

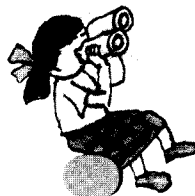


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ANNUAL REPORT

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mission

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Report



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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

Amit D. Buch

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

Dear Shareowners,

India stands in the midst of knowledge transformation. Across the country literacy is fast improving year after year. With the exponential growth in Indian economy, disposable household income, and resultant spending, has been increasing. Parents/Students now prefer quality products in all product categories including those of your company. Various initiatives of the central government on increasing the literacy as well as quality education have also contributed to increasing the awareness for quality educational products. Students have now wider choice of selecting their future. Your company foresees a bright future for knowledge-based companies across the country.

In keeping with projections made last year, the proportion of publishing business to stationery business has increased in the year under review. Publishing new syllabus based books on time with intact quality has been a great challenge for your company. With the experience and expertise gathered over the last four decades, your company managed to publish the required titles almost in time with the help of experienced authors. Competition is increasing every year. But with the faith in the quality of our publications by the teaching and student community across the two states now has been the proof with revenues in publishing increasing to the expected numbers. Your company expects to show the same performance in future.

By appointing proper distributors channel in neighboring countries your company expects growth in export volumes of publication products.

The brand and the titles of "Grafalco", belonging to your company's subsidiary are well accepted in Spain. We are confident of leveraging the 30-year old brand in a few years when we expect the subsidiary to be a significant contributor to the bottom line of your company.

Competition in paper stationery products in domestic market is increasing but simultaneously every year the share of unorganized market is being taken away by the organized players like your company. The organic growth in domestic paper stationery business is clear and in the years to come, this business also will become another significant contributor to the top line and bottom line of your company. Your company's non-paper based stationery products have been received well by the domestic market and in few years we see this business also growing to become a valuable volume business.

Exports of paper stationery have been declining, but your company is striving to recoup the business by offering different products and also by exploring exports to different geographic areas.

Electronic learning is now being encouraged by schools and respective state governments. Real usage and benefit of such learning would be achieved well only with the involvement of teaching community. Your company is closely examining the product needs of the community and will enter the market at the right time.

In the first quarter of the current year, publications sales have improved but not to the levels expected as all the new titles were introduced during June and therefore could not be distributed in full quantities as required by the market. The additional sales would spill over in the following quarter. Exports of stationery have declined, On the other hand, stationery sales in domestic have increased considerably. Your company's new initiative of non paper based stationery is seeing good acceptance in the market and we are confident of noteworthy success in this sector.

Over all your company is growing steadily in both the segments.

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 two interim dividends for the year under review. The first interim dividend of Rs. 6/- (60%) per share on Rs. 10/- face value and second interim dividend of Rs. 0.80 (40%) per share on Rs. 2/- face value against 75% on Rs. 10/- face value paid last year. Accordingly, the total dividend paid by the Company is Rs. 2/- per share on face value of Rs. 2/-. The dividend pay out for the year under review works out to 44.67% 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 face value of the share has been sub divided 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.184 Crores to Rs. 205 Crores.

The dividend payout has increased from 27.75% in 1999-2000 to 44.67% during the year under review.

(III) MARKET CAPITALISATION

Market capitalization of the Company was Rs. 553 Crores as at 31st March 2007 as against Rs. 575 Crores as at 31st March 2006.

(IV) BUSINESS OVERVIEW

The Company has two major business divisions namely "Book Publishing Division" and "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 change in the syllabus in the State of Gujarat and Maharashtra, the Company's book publishing

division grew by 18% during the year under review.

The Company has a reasonable sized Children and General Books category publishing business.

The turnover of the division has increased from Rs.180 Crores to Rs. 213 Crores.

(B) Stationery Division

The Stationery Division has two geographic divisions i.e. Domestic and International Markets mainly manufacturing value added quality stationery products.

(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 the country. To leverage the Brand "Navneet", your Company decided to offer non – paper stationery products to the student community and accordingly have launched several products in the category and intends to launch all possible non-paper stationery products in near future.

(ii) International Market

Your Company has been catering to USA, Europe and African Countries since more than a decade. However, the appreciation in the Domestic currency and competition from neighboring countries has impacted the growth of the exports business and to offset the reduction in the export business, the Company intends to penetrate the domestic market. Further, the Company has made aggressive plans to penetrate the domestic market.

The turnover of the stationery division remained marginally low at Rs. 109 Crores as against Rs. 112 Crores in the previous year.

Management Discussion and Analysis

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

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

The publication segment revenue increased by 18%, and the stationery segment revenue decreased marginally.

The growth in publication segment is mainly on account of syllabus change in Maharashtra and Gujarat. 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.

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 for the current year. The Company expects around 15% growth for this segment in current year.

