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NAVNEET PUBLICATIONS (INDIA) LIMITED

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Corporate Information

NAVNEET PUBLICATIONS (INDIA) LIMITED

Board of Directors

Shivji K. Vikamsey	Chairman
Amarchand R. Gala	Managing Director
Jaisinh K. Sampat	Joint Managing Director
Dungarshi R. Gala	Director – Educational Books Publishing
Shantilal R. Gala	Director – Educational Books Publishing
Harakhchand R. Gala	Director – Sales & Distribution
Jitendra L. Gala	Director – Marketing
Kamlesh S. Vikamsey	Director
Liladhar D. Shah	Director
Dr. R. Varadarajan	Director
Tushar K. Jani	Director

Company Secretary

Amit D. Buch

Auditors

Ghalla & Bhansali
Chartered Accountants, Mumbai

Bankers

ICICI Bank Ltd.
The Hongkong and Shanghai Banking Corporation Ltd.
DBS Bank Ltd.
Kotak Mahindra Bank Ltd.
HDFC Bank Ltd.
Deutsche Bank AG.

The Bank of Nova Scotia
Standard Chartered Bank
ING Vysya Bank Ltd.
Citi Bank N.A.

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,
Dist. & Tal. Gandhinagar, Gujarat.
- Gokhiware, Chinchpada,
Vasai (East), Dist. Thane.
- Village Sayali, Silvassa.
- Rakanpur, Taluka Kalol,
Dist. Mehsana.
- Village Khaniwade,
Tal. Vasai, Dist. Thane.

e-mail

investors@navneet.com

Website

www.navneet.com

Chairman's Communiqué

NAVNEET PUBLICATIONS (INDIA) LIMITED

Dear Shareowners,

At the outset, I take this opportunity to share with you the pride that we all feel at the remarkable haul of medals that our talented sportsmen have brought to our nation at the recently concluded London Olympics.

India stands at the threshold of knowledge transformation. Education is the one sector towards which the outlook is fast changing in our country. From being considered an expense, it is now seen as an investment for the future. Students now have a wider choice in selecting their future. Across the country literacy is fast improving year after year. With the perceptible growth in Indian economy, disposable household income and resultantly spending has been increasing. Parents/Students now prefer quality products in all product categories including those of your Company. Various initiatives of the Central Government on increasing the literacy as well as quality education have also contributed to increasing the awareness for quality educational products. The Government's expenditure on social services and rural development has gone up consistently over the years.

The last financial year 2011-2012 was a successful year for your Company in achieving many milestones, both in the physical as well as in the financial fronts.

Your Company has maintained a healthy double digit growth. For the year ended 31st March 2012, your Company has crossed the 600 cr. turnover mark led by publication segment. Under the syllabus changing scenario publication business grew by 18% and posted a turnover of ₹ 354 cr. while stationery segment recorded less than expected growth and stood at ₹ 249 cr. – a modest growth of 7% on account of severe competition in the domestic market and postponement of export orders.

On one hand, the management of your Company believes that being in the non-recessionary business line is the most powerful strength of your Company, on the other, global recession has nearly brought the world to a halt. Developed economies like USA & most of the countries in Europe witnessed virtual turmoil of their financial sector. The slowdown has severely impacted the business of your Company's subsidiary in Spain, Grafalco Ediciones S.L. As a result, during the current year the Management of your Company had decided to scale down substantially the activities of this subsidiary. It has paid off all its liabilities and made provision for diminution in the value of its investment in this subsidiary.

Your Company's other subsidiary, eSense Learning Pvt. Ltd., has completed digitized content for standards 1 to 10 in Science, Mathematics and Social Science. As of March, 2012, our e Learning products have been installed in 925 Institutions covering around 4,500 classrooms. Company is aggressively marketing its products across new schools and is sure of an impressive growth in FY13.

The outlook for the coming years looks very promising as the syllabus change scenario in the States of Maharashtra and Gujarat is expected to continue for a couple of years. With our long cherished dream to expand business beyond Gujarat and Maharashtra to other States, we have made a foray in Andhra Pradesh recently. With this, we believe that there will be a robust growth in the publication segment during FY13. Even stationery segment is expected to perform better in FY13 due to confirmed export order book.

India, as an 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 in comparison 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. Government of India's expenditure on education as a proportion of total expenditure has moved up substantially in the recent times and it has undertaken several initiatives in recent years to promote primary and secondary education.

All these speak for the excellent opportunities that your Company is ready to seize and to grow at a rapid pace in the years to come.

Shivji K. Vikamsey

Management Discussion and Analysis

NAVNEET PUBLICATIONS (INDIA) LIMITED

Dividend Policy :

The trend of your Company's policy of rewarding its investors with minimum 25% of its net profits as dividends continues this year as well. Your Company had declared and paid interim dividend of 30% or ₹ 0.60 ps per share in November 2011. Your Company has proposed a final dividend of 40% or ₹ 0.80 ps per share which works out to be above 48% payout (including DDT) for FY 12.

