

TRANSFORMING
BUSINESS





OUR QUALITY POLICY

*We are committed to provide
on-time, intact and
value-added services in a
cost-effective manner fulfilling
customers' expectations
through continual
improvement.*





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The year that was...

The year 2003-04 was a significant year for the Indian economy, which showed an impressive growth rate of 8%. Riding on rapid advances in the communications sector, the current year holds out promise of similar magnitude. Being a well-diversified logistics provider with an intricate countrywide network, Gati stands to gain considerably from the emerging scenario by continually re-engineering its business processes in tune with the changing external environment.

The company has taken a series of wide-ranging initiatives to benefit from the manifold opportunities that are unfolding before it:

- As a part of this exercise, *Gati@web*, a web-enabled customised ERP software, was launched in July 2003. It connects 267 offices across the country through leased lines / VSATs. Implementing it successfully across all the company locations within a year was a difficult, but thoroughly satisfying step forward. Every Gati'ite can now feel proud of this comprehensive connectivity, which has transformed the very paradigm of the logistics business, offering focused customer-centric solutions.
- Gati has formed a core 'Engineering Solutions' team to re-engineer its warehousing and operational networks, by working continuously on ergonomics, office automation, work / process flow and manpower rationalisation. The company is also implementing a software that will provide a 'single invoice, multiple dockets' tracking facility to its regular clients.
- As the logistics business essentially runs on a high level of motivation amongst the employees, Gati launched a series of innovative HR-development initiatives during the year. The performance appraisal system has been revamped, which has rendered the entire system thoroughly transparent and objective. There is ample provision for identifying and rewarding good performers, as well as for helping the weaker links to improve themselves through friendly HR development programmes.

gati@web

on-line system across the world

HRD

Bringing out the best in Gati'ites

Risk Management Group

Balancing opportunities and challenges





The year that was...

- As a value-added facility to the consignor, Gati undertakes to collect the value of the delivered goods from the consignee. To facilitate faster transaction, Gati gives advance intimation to the consignee, of the amount payable. Through this special service, Gati has woven a web of effective transactions between business enterprises that don't need to know each other's credentials. Gati has thus earned the



confidence of both the consignor and the consignee as their 'business partner'. This has significantly enhanced commercial activity all over the country, and greatly enhanced Gati's operational network.

- To enhance its brand visibility, Gati has also been providing several below-the-line services, such as running special shuttles like the 'Kanchi Express' from 'Silk City' Kanchipuram to 'Silicon City' Bangalore, with Gati vehicles entirely dedicated to the silk merchants.
- Ever on the lookout for innovative ideas to delight its customers' customers, Gati provides a special service of packing and delivering 'Ratnagiri Alphonso' mangoes on behalf of customers like Dr. Reddy's Laboratories and the Bayer Group. In another exclusive tie-up with HDFC Bank, Gati offers special rates to the Bank's credit card holders.



- With a view to understanding and serving its customers more effectively, Gati organised special 'customer meets' at Delhi and Mumbai, at which the company's Chairman and Managing Director actively interacted with the customers and noted their specific requirements. A fun-filled kite festival was held at Ahmedabad, which enabled a free and informal interaction with the customers. Roadshows were also held in Mumbai, to highlight the special user-friendly features of the company's IT-enabled, automated customer services.

- Gati's international business operations have been thoroughly revamped. A new 'Gati International' team is now in place to handle international business with a new focus. In association with local logistics agents, new



nodal centres have been launched in Singapore, Hong Kong, China and Taiwan.

- Gati's coast-to-coast operations cover maritime operations, as well as several SAARC and some South-East Asian countries. Operations in the Port Blair sector were particularly impressive during the year.
- A new product, *Worldwide Saver*, has recently been launched by the company, to handle bulk-mailing requirements of customers to international addresses.



Multi-modal service

Road. Air. Rail. Sea.

Gati is the only logistics company in India that employs all four modes of transport to service its customers. It has five rail transit centres, nine air transit centres and 21 surface transit centres across the country, which together cover a vast web of 3.20 lakh kilometres daily, with a fleet of nearly 2000 surface vehicles.

Whatever the circumstances, every Gati vehicle unfailingly sticks to its scheduled routes, posting an incredible 96% record of on-time movement.

Covering



over

3.20 lakh kilometres



daily



What makes Gati stand out?

Adding special value to its services / products is what distinguishes a company from its competition. Gati is the only logistics company in India that gives an 'assured date of delivery' on every consignment, coupled with a unique 'money-back' guarantee (if negligence is attributable to the company)*. This speaks for its commitment to the customers, and for the immense confidence it has in its reach in 580 (out of a total of 590) districts in India, as well as a few SAARC countries.

Gati has a strategic tie-up with Indian Airlines, which offers assured space for the company in its flights.

Gati's unique web-enabled *Warehouse Management System (WMS)* enables it to manage multi-company and multi-location warehouse operations. Its powerful inventory management software enables real-time management of diverse inventory holdings in an organised manner, providing precise and detailed information on every aspect of stock movement.

Under a novel '*Cash on Delivery*' (COD) system, Gati undertakes to deliver a consignment to a consignee, only after collecting cash / cheque from him on behalf of the consignor.

e-POD: This facility enables the consignor to view a scanned image of the 'Proof of Delivery' of his consignment on the company's website www.gati.com, thus relieving him of the suspense-filled wait for a hard copy of the document.

Handling Perfection: Driven by its obsession with quality of delivery, Gati has installed a special machine at Jaipur for packaging fragile goods, including marble statues. Highly resistant to jerks and knocks, the machine ensures intact delivery of even the most delicate goods.

Driven by the company motto '*We deliver anything, anywhere*', no Gati'ite ever says 'No' to any customer, however daunting the demand may be. The guiding principle is to mould Gati's operations in tune with the customer's expectations, rather than be straitjacketed by the company's infrastructural / operational constraints. Which is what has made Gati go the extra mile and add a host of special services to its repertoire.

Endorsement of the reputation that Gati enjoys with its clients is the 'Voice of the Customer' award from Frost and Sullivan, for being the 'Best Logistics Company' in India.

But Gati values no greater pat on its back than to see its customers heave a sigh of delight when they are informed by their ever-reliable logistics partner has once again delivered on time, without counting the costs and odds along the way.

A pioneer all the way

Gati is the first Indian logistics company to:

- Give assured date of delivery in writing.
- Revolutionise cargo business with door delivery and pickup.
- Offer a 'money back' scheme.*
- Cover 580 out of 590 districts in India.
- Offer multi-modal service including land, rail, air and sea.
- Implement IT-based 'track and trace' facility.
- Offer 'e-POD' service.
- Offer 'Cash on Delivery' service.



Customer appreciation...



...Our biggest reward.



Gati@Web: Powered by IT

In keeping with Gati's future-focused approach, *Gati@web* was launched in July 2003. A web-enabled customised ERP software, *Gati@web* connects 267 offices across the country, of which 106 are through terrestrial links (leased lines) and VSATs, and the rest through dial-ups. Given that barely 35% of ERP packages have seen successful implementation in India, the runaway success of *Gati@web* - which took over 2000 man-months to develop - stands clear testimony to the collective will of the organization to stride purposefully into tomorrow.

The migration to a web-enabled scenario was not without its initial hiccups, however, considering that over 5000 employees / associates / franchisees had to be trained in several States, each with its own geographical / infrastructural peculiarities. But the process was gone through with great effort and gusto, and today Gati can proudly call itself the only logistics company in India with such a comprehensive range of IT-enabled services to the customer.

Gati@web comprises three components:

- Gati Enterprise Management System (GEMS)
- Oracle CRM
- Oracle Financials

Gati Enterprise Management System (GEMS)

IT has been the key differentiator in Gati's business, catapulting it to undisputed market leadership status. At any given time, over 700 Gati'ites use GEMS at various locations. All the Operating Units (OUs) are connected to a central server at the Head Office, which enables the tracking of any consignment from anywhere in the country. This on-line connectivity empowers Gati'ites to take informed decisions at every step, all the way from booking to delivery (information enroute, claims, complaints, billing, collection, refunds, UCG notice and auction).

An important value-addition is package-level tracking through bar code scanning at several points along the way. This enables availability of exact stock position at every location, and also eliminates misrouting. Complete docket stock information is maintained in the system, including issuance of dockets to locations, Gati Associates (GAs) and franchisees. The system automatically picks out the next ranked route if the normal route is not usable.



Advance information is available at the Transit Centre (TC) as and when a booking is made. This helps the TC make arrangements for extra vehicles if required, thus optimising utilisation of transportation capacity. GA-wise delivery planning is also enabled at the Delivery ECs. Additional GAs can be arranged in case the expected load is in excess of the normal load at the Delivery ECs and at the final destination location.