The Company expects declining trend in Paper Stationery exports due to the stiff competition from neighboring countries and difficulties in exporting to US due to dumping duties.

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 in Domestic markets. To capitalize on the same, your Company has introduced non-paper stationery products in the domestic market and intends to launch all possible non-paper stationery products in near future.

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

As expected, the operating margins of your Company has improved by 2% mainly on account of higher contribution of publication segment which historically generates higher profits as compared to paper stationery business.

With various progressive initiatives undertaken together with focussed attention on Publications revenues, your Company is likely to maintain operating margins in the coming year.

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

Overall paper consumption is increasing year on year, simultaneously new capacities are coming up offsetting the mismatch of demand and supply. Paper prices do fluctuate during the year but overall your Company has been successful in passing on the price rise to final consumer. Overall Company believes that paper prices will remain more or less constant.

Management Discussion and Analysis

NAVNEET PUBLICATIONS (INDIA) LIMITED

What are capex plan in the current year?

The Company has built up adequate infrastructure to cater to the needs of changing syllabus last year. As informed earlier your Company has decided to invest Rs. 2400 Lacs in wind power generation in the current year. Beyond this your Company does not have any major capex plan for the coming year.

What has been the progress of Spanish acquisition?

"Grafalco" was acquired in mid 2005 through a wholly owned subsidiary. Accounts of the subsidiary are part of this annual report. The Company's focus has been on introducing new products and tying-up with super markets having presence across the country. The Company has received encouraging response from the market and has achieved a turnover of Euro 1-mn in its full year (second year) of its operation. Your management is confident of a consistent growth and success of this venture.

Does your Company cater to any social responsibilities?

Your Company uses eco friendly paper for all its major products catering to environmental needs. Moreover, your Company donates generously of its net earnings mainly in the areas of education, rehabilitation and medical. For the year under consideration, your Company donated Rs.58 Lacs for medical help and Rs.13 Lacs towards education. The

management will continue to discharge its voluntary commitment to society year on year.

What is the windmill project ?

The Company has planned to invest in 4 windmills of 1.2 MW each at a approximate cost of Rs. 2400 Lacs. The Company has tied-up with ENERCON and the same would be installed in Gujarat. The windmills would be operative by August 2007. Considering the projected financials, the Company believes that these windmills would largely be self-financed assets.

Why there is a huge increase in Loans & Advances?

The Company has paid security deposit for its windmill project and the same is the main reason of huge increase in loans & advances.

Considering the success of e-learning models in the country, is Company considering a re-entry in this business?

The Company always was confident in the potential of Information Technology and was of the opinion that the initiative of Navneet Edutainment Limited was a pre-mature venture. Though the Company had continued marketing the CD-ROMs and was observing the increasing acceptance of technology in the business.

The Company has initiated its efforts to re-enter into the business segment. The Company has initiated marketing class-room teaching software in Gujarat from the current year and would initiate its efforts in Maharashtra from next year.

Corporate Governance Report

NAVNEET PUBLICATIONS (INDIA) LIMITED

(1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company is committed to maintain highest standard of ethical behaviour and strive persistently to manage it in accordance with the fundamental principles of trusteeship, transparency, empowerment, accountability and integrity. For Navneet Publications, Corporate Governance stands for responsible and value creating management and control of the Company.

The Company has put in its best efforts to ensure that it follows the Code of Corporate Governance not only in letter but also in spirit.

(2) BOARD OF DIRECTORS

2.1 Composition

The Board of Directors comprises of 13 directors. The Company has 6 Independent Directors, 1 Non-Executive Director and 6 Promoter / Executive Directors. The Chairman of the Board is an Independent Director.

2.2 Attendance / Remuneration of Directors

The details of attendance of Directors at the meeting of the Board of Directors of the Company, last Annual General Meeting attended and remuneration for the year is given below:-

Sr. No.	Name of Director	Category	Board Meetings during 2006-2007		Salary (Rs.)	Other Benefits (Rs.)	Contri. To PF (Rs.)	Sitting Fee (Rs.)	Total Remuner. (Rs.)	Last AGM attended
			Held	Attended						
1.	Shri S. K. Vikamsey	ID	7	7	0	0	0	38,000	38,000	Yes
2.	Shri A. R. Gala	PD	7	6	17,40,000	12,22,833	2,08,800	0	31,71,633	Yes
3.	Shri J. K. Sampat	PD	7	6	17,40,000	12,22,833	2,08,800	0	31,71,633	Yes
4.	Shri D. R. Gala	PD	7	6	17,40,000	12,22,833	2,08,800	0	31,71,633	Yes
5.	Shri H. R. Gala	PD	7	4	17,40,000	12,22,833	2,08,800	0	31,71,633	Yes
6.	Shri S. R. Gala	PD	7	5	17,40,000	12,22,833	2,08,800	0	31,71,633	No
7.	Shri J. L. Gala	PD	7	7	17,40,000	12,22,833	2,08,800	0	31,71,633	Yes
8.	Shri A. M. Nadkarni	ID	7	7	0	0	0	48,000	48,000	Yes
9.	Shri K. S. Vikamsey	ID	7	7	0	0	0	48,000	48,000	Yes
10.	Shri L. D. Shah	ID	7	6	0	0	0	27,500	27,500	Yes
11.	Dr. R. Varadarajan	ID	7	2	0	0	0	0	0	No
12.	Shri V. D. Rai	NED	7	6	0	0	0	24,000	24,000	Yes
13.	Shri H. U. Gadhecha	ID	7	4	0	0	0	14,500	14,500	Yes

