



Speech by The Chairman, Shri K.L. Chugh At the 15th Annual General Meeting on October 27, 2010

Ladies and Gentlemen,

It is my pleasure to welcome you to the 15th Annual General Meeting of your company. It has been a year since we all gathered here and you will remember the pain with which I had to convey your Boards decision to skip the dividend, first time since inception of your company. I am happy the difficult days are behind us and that your company is back with dividend.

What should inspire us all is that, amidst the gloom of the global economy India has done remarkably well with our Prime Minister, Dr. Manmohan Singh providing a stellar leadership in leading the pace of recovery.

The Support from you and the efforts put in by your company's people have shown positive results to turn around your company from the economic & operational doldrums that had hit us. Today,

I want to talk to you about four specific things:

- First, how the world is evolving & how India will move forward in the new economy,
- Second, the impact of the new economy on our Industrial sector,
- Third, how your company and its people are gearing up to meet the new future and
- Fourth and finally, the business results of the year just completed.

Global economy stabilizing

Globally, in the year gone by, the recovery has evolved better than expected. Re-balancing growth has been the buzz word. Governments around the world took stiffer key Policy actions for making the financial systems safer, strengthening the infrastructure and combating unemployment to Buoy and sustain growth and eliminate the risk of a second great Depression. Today, financial instability has eased, low interest rates in major emerging economies have triggered a welcome resurgence of capital flows, and there is a sense of stability returning back.

Indian Economy on a strong footing

Ladies & Gentlemen, closer to home, first Asia and then India surpassed and up-turned all predictions of a woeful economy. Driven by domestic consumption India's economy was the first one to bounce back and show solid growth. According to the estimates by the Ministry of Statistics and Programme Implementation, the Indian economy has registered a growth of 7.4 percent in 2009-10 as against 6.7 percent in the last year. The growth is driven by robust performance of the manufacturing sector that witnessed a growth of 19.4 percent as compared to April 2009, increase in consumer spending and Exports.

Ladies & Gentlemen, permit me to share with you how India will look by the year 2020. India will be the third largest economy after China and US. We shall be a global leader in the services sector and manufacturing of high precision products. The coastline of India shall be dotted by ports and infrastructure of global standards. India shall lead in the global trade with both import and exports at ten times today's level. The best of the best global brands and companies shall be present and operating out of Indian cities.

Ladies & Gentlemen by 2020 India will break

through the third Trillion dollar barrier on its economic front. India will move away from an economy of Consumption to an Economy driven by Consumers and Consumer wants. According to the Economist Intelligence Unit (EIU), the research arm of London-based Economist magazine, India may even overtake China to become the world's fastest growing economy. If India keeps growing as fast as it is now, it will change the world. Optimists predict that it will be the next China, only friendlier and more democratic. India Ladies & Gentlemen, will size in economy to be a subcontinent better and more powerful than Europe and its economy.

The Indian Logistics Industry – Evolution

When India and its economy becomes a global leader the impact will change the entire industrial landscape and Indian Logistics industry will be totally reshaped. The Indian Logistics industry will be the fastest growing industry with a CAGR of 15% and more.

Indian Logistics is today, one of the fastest growing industries with a growth of 20-25% per year. The Logistics industry will evolve over the years and will see a dramatic face over by 2020.

Customers shall demand a 'single point of contact' for all logistics services and will look for 'one-stop logistics window.' Customers will be more focused on their own core competencies unable to cope with complexities across their supply chain. The new Mantra will be 'Visibility and Mobility'. Solutions will become the buzz word of the industry. You will see massive infrastructure complexes built at global standards. It will be a forefront to all Logistic Solutions, Supply Chain professionals shall come from some of the world's best universities. Our road and rail transport shall mimic or even better those we see in the best of the countries overseas. The many ports of India shall be connected by a hybrid network to the hinterland and inventory shall be on the move on wheels.

Gati all set to ride the new wave

Ladies & Gentlemen, allow me to visualize your company of the future. Moving from Good to Great requires both a visionary approach and financial astuteness. Over the years, Gati has always taken several initiatives to transform itself from just a mere logistics and distribution company to becoming an integrated Supply Chain Solutions provider to its customers in India. In line with how both our Industry and our customers are changing and demanding a new approach, your Company, launched RedSun – a new division, offering complete supply chain solutions. The colour of red in the Sun signifies the dawn – RedSun is the dawn of new Gati. RedSun will be a company high on knowledge assets and lean on physical assets. It will be the "Youth" of Gati, and will be staffed with a new breed of young professionals armed with the relevant supply chain knowledge and experience. RedSun will offer Temperature sensitive services, Reengineering services, Managed services, Value added distribution and SME logistics support. Ladies and Gentlemen, RedSun will be a 1000 Crs. company hopefully in just five years.

With consumers now becoming more aware of health and quality issues, and having the purchasing power to experience and experiment, one of the emerging growth areas within the Logistics business has been the Cold Chain. As you know, your company had invested strategically in the purchase of Kausar, a Cold Chain company. We now have not only turned around Kausar and its service offerings, but by now making it a part of the RedSun division, we have commenced offering Supply Chain Solutions in this key vertical. Our vision is to make RedSun Kausar an authority in cold chain logistic solutions for healthcare, pharmaceutical, frozen foods, dairy products and many more. Our plans

for Kausar include setting up Cold Storages, expanding the fleet to over 300 in the next 3 years, moving from a model of Asset owned to asset owned by HNI's and providing solutions in Product Life Cycle Management for the food industry.