Oracle CRM

The software has transformed Gati's customer support function from a reactive mode to a proactive one. A centralised architecture enables all customer calls to be recorded and responded to. A standardised complaint management system for mapping customer complaints has been created, by classifying them into 25 broad categories. By providing for Automatic Call Distribution (ACD) and complaint escalation, Oracle CRM has dramatically improved complaint resolution speed.

e-CRM

Customers are provided with a call-free number (1-600-33-4284) through which they can have their shipment-related queries comprehensively answered. Oracle CRM has greatly empowered call centre agents to effectively handle queries all over the country by making docket tracking details available to the customer, and by skill-based routing of calls pertaining to a particular customer segment to a defined agent group.

Oracle Financials

In conjunction with GEMS, this readymade software generates comprehensive multi-currency, multi-company and multi-period accounting data in respect of all transactions of the company.

Salient features of Gati.com

e-click: Enables customers to know the status of their shipment and get e-proof of delivery on the company's website.

e-intelligence: Gives customers frequent updates about their shipment on their mobile phones.

e-mail: Gives customers updates on their deliveries through e-mail.

e-POD: Enables the consignor to view a scanned image of the 'Proof of Delivery' of his consignment on the company's website www.gati.com, thus relieving him of the suspense-filled wait for a hard copy of the document.





Building the 'People' asset

Recognising that people development is a continuous process, Gati has initiated several path-breaking initiatives towards enhancing its human resources. A new 'performance appraisal system' has been introduced in the company, which incorporates several rating-linked incentives for individuals as well as Operating Units (OUs) and Zones. With the help of a specially made documentary film, details of the new system have been explained to every Gati'ite across the country, showing how a correct appraisal is to be done with objectivity and a scientific approach. Every individual is required to carry out a self-appraisal, which is supplemented with a two-tier appraisal by his / her superiors. All appraisals are finally moderated by a 'Central performance Review Committee' at the Head Office, which significantly reduces the subjective element in appraisals and ensures that every assessee receives the benefit of the maximum possible objectivity.

On the basis of quantifiable performance parameters, individuals are classified as:

- **Innovators:** Those who rapidly drive organisational growth with innovative ideas and action plans.
- **Mobilisers:** Those who implement company processes with vigour and diligence, and aid significantly in its growth.
- **Inhibitors:** Those who lack the motivation to implement company policies and are thereby unable to keep pace with its operations. They are subjected to mid-term reviews and counselling sessions to help them come up to par.

A **Fast Track** scheme has been specially formulated for outstanding performers, whose intrinsic merit and conspicuous achievements are suitably rewarded with rapid career progression and attractive monetary benefits. People with potential for assuming higher responsibilities are given special developmental inputs (leadership / presentation / situation-handling skills and group dynamics) at the company's Development Centres.

Gati Calling is a special employee-referral initiative that encourages every Gati'ite to 'Get a Gati'ite.' Anyone who brings in a good inductee with the mettle to measure up to Gati's standards is progressively rewarded at the time of the latter's recruitment, confirmation and completion of a year's service.

The HR department has played a significant support role in the successful company-wide implementation of the GEMS package which, on account of the high degree of office automation it entailed, had initially engendered feelings of insecurity and rejection in the minds of several Gati'ites. Their fears were allayed with great sensitivity, supplemented by extensive training sessions that equipped the incumbents with newly required skill sets.

e-HR is an exclusive self-help site on the company's Intranet, through which any Gati'ite can have on-line access to his / her pay-slips, perquisites and leave entitlements, as well as an understanding of the company's HR policies and processes.





Balancing Opportunities and Challenges

Being in a constant state of flux, the external environment significantly impacts Gati's risks and control systems. The company's bottom line is constantly under strain, due to ever-increasing competition from both local and foreign players, as well as stakeholders' demand for greater value addition. To identify areas of concern, proactively leverage the benefits of timely market information and enable Gati to stay in control amidst challenges, a Risk Management Group (RMG) has been newly constituted, of which the Internal Audit function is an integral part. Under this system, the process owners do a self-audit in their respective areas and report to the RMG, which in turn is accountable to the Central Audit Committee.

Charged with wide responsibilities, the RMG plays an effective, value-added role as a corporate governor, internal auditor and risk manager by:

- Identifying / implementing suitable tools and mechanisms to ensure adequate internal control in all business operations of the company.
- Benchmarking with best practices and adopting the risk management and governance processes spelt out by the Institute of Internal Auditors Inc (USA).
- Capturing all internal and external risk factors of the company through effective management / functional audits.
- Shifting company focus from 'compliance' to 'service', from 'labour-intensive' to 'technology-leveraged', and from 'accounting controls' to 'business processes'.
- Identifying areas for improvement in service / domestic / shared services to enhance overall operational effectiveness and efficiency.
- Renewing techno-economic, operational and financial synergy of new investments / proposals including mergers and acquisitions.

Legal, yet liberal

Gati is a conscientious, law-abiding corporate citizen that adopts ethical practices in all its business dealings. It sets great store by complying with every statutory norm and law of the land. Its customer-friendly Corporate Legal Department believes in settling and resolving all disputes (insurance claims / theft / accidents / delayed deliveries) amicably, in the best interest of its customers.

A concerned corporate citizen

Gati corporate concerns are not restricted to merely increasing shareholder value. The company has a stakeholder base that extends much deeper into the community. Displaying continuous social responsibility, Gati constantly seeks out avenues where it can contribute to social causes.

With a view to building a better society, Gati

has associated with several community development programmes, and has contributed generously to several social welfare projects.

In collaboration with the Hyderabad District Collectorate, Gati has made a significant contribution to the construction and maintenance of the Gati Government High School in Hyderabad, which was inaugurated in July 2003.





Looking beyond the horizon...



It is important to be fit and flexible in this volatile business of logistics, where Margins are constantly under strain. Gati has held its own against the external turbulence by adding value to its products and services. Our accent has been on creating a strong technical base for generating sustainable competitive advantage and long-term profitability. Increasing costs and competitive pressure notwithstanding, Gati's operations continue to remain profitable. Re-engineering of its business processes is already well underway, so that the company's service is driven by what the customer wants, rather than be constrained by what it can offer within available resources. Gati will adopt 'Six Sigma' standards by 2006, and thereby achieve a high degree of inventory control, as well as 99.99% accuracy in its commitments to customers.

With a view to re-engineering the company's warehouses and distribution operations, a core 'Engineering Solutions' team has been formed, which employs OR techniques to reconfigure the entire network and reduce operating costs. The team assists the



company in migrating to a new operational infrastructure by working continuously on ergonomics, office automation, work / process flow and manpower rationalisation. With striking features such as vertical space utilisation, mechantronics and automation, the company's fully mechanised warehouses have become veritable trendsetters in the country.

Gati is implementing a software that gives comprehensive transaction-cum-accounting information to regular clients through a 'single invoice, multiple dockets' tracking facility. 'Suvidha', Gati's courier services wing, is being repositioned as 'ZIPP' after adding several more customer-friendly and flexible features.

Gati has Customer Convenience Centres (CCCs) at strategic locations all over India, which promote its brand name and generate new business.

There are opportunities galore in the global market, through international alliances and franchise agreements. There is a long way to go yet. Our intangible assets of team potential and disciplined management will help us sustain our wins. We have to continue to re-design ourselves to march confidently into tomorrow. We have it in us to make it happen, and we will.

The steps to a brighter tomorrow are clear, and have already been worked out:

- Anticipate customers' expectations and give them the highest quality of service.
- Focus on eliminating DEPS (Damage, Extra, Pilferage, Shortage).
- Utilise every available resource optimally.
- Implement the company's Disaster Recovery and Business Continuity Plan.
- Implement 'zero-based budgeting'.
- Strict compliance with the company's Quality Management System.
- Strive diligently to build the 'Gati' brand, and work for 100% retention of customers and business partners.

FIGURESPEAK

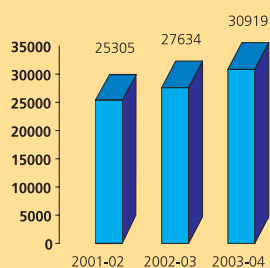
Rs.in Lacs

Particulars	2003-04	2002-03	2001-02
Sales	30615	27514	25255
Total Income	30919	27634	25305
Gross Profit Before Interest, Depreciation & Tax	2187	1685	1537
Interest (Net)	568	503	378
Depreciation	781	537	475
Profit Before Tax	838	645	684
Income Tax	283	235	254
Profit After Tax	555	410	430
Equity Dividend	27	25	25
Dividend Payout	226	209	209
Equity Share Capital	836	836	836
Reserves & Surplus (Excl. Revaluation Reserves)	3047	2738	2564
Net Worth	3883	3574	3399
Gross Block	8317	7167	6457
Net Block	6726	6682	5636
Loan Funds	5603	5250	4280

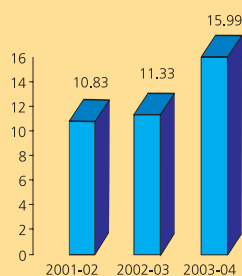
KEY INDICATORS

Particulars		2003-04	2002-03	2001-02
Equity Share Capital	Rs lacs	836	836	836
Earning Per Share	Rs	6.64	4.91	5.15
Cash Earning Per Share	Rs	15.99	11.33	10.83
Sales Per Share	Rs	366.36	329.24	302.22
Book Value per share	Rs	46.46	42.75	40.67
Debt : Equity Ratio		1.44	1.47	1.26
PBDIT / Sales	%	7.14	6.12	6.09
Net Profit Margin	%	1.80	1.48	1.70
Return on Network	%	14.30	11.47	12.65
Return on Capital Employed	%	10.98	9.79	9.95

