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ANNUAL REPORT
2007 - 2008

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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

Dear Shareowners,

The services sector dominates the Indian economy today, contributing more than half of our national income. One in every two Indians earns his livelihood by providing services. The growth in the service sector is converting country into Knowledge economy where the chief competitive advantage of the nation will be not their physical assets, be it land or natural resources but quality and skill of their people. The growth of the service sector will lead to ample employment opportunities for the educated. This will lead to shortage of educated workforce and the same will be one of the biggest challenges for the Indian economy. The effective answer to this challenge is quality education which has been the focus of your Company since its inception.

Education is one sector towards which the outlook is changing in our country. From being considered as an expense, it is now seen as an investment for the future. India is one of the largest markets in the world for formal education with an addressable population of about 400-450 mn and an annual spend of about \$35 bn. The growth of the Indian economy and the growth of per-capita income would give rise to large middle class households with annual earning between Rs.2-lac and Rs.10-lac and would constitute 40% of the population from its current level of 13%. In rural areas, households emerging from poverty will make educating their children a priority, while higher-income urbanites will be spending more on quality education, university degrees and study-abroad programmes. Historically, this middle class population has been the target market of your company's business.

Given the size of Indian education system, it phases numerous challenges such as weak teacher student ratio, access of education centers, relevance and quality of education. These challenges coupled with rising awareness regarding quality education, give rise to opportunities for private players, like your Company, for educational content and services. Your company foresees a bright future for knowledge based companies across the country.

Your Company has achieved projected growth in publication segment for the current year under the syllabus changing scenario. The Company once again has been successful in publishing quality content within a short period and has enhanced its brand value among both the teaching

and student community. Since the major standards witnessed the syllabus change in the last couple of years, your Company foresees couple of years of consolidation in its core business of syllabus-based books. The international business of children's and general books has shown encouraging signs of rapid growth. Your Company's subsidiary in Spain has shown remarkable performance last year leveraging the 30 year old brand "Grafalco" and justifying the acquisition. Your Company expects similar performance in the current year.

The domestic paper stationery market in India is steadily moving towards an organized market and your Company is in the best position to leverage its brand and network through this shift. The non-paper stationery products launched last year have received encouraging response from the market and will certainly fuel the growth of domestic stationery business in the near future. The domestic stationery business has shown considerable growth in the last year and your Company expects similar performance in the current year too.

Though a further decline in the year under review, International stationery business is expected to perform better current year onwards with reducing competition from neighbouring countries. However the volatile global scenario restricts your Company from adopting aggressive strategies for this business.

Your Company foresees Electronic learning as the future of education. The educational communities and the government authorities have started realizing and accepting that technology would be a probable answer to many of the challenges that exist in the education system today. Your Company has long term plans towards this opportunity. Your Company believes that although the segment in general will witness a testing phase for a couple of years, in the long run a quality content provider with effective delivery mechanism would meet long term success. Your Company is steadily working towards this success.

Overall, your company is growing steadily and will definitely benefit from the changing outlook towards education in the country.

Shivji K. Vikamsey

(I) NAVNEET'S Dividend Policy

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. 1.60 (80%) per share and second interim dividend of Rs. 0.80 (40%) per share on Rs. 2/- face value was paid during year under review. Accordingly, the total dividend paid by the Company is Rs. 2.40 (120%) per share on face value of Rs. 2/- each during the year under review as against Rs.2/- (100%) in the previous year. The dividend pay out for the year under review works out to 49.76% against your Company's policy of distribution of minimum of 25% of profit after tax.

(II) Creating Shareholders' Value

The focus of the Company has always been in creating shareholders' value. The Company follows the sound business policies and takes prudent investment decision from time to time enhancing shareholders' value.

The net worth of the Company has increased year after year and has increased from Rs. 205 Crores to Rs. 230 Crores.

The dividend payout is 49.76% during the year under review as against 44.67% in the previous year.

(III) Market Capitalisation

Market capitalization of the Company was Rs. 916 Crores as at 31st March 2008 as against Rs. 553 Crores as at 31st March 2007.

(IV) Business Overview and 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?

Revenue of publication and stationery segments increased by 23% and 25% respectively. Growth in publication segment business was driven by syllabus change in Maharashtra and Gujarat. Domestic stationery business grew by 35% due to aggressive marketing and introduction of non-paper stationery

product range. International stationery business has however declined by 16% over the previous year.

