon FCCB aggregating to USD 35 million (Rs. 1563.50 Million as on the date of the issue) for financing its capital expenditure and other permitted expenditure. The bond holders, have the option to convert the FCCBs into equity shares of the company at an initial conversion price of Rs. 25.996 per share at a fixed rate of exchange on conversion Rs. 44.6725 per US$, at any time on and after 4th June, 2006 and prior to 16th April 2011. Further the company has an option of early redemption of these FCCBs in whole at any time on or after 25th April, 2009 and prior to 26th April, 2011, subject to certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the FCCBs will be redeemed in US$ on 26th April, 2011 at 150.71 per cent of their principal amount.

The FCCBs premium payable on redemption of Rs 109.56 million (previous year Rs. 227.28 million) being the pro-rata charge for the year have been made on the gross value without adjusting any tax impact, have been adjusted against Securities Premium account (SPA). In the event that the conversion option is exercised by the holder of FCCBs in the future, the amount of premium charged to Securities Premium account (SPA) will be suitably adjusted in the respective year.

F. DERIVATIVES

CURRENCY DERIVATIVES

The company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts and currency options is governed by Company's strategy. The company does not use forward contracts and currency options for speculative purposes.

G. ADDITIONAL INFORMATION PURSUANT TO THE PROVISION OF PARAGRAPH 3,4 C AND 4D OF PART II OF SCHEDULE VI OF COMPANIES ACT, 1956 ARE AS UNDER:

Licensed and installed capacity and actual production:

S.No.	Particulars	March 31, 2010	March 31, 2009
a)	**Licensed Capacity**	N.A.	N.A.
b)	**Installed Capacity (Net of Captive)**		
	(As certified by the management being a technical matter)		
	- Bulk Drug & Sterile (In MTs)	1600.00	650.00
	- Phytochemicals Menthol (In MTs)	7600.00	7600.00
	- EH Gelatin Capsules (Nos in Millions)	2880.00	2880.00
	- Formulations (Nos in Millions)	345.00	345.00
c)	**Actual Production**		
	-Bulk Drug & Sterile (In MTs)	1063.014	643.385
	-Job Work Executed (In MTs)	9.42	13.71
	- Phytochemicals Menthol (In MTs)	2266.450	2990.625
	- EH Gelatin Capsules(Nos in Millions)	2627.02	2268.86
	- Formulations (Nos in Millions)	169.43	125.76

SCHEDULE FORMING PART OF THE COSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

H. QUANTITATIVE DETAILS OF MAIN RAW MATERIAL CONSUMPTION

S.No.	Particulars	Unit	2009-2010	2008-2009
	RAW MATERIAL			
1.	7 ACA	MT	138.928	118.087
2.	GCLE	MT	266.728	233.960
3.	Crude Mentha oil	MT	2483.751	3426.009
4.	Ceftriaxone Sodium (NS)	MT	108.630	111.000

I. Particulars in respect of production and sales of finished goods. (In MT's)

Particulars	Opening Stock	Production	Sales	Closing Stock
Oral	12.417	827.211	826.832	12.796
(In MTs)	(1.756)	(428.974)	(418.313)	(12.417)
Sterile	4.128	235.803	236.987	2.944
(In MTs)	(3.680)	(214.411)	(213.963)	(4.128)
Menthol	159.406	2266.450	2413.875	11.981
(In MTs)	(101.400)	(2990.625)	(2932.619)	(159.406)
EHGC	362.82	2627.02	2787.24	202.60
(in Millions)	(124.90)	(2268.86)	(2030.94)	(362.82)
Formulation	1.84	169.43	167.16	4.11
(in Millions)	(1.59)	(125.76)	(125.51)	(1.84)

Note: Includes captive consumption also. Further sales include trading sales amounting to Rs. 792.52 million (Previous Year Rs.441.80 million).