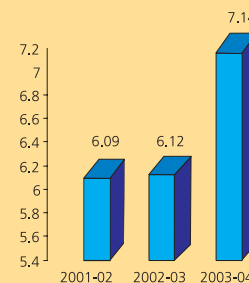
Total Income



Cash Earning Per Share



PBDIT / Sales





BOARD OF DIRECTORS



KL Chugh
Chairman



Dr Ram S Tarneja
Director



RK Pitamber
Director



Dr P Sudhakar Reddy
Director



TS Rao
Director



N Srinivasan
Director



S Bhattacharya
Director



Mahendra Agarwal
Managing Director



Sunil Kumar Alagh
Director

Management Team

Mahendra Agarwal
Chief Executive Officer

Manoj Todi
Chief Infrastructure Officer

VT Pawar
Chief Finance Controller

Arthur Simon Bertie
Chief Business Chain Officer

Mohan Prasad
Chief HR Officer

G S Ravi Kumar
Chief Information Officer

T Kumaran
Chief, Coast to Coast

Brad Jeffery
Vice President - International Business

Tan K K
Chief Logistics Officer

Suresh Prasad Newatia
Head – Domestic, North

Yogesh V Khmar
Head – Service, South

Vinod Kumar Chhabra
Head – Domestic, West

M Maheen Kannu
Head – Domestic, South

Madan Choudhary
Chief TS Officer

Manoj Agarwal
Head – Marketing & Corp. Comns.

**Chief Business Accounts &
Finance Officer
and Company Secretary**
A S Sandhu

Auditors
M/s RS Agarwala & Co.,
Chartered Accountants

Legal Advisors
M/s Kanga & Co., Mumbai

Bankers
State Bank of India
ICICI Bank
UTI Bank

Registered Office
1-7-293, MG Road
Secunderabad – 500 003.



Notice to shareholders

Notice is hereby given that the Ninth Annual General Meeting of the members of the Company will be held on Tuesday the 19th October, 2004 at 10.30 a.m at ITC Hotel Kakatiya Sheraton & Towers, Begumpet, Hyderabad - 500 016 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at 30th June, 2004, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a director in place of Mr K L Chugh who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr N Srinivasan who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Dr Ram S Tarneja who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Statutory and Branch Auditors to hold office from conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

7. **To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

"RESOLVED that Mr Sunil Kumar Alagh, who was appointed as an Additional Director of the Company pursuant to Article 115.1 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of a director be and is hereby appointed as a director of the company subject to retirement by rotation under the Articles of Association of the Company."

8. **To consider and if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:**

"RESOLVED that in accordance with the applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, including any amendments thereof, for the time being in force (hereinafter referred to as "the ESOS guidelines") the additional disclosures made pursuant to the requirements laid down under the amendments to the ESOS guidelines on 30th June, 2003 and thereafter and as mentioned in the Explanatory statement annexed to the notice of this meeting, be and the same are hereby ratified and approved as an integral part of the resolutions passed earlier on 17th October, 2001 such that the same be annexed thereto as an addendum to the aforesaid resolutions and read together for the purpose of compliance with sufficient disclosures under the ESOS Guidelines.

RESOLVED FURTHER that the Board (which term shall include any Committee of Directors including Compensation Committee constituted for the purpose) is hereby authorised to do all things as may be necessary and to take such action as may be appropriate or expedient to amend or redefine from time to time the existing Employee Stock Option Scheme (ESOS) approved earlier by the shareholders, so as to conform to the ESOS Guidelines including any amendments thereof and take such other steps as may be necessary to ensure that such ESOS Scheme remain effective and in accordance with such ESOS Guidelines."

Registered Office
1-7-293, M G Road
Secunderabad 500 003
August 2, 2004

By Order of the Board
for **GATI LIMITED**

A S SANDHU
Chief Business Accounts &
Finance Officer & Company Secretary

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
2. Shareholders are requested to bring their copy of Annual Report to the meeting.
3. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto.
4. The Company has already notified closure of Register of Members and Share Transfer Books from 16 October, 2004 to 19 October, 2004 (both days inclusive) for payment of dividend on equity shares. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose.
5. Pursuant to the provision of Section 205A of the Companies Act, 1956 as amended, dividend for the financial year ended 31st March, 1997, and thereafter, which remain unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 1997 or any subsequent financial years are requested to make their claim to the office of the Registrar and Share Transfer Agents, M/s Karvy Computer Share Pvt. Ltd. It may also be noted that once the unclaimed dividend is transferred to the Central Government as above, no claim shall lie in respect thereof.
6. Shareholders are requested to note that pursuant to the approval granted by the Securities and Exchange Board of India, the license of the Registrar and Transfer Agents of the Company has been changed from Karvy Consultants Limited to Karvy Computershare Private Limited. Accordingly, Karvy Computershare Private Limited, having their address at 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034 are the Registrar and Share Transfer Agents of the Company.
7.
 - a) The members who are holding shares in physical form are requested to intimate any change in their address with pincode immediately either to the Company or to the Registrar & Share Transfer Agent and quote folio number in all correspondence.
 - b) The members who are holding shares in demat form are requested to intimate any change in their address with pincode immediately to the Depository Participant.
8. Shareholders holding shares in electronic form may kindly note that their Bank Account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change with complete details of Bank Account.
9. The Members who have not surrendered their old share certificates (issued by the then M/s Transport Corporation of India Limited, now known as TCI Industries Limited, the transferor Company, under the Scheme of Arrangement) are requested to surrender their old share certificates to M/s TCI Industries Limited, Mukesh Textiles Mills, N.A Sawant Marg, Colaba, Mumbai - 400 005 to obtain their new share certificates of 4 companies including Gati Limited.
10. The shares of the Company are at present listed at The Stock Exchange, Mumbai, The Hyderabad Stock Exchange Ltd. and The Calcutta Stock Exchange Association Limited. During the year the company has voluntarily delisted its shares from the Stock Exchanges at Cochin, Chennai and Delhi.
11. The shares of the Company have been compulsorily dematerialised with effect from 28.08.2000 and to give effect to the same, the Company has entered into a tripartite agreement with NSDL and CDSL. M/s Karvy Computershare Pvt. Ltd., Karvy House, 46, Avenue No.4, Street No.1, Banjara Hills, Hyderabad – 500 034 are Registrar and Share Transfer Agent for physical and demat shares.
12. Members are requested to utilise the Electronic Clearing System (ECS) for receiving dividend and may accordingly advise the Company / their Depository Participants in case of their holding in physical / electronic form alongwith relevant particulars.



13. At the ensuing Annual General Meeting Mr K L Chugh, Mr N Srinivasan and Dr Ram S Tarneja retire by rotation and being eligible offer for re-appointment. Mr. Sunil Kumar Alagh is proposed to be appointed as a Director of the Company by the shareholders at the ensuing Annual General Meeting. The information or details pertaining to these directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchange are furnished in the statement on Corporate Governance published in this Annual Report.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No.7

The Board of Directors of the Company appointed Mr Sunil Kumar Alagh as an Additional Director. In terms of Articles 115.1 of Articles of Association and Section 260 of the Companies Act, 1956, Mr Sunil Kumar Alagh holds office upto the date of this Annual General Meeting. The Company has received a valid notice and requisite deposit from a member of the Company under Section 257 of the Companies Act, 1956 proposing the candidature of Mr Sunil Kumar Alagh for the office of a Director. In view of the background and valuable experience of Mr Sunil Kumar Alagh, it will be in the interest of the Company that Mr Sunil Kumar Alagh continues as a Director of the Company.

Your directors recommend the resolution for your approval.

Mr Sunil Kumar Alagh is interested in the resolution as it relates to his own appointment.

No other Director of the Company is, in anyway, concerned or interested in the resolution.

Item No.8

Securities and Exchange Board of India (SEBI) has recently made certain amendments to the existing Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines. Consequently, the Company is required to disclose certain additional information in the explanatory statement. The following addendum is deemed to be annexed to the explanatory statement of the earlier resolutions passed at the Annual General Meeting held on 17th October, 2001 and is therefore amended accordingly.

A. Method of valuation of Stock Options

The Company adopts the intrinsic Value method for valuation of the Stock Options.

B. Disclosure Statement

The Company hereby declares that it shall disclose in the Directors Report the impact on the profits and on EPS, the difference between the employee compensation cost computed using the intrinsic value of Stock Options and the employee compensation cost that shall have been recognised if the company has used fair value of Stock Option.

The Company has provided the necessary additional disclosures, as required under the new guidelines in the Directors' Report.

None of the Directors of the Company is, in any way, concerned or interested in the resolution, except to the extent of the Equity Shares that may be offered to them under the Scheme.

