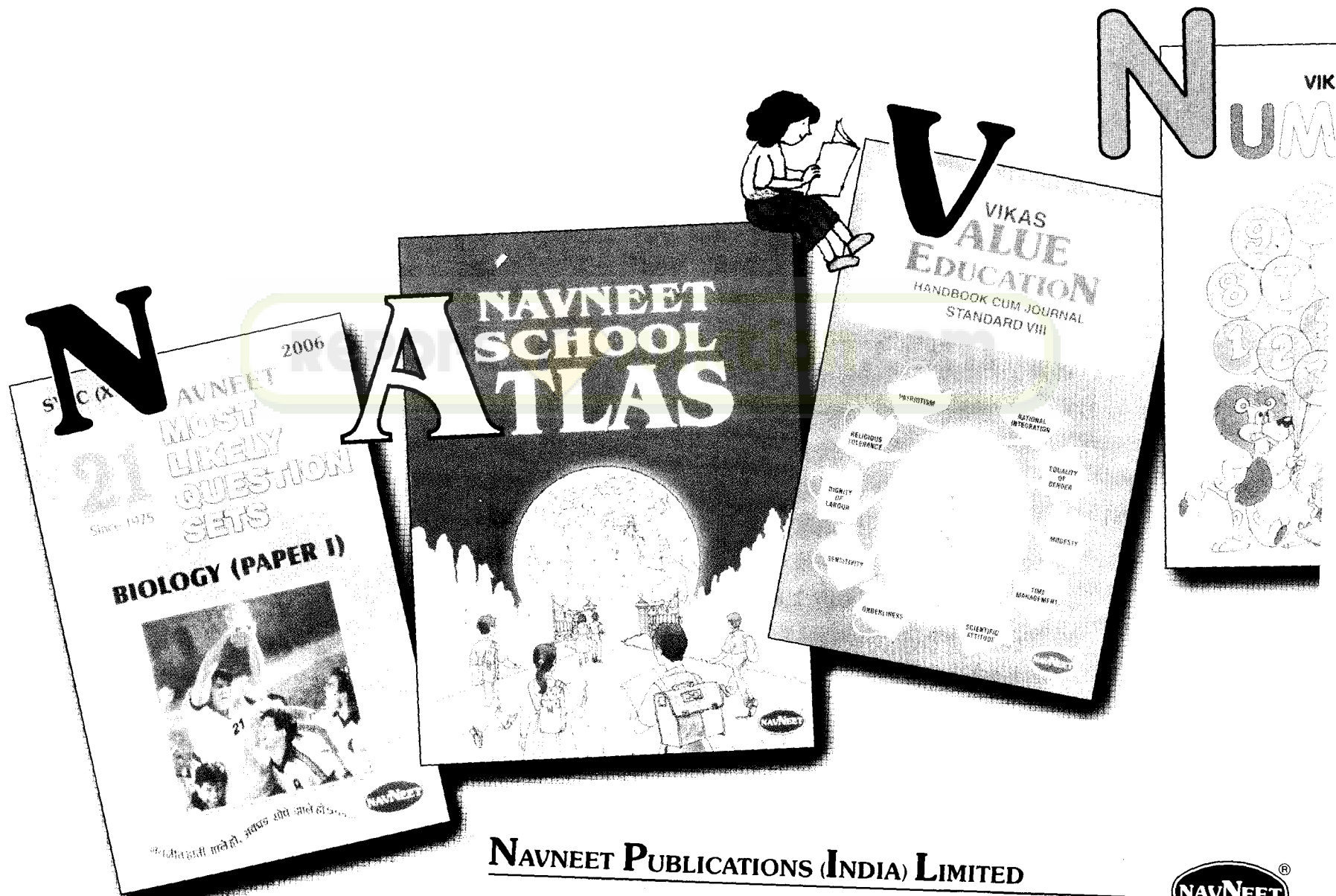


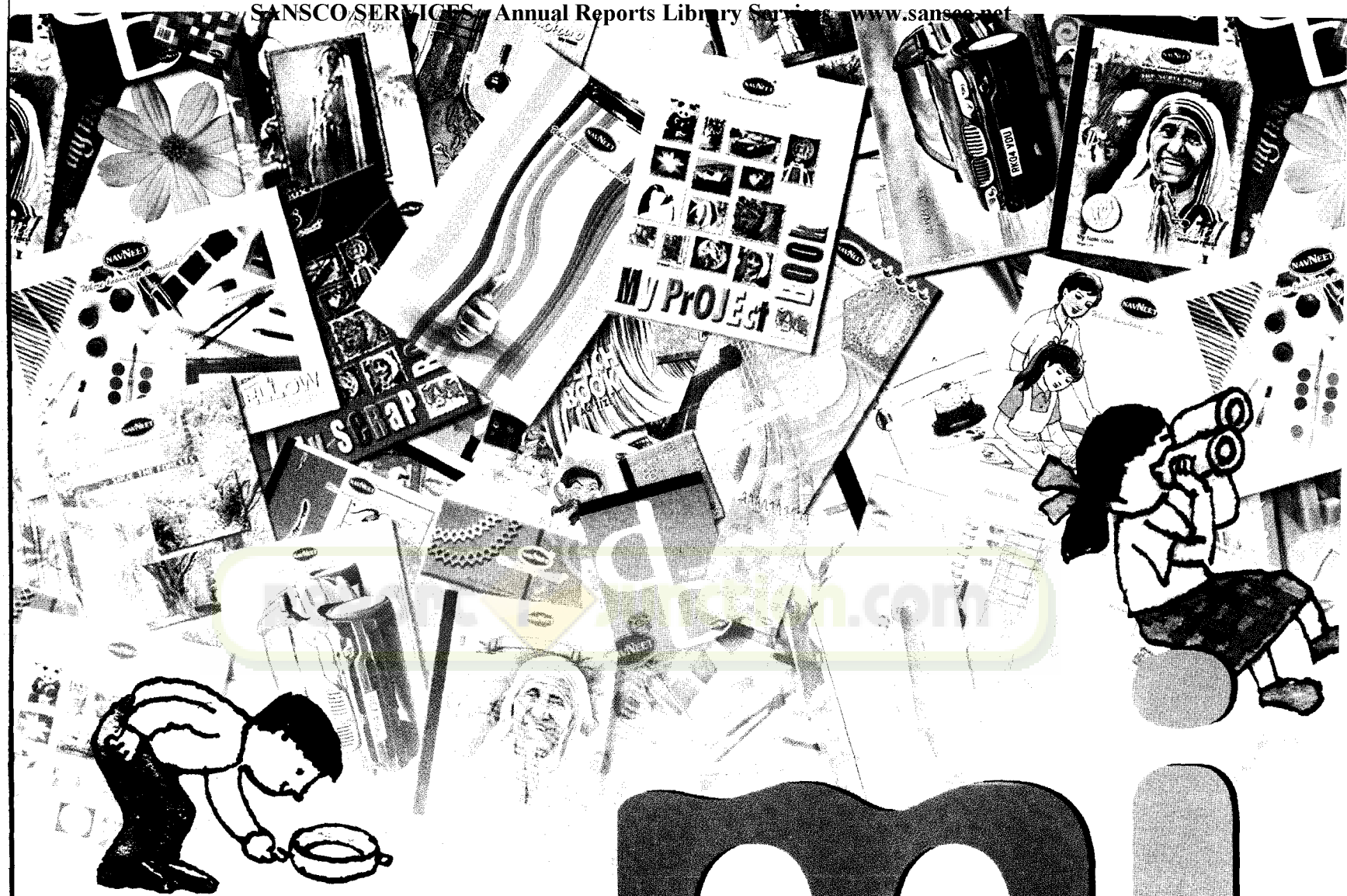
ANNUAL REPORT 2005-2006



NAVNEET PUBLICATIONS (INDIA) LIMITED







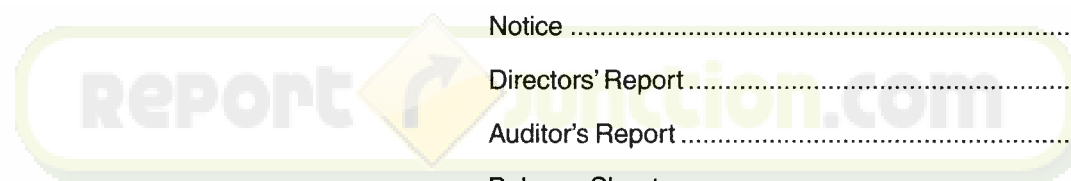
To provide the highest
quality of educational products
to customers across the globe
in the language/medium
of their choice

