

**It's time to flip
the page over.
However,
the chapter
of knowledge
continues...**





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

Dear Shareowners,

I have a mixed feeling while presenting this report – Firstly; I would like to express our solidarity for those affected at recent Bomb blast in Mumbai, Tsunami in Japan and elsewhere in the world. The terrible event that hit Japan brought to the forefront the inborn quality of the Japanese, who in an unspeakable calamity showed rare character, discipline and determination; a lesson for all of us to learn from. On the other hand, our Men in Blue gave us tremendous joy and satisfaction when they brought back home the Cricket World Cup after 28 years!

On the business front, your company concluded FY11 with revenues at ₹ 548 crore, led by the publication business which grew 8% at ₹ 299 crore and stationery segment grew by 2% at ₹ 244 crore. The balance revenue of ₹ 5 crore was from other sources. However with the syllabus change continuing in the State of Maharashtra in FY12 and Gujarat likely to follow suit, the company expects good growth for the publications segment over the next few years. And on Stationery front, company's restructuring initiatives for domestic markets have shown encouraging results in FY11 resulting in double digit growth in this segment. The situation looks more promising in FY12 with steady improvement in margins. However the overall performance of the stationery segment was lower than what we had anticipated as a result of exports taking a beating as fierce competition from other markets and currency fluctuations did not allow us to offer finer prices to the customers.

The progress in e-learning activity was almost at par with expectation. Now that the company has completed the full range of primary & secondary state level curriculum in Maharashtra & Gujarat, substantial improvement is expected in FY12 performance. Your company is confident that with more and more schools including this module in their day-to-day teaching activities, this segment will gain impetus and your company with its strong brand and relationship built over many decades will create a sustainable long term business model.

The last decade belonged to the Information technology, communication and entertainment sector, but this decade will belong to education and innovation – i.e. innovation in any field. Education sector is a high priority thrust area for the Government of India. Current literacy rate in India is close to 60% and the Government wants it to be close to 85% in the next 5 years. Simultaneously Education field is growing much faster in various services, be it school education, Coaching activities including vocational trainings provides huge opportunities not only to grow but also to service the society. Navneet is hopeful of participating in these activities directly and/or indirectly.

With the opportunities opening up in this sector on account of increased government spends, willingness by parents to spend on quality education and the improving student-enrolment ratio, the scope for players like Navneet to deliver education based products is so large that we are confident of reaching our target of ₹ 1000 crore revenue mark in next couple of years.

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 declared and paid interim dividend of 30% or ₹ 0.60 ps per share. The company has now proposed dividend of 40% or ₹ 0.80 ps per share. The dividend as proposed alongwith the interim dividend already paid works out to 50% pay out (including dividend distribution tax) for FY10-11. 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 for Shareholders :

Over the years by following sound business policies and taking prudent investment decisions Navneet has successfully created a Net worth of ₹ 339 crore. Further, the shareholders have been consistently receiving a handsome dividend every year.

Business Overview / Outlook :

Publications Segment :

Revenues from publications business grew 8% on a y-o-y basis at ₹ 299 crore. However with the syllabus change continuing in the state of Maharashtra and Gujarat from FY12 the company expects good growth for the publications segment over the next few years.

Stationery Segment :

On Stationery front, revenues grew at 2% on a y-o-y basis at ₹ 240 crore which was lower than Company's expectations as exports took a beating. However the restructuring initiatives for domestic markets have shown encouraging results in FY11 resulting in double digit growth in domestic market. The situation looks more promising in FY12 with steady improvement in margins. Exports look bleak as competition from other markets and currency fluctuations are the main bottlenecks to offer better prices to the customers.

Other Segments:

The revenue of ₹ 5.1 crore from other segment comprises mainly of revenue generation from windmills.

Operating margins and its likely improvement:

Operating margins (before Other Income) stood at ₹ 126 crore in FY11 (22.99% of sales) as compared to ₹ 110 crore in FY10 (21.16% of

sales) on account of efficiency in the Material Consumption, Marketing, Sales promotion and Admn.exp.

Capex plans for the current year:

The company is in the process of expanding its storage facilities to cater to its increased volumes and may also invest in some additional office premises for its various activities and some minor additions to the plant.