Your Directors, therefore, recommend the resolution to be passed as a Special Resolution by the members.

Registered Office
1-7-293, M G Road
Secunderabad 500 003
August 2, 2004

By Order of the Board
for **GATI LIMITED**

A S SANDHU
Chief Business Accounts &
Finance Officer & Company Secretary

Directors' Report

Your Directors take pleasure in presenting their Report for the year ended 30 June, 2004.

Financial Results

(Rs. in Lakhs)

	2003-04	2002-03
Income	30919	27634
Profit before Interest, Depreciation and Taxation	2187	1685
Interest	568	503
Depreciation	781	537
Profit before Tax	838	645
Provision for Tax		
Current Tax	93	151
Deferred Tax	190	84
Profit after Tax	555	410
Balance brought forward from previous year	224	157
Balance available for appropriation	779	567
Appropriations		
Proposed dividend	226	209
Tax on dividend	29	26
General reserve	300	93
Investment fluctuation reserve	—	15
Balance carried forward	224	224
	779	567

Dividend

The Directors recommend payment of dividend of 27% for the year ended 30 June, 2004 on the Paid-up Equity Share Capital of the Company, as against 25% for the year ended 30 June, 2003. The dividend will absorb a sum of Rs.255 lakhs (Rs.236 lakhs previous year) including tax on dividend of Rs.29 lakhs (Rs.26 lakhs previous year).

Review of Operations

During the year under review, your Company achieved a turnover of Rs.30,919 lakhs, as against Rs.27,634 lakhs in the previous year, registering a growth of 11.89%, despite the competitive and challenging environment. The Net Profit of your Company has also increased to Rs.555 lakhs, as against Rs.410 lakhs in the previous year, registering an impressive growth of 35.36%.

During the year, your Company implemented the state-of-the-art software application gati@web. This has given your Company an edge over its competitors, besides ensuring long-term accelerated growth. Also, gati@web would hereafter enable the Company to provide improved customer service.

Your Company was adjudged 'The Best Domestic Logistics Company' and received the 'Voice of Customer Award 2003' instituted by Frost & Sullivan, a leading consultancy firm. The recognition comes as an acknowledgement of Gati's leadership position in the industry, its prompt and efficient services, and customers' satisfaction as well as recognition of the Company as a process-driven organisation.

Your Company has strengthen its focus on re-engineering of warehouses and the network, which will substantially improve the quality of the service to the customers. A core team called 'Engineering Solutions' is playing a major role in strategically planning out distribution methods and setting up modern warehouses. These warehouses possess striking features like vertical space utilisation, mechantronics and automation, and would be model trendsetters in the industry.



The main objective of 'Engineering Solutions' is to integrate the existing Operating Units (OUs) into a cohesive and high-performing distribution network, backed up by state-of-the-art infrastructure. This has given the Company the timely impetus to provide end-to-end solutions to the customers at par with international logistics companies.

On the international front, a new product, WorldWide Saver, has been launched to cater to bulk-mailing requirements of customers, serving them to various international destinations.

The Courier Service has also been revamped, and old 'Suvidha' Courier Service is rechristened as 'Zipp' with new and attractive features.

Technology

As already mentioned, and keeping in line with the Gati's future-focused approach, gati@web was launched in July 2003. Gati@Web comprises Gati Enterprise Management System (GEMS), a 100% customised software that encompasses all the operations of the company. This is integrated with Oracle Financials and Oracle CRM. A web enable and customised software, Gati@web connects all Gati offices across the country through leased lines and VSAT dialups. The success of Gati@web - which took around 2,000 man months to develop and implement - testifies to the Company's will to develop and absorb technology, as business strategy.

The migration to a web-enabled scenario was a tedious exercise of training over 5,000 Gati ites in several states, each with its own geographical / infrastructural peculiarities, and was no mean task. The project has gone through with great gusto, and today Gati can proudly call itself the only logistics Company in India that offers a comprehensive range of IT-enabled services to its customers.

Shipping

Your Company's shipping operations cover coastal liner operations, movement to SAARC countries and South East Asia, carrying containers and break bulk cargo. The operation in the Port Blair sector has been lucrative and this division as a whole has performed better than last year.

Fixed Deposits

Fixed Deposits from the public and shareholders stood at Rs.943.57 lakhs at the end of the year. There were no overdue deposits. However, there were 55 unclaimed deposits of Rs.13.33 lakhs as at 30 June 2004. Out of these, 20 unclaimed deposits aggregating to Rs.5.21 lakhs were renewed / repaid till the date of this Report. Reminders have been sent to those depositors who have not yet claimed their deposits.

Directors

Mr K L Chugh, Mr N Srinivasan and Dr Ram S Tarneja retire by rotation at the conclusion of this Annual General Meeting and being eligible, offer themselves for reappointment.

Mr Sunil Kumar Alagh was appointed as an Additional Director during the year. Mr Sunil Kumar Alagh holds office up to the date of the ensuing Annual General Meeting. Notice has been received pursuant to section 257 of the Companies Act, 1956 together with necessary deposit, proposing his candidature for the office of Director, subject to retirement by rotation.

Delisting

In view of advanced technology and internet based online trading, there is no need for listing of shares on the Stock Exchanges without nationwide trading terminals. Therefore, as per shareholders' resolution, the Company voluntarily delisted its Equity Shares from the Delhi, Madras and Cochin Stock Exchanges and an application for delisting of the Equity Shares is pending with Calcutta Stock Exchange.

The Company's Equity Shares shall continue to be listed on The Stock Exchange, Mumbai - which has nationwide trading terminals - and the Hyderabad Stock Exchange.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the Accounts for the Financial Year ended 30 June 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the Accounts for the Financial Year ended 30 June 2004 on a 'going concern' basis.

Auditors

The Auditors, M/s RS Agarwala & Co., Chartered Accountants, hold office until the conclusion of this Annual General Meeting and are eligible for reappointment.

Energy, Technology and Foreign Exchange

The information required under the Companies Act (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure I.

Personnel

Particulars of employees required under Section 217(2A) of the Companies Act, 1956 are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders of the Company, excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

Employee Stock Option Scheme

During the year the Company implemented Employee Stock Option Plan 2003. The full material particulars of the Scheme are given in Annexure II.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given in Annexure III.

Acknowledgement

Your Directors record their sincere appreciation of the continued support your Company has received from customers, financial institutions, banks, government authorities, fixed depositors and shareholders. Your Directors also wish to place on record their appreciation of the devoted service rendered by all Gati'ites for achieving a better performance during the year.

For and on behalf of the Board

Secunderabad
August 2, 2004

KL Chugh
Chairman



ANNEXURE I

In accordance with the requirement of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, particulars regarding conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo are given hereunder:

A. Conservation of Energy

Both Company vessels 'MV Gati-1' and 'Gati-Suvidha' are run at the optimum speed to conserve fuel and maintain the required speed. Also, specific fuel consumption of the vessels is maintained keeping the plant and machinery under planned maintenance schedule and using the correct fuel grade at the best price.

In the Cargo Management Services Division, the following measures are taken:

1. Vehicles are replaced looking at their age and condition & to ensure pollution is under control and to optimize fuel consumption.
2. Vehicles are selected carefully in compliance with all updated regulations relating to pollution control and Euro norms.
3. Drivers' training programs are being conducted periodically to improve their operating skills and to minimise fuel consumption and wear-and-tear.

B. Foreign Exchange Earning and Outgo

The particulars of earning and expenditure in Foreign Exchange during the year are given as additional information in Schedule 23 to Notes on Accounts.

ANNEXURE II

Details of Stock Options pursuant to SEBI guidelines on Stock Options:

S.No.	Description	Plan 2003
1	Number of shares available under GATI ESOS	643500
2	Total number of options granted	400000
3	Pricing formula	At a discount of 25% on the average of the weekly high and low of the closing prices for the Company's Equity Shares quoted on the Bombay stock Exchange and / or National Stock Exchange during the four weeks preceding the date of grant of the options
4	Options vested during FY 2003-04	Nil
5	Options exercised during FY 2003-04	Nil
6	Options lapsed during FY 2003-04	133900
7	Variation of terms of options	Not Applicable
8	Money realised by exercise of options	Not Applicable
9	Grant price	Rs. 35.50 per share
10	Total number of options in force as on 30 June 2004	266100
11	Grant details to members of Senior Management Team VT Pawar Arthur Simon GS Ravi Kumar	25000 30000 20000

12	Number of associates holding 5% or more of the total number of options granted during the year	3
13	Number of associates with 1 % or more of paid-up capital	Nil
14	Diluted EPS as per Accounting Standard 20	Rs.6.57
15	i) Method of calculation of Employee Compensation Cost	The Company has calculated the Employee Compensation Cost using the intrinsic value of the stock options
	ii) Difference between the Employee Compensation Cost so computed at (i) above and the Employee Compensation Cost that shall have been recognised if it had used the fair value of the options	Rs.4,14,248
	iii) The impact of this difference on profits and on EPS of the Company	Profit after Tax (PAT) Rs. 5,55,17,867 Less: Additional Employee Compensation Cost based on fair value Rs. 4,14,248 Adjusted PAT Rs. 5,51,03,619 Adjusted EPS Rs. 6.52
	iv) Weighted average exercise price and fair value of Stock Options granted:	
	Stock Options granted on	20.10.2003
	Weighted average exercise price (in Rs.)	35.50
	Weighted average fair value (in Rs.)	53.90
	Closing market price at BSE on the date of grant (in Rs.)	48.60
v) Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information.		The Black Scholes option-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since option-pricing models require use of substantive assumptions, changes therein can materially affect the fair value of options. The option-pricing models do not necessarily provide a reliable measure of the fair value of options.
	vi) The main assumptions used in the Black Scholes option-pricing model during the year were as follows:	
	Risk-free interest rate	7%
	Expected life of options from the date(s) of grant	4 years
	Expected volatility	6.49%
	Dividend yield	5.34%

For and on behalf of the Board

Secunderabad
August 2, 2004

K L Chugh
Chairman



Report on Corporate Governance

ANNEXURE III

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the Report on the matters mentioned in the said Clause and the practices followed by the Company.

