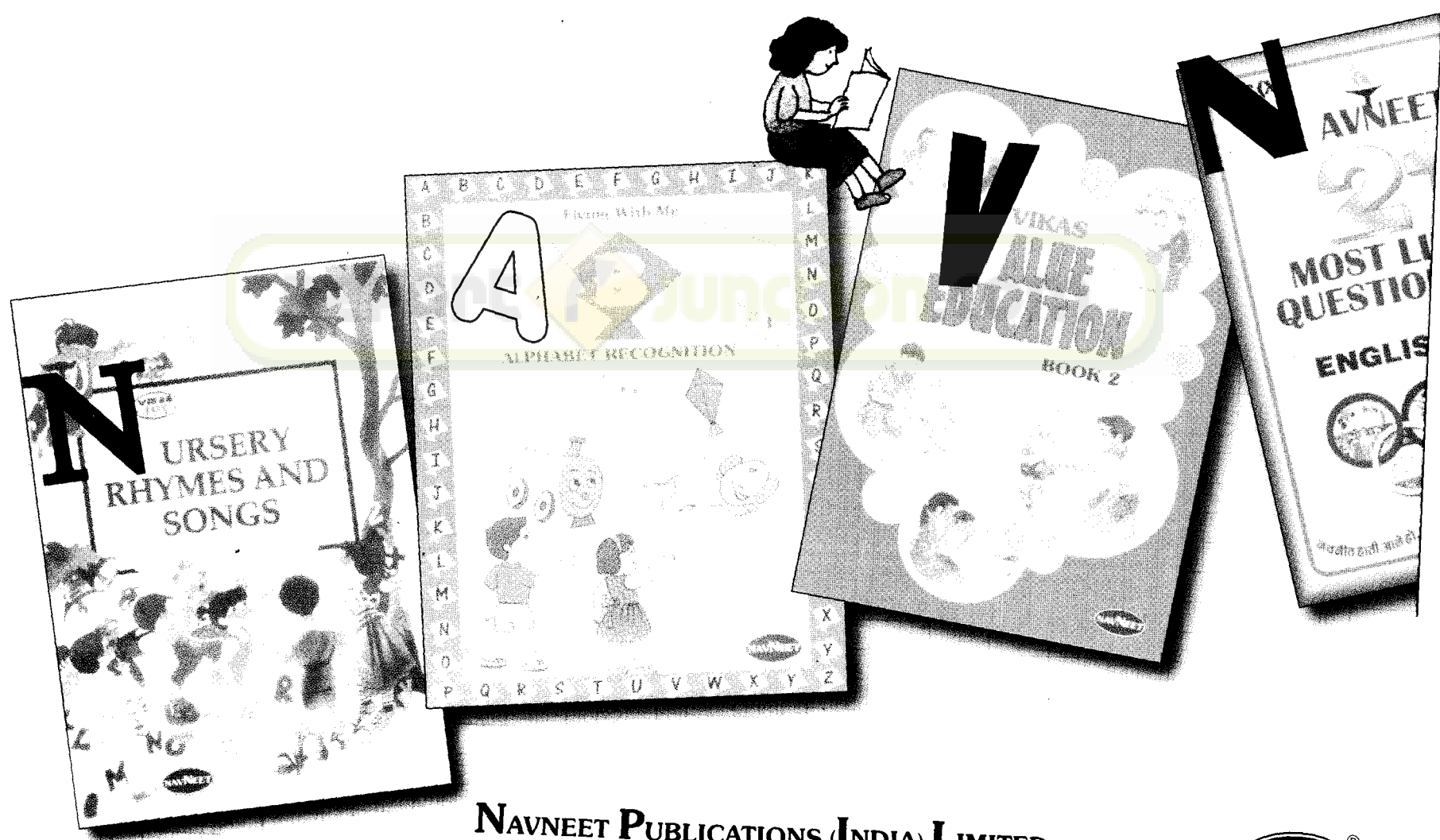