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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
Hasmukh Gadhecha	Director

Company Secretary

Manoj J. Thakar

Auditors

Ghalla & Bhansali
Chartered Accountants, Mumbai

Bankers

EXIM Bank
ICICI Bank Ltd
ABN AMRO
BNP Paribas
Bank of Nova Scotia
Kotak Mahindra Bank Ltd.

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 & Diu
- Rakanpur, Taluka Kalol
Dist. Mehsana

e-mail

investors@navneet.com

Website

www.navneet.com

Chairman's Communiqué

NAVNEET PUBLICATIONS (INDIA) LIMITED

Dear Shareowners,

The last 3 years has seen the Indian economy on the growth phase. The overall increase in disposable income at the hands of the spending citizen coupled with the Central and State Governments' thrust on improving education levels across the country has been a good sign. The qualitative improvement in the teaching material and facilities provided by the respective Government year after year has been heartening. Besides, there have been plenty of initiatives taken by various companies in the private sector as well as by various State Governments in dissemination of knowledge. This has helped students to garner education in various ways. India is poised to become a significant knowledge pool.

As strategically planned by your Company, the proportion of Company's publishing business in the total revenues of the Company, is steadily growing year after year. This will help your Company to improve on overall margins together with a confident growth with relatively lesser competition. Curriculum change in Maharashtra and Gujarat is on course with both the State Governments keenly enthusiastic. This will allow all educational publishers including your Company to show better performance.

Acquisition in Spain shows positive signs, the initial set up issues in a new country notwithstanding. Registration with most of the big chain stores is complete and introduction of new titles are well accepted. Your Company's decision of starting a base in Europe for children books market and for stationery market is proving to be a step in the right direction. In about 2 years' time, your Company is expected to start reaping the benefits of this acquisition.

Your Company has for the second year in succession, got a set back in its exports of stationery products. Anti dumping duty levied in USA for stationery exports out of India, China and Indonesia has restricted exports to that country. Exports to USA were the largest component of exports of your Company. To utilize the excess capacity now available, your Company has been focusing in other areas and other ways to ensure optimum plant utilization. On the other hand the percentage of revenues from Domestic stationery market has been steadily increasing year after year.

Your Company's subsidiary "Navneet Edutainment Ltd" (NED) has been amalgamated in Navneet Publications (India) Ltd. (NPIL). All carry forward losses of NED has been transferred in NPIL, pursuant to Scheme of amalgamation approved by Hon. Bombay High Court. Your Company continues to sell and update the products developed by NED.

In the first quarter of the current year, publication sales have improved as envisaged. Demand for these publications will continue in the 2nd quarter. Exports of stationery have declined, whereas Domestic stationery business is showing improvements. From the current year, your Company has decided to leverage its strong brands by selling other stationery products. These other stationery products will be outsourced from various manufacturers.

Over all, your Company is growing steadily in its core activity. I am sure this will augur well for Company's stakeholders.

Shivji K. Vikamsey

(I) NAVNEET'S POLICY ON DIVIDEND

The Company continues with its liberal dividend policy and accordingly the Company has paid 85% dividend for the year under review against 75% paid last year. However, the dividend pay out for the year under review works out to 45.40%, against your company's policy of distribution of minimum of 25% of profit after tax.

(II) CREATING SHAREHOLDER VALUE

To improve the liquidity in the volume of shares traded on the stock exchanges where shares of company are listed the Company has decided to sub-divide shares of the Company from Rs. 10/- Paid-up to Rs. 2/- Paid-up.

The Net worth of the Company has increased year after year and has increased from Rs. 174 Crores to Rs. 184 Crores.

The dividend payout has increased from 27.75% in 1999-2000 to 45% during the year under review.

(III) MARKET CAPITALISATION

Market capitalisation of the Company has increased by 25% from Rs.461 Crores as at 31st March 2005 to Rs.575 Crores as at 31st March 2006.