COMPANY'S PHILOSOPHY

Gati's philosophy on Corporate Governance envisages the attainment of the highest standards of Corporate Governance by transparency, accountability, ethics and equity with management flexibility, empowerment and responsiveness in the interest of shareholders, customers, employees, business associates and the society.

BOARD OF DIRECTORS

The Board of Directors comprises of 10 Directors.

Composition and category of Directors

Director	Category	Designation
Mr KL Chugh	Independent Non-Executive Director	Chairman
Mr Mahendra Agarwal	Promoter and Executive Director	Managing Director
Mr Manoj Todi	Executive Director	Director (Infrastructure)
Dr Ram S Tarneja	Independent Non-Executive Director	Director
Mr R K Pitamber	Independent Non-Executive Director	Director
Dr P Sudhakar Reddy	Independent Non-Executive Director	Director
Mr T S Rao	Independent Non-Executive Director	Director
Mr N Srinivasan	Independent Non-Executive Director	Director
Mr S Bhattacharya	Independent Non Executive Director	Director
Mr Sunil Kumar Alagh*	Independent Non Executive Director	Additional Director

*Appointed as Additional Director during the year.

Attendance of each Director at the Board Meetings, last Annual General Meeting and Number of other Directorships and Chairmanship / Membership of Committees in various companies:

Director	Attendance Particulars		Number of other Directorships and Committee Membership / Chairmanship		
	Board Meetings	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Mr KL Chugh	3	Yes	3	None	1
Mr Mahendra Agarwal	5	Yes	2	None	None
Mr Manoj Todi	3	Yes	1	None	None
Dr Ram S Tarneja	5	Yes	13	5	4
Mr R K Pitamber	4	Yes	7	5	1
Dr P Sudhakar Reddy	2	Yes	None	None	None
Mr T S Rao	5	Yes	None	None	None
Mr N Srinivasan	5	Yes	9	4	3
Mr S Bhattacharya	5	Yes	1	None	None
Mr Sunil Kumar Alagh	1	No	None	None	None

Number of Board Meetings held and the dates on which held

During the Financial Year 2003-04, the Board of Directors met five times on the following dates: 08 August 2003, 20 October 2003, 12 December 2003, 22 January 2004 and 22 April 2004. The maximum time gap between the Meetings was not more than four calendar months.

Brief resume of Directors seeking re-appointment / appointment

Mr KL Chugh, a Mechanical Engineer from Delhi University, has been Executive Chairman of ITC Ltd., one of the largest, most respected, diversified, multi business Corporations of India. On his retirement, he was honoured with the title of Chairman Emeritus.

Mr Chugh built ITC Bhadrachalam Paperboards Limited, India's largest Paperboards mill, in remote tribal area of Andhra Pradesh and as Chairman & Managing Director steered it to become India's best managed paper company with numerous national recognitions and amongst the most respected global industry leaders.

Prior to joining ITC Ltd., Mr Chugh worked in Heavy Engineering for almost 10 years, gaining valuable experience & understanding of Heavy Industry.

Mr Chugh was Director on the Central Board of Reserve Bank of India, National Housing Board, Tourism Finance Corporation, President All India Management Association, Alternate President Associated Chamber of Commerce & Industry (ASSOCHAM), Member Board of Governors Administrative Staff College of India, Indian Institute of Management Calcutta, Member Board of Governors of NCAER, amongst many others.

Mr Chugh's professional and social interest have resulted in many recognitions, national and international, including Financial World's International CEO of the year, 1994, Asia; World Tobacco International's - one of the 5 "Tobacco men of the year "1993"; adjudged amongst the top 2 Indian CEOs - 1993 by business World; Honorary Fellowship of All India Management Association & National HRD Network, Most Distinguished Alumni Award of Delhi College of Engineering et al.

Mr Chugh is involved with the Green Star Movement committed to using Solar Power to Eradicate Darkness from tribal/Rural Villages, that are even today without electricity. He is also involved with "Eradication of Illiteracy" programme in rural India, is a director on the Governing Board of Population Foundation of India & is a member of ASSOCHAM Managing Committee. Mr Chugh is on the Board of Spicenet Limited, Urban Mass Transit Co Ltd. & Sandhar Locking Devices Ltd., and Chairman of Remuneration Committee of Spicenet Limited.

Mr Chugh's current business interests are consulting, Renewable Energy & Bio-technology.

Mr N Srinivasan is a Director of the Company since 2000. He is a Commerce graduate and a fellow member of the Institute of Chartered Accountants of India since 1955. He was the Senior Partner of M/s Fraser & Ross and Deloitte Haskins & Sells, Chartered Accountants. He has been in professional practice for over 40 years. He is on the Board of United Breweries (Holdings) Ltd., Herbertsons Ltd., Tractors and Farm Equipment Ltd., The Andhra Pradesh Paper Mills Ltd., The Peria Karamalai Tea & Produce Company Ltd., India Cements Capital & Finance Ltd., Ador Multiproducts Ltd., Amco Batteries Ltd., and The United Nilgiri Tea Estates Company Ltd. He is also a Chairman of the Audit Committee of United Breweries (Holdings) Ltd., Herbertsons Ltd., India Cements Capital & Finance Ltd., and a member of the Audit Committee of Tractors and Farm Equipments Limited and Amco Batteries Limited; a member of the Remuneration Committee of United Breweries (Holdings) Limited, and a member of the Investor Grievance Committee of United Breweries (Holdings) Ltd. Mr Srinivasan is a past President of the Madras Chamber of Commerce & Industry, Indo-Australian Chamber of Commerce, Indo-American Chamber of Commerce (Southern Region), Madras Management Association and Deputy President of ASSOCHAM, New Delhi. He continues to be a member of the Management Committee of ASSOCHAM.



Dr Ram S Tarneja is President of IIHMR (Indian Institute of Health Management Research) and Press Guild of India. He is Chairman, PAMARRO (Pan Asian Management and Rural Research Organisation).

He is Honorary Consul of Finland, Mumbai. He retired as Managing Director of Bennet Coleman & Co. Ltd., (The Times of India Publications) in 1991 and continues as a member on their Board.

Prior to joining Bennet, Coleman & Company Ltd., in 1970, he was Director of Personnel of a Group Companies in Kolkotta for about 10 years. After obtaining his Ph.D degree from Cornell University, he was Director, Graduate Department of Business Administration, Duquesne University, Pittsburgh, U.S.A.

He is a member of various committees of several professional organisations. He is Past President of All India Management Association, Indian Newspaper Society, The Employers Federation of India, Indian Merchants' Chamber & Indian Institute of Personnel Management. He is Past Chairman of Audit Bureau of Circulations, United News of India. He is Honorary President, Asian Association of Management Organisations.

He was on the Boards of Indian Institute of Management, Ahmedabad, Kolkotta and Bangalore. He has served on the Boards of Administrative Staff College of India, Hyderabad, interalia a number of other management educational institutes.

Dr Tarneja is an active leader in the professional management movement of Asia. He has considerable amount of pioneering work to his credit on subjects like professional management and corporate governance.

He is also on the Board of NESCO Ltd., Otis Elevator Company (I) Ltd., Jolly Board Ltd.(Chairman), Bharat Gears Ltd., Bennett Coleman & Co., Ltd., Rallis India Ltd., Ballarpur Industries Ltd., Phillips Carbon Black Ltd., Housing Development Finance Corporation Ltd., ITC Ltd., Transcorp International Ltd., Phoenix Township Ltd., and SOWIL Ltd. and member of Remuneration Committee of Rallis India Ltd and ITC Ltd., and member of Shareholders / Investors Grievance Committee of Housing Development Finance Corporation Ltd.(Chairman), Ballarpur Industries Ltd.(Chairman) and Rallis India Ltd., and member of Audit Committee of Bharat Gears Ltd.(Chairman), Rallis India Ltd., Bennett Coleman Co. Ltd.(Chairman), and Otis Elevators India Co.Ltd.

