

## Chairman's statement



Statement by the Chairman, Mr. K.L. Chugh at the 13<sup>th</sup> Annual General Meeting held on 22<sup>nd</sup> October, 2008 at Taj Krishna, Hyderabad.

### OPPORTUNITY IN ADVERSITY

Ladies and Gentlemen,

It gives me immense pleasure to welcome you to the 13th Annual General Meeting of Your Company.

We are meeting, today under most adverse circumstances, when the Global Economy has been hit by an unprecedented Financial Crisis - a "Tsunami", engulfing all nations, all people, breaking all boundaries, all borders. There is no 'Case Study' of such a happening, no experience to fall back on, and consequently, it is time to be wise, innovative & fast. When catastrophes of this nature & magnitude strike any system / order, they tend to throw up New Leaders. It could therefore also be an opportunity in adversity.

With the current global crisis sweeping all over us, we have tough times ahead. We have no choice but face it and meet the challenges of tomorrow like a leader would do. Remember **"when the going gets tough, the tough get going"**. Out of box thinking, meticulous and resourceful planning, optimisation of resources and adoption of austere measures to cut costs would surely make us even more competitive and help us tide over these turbulent times and remain secure and steady creating value for our shareholders.

We will have to strengthen our market standing, our brand positioning, build on our core competencies and continue to enjoy the loyalty of our customers, which will result in a steady growth and value creation.

### THE GLOBAL ECONOMIC CRISIS

The reverberations of the sub-prime crippling economic crisis in the United States has been felt across economies the world over, hitting them badly. The IMF has reported that the worst financial trauma since the Great Depression would exact a heavy economic toll as investors wrestle with a crisis of confidence and a liquidity crunch. The world's governments are currently finding it increasingly complex and difficult to tackle this grave financial crisis. Confidence is short in markets world over. The good news, however, is that the World Leaders are recognizing, regrettably after some serious damage has already been inflicted, that being part of the one Global World, their economies are all interlinked and inter-dependent, not decoupled like some of them thought till recently, and consequently are joining hands to work out one agreed Global Response. There is hope, ahead.

Our country too, is not immune to this global crisis. India's industrial output grew at its slowest pace in nearly 10 years where production rose a mere 1.3 percent in August from a year earlier, well below a forecast of 6.1 percent. Given this present situation combined with the liquidity crunch, the IMF has predicted that India's growth will slow to 6.9 percent in 2009. As the stock

market continues to decline under the pressure of global meltdown the RBI has cut the CRR by two and a half percent (to 6.5%) to infuse Rs 1,00,000 crore in the market to ease liquidity, and even that is proving ineffective.

However, there is good news on the inflation front. Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission has stated that inflation has softened and was confident that it would come down to high single-digits in a couple of months.

RBI has announced a cut in the repo rate by 1% to bring it to 8% so as to increase liquidity and encourage banks to reduce lending rates. Prime Minister, Manmohan Singh said on Monday, "The financial crisis is likely to have an indirect impact on the Indian economy. We must be prepared for a temporary slowdown in the Indian economy." He also added that the recent steps taken by the government and the central bank would help ease the liquidity shortage.

The World Bank has reported that, though India will witness some slowdown in its economic growth, the country is in a position to weather the global financial turmoil. To quote World Bank President Robert Zoellick, "India has been growing very well. I think you will see some slowdown, but for a number of reasons I hope India will be in a position to weather the storm.."

As per the words of Mr Yashwant Sinha, former FM, "The Indian economy is in deep distress. The global crisis only adds to our woes. But, is it beyond redemption? Far from it. We still have the flexibility, the genius and the wherewithal to turn the tide in our favour, to convert challenge into opportunity."

Even in this adverse circumstance, we at Gati must realize our potential and recognize the historic opportunity before us. And for this to happen we must take responsibility and build a platform of efficiency and effectiveness using money wisely, assuring cash flow and liquidity, to emerge as a world-class organization.

Most Experts believe these dark clouds will pass over in 2 / 3 years, may be 3 / 4 years. A brave analyst just the other day, predicted GDP growth rate crossing, double digits once again and the Sensex crossing the previous best of 21,000.

### **THE LOGISTICS SECTOR**

Whereas the industry has over the past few years predicted growth to over \$125 billion from the current \$90 billion, the next 2-3 years could see sluggish growth.

However, on the account of the current problems, even more companies will outsource their logistics portfolio, doing what they can do best and leaving to specialist logistics operators, like your company, to do what we can do best. This would mean growth of logistics business for your company, not so much on account of GDP growth, but more on account of the companies focusing on their respective strengths, improving economic efficiency.

### **COMPANY'S PERFORMANCE 2007-2008**

Your company has done well during the year 2007-2008. During the year, your company achieved a turnover of Rs 576 crore as against Rs 461 crore in the previous year, showing a

growth of 24.83 percent and Net Profit after Tax of Rs. 23.78 crore as against Rs. 23.36 crore in the previous year. Your board has recommended a dividend of 40%, same as last year, absorbing Rs 7.92 crore on 8.46 crore Equity Shares of Rs.2/- each as against Rs. 6.77 crore on 7.23 crore Equity Shares of Rs.2/- each last year.

Like most companies during the year, your Company was exposed to foreign exchange rate volatility, which has had an impact on our business. Your company is developing its own expertise and is also using external expertise to mitigate the risk.

