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ANNUAL REPORT 2008-2009

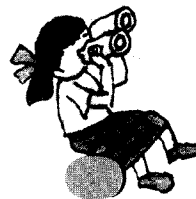
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mission

Contents

NAVNEET PUBLICATIONS (INDIA) LIMITED

Corporate Information	2
Chairman's Communiqué	3
Management Discussion and Analysis & Frequently Asked Questions	4
Corporate Governance Report	7
Shareholders' Information	12
Ratios & Ratio Analysis	16
Financial Highlights	18
Notice	21
Directors' Report	23
Section 212 statement of Subsidiary Companies	28
Auditor's Report	29
Balance Sheet	32
Profit and Loss Account	33
Schedules forming part of the Balance Sheet	34
Schedules forming part of the Profit & Loss Account	40
Notes forming part of the Accounts	42
Cash Flow Statement	55
Consolidated Financial Statements	56
Balance Sheet Abstract	76
Annual Report of Subsidiary Companies	77

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

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

Company Secretary

Amit D. Buch

Auditors

Ghalla & Bhansali
Chartered Accountants, Mumbai

Bankers

ICICI Bank Ltd.
Barclays Bank PLC
Kotak Mahindra Bank Ltd.
HDFC Bank Ltd.
DBS Bank Ltd.

Registered Office

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

e-mail

investors@navneet.com

Website

www.navneet.com

Dear Shareowners,

Global recession has brought the world on a halt. Developed economies like USA & UK witnessed virtual turmoil in their financial sector. The slowdown has its impact on our country's core sector as well, where Textile, Cement, Steel industries pose different challenges in this recessionary phase. But there are sectors like Telecom and FMCG, largely driven by domestic demand, are non-recessionary in nature with negligible impact of the international scenario on their performance. Education, the sector in which your company deals, is one such non-recessionary sector. The management of your company believes non-recessionary business line is the most powerful strength of your Company.

Cost cutting has been the philosophy around the world during the year under review and the drive is across the board in many organizations. However, your Company has been operating with adequate measures at all levels irrespective of global and national trends and does not envisage a need of such drive in your company. This reinsures that the management is professional enough while managing your Company.

India, as emerging economy, envisions a better tomorrow. Today each strata of society considers education to be the ladder of future growth. The awareness towards quality education is increasing with the time. The ratio of enrollments in Private schools is increasing as compare to public school in rural areas as well. With highest student population in the world, business opportunities in education are increasing at all levels from pre-school to higher education. At the golden jubilee year of your company, these our encouraging signs as it is well placed to encash its brand build over decades.

The government allocates 3% of country's GDP towards education sector in order to revive its education system and ensure quality education to the largest student population in the world. The challenges are bigger starting from teacher-student ratio, school infrastructure, content quality and administration. These challenges of the government provide ample opportunity for private players including your Company as it is primarily in the business of supplementary books with quality content and student stationery products.

As envisaged, the year under review has been the year of consolidation where the company managed to sustain its revenue in its core business of syllabus based educational books. The children and general books business is growing at moderate pace. The company expects moderate growth in its publication segment for the current year.

Stationery segment has been the growth driver during the year under review. The domestic stationery business is growing at considerable rate due to aggressive marketing efforts and introduction of new products in its paper and non-paper stationery business vertical. The domestic stationery vertical achieved 36% growth for the year under review and is expected to grow at 25% in the current year.

International stationery business has revived from its challenging phase of a couple of years and has registered revenue growth of 367% to Rs.7086-lac for the year under review. The company expects reasonable growth in this vertical for the current year.

Your company anticipates electronic learning as the next generation medium of education. The company has received encouraging response for its e-learning modules with more than 500 schools and 6000 students benefitting from its modules. With 18 plus months of operational experience in this segment, the company has gained confidence in the electronic medium and has observed that with technology integration in education students can learn better, understand faster and remember more. The company now has plans to scale up its content creation and marketing activities. The company believes that the e-learning segment will witness a testing phase for another couple of years.

The Spanish subsidiary has been adversely affected due to the recessionary trend. However the company has confidence in the business line of the subsidiary and has adopted a cautious approach till the recessionary trend ends.

Overall your, at the 50th anniversary year, your company visualizes ample opportunities in all business verticals and with growing awareness towards quality education, your company will benefit in general in the years to come.

Shivji K. Vikamsey

Management Discussion and Analysis

NAVNEET PUBLICATIONS (INDIA) LIMITED

(I) NAVNEET'S Dividend Policy

The company continues with its liberal dividend policy and accordingly the company has proposed a final dividend of Rs.2.60 (130%) per share on Rs.2/- face value for the year under review. The dividend payout for the year works out to 49.17% against your company's policy of distribution of minimum of 25% of profit after tax.