Mr Sunil Kumar Alagh was appointed as Additional Director is a graduate in Economics (Hons.) with MBA from IIM Kolkata. He has worked with ITC Limited, Jagatjit Industries Limited and Britannia Industries Limited. He was Managing Director and CEO of Britannia Industries Limited from 1989 to 2003. During this tenure, Britannia figured in the Forbes Magazine list of 300 Best Small Companies in the world for 3 years. He was honoured with the 'Gold Medal Kashlkar Memorial Award 2000' for outstanding contribution to the food processing industry in India. This award has been instituted by the All India Food Processors' Association (AIFPA). He is not a director in any public limited company other than Gati Limited.

AUDIT COMMITTEE

The Board of Directors has constituted the Audit Committee to assist the Board in discharging its responsibilities effectively. The constitution of the Audit Committee also meets with the requirements of Section 292A of the Companies Act, 1956.

Composition and other details

The Audit Committee of the Company has been constituted with three independent directors: Mr N Srinivasan (Chairman), Mr RK Pitamber and Mr TS Rao.

Terms of Reference

The terms of reference of the Audit Committee are quite comprehensive to cover all the requirements of SEBI and the Companies Act and in particular,

- Overseeing the Company's financial reporting process and the disclosure of its financial information.
- Reviewing with the Management the Annual Financial Statements before submission to the Board, focusing primarily on (i) any changes in accounting policies and practices, (ii) Major accounting entries based on exercise of judgement by the Management, (iii) Compliance with accounting standards, (iv) Compliance with Stock Exchange and legal requirements concerning Financial Statements and (v) any related-party transactions.
- Reviewing with the Management, Statutory and Internal Auditors, the adequacy of internal control systems.
- Reviewing the Company's financial and risk management policies.
- Looking into the reasons for substantial defaults in payments to depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors.

Meetings and attendance during the year

During the year under review, the Audit Committee met four times. Mr N Srinivasan and Mr TS Rao were present at all the meetings, while Mr RK Pitamber attended three meetings.

COMPENSATION COMMITTEE

Composition and other details

The Committee has been constituted with three independent Directors: Mr KL Chugh (Chairman), Mr RK Pitamber and Dr Ram S Tarneja.

Terms of reference

The Board has constituted the Compensation Committee to evaluate compensation and benefits for Executive Director(s) and to frame policies and systems for the Employee Stock Option Scheme.

Attendance during the year

During the year the Committee met twice. Mr RK Pitamber and Dr Ram S Tarneja were present at both the meetings, while Mr KL Chugh attended one meeting.

Remuneration policy

The Compensation Committee devises policy for compensation and benefits for Executive Director(s) and frames policies and systems for the Employees Stock Options Scheme.

Details of remuneration paid to Directors for the year

a) Executive Directors

Mr Mahendra Agarwal, Managing Director

Particulars	Rs. in Lakhs
Salary	26.13
PF contribution	3.57
Rent-free accommodation / perks	1.51
Superannuation	4.46
Total	35.67


Mr Manoj Todi, Director (Infrastructure)

Particulars	Rs. in Lakhs
Salary & Bonus	10.50
PF contribution	0.72
Rent-free accommodation / perks	19.57
Superannuation	0.90
Total	31.69

Mr S Bhattacharya, Wholetime Director

Particulars	Rs. in Lakhs
Salary	1.88
PF contribution	0.08
Rent-free accommodation / perks	0.00
Total	1.96

Mr S Bhattacharya was appointed as Wholetime Director with effect from 01 September 2002, and ceased to be Wholetime Director with effect from 15 July 2003, continues as a member on the Board.

b) Non-Executive Directors

The sitting fee paid for the year ended 30 June 2004 to the Directors, including Committee Meetings, is as follows:

Name	Amount (Rs)	Name	Amount (Rs)
Mr KL Chugh	20000	Mr TS Rao	60000
Dr Ram S Tarneja	35000	Dr P Sudhakar Reddy	20000
Mr R K Pitamber	45000	Mr Sunil Kumar Alagh	5000
Mr N Srinivasan	45000	Mr S Bhattacharya	25000

The commission paid for the year ended 30 June 2003 to the Directors is as follows:

Name	Amount (Rs)	Name	Amount (Rs)
Mr K L Chugh	125000	Mr TS Rao	75000
Dr Ram S Tarneja	75000	Dr P Sudhakar Reddy	75000
Mr RK Pitamber	75000	Mr Manoj Todi	75000
Mr N Srinivasan	100000		

The Company has also made a provision for commission payable to all the Non-Executive Directors not exceeding Rs. 6.25 lakhs for the year ended 30 June 2004.

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

As a measure of good Corporate Governance and focusing on strengthening the relation with the stakeholders, the Board has formed an Investors' Grievance Committee.

Constitution and Composition

The Committee was constituted comprising of the following Directors as members: Mr T S Rao (Chairman), Mr Mahendra Agarwal and Dr P Sudhakar Reddy.

Compliance Officer

Mr A S Sandhu, Chief Business Accounts & Finance Officer and Company Secretary

Details of complaints received in the year 2003-04

S.No.	Nature of Complaint	Received	Disposed of	Pending
1	Non-receipt of Dividend Warrants	62	62	Nil
2	Non-receipt of Share Certificates after transfer / split / consolidation	15	15	Nil
3	Non-receipt of Bonus Shares	8	8	Nil
4	Non-receipt of Annual Report	2	2	Nil

No requests for transfers were pending for approval as on 30 June 2004. Nine requests for dematerialisation were pending as on 30 June 2004, which were dealt with by 2 July 2004.

GENERAL BODY MEETINGS

Location and time for the General Body Meetings held in the last three financial years:

Year	AGM/ EGM	Date	Venue	Time
2000-2001	AGM	17 October 2001	ITC Hotel Kakatiya Sheraton & Towers, Begumpet, Hyderabad – 500 016	10.30 AM
2001- 2002	AGM	11 October 2002	ITC Hotel Kakatiya Sheraton & Towers, Begumpet, Hyderabad – 500 016	10.30 AM
2002- 2003	AGM	20 October 2003	ITC Hotel Kakatiya Sheraton & Towers, Begumpet, Hyderabad - 500 016	10.30 AM

Details of Postal Ballot

No postal ballots were used / invited for voting at these meetings in respect of special resolutions passed.

DISCLOSURES

Disclosures on materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, the Directors or the Management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of the Company at large.

None

Details of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

None

MEANS OF COMMUNICATION

Results

The quarterly, half-yearly unaudited and annual results are published in national level English newspaper(s) as well as regional language newspaper circulating in Andhra Pradesh. The results are also displayed on the Company's website www.gati.com

Management Discussion and Analysis Report

Management Discussion and Analysis Report forms part of the Annual Report.



GENERAL INFORMATION FOR SHAREHOLDERS

Date, Time and Venue of Annual General Meeting : 19 October, 2004 at 10.30 a.m
ITC Hotel Kakatiya Sheraton Towers,
Begumpet, Hyderabad 500 016.

Financial Calendar for 2004-05 (tentative)		
Annual General Meeting	:	19 October, 2004
Results for the quarter ended 30 September 2004	:	Last week of October 2004
Results for the quarter ended 31 December 2004	:	Last week of January 2005
Results for the quarter ended 31 March 2005	:	Last week of April 2005

Book Closure dates

From 16 October, 2004 to 19 October, 2004 (both days inclusive) for the purpose of the Annual General Meeting and payment of Dividend, if approved by the members.

Dividend Payment Date

The dividend if approved by the members will be paid within the statutory time limit.

Listing on stock exchanges

The Company's Shares are listed on The Stock Exchange, Mumbai, The Hyderabad Stock Exchange Limited and The Calcutta Stock Exchange Association Limited

The listing fee for the year 2004-05 has been paid to all the above Stock Exchanges.

Stock Code		
a) Trading Scrip Code, Bombay Stock Exchange	:	32345
Trading Scrip ID, Bombay Stock Exchange	:	GATICOR
Trading Scrip Code, Bombay Stock Exchange (Demat Segment)	:	532345
Trading Scrip ID, Bombay Stock Exchange (Demat Segment)	:	GATIDM
b) Demat ISIN Numbers in NSDL and CDSL for Equity Shares	:	INE 152B01019

Monthly high / low stock quotations at Bombay Stock Exchange

(Rupees)

Month	High	Low
July 2003	53.95	39.05
August 2003	52.00	36.05
September 2003	52.00	40.30
October 2003	58.40	43.15
November 2003	56.00	45.05
December 2003	70.00	48.25
January 2004	65.00	45.10
February 2004	52.00	43.75
March 2004	51.10	39.05
April 2004	57.85	41.85
May 2004	55.00	44.55
June 2004	57.05	48.00

Share price performance in comparison to broad-based indices - BSE Sensex

Particulars	Gati share price v/s BSE	
	Share Price (Rs)	BSE Sensex
As on 1 July 2003	46.95	3604.43
As on 29 / 30 June 2004	52.00	4795.46
% change	10.76%	33.04%

Registrar and Share Transfer Agents

M/s Karvy Computershare Private Limited
(Unit: Gati Limited)
46, Avenue 4, Street No.1, Banjara Hills
Hyderabad - 500 034.