J. RAW MATERIAL CONSUMED

S.No.	Particulars	Value (Rs. in Million)	2009-2010 (%age)	Value (Rs. in Million)	2008-2009 (%age)
1.	Imported	3169.06	59.24%	3227.79	65.43%
2.	Indigenous	2180.11	40.76%	1705.49	34.57%

(Rs in Million)

S.No.	Particulars	2009-2010	2008-2009
(a)	**CIF Value of Imports**		
1.	Raw Material	**3187.14**	**3096.21**
2.	Capital Goods and Stores & Spares	43.99	176.49
(b)	**Expenditure in Foreign Currencyy**		
1.	Traveling Expenses	5.79	4.98
2.	Export Commission	36.71	39.33
3.	GDR issue expenses	64.12	Nil
4.	Other Expenses	0.12	4.38
(c)	**Remittances in Foreign Currencyy**		
1.	Raw Material	3454.88	2622.56
2.	Capital Goods	48.66	24.00
3.	GDR Issue & Other Expenses	106.74	48.69
(d)	**Earnings in Foreign Currency**		
1.	Exports	3245.18	3209.52

SCHEDULE FORMING PART OF THE COSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT As at March 31, 2010

XXIV SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

K. EARNING PER SHARE (EPS)

Particulars	Unit	March 31. 2010	March 31, 2009
Profit After Tax	Rs in million	915.87	528.07
No of Shares Outstanding*	Nos.	224260970	152260970
No of Weighted Average equity shares			
Basic	Nos.	159395217	152260970
Effect of dilutive equity shares on account of Foreign Currency Convertible Bonds	Nos.	57319199	56708436
Diluted	Nos.	216714416	208969406
Nominal value of equity shares	Re.	1.00	1.00
Earnings per Share			
- Basic	Rs.	5.83	3.47
- Diluted	Rs.	4.29	2.53

*During the year, the company has allotted 26,00,0000 equity shares on preferential basis on 20.2.2010 and 46,00,0000 equity shares underlying GDRs on 26.02.2010.

L. IMPAIRMENT OF ASSETS

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

M. M/s Chempharma (Pvt.) Ltd. is in the process of closing down its operation and has applied to various authorities for its winding up.

Auditors' Report
As per our report of even date

For **Datta Singla & Co.**
Chartered Accountants
Firm Regn. No. 006185N

For **Nectar Lifesciences Limited**

Yogesh Monga
Partner
Membership No. 099813

Sanjiv Goyal
Chairman & Managing Director

Aryan Goyal
Executive Director

Dinesh Dua
CEO & Director

Place: Chandigarh
Date: 28.05.2010

R.K. Aggarwal
V.P. Accounts

Sandeep Goel
V.P. Finance

Sunder Lal
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT For the year ended March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before Tax and Extra Ordinary Items	1,152.99	641.63
Adjustment For:		
Depreciation	387.46	303.07
Misc. Expenditure written off	2.99	2.52
Interest on Borrowings	603.02	496.15
Other non-operating Income	(153.00)	(28.36)
Operating Profit before Working Capital changes	**1,993.47**	**1,415.00**
Adjust For:		
(Increase)/Decrease in Current Assets	(919.84)	(1,491.86)
Increase/(Decrease) in Current Liabilities	(395.49)	789.36
Working Capital Borrowings	(1,430.31)	707.74
Cash Generated from Operations	**(752.17)**	**1,420.25**
Direct Taxes Paid	(125.01)	(103.14)
Cash Flow before Extra-Ordinary Items	(877.18)	1,317.11
Net Cash Flow from Operating Activities (A)	**(877.18)**	**1,317.11**
NET CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,418.99)	(1,847.19)
Purchase of Investments	(201.26)	(6.40)
Interest Received	13.53	28.15
Dividend from Investment	0.16	0.20
Sale of Fixed Assets	107.36	-
Sale of Investments	17.23	-
Insurance Claim	31.91	-
Foreign Exchange Gain (Net)	4.43	-
Foreign Exchange Translation Reserve for the Year	(10.03)	9.74
Net Cash used in Investing Activities (B)	**(1,455.67)**	**(1,815.49)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Equity Shares and GDRs including Securities Premium	2,521.13	-
Issue expenses of Equity Shares and GDRs	(108.24)	-
Inter Corporate Deposits	(350.00)	249.24
Proceeds from Long Term Borrowings	929.43	890.61
Dividend Paid	(53.29)	(60.90)
Interest Paid	(603.02)	(496.15)
Net Cash Paid Generated from Financing Activities (C)	**2,336.00**	**582.79**
Net Increase/(Decrease) in Cash and Cash Equivalents (A + B +C)	**3.16**	**84.40**
Cash and Cash Equivalents at the Beginning of the period	**344.74**	**260.34**
Cash and Cash Equivalents at the Close of the period	**347.90**	**344.74**

