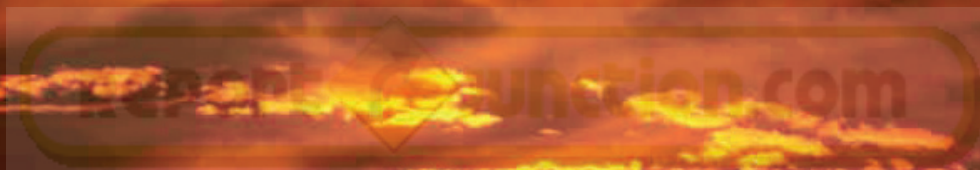


“Education is not preparation for life;  
**Education is life itself.**”

- John Dewey



ANNUAL REPORT 2013 - 2014





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(Formerly NAVNEET PUBLICATIONS (INDIA) LIMITED)

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## Corporate Information

## NAVNEET EDUCATION LIMITED

(Formerly NAVNEET PUBLICATIONS (INDIA) LIMITED)

### Board of Directors

Kamlesh S. Vikamsey	Chairman
Gnanesh D. Gala	Managing Director
Raju H. Gala	Joint Managing Director
Bipin A. Gala	Whole time Director
Anil D. Gala	Whole time Director
Shailendra J. Gala	Whole time Director
Atul J. Shethia	Whole time Director
Mohinder Pal Bansal	Director
Nilesh S. Vikamsey	Director
Tushar K. Jani	Director
Dr. R. Varadarajan	Director (upto 31st October, 2013)
Dr. Vijay B. Joshi	Director (w.e.f. 31st October, 2013)
Liladhar D. Shah	Director (upto 11th August, 2014)
Usha Laxman	Director (w.e.f. 11th August, 2014)

### 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  
Commonwealth Bank of Australia  
ING Vysya Bank Ltd.

### Registered Office

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

### Corporate Identity Number

L22200MH1984PLC034055

### Ahmedabad Office

Navneet House, Gurukul Road,  
Memnagar,  
Ahmedabad - 380 052.

### Works

- Village Dantali, Behind Kasturi Nagar,  
Dist. & Tal. Gandhinagar, Gujarat.
- 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 EDUCATION LIMITED

(Formerly NAVNEET PUBLICATIONS (INDIA) LIMITED)

### Dear Shareowners,

It is indeed a privilege for me to address this first letter to you as Chairman of Navneet Education Limited.

I take this opportunity to thank you for the support you have rendered to me and to the entire Board of Directors of the Company. I look forward to a long and rewarding association with all of you.

Currently, the most decisive factor impacting the fortunes of every developing country has been the state of the world economy. Global economic growth has been subdued in the past few years. It is pertinent to note that challenges faced by our country are common to all the developing countries. Worldwide, 2014 is seen as an encouraging year over 2013. The outlook for the Indian economy too has turned distinctly positive with the new government at the centre.

The financial year ended March, 2014 has been yet another successful year, during which period, despite challenges, your Company consolidated and improved its position.

Education is seen as one of the focused agenda for the new government, apart from various other initiatives. We are sure that all private players in the field of education will have opportunities to contribute to this sector. Your Company's experience of over five decades will help it to take all relevant steps to contribute effectively to this sector.

Apart from growth in various emerging opportunities in Education Sector, your Company is making conscious efforts to augment its cash flows from operations. In the current economic scenario, generating real cash is becoming a challenge for the whole economy. Special efforts have been initiated by your Company to mobilize cash from its operations instead of merely accumulating them as receivables or inventory.

FY14 was another successful year though with muted growth in Publishing activities, but with overall improved margins. Similarly, first quarter performance of FY15 further proves your Company's continuous progress in both its business activities, Content & Stationery.

With continuous syllabus change scenario, new customers and new markets in Publication activity, growing exports in stationery segment and addition of more institutional clients and new products in eSense Learning Pvt. Ltd., your Company is confidently looking forward to achieving ₹ 1,000-cr milestone by FY15, as envisaged in our earlier Reports by our then Chairman, Shri Shivji K. Vikamsey.

With the expected revival in the global economy and the hope of the business environment improving in the country after the general elections, the business outlook for the Company is expected to remain positive. 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.

Your Company continues to reward its shareholders with handsome dividend every year. This year the recommended dividend is ₹ 2/- (100%) per share.

I thank all my colleagues on the Board for their continued support.

I would like to specially express my appreciation to our employees at all levels for their dedication and hard work that has immensely contributed to the performance of the Company.

I also thank all our shareholders for the continued trust and wholehearted support extended to the Company.