Share transfer system

The Company has a Registrar and Share Transfer Agent. Share transfers, where documents are found to be in order, are registered and returned in the normal course within two weeks from the date of receipt of the documents. Requests for dematerialisation of shares are processed and confirmation given to the respective depositories i.e, National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within seven days.

Distribution schedule as on 30 June 2004

Number of Shares	Number of shareholders	% of total shareholders	Number of Shares	% to Total Capital
Upto 5000	20248	98.35	756718	9.06
5001 - 10000	150	0.73	115168	1.38
10001 - 20000	80	0.39	119168	1.43
20001 - 30000	25	0.12	64284	0.77
30001 - 40000	17	0.08	58160	0.69
40001 - 50000	13	0.06	58568	0.70
50001 - 100000	28	0.14	202244	2.42
100001 and above	27	0.13	6982190	83.55
Total	20588	100.00	8356500	100.00

Distribution of Shareholding as on 30 June 2004

Category	Number of shares held	% shareholding
Financial Institutions and Banks	101554	1.22
Foreign Institutional Investors	9600	0.11
Non-Resident Indians	50525	0.61
Bodies Corporate	3202625	38.32
Directors and Relatives	3458028	41.38
General Public	1534168	18.36
Total	8356500	100.00

Dematerialisation of shares

Over 92.38% of the total shares have been dematerialised up to 30 June 2004. Trading in equity shares of the Company is permitted only in dematerialised form with effect from 28 August 2000, as per notification issued by The Securities and Exchange Board of India (SEBI).



Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity

Not Applicable

Plant Locations

Not Applicable

Investor Correspondence

For shares held in Physical and Demat form:

Karvy Computershare Pvt. Ltd.
(Unit: Gati Limited)
46, Avenue 4, Street No.1
Banjara Hills, Hyderabad - 500 034.
Ph: 040-23312454
Email: *madhusudhan@karvy.com* and *mohsin@karvy.com*

Any query on the Annual Report

Gati Limited
Secretarial Department
1-7-293, M G Road, Secunderabad - 500 003
Ph: 040-27844284 / 27843788
Email: *com_sec_dept_ho@sbd.gati.com*

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Gati Limited.

We have reviewed the compliance of the conditions of Corporate Governance by Gati Limited for the year ended 30 June 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information, and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievance were pending for a period of one month against the Company as per the records maintained by the Shareholders' / Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

for **R S Agarwala & Co.**
Chartered Accountants

Place : Camp. Secunderabad
Date : 2 August, 2004

R S Agarwala
Partner
Membership No. F-5534

Management Discussion and Analysis

Industry structure and development

In the year 2003-04 the Indian economy showed an impressive growth rate of 8% and it is expected that this trend will continue. Being a well-diversified logistics provider with a countrywide network, Gati stands to gain considerably from the emerging scenario by continually re-engineering its business processes in tune with the changing external environment. Gati has taken a series of wide-ranging initiatives to benefit from the manifold opportunities that are unfolding before it.

Opportunities

The Indian logistics arena is looking upwards creating a range of opportunities for new areas of business. The trend of outsourcing has taken off on an optimistic note in the country with multinational companies outsourcing their logistics operations. Gati sees a bright future in outsourcing since the concept accelerates the market potentiality and also lays down the red carpet for every logistics company. The new trend can help bring in new customers and higher volumes of business. Outsourcing grows, the company grows.

The size of the market is very large and there is vast scope for growth.

Threats, risks and concerns

Today the industry's concerns mainly revolve around the competition thrown by unorganised sector on the grounds of pricing and local advantages etc. Also the entry of foreign players into the league is a factor to be cautious about. These companies thrive on a stronger technological and technical know-how. The future would see more overseas companies cruising into the domestic segment. The industry is also looking on certain internal problems. With the sector broadening with more entries, the attrition rate may also increase in the coming days.

A disruption in service due to natural calamities or delay in movement of shipments by any mode affects the service level.

Gati has a wide network with strong technological and technical backup to sail against any volatile situation. Fluctuations in international oil prices has a direct impact on operating costs. The Diesel Surcharge mechanism of Gati mitigates the same to a large extent. The risks are continuously monitored by in house Risk Management Group which aims to anticipate and mitigate various risks.

Business review

Gati operates in three business segments: Logistics, Shipping and Pumps. The income of the Company during the financial year ended June 30, 2004 amounted to Rs 30,919 lakhs against Rs 27,634 lakhs during the previous year, registering a growth of 11.89%. Net Profit after providing for current and deferred Tax, Depreciation and Interest was Rs 555 lakhs against Rs 410 lakhs during the previous year, registering an impressive growth of 36.10%.

The following are the segment-wise Revenue figures of the Company for the year under review.

(Rs in lakhs)

Division	2003-04	2002-03
Logistics	21160	20521
Shipping	2444	1862
Pump	7011	5131
Other Income	304	120
Total	30919	27634

Operational performance

Gati is a major logistics company in the country that provides multi-modal transport services - road, rail, sea and air - for the benefit of its customers. Its infrastructure facilities consists of Rail Transit Centres, Surface Transit Centres and Air Transit Centres across the country, altogether covering a vast web of over 3.20 lakhs kilometres daily. The fleet is armed with a vast number surface vehicles operated by a countrywide network of pickup/delivery associates and vendors.



Suvidha, the Company's courier services, has been revamped and rechristened as 'Zipp'. Zipp offers a host of flexible and customer friendly features that go far beyond those offered by the competition. A new product, Worldwide Saver, was recently launched by the Company to handle bulk-mailing requirements of customers to international addresses.

The Company's international business operations are keeping pace with the changing market trends. 'Gati International' team is handling international business with a new focus. In association with local logistics agents, new nodal centres have been launched in Singapore, Hong Kong, China and Taiwan.

Outlook and future strategies

The core strategy of Gati is now focusing on creating customer value to give a wide range of choice, high service quality caring service, responsiveness and value-added service by implementation of IT-enabled Operations Management and Customer Relationship Management services.

Vision

Our vision is to:

- Be a leader in the logistics industry in India.
- Give 'Six-Sigma' service quality by 2007.
- Implement a new orientation, 'People Serve People' with significant difference to our life, people, organization, communities and societies in which we live.
- Be a performance-based organization.
- Achieve at least 99% of the objectives and goals including service levels by launching 'MISSION 99%' throughout the organisation.
- Strive to utilize the resources in an optimum manner.
- Touch the Customer Satisfaction Index level of 5 on a scale 1-5.

Values

Our core values are to:

- Be ethical, and transparent in conducting business.
- Give value-added service to make the difference.
- Be professional and inculcate the spirit of teamwork.
- Be flexible and interdependent.
- Respect and treat with value the inquires of others.
- Be caring and abundant in giving support and service to others.
- Balance the body and mind in 'People Serve People' in good spirit.
- Approach life holistically and elegantly & with sympathy.
- Never say 'no' in servicing any customer.
- Be a learning Organisation and provide opportunities for growth.

Gati's focus is on the following Key Success Factors

- Customer satisfaction
- Associate / Vendor satisfaction
- Staff satisfaction
- Organization effectiveness and flexibility
- Quality and value-added service
- Dependability and trust
- The Gati'ites culture of service

Internal management control systems and their adequacy

The Company has an internal control system commensurate with the size and nature of its business, to meet the following objectives:

- Efficient utilization and protection of Company's resources
- Safeguarding and protecting the interests of the Company
- Compliance of all applicable laws, rules and regulations
- Completeness, validity and accuracy of reports generated
- Compliance with internal policies and procedures

Gati has an effective Internal Audit and Risk Management System coupled with Vigilance System to monitor the entire gamut of operations spreading across all locations on a regular basis which is carried out by the Risk Management Group and reviewed by the Audit Committee. Manned by personnel specialized in various functional areas, the RMG plays an active role and provides valuable suggestions for overall improvement.

Human Resources

The total number of Gati'ites with the Company as on 30 June 2004 is about 2,200.

Gati believes that human resource is the key factor for the success and the growth of the organisation and continuous to upgrade the skills through various HR initiatives.

A new method to 'trace and place' the future Gati'ites has been introduced to tap the resources internally. The initiative has been made lucrative by linking with ample rewards, so that both the individual and the organisation get benefit.

A new initiative by way of *e-HR*, which gives the complete emoluments and related information of every Gati'ite, is available on one's desktop.

Training concept continues to be the thrust area of HR. This is being provided to Gati'ites at all levels through five PD Agarwal Development Centres located strategically in the country, as well as through external sources.

During the year, cordial relations continued to exist between the Management and the employees.

Quality and customer service

Gati is sharply focused on creating customer value through caring service with high quality, customised and tailor-made services in a cost-effective manner. This will invariably be complemented by friendly responsiveness to provide long term value to the customers, whom we cover in 580 out of 590 districts in India.

e-CRM services are the order of the day. An array of services under the concept enables dissemination of any information or enquiry across the country in a flash. Gati is today equipped with toll-free call centres and a user-friendly website.

