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Corporate Information

NAVNEET PUBLICATIONS (INDIA) LIMITED

Board of Directors

Shivji K. Vikamsey	Chairman
Amarchand R. Gala	Managing Director
Jaisinh K. Sampat	Joint Managing Director
Dungarshi R. Gala	Director – Educational Books Publishing
Shantilal R. Gala	Director – Educational Books Publishing
Harakhchand R. Gala	Director – Sales & Distribution
Jitendra L. Gala	Director – Marketing
Ashok M. Nadkarni	Director
Kamlesh S. Vikamsey	Director
Liladhar D. Shah	Director
Dr. R. Varadarajan	Director
Vijay Rai	Director

Company Secretary

Manoj J. Thakar

Auditors

Ghalla & Bhansali
Chartered Accountants, Mumbai

Bankers

Bank of India
UCO Bank
ICICI Bank Ltd
Bank of Nova Scotia
BNP Paribas

Registered Office

Navneet Bhavan, Bhavani Shankar Road,
Dadar (West), Mumbai - 400 028.

Ahmedabad Office

Navneet House, Gurukul Road,
Memnagar, Ahmedabad - 380 052.

Works

- Village Dantali, Behind Kasturi Nagar,
District and Taluka - Gandhinagar, Gujarat.
- Gokhiware, Chinchpada,
Vasai (East), Dist. Thane.
- Village Sayali, Silvassa.
- Dabhel, Nani Daman
U.T. Daman & Div
- Rakanpur, Taluka Kalol
Dist Mehsana

e-mail

investors@navneet.com

Website

www.navneet.com

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Dear Shareowners,

Once again it gives me immense pleasure to give you an update on the performance of the Company for the year ended 31st March, 2004. As all of you know well, the Indian economy surged in most of the Industrial areas of activities, which coupled with a good monsoon during 2003 gave an overall boost. The only factor which restricted growth of the economy including that of your Company was a recessionary trend in the developed countries, particularly the US.

The annual numbers of last year, which represented an 18 month period, are not directly comparable to the numbers under review. Overall the Company did grow well in Export of Publications and Domestic sales of stationery products. As was mentioned last year, due to continuation of the same textbooks (same curriculum) in both areas of our major operations, i.e. in Maharashtra and Gujarat, your Company could not grow in the educational books segment. Rupee appreciation coupled with severe competition from other countries was a major setback to our Exports of stationery products.

In the current year the position of Exports has not really improved in the first quarter. However due to change in the curriculum of few standards in Gujarat, reasonable growth is seen in educational books segment. Our Madhya Pradesh initiative is making inroads in major parts of the State. With the successful launch in the first year,

your Company has decided to script a success story in Madhya Pradesh by expanding the product range and best quality books on the similar lines of your Company's success in the States of Maharashtra and Gujarat.

Your Company has decided to downsize the operations of its subsidiary and accordingly the increase in losses accrued till last year will reduce substantially. The products (CD ROMs) of this Company have been further accepted among the educational fraternity but the present revenues still do not justify economics of the operations. Your Company will expand in this area as and when the technology is accepted well. Till such time the Company will continue to give major thrust to publication of books.

SAP (Business Process Systems) has augured well in synchronising information flow which enabled all round smoothening of operations of the Company. The success is attributable to the dedicated employee force of your Company who have worked very hard and proved that it is one of the best available systems. Your Company has already started reaping the benefits of such integration of all locations and all areas of activities. I once again reiterate that your Company is slowly and gradually moving towards fulfilling its mission.

Shivji K. Vikamsey

Management Discussion and Analysis

Navneet - A Brand :

Navneet's brand initiative extends to four A's that are indispensable for achieving business success.

Awareness :

Creating awareness of publishers' products is an art by itself. Direct contacts with thousands of schools, teaching community and trade are the basics behind this great success. With over 400 employees specially designated to keep direct contacts and explain the benefits of Navneet's publications and stationery products is the key strength of Navneet's field force. A localized brand before 5 years is now national in all respects and also becoming an international brand, particularly among young NRI's.

Availability :

Direct contacts with over 60,000 retail outlets and over 20,000 schools by the field force of the Company ensures availability of all products throughout the year.

