Contents

Corporate Information

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
Kamlesh S. Vikamsey	Director
Liladhar D. Shah	Director
Dr. R. Varadarajan	Director
Vijay Rai	Director
Tushar K. Jani	Director

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.
Deutsche Bank

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's FY10 GDP numbers have come as a positive surprise at 7.4% beyond the expectations of 7.2%, this was achieved against the global turmoil especially at a time when the developed economies like US and Europe witnessed challenges like unemployment, slowdown in manufacturing activities and falling consumption.

The estimate for India 2010-11 of 7.9% has been pulled up to 8.2% based on the Central Stastical Organisation advance estimates, while worries over factors like Europe's debt crisis, high inflation, rising fuel prices remain. The government has got a breather by the recent 3G spectrum auction and broadband auction to counter the rising fiscal deficit.

A continued slowdown in the global economy could lead to exports remaining depressed especially in US and Europe contributing to 20% and 12% of our exports respectively and any tightening by the Reserve Bank of India to combat inflationary pressure could cost the Indian economy 0.5% in terms of GDP, but estimates by various institutions across India point to a 8% GDP growth rate in 2010-11.

Your company concluded FY10 with 3.3% increase in revenues at INR 522 crores, led by the stationery business which grew 5% at INR 240 crores and publications segment grew by 3% at INR 277 crores, despite there being no syllabus change in the two key states Gujarat and Maharashtra. The balance revenue of INR 5 crores was from other sources.

As envisaged, the publications segment performance was in line with our expectations but the performance of the stationery segment was lower than what we had anticipated at the beginning of FY10. With syllabus change commencing in the state of Maharashtra from FY11 and Gujarat likely to follow next year the company expects good growth for the publications segment over the next few years.

The stationery performance was affected on account of building focus and trying to build the business on a few states rather than on a pan-India basis, which was based on inputs from a leading consultancy firm which lowered off take amongst our distributors as operational modalities were carried on. This trend might continue for a couple of months but then the stationery business should be on track. Your company expects double digit growth for stationery business in the coming year as the outlook on exports continues to remain stable.

Your company has made good progress in its e-learning activity. More than 500 schools will use your company's classroom teaching modules in the state of Maharashtra and Gujarat. Most of these schools will use the same in their classrooms. Your company is confident that once the schools start using the product in their day-to-day teaching activities, this segment will gain impetus and your company with its strong brand and relationship built over the last many decades will create a sustainable long term business model.

With the opportunities opening up in the education sector on account of increased government spends, willingness by parents to spend on quality education, improving student-enrolment ratio, the scope for players like Navneet to deliver education based products is so large that we are confident of crossing the INR 1000 crores revenue mark over by FY2015.

Overall your company visualizes ample opportunities across the education sector in India and your company should grow steadily in the years to come.

Shivji K. Vikamsey

Dividend Policy :

Keeping in line with the low capital expenditure requirements for the business, the company continues with its liberal dividend policy and accordingly the company has paid a dividend of 50% or Re 1 per share which works out to 40% payout for FY10. Depending on the capital expenditure requirements for newer initiatives this could change. However, the company expects that a 25% dividend payout will continue.

Wealth Creation:

As the shareholders are aware that your company came out with its Public Offering in 1994 at price of INR 60 per share (INR 10 face value and INR 50 as premium). Your company has consistently rewarded its shareholders with rich dividends year after year.

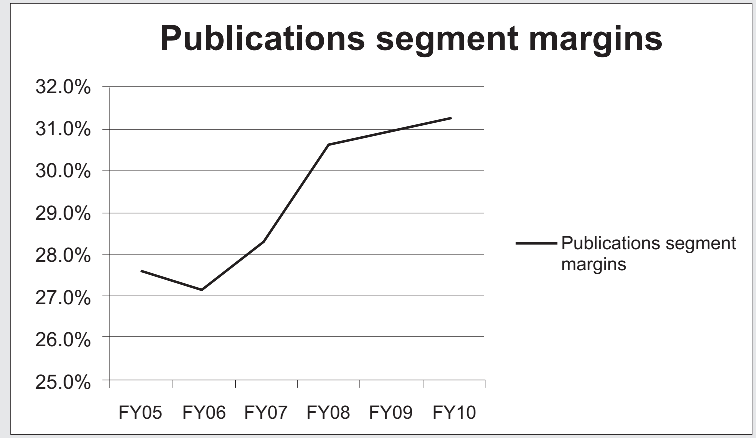
For a shareholder who invested in Public Offering in 1994 for 100 shares at INR 60 per share and the shareholder has stayed invested till date, then by now these 100 shares have become 3750 shares (by virtue of couple of bonus shares and stock split declared earlier by the company). Further, the shareholder would have also received around INR 26,800 as dividends, i.e. approximately 4.50 times of the initial investment amount. Considering the average price of around INR 48 for the month of June 2010, the 3750 shares are now worth around INR 1,80,000, i.e. a growth of 30 times over the initial investment.