Best regards,

**Kamlesh S. Vikamsey**

## Management Discussion and Analysis

### NAVNEET EDUCATION LIMITED

(Formerly NAVNEET PUBLICATIONS (INDIA) LIMITED)

#### Dividend Policy :

Your Company has rewarded all its investors generously over the years. Maintaining the trend of rewarding its investors with minimum 25% of its net profits as dividends, this year your Company has proposed a final dividend of 100% or ₹ 2/- per share on the Face Value of ₹ 2/- which works out to above 49% pay out (including DDT) for FY14 as no major capital expenditure was required. This dividend will be tax free in the hands of the shareholders and will be paid when approved by the shareholders. Your Company will continue a healthy dividend payout ratio of minimum 25% even if capital expenditure is planned in future. The below table shows your Company's dividend distribution over the last few years :

Financial Year	Type of Dividend	Percentage	Net Profits (₹ in Lac)	Percentage to Net Profits (including DDT)
2013-14	Final	100 (Proposed)	11,515	49
2012-13	Final	90	10,669	45
2011-12	Interim	30		
	Final	40		
	Total	70	7,798	48
2010-11	Interim	30		
	Final	40		
	Total	70	6,676	50

#### Wealth Creation for Shareholders :

Apart from distributing liberal dividends, your Company also believes in creating wealth for its shareholders. The net worth of your Company has been steadily growing over the years. EPS has gone up from ₹ 4.66 in FY13 to ₹ 4.75 in FY14. The Net Worth of your Company stands at ₹ 50021 Lac compared to ₹ 44285 Lac in FY13.

#### Business Overview :

##### (A) Content Publishing Segment :

With few standards changing its syllabi in Maharashtra and Gujarat, your Company's content publishing revenue grew by only 4 % in FY14. Content Publishing revenue grew from ₹ 45,715 Lac to ₹ 47,512 Lac. However, your Company improved on its operating margin in this segment by 50 bps and improved its operating margins from 33% in FY13 to 33.5% in the current year. Since the content publishing segment had grown by 29% in the previous year, achieving higher growth with a higher base was difficult. However, with clear visibility of more standards syllabi change in 2014-15, good double digit growth is anticipated.

##### (B) Stationery Segment :

Stationery Segment grew by 17% from ₹ 32,596 Lac in FY13 to ₹ 38,115 Lac in FY14, a jump of 17% y-o-y. Exports have been a major contributor to this growth and we foresee that the Stationery Segment will continue to be more export driven for the next few years. Currently, your Company majorly exports to the US, Central America and Africa. With strong export orders already in the pipeline, this sub-segment may give higher contribution to the overall stationery revenue.

##### (C) Net Profit :

Your Company's net profit for FY14 was ₹ 11,318 Lac as compared to ₹ 11,106 Lac in FY13. This is an increase of ₹ 212 Lac over the previous year. Net Profit as a percentage of total revenue in FY14 stood at 13.14% against 14.04 % in FY13.

##### (D) Investment in Andhra Pradesh-based School Management Company :

In 2011, your Company ventured into direct education / School Management Business by taking a minority stake in a School Management Company in Andhra Pradesh. For the academic year 2013-14, it had 55 SSC Board schools under the brand "Gowtham Model School" in Andhra Pradesh. In 2013-14 it opened "Orchids - the International school" in Bengaluru (Karnataka) & Mumbai (Maharashtra).

##### (E) eLearning Segment :

Your Company's subsidiary eSense Learning Private Limited has been performing well and its B2B product (TOP CLASS) was installed in 2,047 institutions covering more than 11,400 classrooms. We are happy to inform you that eSense Learning Private Limited has become cash profitable at the net level and will no longer depend on its parent company for investments. For FY14 the revenue was ₹ 2,090 Lac against ₹ 1,488 Lac in FY13, a jump of 40% compared to the previous year, with a net profit of ₹ 139 Lac.

##### (F) Future Growth Drivers, Opportunities, Risks :

###### Growth Drivers :

Historically Navneet's revenue growth came only from the Syllabi change in the States of Maharashtra and Gujarat for SSC Board. But with the changing scenario in the education system and teaching methods, new avenues have opened up for Navneet.

1. With more and more CBSE and CBSE Pattern schools coming up in the Country, Navneet has entered this space and has completed the range of books from Standards 1 – 7 for CBSE Board.



## Management Discussion and Analysis

### NAVNEET EDUCATION LIMITED

(Formerly NAVNEET PUBLICATIONS (INDIA) LIMITED)

2. Digital learning will continue to perform better with more penetration in SSC Schools in Maharashtra and Gujarat. eSense Learning Private Limited has completed its library for CBSE curriculum as well which shall also add to its growth.
3. Exports of Paper Stationery will not only add to the volume growth but also help in utilizing the capacities optimally resulting in better ROCE and margins.