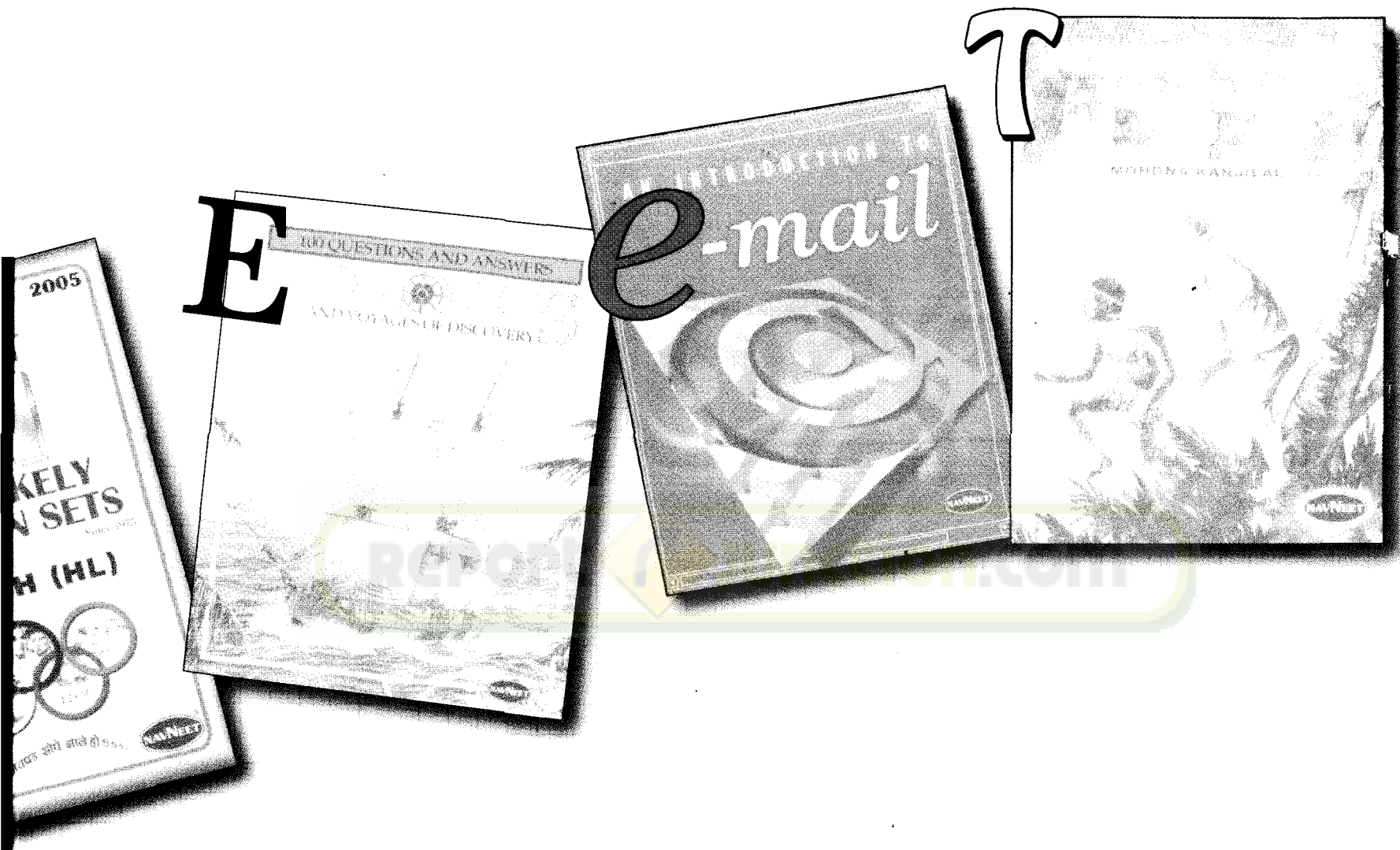