Thus, a shareholder having invested INR 6000/- in 1994 has got a cumulative return of around 34.50 times (including dividends) in the last 16 years which gives a healthy compounded return of 27% since your company went public.

Business Overview and frequently asked questions about outlook, opportunities, threats and concerns

Publications Segment :

Revenues from publications business grew 3% on a y-o-y basis at INR 277 crores.The tepid growth in revenues from this segment was that no syllabus change was witnessed in our two key markets, namely Maharashtra and Gujarat during FY10. Despite revenues growing at just 3% EBIT margins were highest for this segment over the last 6 years at 31.3%.



With syllabus change starting from FY11 onwards the company expects to see a double digit growth in revenues for the next few years and expects stable margins across the segment.

Stationery Segment :

Revenues from stationery business grew 5% on a y-o-y basis at INR 240 crores which was lower than our expectations on account of a restructuring exercise undertaken by the company for the long term scalability and profitability in the business thereby reducing off take by distributors; also instead of doing business on a pan-India basis, the company will now focus on five to six states which will improve efficiency in the stationery segment in the years to come. Given the recent volatility in paper prices and benefits of the restructuring, we expect a double digit growth in the stationery business for FY11 post which we should grow at 15% over the next few years.

Other Segments:

The windmills which commenced operations in September 2007 generated power worth INR 5.40 crores and a segment profit of INR 1.10 crores as compared to a loss of 4.80 crores which was on account of ECB loans.

Operating margins and its likely improvement:

Operating profit grew by 6% on a y-o-y basis at INR 111.30 crores. Raw material costs as a percentage of sales fell by over 200 bps which was partially offset by increase in staff costs and other expenditure. The increase in other expenditure can be attributed to the sales and promotion activities pertaining to the coming back to school season. Operating margins improved from 20.7% in FY09 to 21.3% in FY10. Any improvement in margins in FY11 seems unlikely from the current levels.

Capex plans for the current year:

The company has build sufficient infrastructure to cater to its publications and stationery business over the past few years. However, the company may invest in some additional storage facilities, office premises for its various activities and some minor additions to the plant.

Update on the Spanish acquisition:

On account of the global recession the operational performance of Grafalco, a wholly owned subsidiary continues to be affected. With its focus on the European region, especially Spain, the company has now adopted a cautious approach for Grafalco and is changing its business model to cater to the demand of OEMS. With this strategy your company would continue to be a packager and tap the existing and potential client relationship around Europe. However, it would not build on inventory so that losses can be curtailed and the company could potentially grow with any probable recovery in Europe without any major investments.

However, on account of the small contribution to the consolidated turnover, any meaningful impact is not likely to be felt by the performance of Grafalco.

Are paper prices a concern?

As all of you know that paper contributes to over 90% of the total raw material consumed for the company. Over the years your company has developed a strong vendor base to ensure environment-friendly paper at most competitive rates.

The company sources its requirement through the domestic market. However, ever since the beginning of 2010 paper prices have turned very volatile and after starting the year with a downward trend have started looking upwards and have shown a rising trend particularly every month, rising almost 15% over the last 3 months.

Our view is that various factors such as cyclone in Chile, rising pulp prices, deferment of increased costs by paper mills over last year due to global slowdown has led to such a scenario. However, we see the pace of rising prices in paper to taper off in FY 11.

Do we see some impact on our business because of this volatility?

Yes there could be some short term impact especially in our stationery business as that is a lower gross margin business as compared to our publications segment. However, your company has already increased product prices to offset any impact on profitability for the stationery business.

For the publications segment no impact is envisaged because of paper prices on account of the strong content, relationship with schools and the better margin profile.