#### **Opportunities :**

1. With the New Government emphasizing its decision to boost education in the Country, any positive step by the Authorities in this direction will prove to be a big opportunity for Navneet in its core States for print and digital content business.
2. Common curriculum in Mathematics and Science will enable Navneet to be present pan India in some time from now.

Considering all of the above, your Company is set to achieve ₹ 1000-cr. top line revenue in FY15 as communicated to our shareholders by our then Chairman Shri Shivji K. Vikamsey.

#### **Risk Factors :**

##### **1. Foreign Exchange :**

Your Company is exposed to the risk associated with its export business. Currently exports is 15% of your Company's total revenues but it is the risk that a foreign currency may move in a direction which may be financially detrimental to your Company's goal. Your Company is closely monitoring the exchange rates and mitigates this risk by regularly hedging whenever favorable rates are available.

##### **2. Regulatory Risk :**

In view of the kind of business in which your Company is, it may be subjected to defamation suits, which may have adverse effect on its business. The Company is exposed to many regulatory risks. Your Company relies on intellectual property rights and Proprietary rights which may not be adequately protected under current laws. Regulatory enactments are monitored regularly and your Company shall be de-risking its print and content 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.

##### **3. Competition from other players :**

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 risk may be a concern for the Company if it does not adapt to the changing face of the industry. With a view to mitigate this risk, the Company keeps itself abreast of latest changes in the industry and technology.

##### **4. Input Costs :**

The inflationary pressure could certainly increase your Company's input costs. The ever increasing raw material cost has been a concern for the Company's business and its profitability. The Company has set up a policy to monitor the raw material costs at each level and the Management has been taking reasonable steps to keep the raw material cost to the minimum level.

##### **Corporate Social Responsibility (CSR) :**

Your Company continues to use eco-friendly materials for most of its products. It also continues with its corporate social responsibility initiative and donates mainly in areas of medical aid, education and rehabilitation program. During FY14, your Company contributed ₹ 5.11 cr.

Your Company is preparing itself to implement the provisions of the Companies Act, 2013 on CSR by forming a CSR Committee and framing a CSR Policy. With this, your Company will discharge its Corporate Social Responsibility in a more structured way.

##### **Internal Controls :**

Your Company's internal control procedure and system is in commensurate with its size and nature of operations. The internal procedure ensures compliance with various policies, practices and statutes in keeping with Company's pace of growth. Your 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 challenging business conditions, the support from the workforce was positive throughout.

##### **Cautionary Statement :**

The Management Discussion and Analysis describing your Company's outlook, projections, expectations and estimates regarding future performance are based on current economic scenario. The Management believes to the best of its knowledge at the time of preparation of this report, that this scenario would be as per its expectation. 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 EDUCATION LIMITED**  
(Formerly NAVNEET PUBLICATIONS (INDIA) LIMITED)

### (1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's policy on Corporate Governance is based on the principles of full disclosure, fairness, transparency and accountability in the various activities of the Company. Good corporate governance helps enhancement of long term shareholder value and interest of other stakeholders. The Board of Directors of the Company is committed to adherence of the corporate governance code and its constant review to maintain a greater degree of responsibility and accountability.

### (2) BOARD OF DIRECTORS

#### 2.1 Composition

The Board of Directors comprises of twelve Directors. Since the Company has a Non Executive Chairman, the Board meets the stipulated requirement of at least 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 2013-2014		Salary (₹)	Other Benefits (₹)	Contri. to PF (₹)	Sitting Fee (₹)	Total Remuneration (₹)	Last AGM attended
			Held	Attended						
1.	*Shri S. K. Vikamsey	ID	5	1	-	-	-	15,000	15,000	NA
2.	*Shri A. R. Gala	PD	5	1	5,14,000	14,30,633	61,680	-	20,06,313	NA
3.	*Shri J. K. Sampat	PD	5	1	5,14,000	14,30,633	61,680	-	20,06,313	NA
4.	*Shri D. R. Gala	PD	5	1	5,14,000	14,30,633	61,680	-	20,06,313	NA
5.	*Shri H. R. Gala	PD	5	1	5,14,000	14,30,633	61,680	-	20,06,313	NA
6.	*Shri S. R. Gala	PD	5	1	5,14,000	14,30,633	61,680	-	20,06,313	NA
7.	*Shri J. L. Gala	PD	5	1	5,14,000	14,30,633	6,1680	-	20,06,313	NA
8.	#Shri G. D. Gala	ED	5	4	25,10,000	16,78,392	3,01,200	-	44,89,592	Yes
9.	#Shri R. H. Gala	ED	5	3	25,10,000	16,78,392	3,01,200	-	44,89,592	Yes
10.	#Shri B. A. Gala	ED	5	4	25,10,000	16,78,392	3,01,200	-	44,89,592	Yes
11.	#Shri A. D. Gala	ED	5	4	25,10,000	16,78,392	3,01,200	-	44,89,592	Yes
12.	#Shri S. J. Gala	ED	5	4	23,30,000	15,57,313	2,79,600	-	41,66,913	Yes
13.	#Shri Atul J. Shethia	ED	5	4	11,00,000	13,14,250	1,32,000	-	25,46,250	Yes
14.	Shri K. S. Vikamsey	ID	5	4	-	-	-	45,000	45,000	Yes
15.	Shri L. D. Shah	ID	5	4	-	-	-	80,000	80,000	Yes
16.	^Dr. R. Varadarajan	ID	5	-	-	-	-	-	-	No
17.	Shri Tushar K. Jani	ID	5	3	-	-	-	55,000	55,000	Yes
18.	#Shri Mohinder Pal Bansal	ID	5	2	-	-	-	40,000	40,000	No
19.	#Shri Nilesh S. Vikamsey	ID	5	1	-	-	-	10,000	10,000	Yes
20.	\$Dr. Vijay B. Joshi	ID	5	1	-	-	-	10,000	10,000	NA