ID -- Independent Director PD -- Promoter Director / Executive Director

NED -- Non-Executive Director

Corporate Governance Report

NAVNEET PUBLICATIONS (INDIA) LIMITED

2.3 Directorships in Other Public Limited Companies of the Directors as at 31st March, 2007:

Sr. No.	Name of Director	No. of Directorships	No. of Committee Positions Held	No. of Committees Chaired
1	Shri Shivji K. Vikamsey	1	1	1
2	Shri Amarchand R. Gala	-	-	-
3	Shri Jaisinh K. Sampat	-	-	-
4	Shri Dungarshi R. Gala	-	-	-
5	Shri Shantilal R. Gala	-	-	-
6	Shri Harakhchand R. Gala	-	-	-
7	Shri Jitendra L. Gala	-	-	-
8	Shri Ashok M. Nadkarni	-	-	-
9	Shri Liladhar D. Shah	-	-	-
10	Shri Dr. R. Varadarajan	-	-	-
11	Shri Kamlesh S. Vikamsey	2	2	2
12	Shri Vijay D. Rai	6	3	2
13	Shri Hasmukh U. Gadhecha	-	-	-

2.4 Number of Board Meetings held and dates on which held:-

There were seven board meeting held during 2006-2007 and gap between two board meetings did not exceeds four months. The dates of the board meetings are as under:

- | | |
|-------------------------------------|--------------------------------------|
| (1) 22 nd April, 2006 | (2) 31 st July, 2006 |
| (3) 4 th September, 2006 | (4) 21 st September, 2006 |
| (5) 25 th October, 2006 | (6) 25 th January, 2007 |
| (7) 8 th March, 2007 | |

2.5 A brief resume of Directors seeking re-appointment:-

Shri Shivji Kunverji Vikamsey

Shri Shivji Kunverji Vikamsey is renowned practising Chartered Accountant. He has wide experience in the field of Finance and Accounts.

Shri Harakhchand Ramji Gala

Shri Harakhchand Ramji Gala has wide experience in the field of Educational Books Publishing. He is actively involved in formulating the strategy for publishing Educational Books.

Shri Kamlesh Shivji Vikamsey

Shri Kamlesh Shivji Vikamsey is renowned practising Chartered Accountant with rich experience in accounts. He is an immediate past President of the Institute of Chartered Accountants of India.

(3) CODE OF CONDUCT FOR DIRECTORS & SENIOR MANAGEMENT PERSONNEL

The Board at its meeting held on 7th November, 2005 have adopted the Code of Conduct for the Directors and Senior Management Personnel.

A copy of Code of Conduct has been put on the Company's Website www.navneet.com

Code of Conduct has been circulated to all the Members of the Board and Senior Management Personnel of the Company and compliance of the same is affirmed by them. A declaration by the Managing Director under Clause 49 of the Listing Agreement regarding compliance with Code of Conduct is given below:-

In accordance with Clause 49I(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that all the Members of the Board and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct guideline as applicable to them for the Financial Year ended 31st March 2007.

Amarchand R Gala
Managing Director

(4) AUDIT COMMITTEE

4.1 Composition

The Audit Committee was reconstituted and Shri Hasmukh U. Gadhecha was included as a Member of Audit Committee w.e.f. 31-7-2006.

The Audit Committee presently comprises of four Independent Directors namely, Shri Shivji K. Vikamsey, Shri Kamlesh S. Vikamsey, Shri Ashok M. Nadkarni and Shri Hasmukh U. Gadhecha. The Chairman of the Audit Committee is an Independent Director namely Shri Kamlesh S. Vikamsey.

4.2 Shri Amit D. Buch, Company Secretary is Secretary to the Audit Committee.

4.3 Attendance

Four Audit Committee Meetings were held during the year under review on 22nd April 2006, 31st July 2006, 25th October 2006 and 25th January 2007.