(II) Creating Shareholder's Value

The focus of the company has always been in creating shareholder's value. The management follows the sound business policies and takes prudent investment decisions, based on their experience and expertise, in the overall interest of shareholders enhancing their value.

The net worth of the company has increased year on year and for the year under review, it has increased from Rs.230-crore to Rs.261-crore.

The dividend payout is 49.17% for the year under review as against 49.76% in the previous year.

(III) Market Capitalisation

Market capitalization of the company was Rs.474-crore as at 31st March 2009 as against Rs.916-crore as at 31st March 2008.

(IV) Business overview and Frequently Asked Questions (FAQs) about industry outlook, opportunities, threats, risks and concerns.

What was the performance of the Company in the period under review and what would be expected performance in the current year?

Publication Segment:

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

year, the company has managed to maintain its revenue at Rs.26,953-lac (last year 26,208-lac) in the segment. The company expects moderate growth in the publication segment revenue in the current year.

The company has managed to maintain its operating margin at 32.84% (last year 32.53%). The company expects to maintain its operating margin in the current year as well.

Stationery Segment:

The company achieved 36% growth in revenue to Rs.15,889-lac (last year Rs. 11,664-lac) in the domestic segment on account of aggressive marketing and introduction of new products in its paper and non-paper stationery business. The company expects the growth of around 25% in current year as well.

International business has received encouraging orders from chain stores from USA . It achieved 367% growth at Rs. 7086-lac (last year Rs. 1931-lac) revenue. The company expects reasonable growth in its international business for the current year.

The operating margin of 11.54% (last year 6.02%) for the segment has substantially increased due to 69% increase in overall segment revenue at Rs. 22975-lac (last year Rs. 13595-lac). The company expects to maintain the operating margin at this level for the current year.

Others Segment:

The windmills that are operative since September 2007, have generated power worth of Rs. 388-lac for the year ended 31st March 2009. However ECB revaluation loss of Rs.410-lac and depreciation of Rs.315-lac has resulted in segment loss of Rs.491-lac.

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

The company managed to maintain its operating margin at 20.48% (last year 20.46%) even though the share of stationery segment turnover has increased. The company's operating margins may change marginally on account of change in product mix in its revenue. i.e. stationery segment

Management Discussion and Analysis

NAVNEET PUBLICATIONS (INDIA) LIMITED

growing faster than publications.

What are capex plan in the current year?

The company had build up adequate infrastructure to cater to its current needs of publication and stationery business and no major capex on plant & machinery is planned in current year for these businesses. However, the company may invest in warehousing capabilities for its stationery business on need basis. Overall capex for its publication and stationery business would be in the range of Rs.1000-lac for next year.

The company is looking for investment opportunities in e-learning content development and effective delivery model and would consider investing with suitable opportunities.

The company has not planned further investment in Wind-mills.

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 had shown encouraging performance for the calendar year 2007, since then the recessionary trend has adversely affected subsidiary's performance as its revenue decreased by 16% to Euro 1.60 Mn (last year Euro 1.91 Mn). The company posted a loss of Euro 0.26 Mn as against profit of Euro 0.07 Mn last year.

Recessionary trend has affected its current year business as well but the company is confident of its business line and potential of European markets and hence has adopted cautious strategy till the recessionary trend ends.

Does your Company cater to any social responsibilities?

Your company uses eco friendly paper for most of its major products catering to environmental needs. Your company donates mainly in the areas of education, rehabilitation and

medical. For the year under consideration, your company donated Rs.162-lac.

The company, in association with Deloitte, arranged for conversion of its few titles to Braille lipi for the benefit of blind students.

The management will continue to discharge its voluntary commitment to society year after year.

What is the progress of the windmill project ?

All the 6 wind power generating turbines of 0.8 MW each were made operational in September 2007. The company has accounted gross revenue of Rs. 388-lac (last year Rs.144-lac) for the year ended March 2009.

What is the progress in e-learning venture?

The company has received encouraging response for its class-room oriented e-learning modules in Gujarat and Maharashtra with more than 500 schools/institutions using the e-learning modules offered by the company.

The launch of student oriented e-learning products in Gujarat and Maharashtra also received encouraging response. More than 6000 students in both states put together used company's products.

The company has gained confidence in the segment in its 18 plus months of operation and now has plans to scale up its content creation and marketing ability.