Your Company has acquired Kausar India Limited, which has the largest fleet of refrigerated trucks in India. The Company has made operational profit and added 35 bigger vehicles during the year. Your company has put in place a competitive strategy to market this service.

### **GATI-AI ALLIANCE**

Your company has forged an alliance with Air India to launch its air cargo and courier service in the Indian market. Your company had inducted a fleet of dedicated air cargo freighters in alliance with Air India last year. The alliance will combine Gati's massive distribution network on the ground and that of Air India's in the air.

### **GATI EUROPE EXPRESS**

During the year, your company has entered into a strategic sales alliance with General Logistics Systems (GLS), one of the three largest parcel service providers in Europe present across 36 European countries. GLS's infrastructure, wide footprint and greater network flexibility across Europe will provide our customers faster access and superior parcel services to the continent.

EU is India's largest economic partner with trade doubling from 40.81 bn dollars in 2003 to 78.48 bn dollars in 2007. With the launch of Gati Europe Express, a door-to-door service, Gati now opens up a huge business opportunity to its Indian customers to do business in Europe.

### **EMPOWERING BRAND GATI RETAIL INITIATIVES**

To make Brand Gati a household name and an integral part of every family's life, your company has innovated the concept of 'Delivering Happiness' across the length and breadth of the country. Your company has launched a slew of initiatives like delivering to its customers, exquisite Aphonso mangoes from the farms of Ratnagiri, the authentic delicacy Haleem-e-Khas from Hyderabad, delicious Kinnaur apples from Himachal Pradesh, beautiful Rakhis, bonding sisters with brothers across the country and Gati Gangajal- where holy water from the Ganga, packed in copper containers is delivered right at the doorstep.

### **GATI CAFE DELIVER**

To empower our customers to do business with Gati, with joy and convenience and in a business friendly ambience, your company has launched a new and unique concept-GATI CAFE DELIVER-a boutique, smart and stylish, with a host of conveniences like the facility to send e-mail, phone or fax information; all this over a cup of tea. The new format was recently launched in Bangalore and Ahmedabad to an enthusiastic response.

### **CENTRALISED CALL CENTRE AT NAGPUR**

During the year, your company's Centralised Call Centre at Nagpur went 24x7. This will ensure that Gati provides faster, effective and round the clock complaint redressals.

### **GATI COAST TO COAST: POWER AT SEA**

In sync with our expansion plans, we have now acquired Gati Majestic - 10736 DWT with a carrying capacity of 844 Teu on October 6, 2008. We also acquired Gati Prestige- 8161 DWT a cellular container vessel, with a capacity of 495 Teu in Feb 2008. With these acquisitions, your company has a total DWT of 37,000 and a carrying capacity of 2000 Teu and has now extended its reach in the Bay of Bengal and Malacca Straits. The business is growing and doing well.

### **DRIVE GATI**

Your company continues to invest in Human Resources - our invaluable resource, by developing and training Gati'ites to take up challenges and responsibilities.

Among other initiatives, your company has introduced EVA (Economic Value Added) under the project name - DriveGati. EVA is a corporate performance measure that drives management to innovate and outperform itself and captures the true economic profit of the organization. DriveGati will directly reflect on our bottom line by reducing working capital, improving cash flow and optimizing the efficiency of our resources.

### **CORPORATE SOCIAL RESPONSIBILITY**

Strongly rooted in its commitment towards various CSR initiatives, Your company today engages in a number of social awareness and public relief campaigns. When Myanmar was struck by the devastating typhoon, Nargis, our vessel, MV Gati Prestige delivered one lakh water purifying tablets and 20,000 packets of Oral Dehydration Therapy from Chennai to Myanmar. Your company again delivered relief to the victims affected by the Kosi flood in Bihar.

### **RECOGNIZING PERFORMANCE, REWARDING EXCELLENCE**

On behalf of all of you and the Board, it gives me great pleasure to congratulate our Managing Director & CEO Mr. Mahendra Agrawal on being awarded the "Entrepreneur of the Year" by Hyderabad Management Association in its 36th Annual Function.

### **THE FUTURE**

As I said earlier, every adversity presents an opportunity. The fact that your company has taken some meaningful initiatives already, and is determined to regroup, refocus and re-strategise, should see it succeed valiantly and emerge even stronger and resilient to tackle challenges ahead. Our country's economy is built on strong fundamentals and is backed by domestic demand driven by over 1100 million people. No free market economy can boast of such strong fundamentals. Within these circumstances, your company is determined to capitalize on all opportunities that presents itself and be unflinching in its vision of becoming the leader in Asia Pacific and a globally preferred provider of India-centric supply chain services and solutions.

On behalf of all of you and the Board, I would like to compliment Mr. Mahendra Agarwal, the Managing Director & CEO of Gati and his team for their commitment in driving Gati to scale

even greater heights and attain success in these turbulent times.

On behalf of all of us on the Board, I thank you, our shareholders, our valued customers, banks and government authorities for your continued support, trust and confidence.

Thank you, Ladies and Gentlemen.

*Note :These excerpts are from the Chairman's statement at the 13th Annual General Meeting dated 22nd October 2008,and they do not purport to be a record of the proceedings of the Annual General Meeting*