Auditors' Report
As per our report of even date

For **Datta Singla & Co.**
Chartered Accountants
Firm Regn. No. 006185N

For **Nectar Lifesciences Limited**

Yogesh Monga
Partner
Membership No. 099813

Sanjiv Goyal
Chairman & Managing Director

Aryan Goyal
Executive Director

Dinesh Dua
CEO & Director

Place: Chandigarh
Date: 28.05.2010

R.K. Aggarwal
V.P. Accounts

Sandeep Goel
V.P. Finance

Sunder Lal
Company Secretary

DIRECTORS' REPORT of M/s Chempharma Private Limited, Sri Lanka

Your Directors are presenting the report on the operations of your company and annual financial statements of the company for the period ended on March 31, 2010.

Financial Results

The operations of your company have been suspended during the whole financial year 2009-10. The Net profit after tax during the year is Rs. 3.15 Million.

The attached Balance Sheet of the company as at 31.03.2010, the Profit & Loss Account for the year ended on that date and schedules thereto, have been converted from Sri Lankan Rupees to Indian Rupees as per Indian Accounting Standard 21 to present said financial statements to the Members of Nectar Lifesciences Limited, India, the holding company of the company.

Board of Directors

Mr. Sanjiv Goyal, Mr. Aryan Goyal and Mr. Sandeep Goel directors served on the board of the company during the year.

Directors Responsibility Statement

The directors confirm that while preparing the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures. They further confirm that they had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year. They also confirm that proper and sufficient care had been taken for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and that the annual accounts had been prepared on going concern basis.

Auditors

M/s Piyawardena Associates, Chartered Accountants, Sri Lanka acted as the independent auditors of the company during the period. The audit report of your company for the year ended March 31, 2010 is attached along with financial reports.

Appreciation

Your directors wish to place on record their appreciation of valuable services rendered by all the employees of the company and to all the business associates of the company for their continued support.

By Order of Board of Directors

May 28, 2010	Sandeep Goel	Aryan Goyal
Sri Lanka	*Director*	*Director*

AUDITORS' REPORT

To The Members of **Chempharma (Pvt.) Ltd.**

We have audited the accompanying financial statements of Chempharma (Pvt) Ltd., as at 31st March, 2010, which comprise of balance sheet as at that date, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, except matters arising out of note no. 11 to the financial statement, so far as appears from our examination, the company maintained proper accounting records for the year ended 31st March, 2010 and the financial statements give a true and fair view of the company's state of affairs as at 31st March, 2010 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

1.These financial statements also comply with the requirements of Sections 151(2) of the Companies Act No. 07 of 2007.

FOR PIYAWARDENA ASSOCIATES

26th May, 2010 CHARTERED ACCOUNTANTS

BALANCE SHEET As at March 31, 2010

(Rupees in Million)