Corporate Social Responsibility :

Your company continues to use eco-friendly materials for most of its major products catering to environmental needs. Your company continues with its corporate social responsibility initiative and donates mainly in areas of medical aid, education and rehabilitation programmes. For FY10 the company donated INR 2.8 crores as compared to INR 1.6 crores last year.

The management will continue to fulfill its social responsibility on an ongoing basis towards society in whatever best possible manner.

Future growth drivers

Common curriculum could help Navneet grow rapidly

The Ministry of Human Resources and Development has been pushing for some time to reduce stress on India's school-leaving students. The proposal to hold a single entrance exam for competitive studies should go some way towards achieving this. And it's going to be helped by a complementary reform, the adoption of a common curriculum across the country, whether students are in a school affiliated to CBSE, ICSE or one of the state boards. Such a curriculum would give a common platform to students.

Education in a diverse country like India faces unique dilemmas. To reduce stress in the system some degree of standardization is needed, yet a uniform template cannot be decreed across the country. It is possible to start with subjects like maths, science or commerce which are less history and culture dependent. We believe it could work if the education minister can pull off the difficult task of bringing uniformity across the country.

The common curriculum could open up markets beyond Gujarat and Maharashtra if this becomes a reality sooner than later. To test the market your company has already started developing curricula based on NCERT syllabus for primary classes. With common curriculum, given Navneet's strong content creation team, national reach and strong brand built over the years we are sure that we will become a significant player in the supplementary or textbooks market in the years to come.

eSense an e-initiative by Navneet :

How large can this e-learning initiative be?

There are around 1,38,000 schools across Gujarat and Maharashtra, of which nearly 32,000 are private schools and they are our target market. Even if we take a spend on INR 2,00,000 per school the potential market on e-learning or classroom teaching for the private schools can be INR 650 crores.

What is e-learning initiative?

Given the strong relationship with the schools across the two key states, Navneet has expanded the product portfolio in its content business by creating a digitized version of the textbook based on the state level curriculum with some basic and easy-to-use features. Navneet operates in this segment through its 91% subsidiary eSense Learning Private Limited.

Why are we optimistic about this product?

Given the fact that average instructional days in schools across India are just 206 in a year, student-teacher ratio is skewed, school infrastructure is below standards, we believe that our e-learning initiative can be an aid to the teachers as well as students and can aid the learning process.

e-learning business module?

The company has received encouraging response for its classroom oriented e-learning modules in Gujarat and Maharashtra over the last two years. Considering the benefits of the classroom oriented e-learning module, schools in Gujarat and Maharashtra have expressed their desire to subscribe to the classroom module instead of the audio-visual room module.

As this e-learning module is gaining acceptance from student and teacher community in both states, the company has accelerated its efforts on production and marketing. From FY11 onwards the company will offer modules across the upper primary and secondary classes for the state of Gujarat and Maharashtra in English and regional languages.

As on date the company has confirmed orders from 250 schools in Maharashtra and Gujarat and is in advanced stages of negotiation with more than 300 schools for signing of long term contracts. By offering the modules across secondary and higher secondary classes in English and regional languages the company is reasonably confident of signing contracts with 500 schools by the time the school season commences across the two states.

(1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company is commited to good Corporate Governance as it belives that good Corporate Governance is essential for achieving long term corporate goals. The Company continuously strives to attain higher levels of accountability, transparency, responsibility and fairness in all aspects of its operations. Navneet's basic philosophy behind an endeavour towards better Corporate Governance is to enrich the value of shareholders by achieving business excellence.