Acceptance :

Navneet's content is accepted over the years. Many debates among the education fraternity have ended referring to Navneet's content. Continuous delivery of quality content has made users accepting Navneet's products without any hesitation.

Affordability :

Education has to be for the masses. Spending on education has always been a concern among the parents in our country. Navneet has believed in selling all its products at affordable prices and within reach of the masses.

Creating Shareholders Value :

The focus of the Company has always been to create and maximize the Shareholders' value. As stated last year, SAP implementation has completed one year. The Company did face several issues before settling down successfully. The dedicated team efforts across the

Company have paid dividends in implementation. The benefit of such implementation would start accruing hereinafter with the optimum utilization of all its resources.

Kaizen Practices at most of the production facilities have increased the productivity and has benefited in proper planning throughout the year. With such benefit, your Company has decided to implement such practices in material movements and various marketing activities.

The Madhya Pradesh initiative of the Company, last year in a small way and this year in a little better way has proved that quality sells everywhere. It is a great opportunity for the Company to create content for maximum number of titles for this new area and complete the whole range in the next 3 years. With proper planning, the management is confident to achieve its success in Madhya Pradesh.

Navneet's Policy on Dividend :

For both the business divisions of the Company, no huge capex is required in the near future. With that in mind, the Company continues to have a liberal dividend policy as earlier. Your Company has already paid Rs. 5/- per share as an interim dividend and further has proposed a final dividend of Rs. 2.50 per share, which make the total dividend for the year under review of Rs. 7.50 per share (75%). The total dividend pay out works out to 40.63% against the Company's liberal dividend policy of declaring at least 25%.

Business Overview :

The Company has basically two major business Divisions, namely "Book Publishing" and "Paper stationery".

Book Publishing :

The Book Publishing Division comprises two major categories of books, "Educational Books" and "Children and General Books".

Management Discussion and Analysis

As discussed last year and also as stated by your chairman, static syllabus for last several years in both the states of operations has restricted the growth of Educational Books category. Second hand book market is a dampener for the growth of this category of Books. With the successful launch of the Madhya Pradesh curriculum based books and definite plans of changing curriculum from current year in both the states shows a positive outlook for the next few years for your Company.

Children and General books category continues to grow across India and particularly in international markets. With the help of dedicated and creative team within the Company, your Company has been able to successfully launch new products for international markets and also able to conceptualize various products which are accepted by several international buyers with a few changes. Your management is confident on generating huge volumes in this category of publications.

Paper stationery division :

The paper stationery Division has two different markets, Domestic and International.

Domestic Market :

Your Company basically deals in scholastic stationery products. There is lot of competition in domestic stationery market, with many unorganized players, but with the strong brand, consistent business policies (contrary to the trade), the Company's policy of creating value addition in each and every product, and systematic distribution systems has helped this business to grow successfully. The recent 'Tight Bound' notebook series, a unique concept of binding for the benefit of students has literally surprised the unorganized markets. Creating awareness among institutions for usage of quality products also helps this division to grow rapidly.

Your Company has decided to introduce more and more value added products including few office stationery products in the coming years.

International Market :

Company's stationery business could grow substantially only because of continuous growth in the international market. Competition is growing year after year. Appreciation of the Rupee has further worsened the salability in terms of pricing. With the help of Kaizen practices, your Company has been able to increase the productivity and eventually is able to compete. Surprisingly major US buyers have been focusing sourcing from India instead of fully relying on China. Your Company has started receiving inquiries from such major buyers. Your Company expects good growth in the current year and thereafter.

For International markets also, your Company conceptualizes value added stationery products and have started marketing such products in European markets.

Composition of turnover of the Company for the year under review :

Division	Turnover (Rs.In Crores)	Relevant share of each Division
Book Publishing Division	142.18	56.23%
Stationery Division	104.68	41.40%
Others	5.99	2.37%
Total Turnover	252.85	100.00%

Management Discussion and Analysis

NAVNEET PUBLICATIONS (INDIA) LIMITED

Frequently Asked Questions (F.A.Q.s) about industry outlook, opportunities, threats, risks and concerns.

(1) What was the performance of the Company in the year under review?

Both the business segments of your Company did not grow in the year under review.

In the case of Publications business, as explained last year, the primary reason for lower sales was that your Company saw static syllabus for last several years in both the states of its operations.