The total revenue from this business is Rs.137-lac for the year.

The company visualizes e-learning as the next generation medium of education and hence has tremendous potential in this segment. However, as it is a new trend in education, it would take another two to three years to establish itself and for a long term revenue model to emerge.

What is Navneet e-learning Private Limited?

The company identified a small firm, based out of Ahmedabad, involved in e-learning content creation. The small firm and your company jointly formed a subsidiary

Management Discussion and Analysis

NAVNEET PUBLICATIONS (INDIA) LIMITED

namely Navneet e-learning Private Limited for creating e-learning content exclusively for your company. Your company holds 87.17% equity of the subsidiary.

The subsidiary, as of now is responsible for only content creation for e-learning, but your company has plans to gradually shift all e-learning activities in the subsidiary.

Why there is an expense under Other income group?

The company had borrowed in JPY under ECB arrangement for its wind-mill project. ECB revaluation has resulted in loss Rs.410-lac for the year ended 31st March 09, resulting in expense under Other Income group.

The company does not expect further revaluation loss due to unfavourable currency movements. Moreover, the company has a repayment schedule spread over 7 years and hence is confident of favourable foreign currency movement resulting into revaluation gain in future.

Why there is an increase in effective tax rate?

The effective tax rate has increased from 26.39% to 32.52% as the company had benefited on account of higher depreciation on windmills last year.

Corporate Governance Report

NAVNEET PUBLICATIONS (INDIA) LIMITED

(1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is a combination of many factors to achieve the objectives of transparency, full disclosure and a system of checks. The Company continuously strives to attain higher levels of accountability, transparency, responsibility and fairness in all aspects of its business activities. Navneet's basic philosophy behind an endeavour towards better Corporate Governance is to enrich the value of shareholders by achieving business excellence. The Company is committed to the principles of good Corporate Governance.

(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.

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 2008-2009		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	4	4	0	0	0	26,000	26,000	Yes
2.	Shri. A. R. Gala	PD	4	3	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
3.	Shri. J. K. Sampat	PD	4	3	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
4.	Shri. D. R. Gala	PD	4	3	17,40,000	12,36,367	2,08,800	0	31,85,167	No
5.	Shri. H. R. Gala	PD	4	4	17,40,000	12,36,367	2,08,800	0	31,85,167	No
6.	Shri. S. R. Gala	PD	4	4	17,40,000	12,36,367	2,08,800	0	31,85,167	No
7.	Shri. J. L. Gala	PD	4	3	17,40,000	12,36,367	2,08,800	0	31,85,167	Yes
8.	Shri. A. M. Nadkarni	ID	4	4	0	0	0	36,000	36,000	Yes
9.	Shri. K. S. Vikamsey	ID	4	4	0	0	0	36,000	36,000	Yes
10.	Shri. L. D. Shah	ID	4	4	0	0	0	26,000	26,000	Yes
11.	Dr. R. Varadarajan	ID	4	1	0	0	0	0	0	No
12.	Shri. V. D. Rai	NED	4	4	0	0	0	16,000	16,000	Yes
13.	Shri. H. U. Gadhecha (resigned w.e.f. 16/12/2008)	ID	4	3	0	0	0	19,500	19,500	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, 2009:

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	9	1
12	Shri. Vijay D. Rai	6	4	1

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

There were four Board Meetings held during 2008-2009 and gap between two Board Meetings did not exceed four months. The dates of the Board Meeting are as under:-

- | | |
|---------------------------------|------------------------------------|
| (1) 27 th June, 2008 | (3) 24 th October, 2008 |
| (2) 31 st July, 2008 | (4) 22 nd January, 2009 |

2.5 A brief resume of Directors seeking re-appointment:

Shri. Amarchand R. Gala

He has rich experience of over five decades in the field of educational book publishing.

Shri. Liladhar D. Shah

He is a leading advocate with experience of over four decades in the field of property, corporate and allied laws.

Dr. R. Varadarajan

He is a senior educationist having vast experience in the field of education in India and overseas.

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, 2009.

Amarchand R. Gala
Managing Director

(4) AUDIT COMMITTEE

4.1 Composition

Upon resignation of Shri Hasmukh U. Gadhecha as Director of the Company w.e.f. 16/12/2008, he ceased to be a member of the Audit Committee. The Audit Committee presently comprises of three Independent Directors namely, Shri Shivji K. Vikamsey, Shri Kamlesh S. Vikamsey and Shri Ashok M. Nadkarni. 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 27th June, 2008, 31st July, 2008, 24th October, 2008 and 22nd January, 2009.