(2) BOARD OF DIRECTORS

2.1 Composition

The Board of Directors comprises of 11 directors. The Company has 4 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 2009-2010		Salary	Other Benefits	Contri. To PF	Sitting Fee	Total Remuner.	Last AGM
			Held	Attended	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	attended
1.	Shri. S. K. Vikamsey	ID	5	5	0	0	0	30,000	30,000	Yes
2.	Shri. A. R. Gala	PD	5	5	21,48,000	15,26,273	2,57,760	0	39,32,033	Yes
3.	Shri. J. K. Sampat	PD	5	4	21,48,000	15,26,273	2,57,760	0	39,32,033	No
4.	Shri. D. R. Gala	PD	5	5	21,48,000	15,26,273	2,57,760	0	39,32,033	Yes
5.	Shri. H. R. Gala	PD	5	5	21,48,000	15,26,273	2,57,760	0	39,32,033	Yes
6.	Shri. S. R. Gala	PD	5	5	21,48,000	15,26,273	2,57,760	0	39,32,033	Yes
7.	Shri. J. L. Gala	PD	5	5	21,48,000	15,26,273	2,57,760	0	39,32,033	Yes
8.	Shri. A. M. Nadkarni (upto 6th Aug, 2009)	ID	5	1	0	0	0	4,000	4,000	No
9.	Shri. K. S. Vikamsey	ID	5	4	0	0	0	31,000	31,000	Yes
10.	Shri. L. D. Shah	ID	5	5	0	0	0	35,000	35,000	Yes
11.	Dr. R. Varadarajan	ID	5	0	0	0	0	0	0	No
12.	Shri. V. D. Rai	NED	5	5	0	0	0	20,000	20,000	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, 2010:

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. Liladhar D. Shah	-	-	-
9	Dr. R. Varadarajan	-	-	-
10	Shri. Kamlesh S. Vikamsey	6	7	4
11	Shri. Vijay D. Rai	7	4	1

* Committee of directors includes Audit Committee / Investors Grievances Committee only.

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

There were five Board Meetings held during 2009-2010 and gap between two Board Meetings did not exceed four months. The dates of the Board Meeting are as 22nd April, 2009; 24th June, 2009; 31st July, 2009; 29th October, 2009; 21st January, 2010

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

Shri. Vijay D. Rai

Shri Vijay D. Rai is a Mechanical Engineer B. Tech., from IIT Kharagpur, a Management Consultant having wide experience of over three decades in several industries.

Shri. Shantilal R. Gala

Shri Shantilal R. Gala is a Commerce Graduate, having over three decades of experience in the field of Educational Book Publishing. He is actively involved in the co-ordination with authors and publishing of educational books.

Shri Jaisinh K. Sampat

Shri Jaisinh K. Sampat is a Science graduate, having over three decades experience in the field of marketing of Educational Books. He is actively involved in formulating the Marketing strategy for marketing of educational books.

Shri Tushar K. Jani

Shri Tushar K. Jani is an enterprenuar with rich experience in the Shipping and Transport Industry.

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

2.7 Shri. Vijay D. Rai, Shri Jaisinh K. Sampat, Shri Tushar K. Jani and Shri. Jitendra L. Gala are not related to each other. Shri. Amarchand R. Gala, Shri. Dungarshi R. Gala, Shri. Harakhchand R. Gala and Shri. Shantilal R. Gala are related as brothers.

(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 and is available 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, 2010.

Amarchand R. Gala
Managing Director

(4) AUDIT COMMITTEE

4.1 Composition

During the year under review, the Audit comittee was reconstituted upon demise of Shri Ashok M. Nadkarni. The Audit Committee presently comprises of three Independent Directors namely, Shri Shivji K. Vikamsey, Shri Kamlesh S. Vikamsey and Shri Liladhar D. Shah. 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 24th June, 2009, 31st July, 2009, 29th October, 2009 and 21st January, 2010.

The composition of the Audit Committee, the number of meetings held and attended are as under:

Name of Director	No. of Meetings Held	No. of Meetings Attended
Shri Kamlesh S. Vikamsey	4	3
Shri Shivji K. Vikamsey	4	4
Shri Liladhar D. Shah	4	2
Shri Ashok M. Nadkarni (upto 06/08/2009)	4	0

The Chairman of the Audit Committee was present at the last Annual General Meeting held on 31st July, 2009.

The Minutes of the Audit Committee are noted at the meeting of the Board of Directors of the Company.

4.4 Powers of Audit Committee

(1) To investigate any activity within its terms of reference.

(2) To seek information from any employee.

(3) To obtain outside legal or other professional advice.

(4) To secure attendance of outsiders with relevant expertise, if it considers necessary.

4.5 Broad Terms of References of the Audit Committee

(1) To review with the management the Management discussion and analysis of financial condition and results of operations.

(2) To review Statement of significant related party transactions (as defined by the Audit Committee) submitted by management.

(3) To review Management letters / letters of internal control weaknesses issued by the statutory auditors.

(4) To review Internal Audit Reports relating to internal control weaknesses.

(5) To review appointment, removal and terms of remuneration of the Chief internal auditor.