Particulars	Schedule	March 31, 2010		March 31, 2009	
I. SOURCES OF FUNDS :					
1. SHARE HOLDERS' FUNDS					
Share Capital	**I**	46.36		46.36	
Reserves & Surplus	**II**	(3.30)	43.05	3.58	49.94
2. LOAN FUNDS					
Secured Loans		-		-	
Unsecured Loans		-	-	-	-
3. **DEFERRED TAX LIABILITIES**			-		-
			43.05		**49.94**
II. APPLICATION OF FUNDS					
1. Fixed Assets	**III**				
Gross Block		-		-	
Less : Depreciation		-		-	
Net Block			-		-
2. Investments			-		-
3. Current Assets, Loans & Advances					
Inventories		-		-	
Sundry Debtors	IV	-		47.20	
Cash & Bank Balances	V	42.73		0.72	
Loans & Advances	VI	1.13		2.26	
Other Current Assets		-		-	
		43.86		50.18	
Less: Current Liabilities & Provisions					
Current Liabilities	VII	0.81		0.24	
Provisions		-		-	
		0.81		0.24	
Net Current Assets			43.05		49.94
4. Miscellaneous Expenditure			-		-
(To the extent not written off or adjusted)					
			43.05		**49.94**

PROFIT AND LOSS ACCOUNT for the year ended March 31, 2010

(Rupees in Million)

Particulars	Schedule	March 31, 2010	March 31, 2009
INCOME			
Sales		-	-
Misc. Income	VIII	4.45	(6.84)
Increase in Finished Goods		-	-
		4.45	(6.84)
EXPENDITURE			
Raw Material consumed		-	-
Manufacturing Expenses	IX	-	1.13
Personnel Expenses	X	0.57	4.30
Administrative Expenses	XI	0.32	1.38
Financial Expenses	XII	0.18	0.10
Repair and Maintenance		-	-
Selling and Distribution Expenses	XIII	-	1.11
Depreciation	III	-	1.18
		1.07	9.20
Profit before Tax		3.37	(16.04)
Provision for Tax		0.22	-
Profit after Tax		3.15	(16.04)
Balance as per last Balance Sheet		3.58	9.88
Deferred Tax		-	-
Balance available for Appropriation		**6.73**	**(6.16)**
Appropriations			
Dividend			
- Proposed Dividend		-	-
- Tax on Dividend		-	-
Surplus carried forward		6.73	(6.16)
		6.73	**(6.16)**

SCHEDULE FORMING PART OF ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
I SHARE CAPITAL		
Authorised Share Capital		
1,00,00,000 (1,00,00,000) Equity Shares of SLR. 10/- each.	48.22	48.22
Issued, Subscribed and Paid Up Capital		
96,14,168 (96,14,168) Equity Shares of SLR. 10/- each Fully Paid up	46.36	46.36
	46.36	**46.36**

II RESERVES AND SURPLUS		
Profit and Loss Account		
Opening Balance	3.58	9.88
Transferred from Profit and Loss Account	3.15	(16.04)
Foreign Currency Translation Reserve	(10.03)	9.74
	(3.30)	**3.58**

III FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at April 1, 2009	Additions*	Sale/ Trans fer	As at March 31, 2010	Upto March 31, 2009	During the year	Sale/ Trans fer	Upto March 31, 2010	As at March 31, 2010	As at March 31, 2009
Leasehold Land	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-
Factory Equipment	-	-	-	-	-	-	-	-	-	-
Furniture & Fixture	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Previous Year	23.68	-	23.68	-	5.53	1.18	6.71	-	-	18.15

IV SUNDRY DEBTORS		
(Unsecured, Considered Good)		
Outstanding for a Period Less than six months	-	47.20
Outstanding for a Period Exceeding six months	-	-
	-	**47.20**

V CASH AND BANK BALANCES		
Cash in Hand	-	0.02
Balance with Scheduled Banks		
In Current A/c	42.73	0.70
Fixed Deposits	-	-
	42.73	**0.72**

Vi LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received	-	-
Vat Receivable	1.13	2.26
	1.13	**2.26**

SCHEDULE FORMING PART OF ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
VII CURRENT LIABILITIES		
Other Liabilities	0.81	0.24
	0.81	**0.24**

VIII OTHER INCOME		
Foreign Exchange Fluctuation	4.43	-
Scrap and Waste Sales	0.02	2.65
Profit on disposal of Plant and Machinery	-	(9.50)
	4.45	**(6.84)**

