

Chairman's statement



The Chairman, Mr. K.L. Chugh's statement at the 12th Annual General Meeting held on 13th October, 2007 at Taj Residency, Hyderabad.

It gives me great pleasure to welcome you to the 12th Annual General Meeting of Your Company.

I am happy to report that 2006 - 2007 has been an year of great significance, when many strategic moves were made by Your Company that will deliver results in the coming years. This year saw Your Company taking ambitious leaps in introducing new services, acquiring new business and rolling out a growth plan across the Asia Pacific Region. The springboards of growth put in place this year will help Your Company continue to dominate the market and retain its leadership position in the Express Distribution and Supply Chain Solutions segment.

Indian Economy in 2005-06

Maintaining its status as the second fastest growing economy and overcoming the high energy price regime, the Indian economy put out an impressive GDP growth rate of 8.4 per cent in the financial year ended March 2006. This growth came about on top of 7.5 percent in 2004 - 05 and 8.5 per cent in 2003 - 04. Manufacturing sector at 9% and Services sector at 10% stood out as the best performing areas of the economy. However, Agriculture, the lifeline of the 650 million farmers, remained an area of concern with tardy growth of 3.9 per cent. Continuing dependence on the monsoons and slow investment in Agriculture are the reasons for this sloppy performance. Acute shortage of power remains another area of major concern that could thwart achieving the envisioned 10% growth. Fortunately both these critical areas, in particular, have started receiving attention from the Prime Minister himself.

Company Performance 2006-07

The Indian economy today, is over a trillion US Dollars economy and is growing. It grew by 9.1% in 2006 - 2007. Ranked as Asia's third largest and the world's second fastest growing economy, analysts and officials expect the economic growth to stabilise at 8.5% in 2007-2008. Agriculture, which is the livelihood provider of nearly 650 million farmers grew only by 2.7% registering a fall in share of GDP to 18.8% from 20.2 %. In contrast the Industrial sector has maintained its share of GDP at around 19.5%, growing at an impressive 10.9%, from 9.6%, the Previous Year. The Services Sector has further increased its share of GDP to 61.9% from 60.9% in 2005 - 2006, growing at an aggressive 11% from 9.8% in 2005 - 2006. Whereas Agriculture remains a challenge to policy makers, manufacturing is settling down to become a big contributor to jobs and growth. During the year our Forex reserves touched US \$ 200 billion and our exports crossed over US \$ 90 billion mark.

Infrastructure development is one of the key areas that will reflect unprecedented growth. Keeping in view the economic growth of the country, the government has increased the outlay of infrastructure development from 3% to around 8%. The large multi product SEZs are being seen as the growth engines of the Indian economy, providing world class infrastructure and investment opportunities because of which the manufacturing output of India is expected to grow at 14% annually from US\$ 300 billion in 2005 to US\$ 1100 billion by 2015.

From being recognized as the IT superpower, KPO and BPO leaders of the world, India today is also the global centre for small cars and automotive components. In the communications sector, India has the second largest mobile phone user base, with over 200 million users at a conservative estimate and is growing. The Indian market is bullish and rightfully so, as a lot more is happening in the economy driven by dynamic entrepreneurs and a Young India is ready to take on the world!

COMPANY'S PERFORMANCE - 2006 - 2007

Your Company, during the year, made clear strategic moves to participate in this economic growth. Your Company has achieved a turnover of Rs. 461 crore, as against Rs. 376 crore in the previous year, registering a growth of over 22%.

The Net Profit after Tax has grown to Rs.23.36 crore as against Rs.19.55 crore in the previous year, registering a growth of over 19%.

Your Company's core businesses have shown substantial growth to meet the evolving needs of the customer, which have resulted in consolidation of services and in the development of infrastructure, thus propelling Gati to the forefront in its business segment.