Wealth Creation for Shareholders :

Maximizing shareholder wealth is a single most important goal for any profit seeking organization and as such it becomes extremely crucial for it to achieve higher profit. Apart from the liberal policy, your Company has always believed in creating Shareholders' Wealth. Your Company's sound business policies and prudent investment decisions have enabled to enhance Shareholders' value. In just last 4 years, on standalone basis your Company's net worth has increased by a whopping 66% from ₹ 230 cr. on 31st March, 2008 to ₹ 381 cr. on 31st March, 2012.

Business Overview :

Publication Segment :

Syllabus change cycle has started in Maharashtra and Gujarat from FY 12. As a result, your Company has posted strong numbers. As expected, revenue from publication business grew from ₹ 299 cr. in FY-11 to ₹ 354 cr. in FY 12, a jump of 18% y-o-y. This segment shall see good double digit growth for the next few years. This segment has maintained its operating margin at 33% and expects to maintain in the current year as well.

Stationery Segment :

Stationery segment has underperformed during the current year due to severe competition from the new entrants in the domestic market. This segment achieved a growth of 7% from ₹ 232 cr. in FY 11 to ₹ 249 cr. in FY 12. With strong export orders in the pipeline for the current year, we anticipate that this segment will show a marked improvement in the top line in FY 13.

Net Profit :

Net profit after tax for FY12 (on standalone basis) stood at ₹ 80.26 cr. (13.2% of Total Revenue) as compared to ₹ 77.55 cr. (14.5 % of Total Revenue) for FY11. The marginal reduction in the profit percentage is on account of :

a. Writing off / Diminution in the value of investment amounting to

₹ 3.26 cr. in its subsidiary viz. Grafalco Ediciones S.L.

b. Higher finance cost and

c. Pressure on the margins in the stationery segment on account of strong competition from new entrants in this segment

New Warehouse :

As informed in the last Annual Report, your Company has invested in a warehouse cum manufacturing facility to expand its storage facilities to meet the ever increasing demand and shift manufacturing from Vasai (Near Mumbai) location. Accordingly, the Company has so far invested ₹ 50 cr. in a warehouse near Virar, Mumbai. The work is being carried out in phases and the Management estimates an additional outlay of around ₹ 10 cr to complete the second phase. This investment in the new warehouse has already shown significant improvement in the operations of your Company.

Investment in Andhra Pradesh based School Management Company :

Your Company has been providing indirect education through supplementary books for over 5 decades. It has now ventured into direct education by investing in a School Management Company in Andhra Pradesh. This company runs and manages schools in AP under the brand "Gowtham Model School (GMS)". As of 31st March 2012, your Company has invested ₹ 30.5 cr. against the commitment of ₹ 45 cr. to acquire appx. 24% stake.

Spanish Subsidiary :

Global recession has brought the world on a halt. Developed economies like USA & Most of the countries in Europe witnessed virtual turmoil of their financial sector. The slowdown has severely impacted the business of your Company's subsidiary in Spain viz. Grafalco Ediciones S.L. As a result, the Management of your Company has decided during the current year to close down substantially the activities of this subsidiary. It has paid off all its liabilities and made provision for diminution in the value of its investment in this subsidiary.

eLearning Segment :

Navneet Publications (India) Ltd.'s another subsidiary company viz. eSense Learning Pvt. Ltd. has shown a promising performance in FY12. Not only the acceptance amongst the schools has picked up but also the

Management Discussion and Analysis

NAVNEET PUBLICATIONS (INDIA) LIMITED

desire for its digital content is reflected amongst students and parents. As of March, 2012, our products have been installed in 925 Institutions covering around 4,500 classrooms. These numbers are still small compared to number of institutions and classrooms in the two States of Gujarat and Maharashtra but our continuous marketing efforts will enable your Company to accomplish decent numbers in the years to come.

Future Growth Drivers, Opportunities, Risks :

Syllabus changes in the State of Maharashtra and Gujarat which started in 2012 will continue for further 3 years.

The Government of India has undertaken several initiatives in recent years to promote primary and secondary education. Navneet has pulled out all stops to capitalize on these emerging opportunities for its publication and e-learning activities.

Further, it has also started publishing various publications to market in Northern India and in the State of AP.

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.

Regulatory Risk :

Government's recent pronouncement of removing the export subsidy came as big setback to Company's export operations. 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 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. During FY12 the Company donated ₹ 2.33 cr. 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 decisionmaking.

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.

Corporate Governance Report

NAVNEET PUBLICATIONS (INDIA) LIMITED

(1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is about commitment to values and ethical business conduct. The Company is committed to good corporate governance as it believes that good corporate governance is essential for achieving long term corporate goals and leads to long term shareholder value and enhance interests of all stakeholders. The Company respects and values the rights of its stakeholders to secure information about the Company and its performance. The corporate governance policies followed by the Company are intended to ensure transparency in all its dealings.

(2) BOARD OF DIRECTORS

2.1 Composition

The Board of Directors comprises of eleven Directors. Since the Company has a Non Executive Chairman, the Board meets the stipulated requirement of atleast one third of the Board of Directors comprising of Independent Directors.