Your company has the best and the widest Distribution reach in the entire country. This uniqueness has allowed us to help new companies and their emerging products to be distributed successfully across the country. Today, one of the biggest opportunity is the Internet and the Mobile Platform. Ease and comfort is the key to every shopper's needs. Home shopping has become a fad due to the advent of the Television shopping channels. This meant that your Company should quickly develop the new network capability to enhance our reach to consumer homes. As well, we need to take our brand further up the value chain towards being a Consumer brand.

Hence, moving on from customers to consumers, your company has for the first time ventured into web services with the launch of its brand new online portal makemygiftz.com. The Online web service is a unique consumer offering, the first of its kind in India where a customer can place orders online for any of the selected "Best of India" products and your Company will have it delivered at their doorstep with special, personalized packaging. With these unique products and much more personalized and customized service offerings, we hope to take your Company's recognition to every housewife in India!

In the end, we can change many things, but one thing we need to constantly change and upgrade are our Processes, our People skill levels and the ability to have a closer rapport with our customers. Your Company is changing. Your company has embarked on a path breaking internal CHANGE initiative – 'Go-To Market' (GTM). 'Go-To Market' is an internal drive that will orient the team towards being more customer centric and rise up the value Chain. The new GTM Strategy will set industry benchmarks in customer service and will help differentiate Gati from its competition. It will lay emphasis on people, process, product and technology thus creating Value for you our shareholders and for its customers.

Ladies & Gentlemen, your Company's tomorrow is all about:

- Building a powerful Global Logistics Brand
- A Consumer Oriented Logistics Company
- A Company high on knowledge and lean on assets
- A youthful Company
- A Living Company for the continuous future of its employees, shareholders and partners

Business Overview

And finally, Ladies & Gentlemen, let me come to the core matter. Your company has turned around. Your company has achieved a turnover of Rs. 744.72 crores as against Rs. 618.08 crores in the previous year, resulting in an overall growth of 19% over the previous year.

Ladies & Gentlemen, today, it gives me immense pleasure to announce that your Directors have recommended a 20% dividend during the year under review.

However, the year 2009-10 has been a tough year for the Shipping business. The economic turbulence had a major impact and the shipping Business continued to battle with numerous challenges and operational issues. There was a marginal de-growth in the shipping business. The Board of Directors reviewed both the strategic and operational plans of the shipping division and it's fit to the core business.

Your Directors had to take a tough call with

a view on what is our core strength and what we need to do to achieve our vision. Ladies & Gentlemen, your Directors have recommended a suitable restructuring for the shipping division. This decision allows us to bring in external expertise and investments, reduce our shareholding there and allow it to grow with a much more focused team and efforts that are necessary to make this subsidiary a profitable one. I am confident, with this decision and the new strategies developed, your company will become a very strong and profitable company and a true market leader in its sector.

Way forward

Heading towards strengthening our leadership position in the market, your company will be a true global company by year 2020.

Your company is focused on becoming a 'consumer company' by anticipating and responding to the needs of current and future customers. With changing consumer demand and expectations of innovative logistic solutions, Gati is changing to re-align its self to the market needs. This demands Gati to move from B2B to B2C, translate consumer needs into competitive advantage, using fast cycle time and a generation of breakthrough products and services. Gati over the years would like to focus on building sustained relationships, with its industrial customers and Indian consumers. The new launch of RedSun will make Gati a solutions and knowledge company, on the foundations of the existing business.

The future strategies are focused on improving retail presence, introducing differential pricing, creating cold chain warehouses, strengthening parcel trains, enhancing global players, e-commerce and providing a comprehensive world class suite of supply chain solutions.

Your company will strengthen the infrastructure in APAC to enhance our market share and is also looking at taking our own operating license in China to give a fresh impetus to the business and the flexibility to deal with the Airlines and shipping lines directly while maintaining a healthier operating margin.

We will continue the drive to create a diverse and inclusive workplace and attract the best talents, thereby making Gati a 'Living' organization and a global force to reckon with.

Any finally your Company will work towards being a corporate social and responsible citizen.

Acknowledgment

On behalf of the board, I would like to begin with thanking the employees who have been our biggest assets, our shareholders who have always had the trust in Gati, our customers who have continued to support us, our business partners and our channel partners who believe in our philosophy and work closely towards growing our business as well as theirs and of course we cannot forget our investors and bankers who value Gati as a trusted brand.

Above all I must acknowledge my in-depth gratitude to the government of Andhra Pradesh and the government of India for supporting this vital industry and giving us the opportunity to be the voice of the industry in many fora and major governmental decision making structure, we hope to see the continued support of the government in years to come. On behalf of the Board of Directors I thank you once again, highly appreciate your presence at the AGM and your faith in the company, and look forward to your support in the years to come.

A Very Happy Diwali.