\* upto May, 2013, # from June, 2013, ^ upto October, 2013, \$ from October, 2013

PD - Promoter Director, ED - Executive Director, ID - Independent Director



## Corporate Governance Report

**NAVNEET EDUCATION LIMITED**  
(Formerly NAVNEET PUBLICATIONS (INDIA) LIMITED)

### 2.3 Directorships in Other Public Limited Companies of the Directors as at 31st March, 2014 :

Sr. No.	Name of the Director	No. of Directorships*	No. of Committee Positions Held**	No. of Committees Chaired**
1	Shri Kamlesh S. Vikamsey	14	5	1
2	Shri Gnanesh D. Gala	2	-	1
3	Shri Raju H. Gala	1	-	-
4	Shri Bipin A. Gala	-	-	-
5	Shri Anil D. Gala	1	-	-
6	Shri Shailendra J. Gala	-	-	-
7	Shri Atul J. Shethia	-	-	-
8	Shri Mohinder Pal Bansal	3	2	-
9	Shri Nilesh S. Vikamsey	6	3	4
10	Shri Liladhar D. Shah	-	-	-
11	Shri Tushar K. Jani	1	-	-
12	Dr.Vijay B. Joshi	-	-	-

\*The directorship held by Directors as mentioned above includes private limited companies which are subsidiaries of public companies and do not include directorships held in foreign companies, Section 25 companies and private limited companies.

\*\*Committee of Directors includes Audit Committee & Investors' (shareholders') Grievance Committee.

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

There were five Board Meetings held during 2013-2014 and gap between two Board Meetings did not exceed four months. The dates of the Board Meetings are as under:

- (1) 30th May, 2013      (2) 6th August, 2013      (3) 31st October, 2013  
(4) 25th November, 2013      (5) 5th February, 2014

### (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](http://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, 2014.

**Gnanesh D. Gala**  
Managing Director

### (4) AUDIT COMMITTEE

#### 4.1 Composition

The Audit Committee was reconstituted during the year and comprises of Shri Mohinder Pal Bansal, Shri Tushar K. Jani, Shri Liladhar D. Shah and Shri Nilesh S. Vikamsey. The Chairman of the Audit Committee is an Independent Director.

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 30th May, 2013, 6th August, 2013, 31st October, 2013 and 5th February, 2014.

The number of Audit Committee meetings held and attendance during 2013-2014 are as under:

Name of Director	No. of Meetings Held	No. of Meetings Attended
*Shri Kamlesh S. Vikamsey	4	1
*Shri Shivji K. Vikamsey	4	1
#Shri Mohinder Pal Bansal	4	2
#Shri Tushar K. Jani	4	2
Shri Liladhar D. Shah	4	4
**Shri Nilesh S. Vikamsey	4	-

\*upto May, 2013, # wef June, 2013, \*\* wef October, 2013

Due to personal reasons, the Chairman of the Audit Committee could not remain present at the last Annual General Meeting held on 6th August, 2013. Shri Tushar K. Jani, Alternate Chairman of Audit Committee was present at the last Annual General Meeting held on 6th August, 2013.

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

## Corporate Governance Report

### NAVNEET EDUCATION LIMITED

(Formerly 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, right issue, preferential issue etc.) the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation proceeds of a public or right issue, and making appropriate recommendation 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 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 discussing 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.