(6) To review with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

(7) To overview the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

(8) To recommend to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.

(9) To approve payment to statutory auditors for any other services rendered by the statutory auditors.

(10) To review with the management, the annual financial statements before submission to the board for approval, with particular reference to:

a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.

b) Changes, if any, in accounting policies and practices and reasons for the same.

c) Major accounting entries involving estimates based on the exercise of judgement by management.

d) Significant adjustments made in the financial statements arising out of audit findings.

e) Compliance with listing and other legal requirements relating to financial statements.

f) Disclosure of any related party transactions.

g) Qualifications in the draft Audit Report.

(11) To review with the management, the quarterly financial statements before submission to the board for approval.

(12) To review with the management, performance of statutory, internal auditors, and adequacy of the internal control system.

(13) To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

(14) Approval of appointment of CFO after assessing the qualifications, experience & background, etc. of the candidate.

(15) To discuss with internal auditors any significant findings and follow up there on.

(16) To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

(17) To discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

(18) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

(19) To carry out any other function as may be added by the Board of Directors in the terms of reference of the Audit Committee, by the Board from time to time.

(5) SUBSIDIARY COMPANIES

Grafalco Ediciones S.L., a Wholly Owned Subsidiary of the Company in Spain, acquired the Brand GRAFALCO, and the intellectual Property rights in respect of around 600 titles of Children's Publications in the Spanish Language.

Navneet e-learning Pvt. Ltd., a subsidiary Company changed its name to eSense Learning Private Limited.

The Company does not have a material non-listed Indian subsidiary Company whose turnover or networth exceeds 20% of the consolidated turnover or networth respectively of the Indian holding Company in the immediately preceeding accounting year. The Board of Directors periodically review the investments and transaction of its Subsidiary companies. Copies of the minutes of the meeting of Board of Directors of the subsidiary companies are placed at the subsequent Board meeting of the Company.

(6) INVESTORS' GRIEVANCE COMMITTEE

6.1 Composition

During the year review, Investors' Grievance Committee was recostituted upon demise of Shri Ashok M. Nadkarni.

The Investors' Grievance Committee consists of following Directors namely :

(a) Shri Liladhar D. Shah
(b) Shri Kamlesh S. Vikamsey
(c) Shri Jaisinh K. Sampat

The Chairman of Investors' Grievance Committee is an Independent Director namely Shri Liladhar D. Shah.

6.2 Terms of Reference

Investors' Grievance Committee meets periodically for the redressal of Investors' Grievance related to share transfers, transmissions, transpositions, re-materialisation, split and issue of duplicate share certificates, non-receipt of Annual Report, non-receipt of declared dividends and such other related issues.

6.3 Investors' Grievance Committee meetings were held on 24th June, 2009, 31st July, 2009, 29th October, 2009 and 21st January, 2010.

The number of Investors' Grievance Committee Meetings held and attended are as under:

Name of Director	No. of Meetings Held	No. of Meetings Attended
Shri Liladhar D.Shah	4	4
Shri Kamlesh S. Vikamsey	4	3
Shri Ashok M. Nadkarni (upto 06/08/2009)	4	0
Shri Jaisinh K. Sampat	4	2

Shri Amit D. Buch, Company Secretary is the Compliance Officer.

The Minutes of Investors' Grievance Committee Meetings are noted by the Board of Directors of the Company.

6.4 Number and nature of complaints received during the year under review are as follows :

Description	Received	Resolved	Pending
Transfer / Demat	2	2	0
Non-receipt of Share Certificate	6	6	0
Non-receipt of Dividend Warrant	46	46	0
General Correspondence / Complaints	11	11	0
Total	**65**	**65**	**0**

(7) REMUNERATION COMMITTEE

7.1 Composition

The Remuneration Committee of the Company was constituted on 27th April, 2004 comprising of the following Members:

- Shri Shivji K. Vikamsey (Chairman)
- Shri Kamlesh S. Vikamsey
- Shri Liladhar D. Shah

Shri Amit D. Buch, Company Secretary is the Secretary of the Remuneration Committee.

7.2 Broad Terms of Reference

The broad Terms of Reference of the Remuneration Committee are to evaluate and appraise the performance of the Managing / Executive Directors and Senior Management Personnel, determine and recommend to the Board the compensation payable to them.