LOGISTICS - THE FUTURE

The Indian logistics industry is at an inflection point and is expected to reach a market size of over US \$ 125 billion by 2010. Strong growth enablers exist in the form of over US \$300 billion infrastructure investments, phased introduction of VAT, development of organised retail, Agrifood processing industries, and rapidly growing international trade. Foreign investment inflows in several industry sectors will further lead to increased opportunities for 3PL providers. The Indian logistics market is dominated by surface transport. Out of the total volume of 2,801.3 million tonnes of cargo moved last year, road handled 1,560 million tonnes, rail 667 million tonnes, seaports handled 573 million tonnes and airports 1.3 million tonnes.

MECHANTRONIC WAREHOUSING

High technology warehousing provides a great strategic advantage and is core to Your Company's growth strategy. In pursuit thereof, in June 2007, Your Company has opened a Mega Mechantronic Express Distribution Centre in Bangalore, besides 8 more Mechantronic Express Distribution Centres all around the Country, in Ambala, Jaipur, Coimbatore, Kolkata, Guwahati, Panvel, Pune and Indore.

Your Company is in the process of setting up additional warehousing facilities in the current Financial Year in the North, East, Central, West and South Zones of India as Value Added Tax (VAT) is expected to further accelerate outsourcing of warehousing and distribution business.

ENTERING THE COLD CHAIN BUSINESS

The Food Processing industry has been accorded priority status by the government, and warehousing and movement of perishables across the country has emerged as one of the big opportunities for the logistics industry.

Today, there are over 300 million consumers of processed and packaged food in the country and another 200 million are likely to be added by 2010. This will provide an exponential growth to the food retail segment.

Recognizing the emerging need, Your Company acquired Kausar India Limited, which has been

in the business of transportation of perishable goods for the last 25 years. Currently, Kausar India Ltd has the largest Refrigerated Trucking capacity in India.

WRAPPING INDIA - FREIGHTERS

The Airfreight Market is a high value niche business and the demand for this is growing steadily. Currently, in India, only Blue Dart and First Flight courier have their own freighter operations. Your Company has entered this segment by partnering with Air India for running 5 Cargo Freighters on various routes, thus further enhancing its multi modal connectivity to truly deliver seamless distribution solutions connecting businesses along the length and the breadth of the country, and India to the rest of the world.

AI - GATI ZIPP

The courier segment is a premium and fast growing segment in the logistics market in India. Leveraging the strength of its delivery network and superior service quality, Your Company is re-launching its courier product partnering with Air India as - AI GATI ZIPP with an all new identity and positioning.

RETAIL LOGISTICS - CAFÉ DELIVER

To tap the growing retail segment in logistics which includes clusters of small businesses, niche businesses, small scale industries, SMEs, entrepreneurs, professionals, and individuals, Your Company has launched Café Deliver, a retail logistics store in Hyderabad, Pune and Kolkatta. This store will serve as a pick up and delivery point, offering the customers the entire portfolio of services and a host of business center facilities. Besides enhancing brand visibility, these outlets will also provide convenience and accessibility to a host of services. Your Company also plans to launch more such outlets in the next year across the country.

CONNECTING CHINA

Reinforcing its leadership as the most preferred India Centric Distribution Solutions Provider, Your Company signed a Memorandum of Understanding (MOU) with China Railway Express International Logistics Company (CREIL) for rail and road cargo package delivery and to develop freight forwarding, ocean freight, courier and logistics services in the India-China trade lane. This will provide importers and exporters a unique opportunity for end to end connectivity in both the countries and for Your Company, a growth strategy, in the two fastest growing economies.

AHEAD IN TECHNOLOGY

Your Company has leveraged technology and introduced various important solutions like the state-of-the-art data center which ensures zero data loss and storage virtualisation. In order to speed up decision making and data analysis, an Oracle based Business Intelligence and Data Warehouse project has been initiated and is ready to go live. Given the increase in the load and network traffic, an alternate backup data link to the Head Office Data Centre using RF technology has been provided.