Update on eSense-an e-initiative by Navneet :

The aggressive marketing drive has seen considerable improvement in the numbers of eSense. The company has received encouraging response for its classroom oriented e-learning modules in Gujarat and Maharashtra. 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. In FY 10-11 the company has sold its classroom teaching module to 487 institutions and is confident of achieving significant improvement in the number of school enrollments by the end of FY12. Also by creating full range of primary & secondary state level curriculum in Maharashtra & Gujarat, your company is on fast track to achieve a good performance for FY12.

Update on the Spanish acquisition:

Spanish acquisition was to promote children books products in European markets. With recessionary trends continuing for last couple of years and likely to continue further, your company has decided to keep Spanish office as only marketing office going forward. With this change the company has achieved deductions in its costs. However, it still believes in the potential of IPRs of Grafalco.

Future Growth Drivers, Opportunities, Risks :

The size of the Indian education space is estimated at USD 25.6 bn, which is slated to grow at a rate of 22% per annum. Growth is expected across segments, most prominently in K-12 and higher education, valued at USD 11.5 bn and USD 8.6 bn, respectively. The growth rates could be higher in case regulatory changes are introduced. (Edelweiss-Indian Education Report).

Demand for education is set to rise in India in the years to come due to:

- Population in the working group set to increase substantially.

- We are increasingly becoming a knowledge economy a shift from Rural or Agriculture based economy. This changing structure creates the need for better education system.
- Increasing income levels lead to higher aspirations which in turn lead to a demand for not just education, but “quality” education.

Navneet is ready to ride the growth curve on the basis of the ride of the middle class and its income organically or inorganically. Further, the huge demand-supply gap in quality education means that innovators will stand to gain. Navneet aims to continue its focus on providing quality education through its strong content. Further, we'll aim to improve our profits by improving our efficiency all across the board and strong internal controls.

Risk Factors :

Competition from Other Players :

The Education Business is one of the high growth and happening industry. The Company operates in highly competitive environment that is subject to innovations, changes and varying levels of resources available to each player in each segment of business. This may be a matter of concern if the Company does not adapt to the changing face of the Industry. The Company has been keeping itself abreast of latest changes in the industry to implement the same in its operation to keep itself ahead of competition.

High Input Cost :

The persisting inflationary pressure could certainly increase the Company's input costs. With the company's policy to keep the prices of its products within affordable range of the masses could adversely affect the company's profits. However the Management is keenly monitoring the cost at each level and shall take appropriate steps to limit its cost to the minimum level and pass on if necessary.

Regulatory Risk :

Government's recent pronouncement of removing the export subsidy came as big setback to Company's export operation. If there is also the pressure of exchange rate from the competitive countries, the Company might need to relook at its export model in future.

The company relies on intellectual property rights and Proprietary rights which may not be adequately protected under current laws. Further, in view of the kind of business in which Company is, it may be subjected to defamation suits, which may have adverse effect on its business.

Regulatory enactments are monitored regularly and the Company shall be de-risking its Education business model from time to time. Further, all necessary legal vetting is done by the management to ensure that Intellectual Property Rights relating to contents/rights have requisite protection.

Corporate Social Responsibility :

Your Company continues to use eco-friendly materials for most of its major products catering to environmental needs and also continues with its corporate social responsibility initiative and donates mainly in areas of medical aid, education and rehabilitation programmes. For FY11 the company donated ₹ 2.74 crore.

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

Internal Controls :

The Company has in place adequate internal control systems, commensurate with its size and nature of operations so as to ensure smoothness of operations and compliance with applicable legislation. The Company has a well-defined system of management reporting and periodic review of business to ensure timely decision-making.

Industrial Relations :

Industrial Relations were cordial at all locations. In a challenging environment and business conditions, the support from the workforce was positive throughout.

Cautionary Statement :

The Management Discussion and Analysis describing the Company's outlook, projections, expectations and estimates regarding future performance are based on current economic scenario. The management believes this scenario to follow as per its expectation to the best of its knowledge at the time of preparation of this report. However, these economic conditions are subject to uncertainties, which could cause actual results to differ materially from those which may be indicated in the above analysis.

(1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Corporate Governance at Navneet is a combination of several factors to achieve the objectives of transparency, full disclosure, a system of checks and balances between the shareholders, directors, auditors and the management. 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. Your Company is committed to the principles of good Corporate Governance.