Stationery sales in domestic market did better, but exports of stationery products faced dual challenges. One was the appreciation of INR against USD, the other being the competition from various countries. The competition from these countries was mainly on account of disparity in currency values of these competing countries during the year under review.

(2) What is the expected performance of the Company in the current year?

Your Company has a consistently bright future for at least next 3 years. Publication business is expected to grow because of continuous change in syllabus in the 2 states where we operate. Gujarat has already had an opportunity this year for change in syllabus of 2 standards. Maharashtra will have that benefit from next year as announced by the state government. The Madhya Pradesh initiative, though expectedly slow in progress, has started showing signs of a long and sustainable growth engine for your Company.

Stationery exports have also started looking up. Most of the developing countries are keen to buy from India as an alternate assured supplier. Your Company has already started receiving inquiries from big buyers from developing countries.

(3) How were the operating margins during the year? Is it likely to improve henceforth?

The operating margins of your Company have reduced in last 2 years mainly because of the product mix in revenue streams. Stationery offers lower margins than Publications. In the previous accounting period of 18 months, your Company had 2 lean periods. Hence the margins appear better this year compared to last year.

With various progressive initiatives undertaken together with focused attention on Publications revenues, your Company is likely to earn better operating margins in the coming years.

(4) Company was enjoying debt free status few years ago and now it has huge borrowing at the year-end. Why?

As you know, your Company has changed its accounting year from September to March last year. Every September, your Company enjoys and will enjoy debt free status - this year as well as in future. Earlier too, each year your Company raised short term debts from banks to meet its peak level working capital requirement typically during the months February to May. All these loans are repaid fully during June to September every year.

(5) What has been the trend in paper prices in the current year?

Paper prices have remained stable for last 8 months. Recently it has moved up marginally. Your Company does not expect a rise in paper prices beyond 3 %.

(6) What are capex plans in the current year?

In the scenario of change in syllabus, it becomes very important for the Company to have facilities to print all required publications in very short time, for which, Company will modernize few of its printing facilities in the current year. Overall the capex investments of the Company will be around 1000 lacs.

(7) What has been the progress of the Company's subsidiary "Navneet Edutainment Ltd"?

The Company's CD-ROM products were well accepted among the student community. However, the volumes did not provide independent sustainability to the Company. This experience has been consistent for last 2 years and hence your Company has down sized the operations of its subsidiary. The Company will continue to market and update the present product range and focus more when the technology is accepted widely.

(8) What has been the effect of Foreign Exchange Fluctuations?

The Company had taken exposure to foreign currency in the form of Debtor, Borrowing and forward contracts meant for hedging against open debtors in Rupee appreciating scenario.

During the year under review the Company has booked gain of Rs. 890 Lacs mainly on account of revaluation of Foreign currency assets and liabilities on Balance Sheet date as per AS11.

However the Company has booked a loss of Rs. 564 Lacs on account of revaluation of Foreign currency assets and liabilities during 1st quarter of Financial year 2004-05.

(1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company attributes its success to the ethical, moral and transparent dealings with all its stakeholders on sustainable basis. Internally driven need for practising the principles of Good Corporate Governance ensures not only warm and cordial relationship with all stakeholders but also helps maintain their trust in the Company.

(2) BOARD OF DIRECTORS**2.1 Composition**

The Board of Directors comprises of 12 directors. The Company has 5 Independent Directors, 1 Non-Executive Director and 6 Promoter / Executive Directors. The Chairman of the Board is an Independent Director. The Company has appointed Independent Directors in excess of the stipulated requirement.

2.2 Attendance / Remuneration of Directors

The details of the attendance of Directors at last AGM, Board Meetings and remuneration paid to them for the year under review.