(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 turnover of this division has posted a growth of 8% from Rs.167 crores to Rs.180 Crores.

(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 America, 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 grew by 6% from Rs. 106 Crores to Rs. 112 Crores.

Management Discussion and Analysis

NAVNEET PUBLICATIONS (INDIA) LIMITED

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

What was the performance of the Company in the year under review?

The publication segment revenue rose by 8%, and the stationery segment revenue grew by 5%. The operating margin has reduced marginally on account of higher staff cost considering the syllabus change in Maharashtra and Gujarat.

The growth in publication segment is mainly on account of syllabus change in Gujarat for standard X. The stationery exports continue its declining trend and the management expects the trend to continue. The Company has planned to increase penetration in domestic market, to compensate sagging exports.

What is the expected performance of the company in the current year?

As expected, both the states (Maharashtra & Gujarat) are witnessing growth in Publication business because of change in syllabus of few standards every year for next couple of years. The task for the Company is to bring publications with quality content and create awareness. As witnessed in past, the Company is confident of achieving the task with great success on this occasion as well. The outcome will be known in the 1st half.

The company expects declining trend in Paper Stationery exports due to the cut-throat competition from neighbouring countries.

Paper stationery business in Domestic market is showing encouraging signs both in terms of volume and profitability. The management has started focusing more on domestic markets and expects better utilization of capacities in near future.

Your Company has a strong brand image, in Domestic markets. To capitalize on the same, your Company has decided to venture into other stationery products, over and above paper stationery range of the Company. Your Company has tied up with renowned manufacturers and will initiate marketing efforts from the current year.

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

The operating margins of your Company will improve mainly on account of change in product mix as compared to several years in past. The growth rate of Publication business would be higher than paper stationery business and historically, publication business generated higher profits as compared to paper stationery business.

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

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

Overall paper consumption is increasing day by day in the country; simultaneously new capacities are coming up in next couple of years offsetting the mismatch of demand and supply. Paper prices do fluctuate during the year but over all your Company has been able to manage inventory well due to past experience in the business. An upward trend is expected in paper prices from 3rd quarter of the year; however the Company would be able to fully pass on the price rise.

What are Capex plans of the Company in the current year?

In the scenario of changing syllabus, it becomes very important for the Company to have facilities to print all required publications in a short span of time. In order to overcome the constraint, the Company will modernize few of its printing facilities in the current year. Over all the capex of the Company will be around Rs. 10 Crores.

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

The Honorable Bombay High Court has approved merger of Navneet Edutainment Limited with the Company effective from 30th June 2005. Your Company will continue to market and update existing product range and focus more on technology once it is accepted widely.

What has been the progress of Spanish acquisition?

"Grafalco" was acquired in mid-2005, by the Wholly Owned Subsidiary set up by the Company in Spain. Accounts of the subsidiary are part of this annual report. Being the first experience of its kind, stabilizing in a new country would take a little longer time than expected. The Company's focus has been on introducing new products and tying-up with supermarkets having presence across the country. Although the growth plans are delayed a bit but based on the encouraging response from the market, the management is confident of a consistent growth and success of this venture.

Why is there substantial rise in inventory levels? Is increase in borrowings, a result of increase in inventory levels?

The increase in inventory is mainly in publication segment. As mentioned above, in the changing syllabus scenario, the Company has to produce sizable production in a short span of time for standards for which the syllabus has changed. Considering this fact, the Company had preponed the production schedule for non-changing standards. Moreover, the Company had invested additional amount in raw material as well to make the resource available at an appropriate time.

The Company has continued its "Just-in-time" production strategy for its stationery segment and has improved upon the inventory management for the segment. The Company does not intend to extend this strategy to its publication segment in the scenario of changing syllabus.

Although the Company is debt free, due to seasonal nature of business, in September each year, the company does borrow for its working capital requirements. Increase in inventory levels is the main reason for increase in borrowing levels as well.

Why the debtors for more than six months remain at such high level?

The main reason for rise in debtors for more than six months is the slowdown in the US market, leading to delay in realization of export proceeds. The Company has been able to scale down the high level of debtors, post balance sheet date and is optimistic of improving these levels from current year.