AHEAD IN QUALITY AND CUSTOMER SERVICE

In the emerging competitive environment in India, Quality improvement aligned in line with the business objectives would be a key growth driver. During the year Your Company, after an external audit by the certifying authority NQAQSR, has been recommended for continuation of the ISO 9001:2000 certification. This will help Your Company immensely in the growth of its business.

Reinforcing its commitment to high standards of quality Your Company conducts Internal Audits, ISO Training and Awareness programs regularly, to ensure that Your Company continues to improve and enhance the quality of service delivery across its portfolio of services.

PEOPLE POWER

Recognizing the talent crunch faced by the industry, Your Company has taken the initiative to not only develop Gati'ites through many career oriented development programs, but has also taken the initiative to develop the future workforce by tying up with the Asian School of Business Management, Bhubaneswar for a Post Graduate Diploma in Logistics and SCM. Consistent with the changing People Environment, Your Company has introduced New HR policies. Guided by scientific and emotional Employee Surveys data, an action plan has been implemented to retain Gati's position as a preferred employer of the best talent. The HR initiatives will further raise employee morale and reflect in a more growth oriented organisational environment.

BRAND GATI - AHEAD IN REACH

Gati embarked on a Brand Makeover last year, the objective being to recognise the customer as the nucleus of our business. All our energies and resources were pooled together towards achieving this one supreme goal. There was a substantial investment that went into this exercise and Gati'ites were trained to imbibe and deliver the Brand Values.

Every Gati'ite today owns the responsibility of providing the highest level of customer service. Our brand values speak of elegant customisation and sensitive streamlining of our resources to provide a premium value to the customer. We have adopted the domino discipline which calls for precision, excellence and interconnectivity.

Our Brand Promise - "Ahead in Reach" drives us to realign our business processes, practices and infrastructure to deliver multi modal connectivity and seamless distribution solutions across all our markets.

The customer centric attitude and commitment drives us to enhance our service levels and to strive to deliver the best value to the customer.

As a consequence of this branding exercise we strive to deliver cost effective business solutions, futuristic distribution solutions and have raised the standard of efficiency levels, which has impacted service levels effectively to ultimately deliver the best value to the customer. We continually seek excellence across our operations and this will help us harness the exciting opportunities unfolding in the Indian and Global markets.

CORPORATE SOCIAL RESPONSIBILITY

Your Company supports two Government High Schools in Hyderabad and Nagapattinam. The schools cater to over 2000 young children. Gati'ites participate very actively in the school activities.

A Community Health Clinic is run by the company in Hyderabad to provide affordable health care screenings to truck drivers, other affiliated transport workers and their families. This is an initiative undertaken to safeguard the healthcare needs of this high risk group.

RECOGNITIONS

On behalf of all of you and the Board of your Company, it gives me great pleasure to compliment the Management, on Your Company being recognized, once again, as one of the Superbrands in the Logistics Category in India.

It also is a matter of great pride that Your Company was nominated for the NDTV Leadership Awards and was also recognised for its Best Practices in HR by Amity International Business School.

THE FUTURE OUTLOOK

Your Company continues to be driven by its vision of becoming the leader in Asia Pacific and a globally preferred provider of India-centric supply chain services and solutions. Your Company's future strategies are, therefore, focused on development of both domestic and international businesses.

Your Company has identified Nagpur as the central location from where all its core activities will be coordinated. The hub and spoke model will be adopted and Nagpur will have a Central Distribution Centre serving as a central hub for both its surface express and air express operations. With this centre getting operational the service levels across all locations will witness a remarkable enhancement, which will result in a higher level of customer satisfaction and consequent profitable growth

THANKS

May I, on behalf of all of you and the Board, compliment Team Gati, so ably lead by the dynamic Managing Director for their commendable performance during the year.

May I also, on behalf of all of us on the Board, thank you, our shareholders, our valued customers, banks and government authorities for your unstinting support, for helping us embark on an ambitious journey of growth and exciting times ahead!

Thank you