IX MANUFACTURING EXPENSES		
Factory expenses	-	0.88
Fuel and Oil	-	0.08
Electricity Expenses	-	0.17
	-	**1.13**

X PERSONAL EXPENSES		
Salaries and Wages	0.57	3.84
Security Services	-	0.34
Staff Welfare	-	0.12
	0.57	**4.30**

XI ADMINISTRATIVE EXPENSES		
Traveling and Conveyance	0.03	-
Advertisement and Subscription	-	0.02
Insurance	-	0.11
Postage, Telephone and Telegram	0.03	0.23
Printing and Stationery	-	0.02
Professional Fees	0.02	0.11
Secretarial Fee	0.01	0.01
Vehicle Running and Maintenance	-	0.03
Rent	0.22	0.42
Guest House Expenses	-	0.16
Audit Fees	0.01	0.03
Visa Expenses	-	0.18
Office Expenses	-	0.06
Donation	-	0.02
	0.32	**1.38**

SCHEDULE FORMING PART OF ACCOUNTS As at March 31, 2010

(Rupees in Million)

Particulars	March 31, 2010	March 31, 2009
XII FINANCIAL EXPENSES		
Bank Charges and Interst	0.18	0.10
	0.18	**0.10**

XIII SELLING AND DISTRIBUTION EXPENSES		
Travelling and Transport	-	0.81
Other Selling Expenses	-	0.23
Custom Duty	-	0.27
	-	**1.11**

NOTES ON ACCOUNTS ON THE SUBSIDIARY'S BALANCE SHEET AND PROFIT AND LOSS ACCOUNT As at March 31, 2010

XIV NOTES TO ACCOUNTS

1. Summary of Significant Accounting Policies

1.1 General

(a) **Statement of Compliance**

The Financial Statements have been prepared in accordance with Generally accepted accounting principles and applicable accounting standards laid down by the Institute of Chartered Accountants of Sri Lanka.

(b) **Basis of preparation**

The financial statements presented in Sri Lankan Rupees have been prepared on the historical cost basis.

1.2 **Taxation**

The Provision for income tax is based on the elements of income & expenditure as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act No. 38 of 2000 and amendments thereto.

1.3 **Comparative Information**

The accounting policies have been consistently applied by the company. Previous year's figures and phrases have been re-arranged to confirm to the current year's presentation.

1.4 **Foreign Currency Transaction**

All foreign currency transaction are converted to rupees at the rate of exchange prevailing at the time of such transaction are affected. All assets and liabilities in foreign currency at the year end are translated at the exchange rate prevailing on the balance sheet date.

Any gain or loss resulting from the translation of such transaction is dealt with the Income Statement.

2. Trade & other receivables:

Trade & other receivables are stated at their estimated realizable value.

3. Liabilities & Provisions:

3.1 Liabilities classified as current liabilities on the Balance Sheet are those which will fall due for payment on demand or within one year from the Balance Sheet date. Non current liabilities are those balances that fall due for payment after one year from the Balance Sheet date.

4. Income Statement

4.1 Gains or losses

Gains or losses of a revenue nature on the disposal of Property Plant Equipment have been accounted in the Income Statement.

4.2 Others

Other Income is recognized on cash basis.

NecLife

NECTAR LIFESCIENCES LIMITED

Registered Office: Village Saidpura, Tehsil Derabassi, Distt. S.A.S. Nagar (Mohali) Punjab

ATTENDANCE SLIP

DATE	VENUE	TIME
September 29, 2010	**Nectar Lifesciences Limited** Village Saidpura, Tehsil Derabassi, Distt. Mohali (PB.)	10.00 A.M.

Name..... DP ID No. .....

Address ..... Folio No./Client ID No. .....

..... No. of Shares.....

I certify that I am a registered Shareholder of the Company and hold.....Shares.