Name of the Directors	Type	Board Meetings Held	Board Meetings Attended	Salary	Other Benefits	Contribution to P.F.	Sitting Fees	Total remuneration	Last AGM attended
Shri S.K. Vikamsey	ID	6	6	-	-	-	31500	31500	YES
Shri A R. Gala	PD	6	5	1380000	943000	165600	-	2488600	YES
Shri J. K. Sampat	PD	6	6	1380000	943000	165600	-	2488600	YES
Shri D. R. Gala	PD	6	6	1380000	943000	165600	-	2488600	YES
Shri H.R. Gala	PD	6	4	1380000	943000	165600	-	2488600	NO
Shri S. R. Gala	PD	6	6	1380000	943000	165600	-	2488600	NO
Shri J.L. Gala	PD	6	6	1380000	943000	165600	-	2488600	YES
Shri A. M. Nadkarni	ID	6	5	-	-	-	30000	30000	YES
Shri K. S. Vikamsey	ID	6	6	-	-	-	36500	36500	YES
Shri L. D. Shah	ID	6	5	-	-	-	25000	25000	YES
Dr. R. Varadarajan	ID	6	4	-	-	-	-	-	YES
Shri Vijay D. Rai ●	NED	6	5	-	-	-	8000	8000	YES

● Appointed w.e.f. 28-4-2003

ID – Independent Director

PD – Promoter Director /Executive Director

NED – Non-Executive Director

Corporate Governance Report

2.3 Directorships in other Public Limited Companies of the Directors as at 31st March, 2004

Name of the Director	No. of Directorships	No. of Committee Positions Held	No. of Committees Chaired
Shri Shivji K. Vikamsey	5	5	2
Shri Amarchand R. Gala	5	1	1
Shri Jaisinh K. Sampat	1	-	-
Shri Dungarshi R. Gala	-	-	-
Shri Shantilal R. Gala	1	-	-
Shri Harakhchand R. Gala	-	-	-
Shri Jitendra L. Gala	-	-	-
Shri Ashok M. Nadkarni	-	-	-
Shri Liladhar D. Shah	-	-	-
Dr. R. Varadarajan	-	-	-
Shri Kamlesh S. Vikamsey	6	6	2
Shri Vijay D. Rai	5	4	-

2.4 Number of Board Meeting held and dates on which held

- | | |
|------------------------|------------------------|
| (1) 28th April, 2003 | (2) 4th July, 2003 |
| (3) 31st July, 2003 | (4) 14th August, 2003 |
| (5) 21st October, 2003 | (6) 22nd January, 2004 |

2.5 The brief resume of Directors seeking re-appointment :

Shri Dungarshi R. Gala is the visionary in publication business, and has very wide experience of over 5 decades, in the field of educational book publishing.

Shri Jitendra L. Gala has a vast experience of over 4 decades in the field of Educational Book Publishing and Marketing Operations.

Shri Ashok M. Nadkarni is a retired senior executive of a leading Public Sector Bank, with wide experience in the field of the corporate finance and related activities. He has also an established track record in innovative marketing of banking products. Shri Nadkarni has also been an Executive Director and President of a mid-sized esco Company.

(3) AUDIT COMMITTEE

3.1 Composition

Shri Shivji K. Vikamsey, Shri Kamlesh S. Vikamsey and Shri Ashok M. Nadkarni, Independent Directors of the Company are the Members of the Audit Committee. Shri Kamlesh S. Vikamsey a Senior Chartered Accountant (and Vice-President of the Institute of Chartered Accountants of India) is the Chairman of the Audit Committee.

3.2 Shri Manoj J. Thakar, Company Secretary is Secretary to the Audit Committee.

3.3 Attendance

Three Audit Committee Meetings were held during the year under review on 28.4.2003, 14.8.2003 and 22.1.2004 which were attended by all the Committee Members.

Name of the Directors	Meetings Held	Meetings Attended
Shri Shivji K. Vikamsey	3	3
Shri Kamlesh S. Vikamsey	3	3
Shri Ashok M. Nadkarni	3	3

3.4 Broad Terms of References of the Audit Committee

- 1) To review any change in Accounting Policies
- 2) To review the qualifications in the draft Annual Report, if any
- 3) To review the significant adjustments arising out of Audit
- 4) To review the compliance with the Accounting Standards
- 5) To review the compliance with Stock Exchanges and other requirements about the Financial Statements
- 6) To review the going concern assumption.
- 7) To review the adequacy of internal control with management system
- 8) To review the industry based experts judgements by the management
- 9) To review the Internal Auditor's function including structure of Internal Audit Department, staffing and seniority of Officers heading the Audit department and report the coverage / frequency of Internal Audit.