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

As expected, both the states (Maharashtra & Gujarat) have witnessed syllabus change of major standards over the last few years resulting into growth in publication business. Since there is no major syllabus change scheduled for the current year, the Company expects a moderate growth in the publication segment.

Domestic stationery business is expected to grow at 30% with aggressive marketing initiatives. However, the margins would remain under pressure due to additional marketing overheads. The Company is expected to benefit in the long run through such initiatives.

International Stationery business has received encouraging inquiries due to reduced competition from neighbouring countries. The Company expects 50% growth in this business.

The Company has initiated its e-learning venture in the states of Gujarat and Maharashtra. The initial response is both encouraging and promising. The Company believes that it would take another two to three years for these concepts to be adopted by the teaching and learning community particularly in the class of population that Company deals with. The Company expects a turnover of around Rs.300-lac for the current year.

Your Company will have a challenging year on account of inflation.

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

The operating margin of your Company has declined by 1.61% to 20.46% due to reduced profitability in the stationery segment primarily on account of aggressive marketing initiatives.

The operating margin for the publication segment has improved by 2% to 33% following the growth in revenue.

The company expects to maintain the publication segment operating margin at the same level.

The operating margin for the stationery segment was under pressure for the last year and reduced to 6%, mainly on account of aggressive marketing in domestic stationery business resulting in additional expense of Rs.617-lac the benefits of which are expected over a long period and also due to bad debt of INR 260-lac in international business. The margin in this business is expected to improve on account of higher revenue and also as no major debt is considered doubtful as on date.

Overall the Company's operating margin may vary in the current year, on account of product mix as the stationery business is likely to grow faster with similar business and margin in the publication segment.

What has been the trend in paper prices?

Overall paper consumption is increasing year after year, simultaneously new capacities are coming up offsetting the mismatch of demand and supply. Paper prices do fluctuate during the year but over all your Company has been successful in passing on the price rise to the final consumer. In the current year, paper prices are likely to increase substantially considering the inflation and demand supply scenario.

What are capex plan in the current year?

The Company had built up adequate infrastructure to cater to its current needs of publication and stationery business. No major capex is planned in the current year for these businesses. The Company is looking for investment opportunities in e-learning content development and effective delivery model and would consider investing with suitable opportunities.

What has been the progress of the 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 shown encouraging performance for the calendar year 2007 with a growth of 80% in revenue and net surplus in the profit and loss account wiping off accumulated operational losses. The subsidiary is expected to grow at 25% in the current year.

Does your Company cater to any social responsibilities?

Your Company uses eco friendly paper for most of its products catering to environmental needs. Moreover, your Company donates around 5 to 10% of its net earnings mainly in the areas of education, rehabilitation and medical and for the year under consideration, your Company donated Rs.353 Lac mainly for rehabilitation and medical help. The management will continue to discharge its voluntary commitment to society year after year.

What is the progress of the windmill project ?

All the windmills were made operational in fiscal 2007-08. The Company has accounted gross revenue of Rs.144 Lac for the year ended March 2008 and expects gross yearly revenue of around Rs.350 Lac from the project henceforth.

What are the derivative transactions referred in the notes to accounts?

USD 11.27 Mn worth of derivative contracts were open on balance sheet date for sale of USD hedging Company's receivables in foreign currency over a period up to five years. Premium, if any, would be payable in the fourth and fifth year of the contracts.

Further, the company has entered into derivative option contracts hedging its exposure on ECB availed for wind power generation project. Option contracts worth of JPY 504-Mn are open as on balance sheet date, maturing over a period of seven years. The Company has reasonable hedge against its ECB borrowings.

The Company may take such steps as necessary from time to time in respect of the derivative contracts to protect the Company's interest.

Why is there increase in current assets and current liabilities?

The increase in current assets is mainly on account of increase in raw material inventories and trade receivables. The increase in raw material inventory was to ensure availability of raw material considering the seasonal nature of business. Increase in trade receivables are in line with increase in revenue as average collection days have remained at a level of 49 days for the current year as against 45 days for last year. Increase in current liabilities is on account of increased trade payables for raw material.

Could you please explain e-learning venture?

The Company has been witnessing rapid increase in awareness about e-learning, but slow and steady acceptance of technology by the teaching community. As its pilot project, the Company has offered to schools syllabus based multimedia software, in English and regional languages for class room use. The Company started marketing the software in Gujarat in the year under consideration and by the fiscal year end, has 125 schools using the software as teaching aid. The Company had initiated marketing the software in Maharashtra only in April 08, and already has 25 schools / coaching classes using the software. The Company offers the software on one year license fee to its customers. The Company has plans to offer web and desktop based exam-oriented products to students in the ensuing year.