PLEASE TICK IN THE BOX

☐ Member ☐ Proxy

.....
Member's Signature

.....
Name of the proxy in Block Letters

.....
Proxy's Signature

Note: Shareholder/Proxy holder wishing to attend the meeting must bring the Admission Slip to the meeting and hand over at the entrance, duly signed.

.....

NecLife

NECTAR LIFESCIENCES LIMITED

Registered Office: Village Saidpura, Tehsil Derabassi, Distt. S.A.S. Nagar (Mohali) Punjab

PROXY FORM

I/We .....

of.....

being a Member/Members of Nectar Lifesciences Limited, hereby appoint.....

of.....

or failing him.....

of.....

as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on September 29, 2010 and at any adjournment thereof.

As witness my/our hand(s) this.....day of .....2010.

DP ID No. .....

Folio No./Client ID No.....

No. of Shares .....

Proxy No. ..... (For official use only)

.....
Signature of Member

.....
Signature of Proxy

Affix Rs. 0.15 Revenue Stamp

NOTE: (i) The proxy must be returned so as to reach the Regd. Office, Nectar Lifesciences Limited, Village Saidpura, Tehsil Derabassi, Distt. Mohali (PB.) FORTY EIGHT HOURS before the time for holding the aforesaid meeting.
(ii) Please mark the envelop 'NecLife PROXY'.

Corporate information

Board of Directors

1.	Mr. Sanjiv Goyal	:	Chairman and Managing Director
2.	Mr. Aryan Goyal	:	Executive Director
3.	Mr. Dinesh Dua	:	Chief Executive Officer and Director
4.	Mr. Saurabh Goyal	:	Executive Director
5.	Mr. Vivek Seth	:	Director
6.	Mr. Vijay J. Shah	:	Independent Director
7.	Mr. B.K. Goswami, I.A.S. (Retd.)	:	Independent Director
8.	Dr. (Maj. Gen.) S.S. Chauhan, VSM	:	Independent Director
9.	Mr. Raman Kapur	:	Independent Director
10.	Mr. Ajay Swaroop	:	Independent Director

Vice President (Finance)

Mr. Sandeep Goel

Vice President (Accounts)

Mr. R.K. Aggarwal

Vice President and Company Secretary

Mr. Sunder Lal

Auditors

Datta Singla & Co., Chartered Accountants
SCO 2935-36, 1st Floor, Sector 22-C, Chandigarh

Bankers

I. Punjab National Bank, Sector 16-D, Chandigarh
II. State Bank of India, Specialised Commercial Branch, Sector 17-B, Chandigarh
III. Vijaya Bank, Barakhamba Road, New Delhi
IV. Exim Bank, Mumbai
V. HSBC, Barakhamba Road, New Delhi

Registered Office

Village Saidpura, Tehsil Derabassi,
Distt. S.A.S. Nagar (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

Head Office

1596, Bhagirath Place, Chandni Chowk, Delhi-48
Ph.: 011-23866341, 23869202-03 Fax: 011-23866341

Plant Locations

I. Nectar Lifesciences Limited - Unit I
Village Saidpura, Tehsil Derabassi,
Distt. S.A.S. Nagar (Punjab)

II. Nectar Lifesciences Limited - Unit II
Village Saidpura, Tehsil Derabassi,
Distt. S.A.S. Nagar (Punjab)

III. Empty Hard Gelatin Capsule Unit
Village Bhatoli Kalan, Pargana Dharmpur,
Tehsil Nalagarh, Distt. Solan (Himachal Pradesh)

IV. Formulation Unit
Village Bhatoli Kalan, Pargana Dharmpur,
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)

Registrar and Share Transfer Agent

Kravy Computershare Private Limited
Unit: Nectar Lifesciences Limited
Karvy House, 46, Avenue 4, Street No. I,
Banjara Hills, Hyderabad - 500 034
Tel.: (91-40) 23114058 Fax: (91-40) 23311968

A TRISYS PRODUCT
info@trisyscom.com

NecLife

Nectar Lifesciences Limited

www.neclife.com