(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 paid / payable for Financial Year 2010-11 are as follows :

Sr. No.	Name of Director	Category	Board Meetings during 2010-2011		Salary (₹)	Other Benefits (₹)	Contri. To PF (₹)	Sitting Fee* (₹)	Total Remuneration (₹)	Last AGM attended
			Held	Attended						
1.	Shri S. K. Vikamsey	ID	5	5	0	0	0	32,500	32,500	Yes
2.	Shri A. R. Gala	PD	5	5	24,84,000	17,65,020	2,98,080	0	45,47,100	Yes
3.	Shri J. K. Sampat	PD	5	5	24,84,000	17,65,020	2,98,080	0	45,47,100	No
4.	Shri D. R. Gala	PD	5	5	24,84,000	17,65,020	2,98,080	0	45,47,100	Yes
5.	Shri H. R. Gala	PD	5	5	24,84,000	17,65,020	2,98,080	0	45,47,100	No
6.	Shri S. R. Gala	PD	5	5	24,84,000	17,65,020	2,98,080	0	45,47,100	No
7.	Shri J. L. Gala	PD	5	5	24,84,000	17,65,020	2,98,080	0	45,47,100	No
8.	Shri Mohinder Pal Bansal#	ID	5	2	0	0	0	10,500	10,500	N.A.
9.	Shri K. S. Vikamsey	ID	5	5	0	0	0	42,500	42,500	Yes
10.	Shri L. D. Shah	ID	5	4	0	0	0	33,500	33,500	No
11.	Dr. R. Varadarajan	ID	5	0	0	0	0	0	0	No
12.	Shri V. D. Rai	NED	5	2	0	0	0	8,000	8,000	Yes
13.	Shri Tushar K. Jani	ID	5	2	0	0	0	8,000	8,000	No

Appointed as additional director w.e.f. 14/09/2010

ID – Independent Director PD – Promoter Director / Executive Director NED – Non-Executive Director

Non-Executive, Independent Directors do not receive any other remuneration except sitting fees for attending Board / Audit / Investors' Grievance Committee Meeting.

2.3 Directorships in Other Public Limited Companies of the Directors as at 31st March, 2011:

Sr. No.	Name of Director	No. of Directorships	No. of Committee Positions Held *	No. of Committees Chaired *
1	Shri Shivji K. Vikamsey	2	-	-
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 Kamlesh S. Vikamsey	10	7	3
9	Shri Liladhar D. Shah	-	-	-
10	Dr. R. Varadarajan	-	-	-
11	Shri Vijay D. Rai	6	4	1
12	Shri Tushar K. Jani	-	-	-
13	Shri Mohinder Pal Bansal	1	-	-

* includes Audit Committee and Investors' / shareholders' Grievance Committee.

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

There were five Board Meetings held during 2010-2011 and gap between two Board Meetings did not exceed four months. The dates of the Board Meeting are - 27th April, 2010, 24th June, 2010, 26th July, 2010, 28th October, 2010, 31st January, 2011.

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

Shri Shivji K. Vikamsey

He is a Chartered Accountant by profession. He has more than five decades of experience in the field of Accounting, Auditing, Taxation and Management consultancy.

Shri Harakhchand R. Gala

He has wide experience in the field of sales & distribution of educational books.

Shri Kamlesh S. Vikamsey

He is a renowned Chartered Accountant by profession and has specialised in the field of Accounting, Taxation and Management advisory services.

Shri Mohinder Pal Bansal

Shri Mohinder Pal Bansal was appointed as an Additional Director w.e.f. 14th September, 2010. He is a Chartered Accountant by profession and has over two decades of experience in M&A,

Strategic Advisory, Capital Markets, Portfolio Company integration and post-acquisition performance management in India, Asia and Europe. He holds 4000 shares of the Company.

2.6 Shri Amarchand R. Gala, Shri Dungarshi R. Gala, Shri Harakhchand R. Gala and Shri. Shantilal R. Gala are related as brothers and 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 49(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, 2011.

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 Liladhar D. Shah and Shri Mohinder Pal Bansal. 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 on 27th April, 2010, 24th June, 2010, 26th July, 2010, 28th October, 2010 and 31st January, 2011.

The Constitution of the Audit Committee was changed during the year by inducting Shri Mohinder Pal Bansal as a member of the Audit Committee. The present 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	5	5
Shri Shivji K. Vikamsey	5	5
Shri Liladhar D. Shah	5	4
Shri Mohinder Pal Bansal	5	1

The Chairman of the Audit Committee was present at the last Annual General Meeting held on 6th September, 2010.

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.