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 2011-2012		Salary (₹)	Other Benefits (₹)	Contri. To PF (₹)	Sitting Fee* (₹)	Total Remuneration (₹)	Last AGM attended
			Held	Attended						
1.	Shri S. K. Vikamsey	ID	4	4	0	0	0	34,500	34,500	Yes
2.	Shri A. R. Gala	PD	4	2	24,84,000	17,65,020	2,98,080	0	45,47,100	Yes
3.	Shri J. K. Sampat	PD	4	4	24,84,000	17,65,020	2,98,080	0	45,47,100	Yes
4.	Shri D. R. Gala	PD	4	4	24,84,000	17,65,020	2,98,080	0	45,47,100	No
5.	Shri H. R. Gala	PD	4	4	24,84,000	17,65,020	2,98,080	0	45,47,100	No
6.	Shri S. R. Gala	PD	4	4	24,84,000	17,65,020	2,98,080	0	45,47,100	No
7.	Shri J. L. Gala	PD	4	4	24,84,000	17,65,020	2,98,080	0	45,47,100	Yes
8.	Shri K. S. Vikamsey	ID	4	4	0	0	0	# 47,000	# 47,000	Yes
9.	Shri L. D. Shah	ID	4	3	0	0	0	38,000	38,000	No
10.	Dr. R. Varadarajan	ID	4	0	0	0	0	0	0	No
11.	Shri Tushar K. Jani	ID	4	3	0	0	0	12,000	12,000	No
12.	Shri Vijay D. Rai**	ID	4	2	0	0	0	8,000	8,000	Yes
13.	Shri Mohinder Pal Bansal**	ID	4	2	0	0	0	13,000	13,000	Yes

ID – Independent Director PD – Promoter Director

* sitting fees of ₹ 4,000/- was paid for attending each meeting of Board of Directors and ₹ 2,500/- was paid for attending each meeting of Audit and Investors' Grievance Committee Meeting till November, 2011. Thereafter, sitting fees of ₹ 10,000/- is paid for attending each meeting of Board of Directors and ₹ 5,000/- is paid for attending each meeting of Audit Committee and Investors' Grievance Committee. # includes ₹ 2,500/- for 2010-2011. ** upto 4th October, 2011.

Corporate Governance Report

NAVNEET PUBLICATIONS (INDIA) LIMITED

2.3 Directorships in Other Public Limited Companies of the Directors as at 31st March, 2012 :

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 Tushar K. Jani	-	-	-

* Committee includes Audit Committee and Investors' (shareholders') Grievance Committee.

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

There were four Board Meetings held during 2011-2012 and gap between two Board Meetings did not exceed four months. The dates of the Board Meetings are - 28th April, 2011, 28th July, 2011, 2nd November, 2011, 7th February, 2012.

2.5 A brief resume of Directors seeking re-appointment:

Shri Dungarshi R. Gala

Shri Dungarshi R. Gala aged 76 years has vast experience in the field of educational book publishing.

Shri Jitendra L. Gala

Shri Jitendra L. Gala, a commerce graduate has rich experience in marketing field.

2.6 Shri Dungarshi R. Gala, Shri Amarchand 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 of Directors 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, 2012.

Amarchand R. Gala

Managing Director

(4) AUDIT COMMITTEE

4.1 Composition

The Audit Committee presently comprises of three Independent Directors namely Shri Kamlesh S. Vikamsey, Shri Shivji K. 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 on 28th April, 2011, 28th July, 2011, 2nd November, 2011 and 7th February, 2012.

The constitution of the Audit Committee was changed during the year as Shri Mohinder Pal Bansal ceased to be member of the Audit Committee upon his resignation as Director of the Company effective from 4th October, 2011. 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	4
Shri Shivji K. Vikamsey	4	4
Shri Liladhar D. Shah	4	3
Shri Mohinder Pal Bansal*	4	2

The Chairman of the Audit Committee was present at the last Annual General Meeting held on 15th September, 2011.

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

* upto 4th October, 2011.

Corporate Governance Report

NAVNEET PUBLICATIONS (INDIA) LIMITED

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

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 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 holding Company.

Corporate Governance Report

NAVNEET PUBLICATIONS (INDIA) LIMITED

(6) INVESTORS' GRIEVANCE COMMITTEE

6.1 Composition

The composition of Investors' Grievance Committee is as under:

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

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 matters.

6.3 Four Investors' Grievance Committee meetings were held during the year on 28th April, 2011, 28th July, 2011, 2nd November, 2011 and 7th February, 2012.

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	3
Shri Kamlesh S. Vikamsey	4	4
Shri Jaisinh K. Sampat	4	4

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	98	98	0
Non-receipt of Share Certificate	1	1	0
Non-receipt of Dividend Warrant	45	45	0
General Correspondence / Complaints	180	180	0
Total	324	324	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.

7.3 Remuneration Policy

The remuneration policy of the Company is based on performance of senior managerial personnels. The remuneration policy is in consonance with the existing industry practice.