The Company has tied up with a Gujarat based group considering their expertise in content development and is in the process of setting up a subsidiary namely Navneet e-learning Pvt. Ltd. The subsidiary would primarily be responsible for developing the content for the Company. The Company is looking for such other investment opportunities in this segment.

Why is there a substantial increase in other income and interest expense?

Other income includes cash discount received from our raw material suppliers. The terms of cash discount are different for each of the supplier and it keeps on changing year on year.

There is an increase of INR 103 Lac in other income on account of cash discount. Apart from that, Company has earned higher interest income on its short term investments. The interest expense has increased due to higher working capital requirement with growth in business and higher interest costs in current year.

What is the major bad debt?

The Company has been adequately insuring its foreign currency receivables and has provided for the uncovered amount of doubtful debts. The Company is putting all efforts to recover the outstanding debt amount.

(1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company is committed to good Corporate Governance which forms basis of its decision making and monitoring process. Corporate Governance at Navneet is not just adherence to mandatory rules and guidelines but it stands for responsible and value creating management and control of the Company.

The basic philosophy of Corporate Governance is to achieve business excellence and dedicate itself for increasing long term shareholder value keeping in view the needs and interests of the shareholders. The Company fully realises the rights of its shareholders to information on the performance of the Company.

(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 2007-2008		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	6	6	0	0	0	36,500	36,500	Yes
2.	Shri. A. R. Gala	PD	6	5	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
3.	Shri. J. K. Sampat	PD	6	6	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
4.	Shri. D. R. Gala	PD	6	6	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
5.	Shri. H. R. Gala	PD	6	5	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
6.	Shri. S. R. Gala	PD	6	5	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
7.	Shri. J. L. Gala	PD	6	5	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
8.	Shri. A. M. Nadkarni	ID	6	6	0	0	0	46,500	46,500	Yes
9.	Shri. K. S. Vikamsey	ID	6	4	0	0	0	28,500	28,500	Yes
10.	Shri. L. D. Shah	ID	6	5	0	0	0	30,000	30,000	Yes
11.	Dr. R. Varadarajan	ID	6	0	0	0	0	0	0	No
12.	Shri. V. D. Rai	NED	6	4	0	0	0	16,000	16,000	Yes
13.	Shri. H. U. Gadhecha	ID	6	6	0	0	0	36,500	36,500	Yes

ID – Independent Director PD – Promoter Director / Executive Director

NED – Non-Executive Director

2.3 Directorships in Other Public Limited Companies of the Directors as at 31st March, 2008:

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	Dr. R. Varadarajan	-	-	-
11	Shri. Kamlesh S. Vikamsey	3	8	2
12	Shri. Vijay D. Rai	6	6	3
13	Shri. Hasmukh U. Gadhecha	-	-	-

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

There were six board meetings held during 2007-2008 and gap between two board meetings did not exceed four months. The dates of the board meetings are as under:

- | | |
|------------------------------------|------------------------------------|
| (1) 28 th April, 2007 | (2) 28 th June, 2007 |
| (3) 31 st July, 2007 | (4) 24 th October, 2007 |
| (5) 30 th January, 2008 | (6) 7 th March, 2008 |

2.5 A brief resume of Directors seeking re-appointment:

Shri Dungarshi R. Gala

Shri Dungarshi R. Gala has wide experience in the field of Educational Books Publishing. He is actively involved in formulating the Strategy for publishing Educational Books.

Shri Jitendra L. Gala

Shri Jitendra L. Gala has wide experience in the field of marketing.

Shri Ashok M. Nadkarni

Shri Ashok M. Nadkarni is a senior ex-banker with vast experience of 40 years in the field of banking and corporate finance.

2.6 Non-executive Directors do not hold any shares in the Company.

2.7 Shri. Amarchand R. Gala, Shri. Dungarshi R. Gala. Shri. Harakhchand R. Gala and Shri. Shantilal R. Gala are related as brothers. Shri Shivji K. Vikamsey and Shri Kamlesh S. Vikamsey are related as father and son.

(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 2008.

Amarchand R. Gala

Managing Director

(4) AUDIT COMMITTEE

4.1 Composition

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

Five Audit Committee Meetings were held during the year under review on 28th April 2007, 28th June 2007, 31st July 2007, 24th October 2007 and 30th January 2008.