ANNUAL REPORT 2004-2005



NAVNEET PUBLICATIONS (INDIA) LIMITED





A collage of various educational materials including books, a globe, and a large lowercase 'm'. The collage is composed of numerous small images of educational products, including books, a globe, and a large lowercase 'm'. The background is a light gray with a subtle pattern. The collage is arranged in a way that the materials appear to be scattered and overlapping. The large lowercase 'm' is a prominent feature in the lower right corner of the collage. The overall theme is educational and global.

REPORT JUNCTION

To provide the highest
quality of educational products
to customers across the globe
in the language/medium
of their choice

m



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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

ABN AMRO
EXIM 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

Chairman's Communiqué

NAVNEET PUBLICATIONS (INDIA) LIMITED

Dear Shareowners,

The Indian economy is poised for an accelerated growth. This coupled with further globalization reforms has India Inc. in a mood to acquire global businesses. Everything seems to be looking up except sudden calamities which disturb various parts of our country, particularly Gujarat for last several years. In the last week of the 1st quarter of this year, Gujarat was hit by floods, unfortunately at a crucial time of the peak business season of your Company.

A noticeable feature in the annual numbers of the last year is in the change of product mix of the Company. The proportion of publications sales to stationery sales has increased as was strategically planned by the Company. Such planned changes will become a regular feature demonstrating your Company's management's constant focus and thrust in its publication business, which is its core activity, resulting in improvement in profit margins of the Company's operations.

The only setback in the annual number was a one time charge of foreign currency loss that your Company had to account. Barring this, the financials are very much in line with those of earlier years.

Another significant milestone that was achieved by your Company in the first quarter, has been the acquisition of a publications business in Spain. This acquisition is a strategic move to enter Europe for publishing business of children's books. Your Company was able to acquire the successful business of 'Grafalco' at a reasonable price. This is sure to give a shot in the arm to your

Company's conscious efforts to boost the publications segment of its exports business.

In the first quarter of the current year, publications sales have improved as envisaged, except the effect of heavy rains in Gujarat as mentioned earlier. As indicated last year, exports of stationery products in the previous year have been hit severely due to fierce competition from China, which was possible due to the artificially administered value of their currency. Domestic stationery business of your Company has improved as expected.

As decided earlier, your Company has down-sized the operations of its subsidiary and the management has decided to merge the operations of the subsidiary with the parent Company subject to compliance with regulatory aspects.

The coming few years will be exciting and rewarding years for the Company with the anticipated continuous change of curriculum in Maharashtra and Gujarat together with a new set-up in Spain. With the proven expertise of the management in publishing business, the results of these exciting years ahead should show tremendous benefits to the Company. I therefore once again reiterate that your Company is positively moving towards fulfilling its mission.

Shivji K. Vikamsey

Management Discussion and Analysis

NAVNEET PUBLICATIONS (INDIA) LIMITED

(I) NAVNEET'S POLICY ON DIVIDEND

The Company continues with its liberal dividend policy and accordingly the Company has paid 75% dividend for the year under review which is same as the Company paid last year. However, the dividend pay out for the year under review has increased from 41% in previous year to 46% during the year under review.

(II) CREATING SHAREHOLDER VALUE

The Company constantly focuses on increasing shareholders value by following the sound business policies and prudent investment decisions from time to time. The Company constantly endeavours to change the revenue mix of the Company in order to create value which is evident from the decision taken by the management to venture into the publication business based on curriculum of Madhya Pradesh, CBSE and ICSE publications and its maiden overseas acquisition.

The Net worth of the Company has increased year after year and has more than doubled from Rs.8,351 Lacs in 1998-1999 to Rs.17,352 Lacs during the year under review.

The dividend payout has increased from 27.75% in 1999-2000 to 46% during the year under review.

(III) MARKET CAPITALISATION

Market capitalisation of the Company has increased by 56% from Rs.29,501 Lacs as at 31st March 2004 to Rs.46,109 Lacs as at 31st March 2005.

(IV) BUSINESS OVERVIEW

The Company has two major business divisions namely "Book Publishing Division" and "Paper Stationery Division" :-

(A) Book Publishing Division

"Educational Books" and "Children's and General Books" are the two major categories of books published by this division. With the definite plans of change in the curriculum of Gujarat and Maharashtra, the Company is poised for a decent growth in the revenues from this division. Children's and General Books category has also been gaining ground constantly and has been launching value added products for domestic as well as international markets. The Company has more than 1300 titles in this category of books.

The turnover of this division has posted a growth of 16% from Rs.14,179 Lacs to Rs.16,470 Lacs.

(B) Paper Stationery Division

The Paper Stationery Division has two different markets Domestic and International Markets mainly manufacturing value added quality stationery products for the students as well as for the offices.

(i) Domestic Market

Your Company has emerged as a leading, trustworthy and a quality manufacturer and supplier of a wide range of stationery products with an excellent distribution network across India.

(ii) International Market

Your Company has been exporting various stationery products in the international markets since last 10 years to United States, Europe and African Countries. The Company has been successful in creating the value added stationery products for which the Company has been receiving repeated orders. However, the appreciation in the Domestic currency has impacted the growth of the exports business.

The turnover of this division was marginally down from Rs. 10,602 Lacs to Rs. 10,407 Lacs.

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?

The publication segment grew by 15% whereas stationery segment had a negative growth of 2%

In case of publication segment, the growth was mainly on account of Syllabus change in Gujarat for standard VIII and XI. Although the domestic market of stationery segment grew by moderate 7%, the negative growth of the segment is attributable to exports market. The export market had faced the competition from various countries mainly on account of disparity in currency values of competing countries.

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

Your Company has a consistently bright future for at least next 3 to 4 years. Publication segment is expected to grow following syllabus change in the state of Gujarat. The gradual change in syllabus has already started in Gujarat and we expect the same to start in Maharashtra from next Year (06 - 07). The initiative of the Company to start Publications of other curriculums have started showing signs of a long and sustainable growth engine for your Company.

Although, we expect domestic market of stationery segment to grow at moderate pace, our concerns for stationery exports continues, and we expect further fall in the current year and in the near future.

3. Is operating margins likely to improve henceforth?

With various progressive initiatives coupled with expected syllabus change in both the states, your Company is likely to earn better operating margins in the coming years.

4. What has been the trend in paper prices in the current year?

Paper prices have marginally improved in the last year. Your Company does expect nominal rise in paper prices for the next couple of years.

5. What are capex plans in the current year?

In view of the expected syllabus change, the Company had modernized few of its printing facilities and installed additional capacity to meet the seasonal production requirement during the last fiscal. There is no major capex planned for the current year.

6. What has been the progress of the Company's subsidiary "Navneet Edutainment Limited"

The Company's CD-ROM products were well accepted among the student community. However, the volumes did not provide independent sustainability to the Company. The Company had executed couple of outsourcing projects during the year but considering the Company's main strength of content development, do not view outsourcing as a huge business opportunity. Your Company has decided to merge the said subsidiary Company with your Company. Your Company will continue to market and update the present product range and focus more on the technology once it is accepted widely.

7. What type of acquisition has the Company made in Spain?

Your Company has acquired the publishing business and a popular brand in Spain namely "Grafalco" from a Spanish Company, by way of an acquisition of tangible and Intangible assets, mainly intellectual property rights for a sum of EURO 459,000. The Company has initiated operations from the existing infrastructure of that Company in Spain through a wholly owned subsidiary floated by your Company in Spain. The Company intends to tap market of the Spanish speaking community across the world. The Company believes to have better footage for its existing product range in Europe, having established a base in that continent.

8. What is the reason of fall in loan funds?

The Company has adopted "Just-in-time" production strategy for stationery segment resulting into considerable fall in inventory levels. Moreover, last year, due to attractive terms, the Company had borrowed funds in the last week of March 2004, and had parked Rs. 21 crores in Mutual Funds till the time the same were used for working capital. Such borrowing was not done in the year under review.

Management Discussion and Analysis

NAVNEET PUBLICATIONS (INDIA) LIMITED

9. What is the reason of substantial rise in debtors for more than 6 months?

The main reason for rise in sundry debtors over 6 months is slowdown in the US market resulting into delayed realization at our end. Post balance sheet date the Company has been able to scale down the debtors ageing more than six months, due to better recovery.

10. What could be the reason for decrease in inventory level in general and specifically for Finished Goods?

The finished goods inventory has reduced by Rs.1587 lacs contributing to over all fall in inventory levels by Rs.958 lacs. The Company has experimented "Just-in-time" production strategy for its stationery segment resulting into better inventory management and fall in over all inventory levels. The said experiment was a success and the Company intends to extend the same to its publication segment as well. The implementation of KAIZEN in the stationery segment is also a contributor to reduction in the inventory levels.

11. Why have Interest costs increased by Rs.0.58 lac although there was a reduction in borrowings?

The reduced borrowing is status as on balance sheet date but overall Company's borrowing cycle has increased due to delayed realizations. Moreover the cost of borrowing also has increased as compared to last year resulting in an increase in interest costs.

12. What will be the impact of VAT on the Company?

The Company welcomes the new tax regime considering the fact that it will help the Company to compete with unorganized players across the country in the long run, mainly in the stationery segment. The monetary impact of VAT would be negligible as Publication products remain exempted from VAT.

13. What will be the impact of FBT on the Company?

FBT will definitely result in considerable outgo on account of tax but the Company is of the view that the overall tax liability of the current year will remain unchanged as compared to previous year considering the reduced basic tax rate.