Other services that are adding to the quality of service are the unique 'Pay per Use' concept, whereby one can select the services and get billed only for that service.

Other special services that bring a 'totally satisfied' smile on the customer's face include:

- Customised delivery options for mass mailing
- Pro-active information to customers
- Invoicing facility for regular repeat booking needs, with options for a centralised billing to suit the business
- Octroi clearance facility
- Special 'Suraksha' bags for safe handling of high-value cargo

All the above services are being powered by Gati's quality initiatives, the principal among them being ISO 9001: 2000. Quality has always been the driving force behind Gati's successful functioning. Your Company was also adjudged the 'Best Domestic Logistics Company' by the prestigious Frost & Sullivan 'Voice of Customer Awards'. The Company is focused on enhancing its quality initiatives to stay ahead in the competitive business environment.

The Quality Management System has been upgraded as per the new standards and implemented across the Company. This has helped to standardise systems and improve the Company's operations much to the delight of end user.

Corporate social responsibility

Gati does not restrict its corporate concern to merely increasing its shareholder value. The Company has a stakeholder base that extends much deeper into the community. Displaying continuous social responsibility, Gati constantly seeks out avenues where it can contribute to social causes.

Lending its hand in building a better society, Gati associated itself with select community development programs and is contributing to various social welfare projects.



Auditors' Report

TO THE MEMBERS OF GATI LTD.

We have audited the attached Balance Sheet of Gati Ltd. as at 30th June, 2004, the annexed Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, in which are incorporated the audited accounts of the Coast-to-Coast Division and the branches in Nepal and at Singapore as audited by other auditors.

1. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Further to our comments in the Annexure, refer to in paragraph 3 above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us. The Branch Auditor's Reports have been forwarded to us and appropriately dealt with.
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and returns from the branches.
 - iv. In our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement comply with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956.
 - v. On the basis of written representations received from the directors as on 30th June, 2004 and taken on record by the Board of Directors none of the directors is disqualified as on 30th June, 2004 from being appointed as a director under section 274(1) (g) of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes and accounting policies thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) In the case of Balance Sheet of the state of affairs of the Company as at 30th June, 2004.
 - b) In the case of Profit and Loss Account, of the profit of the Company for the year ended on that date and
 - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For R S Agarwala & Co.
Chartered Accountants**

Camp: Secunderabad
2 August, 2004

R S Agarwala
Partner
Membership No. F-5534

Annexure to Auditors' Report referred to in paragraph 3 of our report of even date.

1. The Company has maintained records showing quantitative details and situation of fixed assets like land, buildings, vehicles, plant and machinery, computers etc. We are informed that a test physical verification of these assets was carried out by the management during the year and no material discrepancies were noticed. The management has informed us that in respect of other fixed assets like furniture and fittings, office equipments, having regard to their numbers and the numerous locations where these exist, maintenance of detailed records and reconciliation of their value in general ledgers is not feasible.
2. During the year the Company has not disposed off a substantial part of its fixed assets.
3. Physically verification was conducted by the management in respect of inventories at reasonable intervals. The Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification. The procedures followed by the management for such physical verification are in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
4.
 - (a) The Company has granted unsecured loans to a Company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs.166 lakhs and Rs.24.84 lakhs respectively. The Company has taken unsecured loans from a company, covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year end balance of such loans aggregates to Rs.134 lakhs and Rs.Nil respectively.
 - (b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
 - (c) There are no stipulations regarding dates for repayment of principal and interest. However, interest where applicable, is being charged thereon.
 - (d) In respect of the aforesaid loans, there is no overdues amount of more than Rupees One lakh.
5. There are adequate internal control procedures commensurate with the size and nature of the Company's business for the purchase of inventories, assets and for sale of goods. During the course of our audit no major weakness has been noticed in the internal controls, nor we have been informed of any such instance.
6.
 - (a) To the best of our knowledge and belief and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of Act, have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act and exceeding the value of Rupees Five lacs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time or the prices at which similar transactions have been made with other parties.
7. The Company has complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder with regard to deposits accepted from the public.
8. The Company has appointed firms of Chartered Accountants at certain places to do the Internal audit regularly. The in-house internal audit department of the company conducts internal audit at other places. The internal audit system is commensurate with the size and nature of Company's business.
9. The Central Government has not prescribed the maintenance of Cost records under section 209(1)(d) of the Companies Act, 1956 in respect of any activities of the Company.
10. (a) According to the information and explanation given to us and the records of the Company examined by us in our opinion, the Company is generally regular in depositing the undisputed



statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth tax, and other material statutory dues as applicable with the appropriate authorities.

- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of sales-tax, income-tax, and wealth tax as at June 30, 2004 which have not been deposited on account of a dispute are as under:

Nature of Dues	Amount (Rs. in Lakhs)	Forum where pending
Nepal Income Tax	11.91	Tax Department
Employees State Insurance	16.89	ESI Court

11. The Company has no accumulated losses as at June 30, 2004 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
12. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
13. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
14. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
15. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
16. In our opinion, and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions, are not prima facie prejudicial to the interest of the Company.
17. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
18. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, funds raised on short-term basis, have not been used for long-term investment and vice versa.
19. The Company has not made any preferential allotment of shares during the year.
20. There are no debentures outstanding at the year-end.
21. The Company has not raised any money by public issues during the year.
22. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by the Management.

for **R S Agarwala & Co.**
Chartered Accountants

Place : Camp. Secunderabad
Date : 2 August, 2004

R S Agarwala
Partner
Membership No. F-5534

Balance Sheet as at 30th June 2004

(Amount in Rs. Lacs)

As at	Schedule	30th June 2004	30th June 2003
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	835.65	835.65
Reserves & Surplus	2	3,745.44	3,437.95
		4,581.09	4,273.60
Loan Funds			
Secured Loans	3	4,009.83	3,832.29
Unsecured Loans	4	1,593.57	1,418.10
		5,603.40	5,250.39
Deferred Tax Liability	5	922.61	733.00
Total Funds Employed		11,107.10	10,256.99
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	8,316.71	7,166.59
Less: Depreciation		2,313.78	1,920.44
Net Block		6,002.93	5,246.15
Capital-Work-in-Progress		723.15	1,435.47
		6,726.08	6,681.62
Investments	7	171.97	143.89
Current Assets, Loans and Advances			
Inventories	8	74.23	81.08
Sundry Debtors	9	4,061.54	3,504.98
Cash and Bank Balances	10	686.67	397.31
Loans and Advances	11	1,374.35	1,246.79
		6,196.79	5,230.16
Less: Current Liabilities and Provisions			
Liabilities	12	1,575.86	1,539.74
Provisions	13	411.88	344.15
		1,987.74	1,883.89
Net Current Assets		4,209.05	3,346.27
Miscellaneous Expenditure (to the extent not written off or adjusted)	14	-	85.21
Total Assets (Net)		11,107.10	10,256.99
Notes on Accounts	23		

Schedules 1 to 14 and Schedule 23 referred to above form part of the Balance Sheet

In terms of our Report of
even date attached

For and on behalf of the Board

For **R S Agarwala & Co.**
Chartered Accountants

V T Pawar
Chief Finance Controller

K L Chugh
Chairman

Mahendra Agarwal
Managing Director

R S Agarwala
Partner

A S Sandhu
Chief Business Accounts & Finance
Officer & Company Secretary

N Srinivasan
Director

Camp: Secunderabad
August 2, 2004

Secunderabad
August 2, 2004



Profit and Loss Account for the year ended 30th June, 2004

(Amount in Rs. Lacs)

Particulars	Schedule	30th June 2004	30th June 2003
INCOME			
Freight	15	23,604.01	22,382.91
Sales		7,011.01	5,130.51
Other Income	16	303.52	120.28
TOTAL		30,918.54	27,633.70
EXPENDITURE			
Cost Of Sales	17	6,897.55	5,041.31
Operating Expenses	18	14,451.40	14,362.27
Personnel Expenses	19	3,500.34	3,237.92
Administrative Expenses	20	3,319.72	3,012.38
Repairs & Maintenance Expenses	21	562.08	293.98
Interest (Net)	22	568.33	503.27
Depreciation (Net - Note 2)		781.33	537.47
TOTAL		30,080.75	26,988.60
Profit Before Tax		837.79	645.10
Provision for Tax			
Current Tax		93.00	150.77
Deferred Tax		189.61	84.00
Profit after Tax		555.18	410.33
Balance Brought Forward From Previous Year		223.80	157.15
Balance Available for Appropriation		778.98	567.48
APPROPRIATIONS			
Proposed Dividend		225.62	208.91
Tax on Dividend		29.49	26.77
General Reserve		300.00	93.00
Investment Fluctuation Reserve		-	15.00
Balance Carried to Balance Sheet		223.87	223.80
		778.98	567.48
Earning per Share		6.64	4.91
Notes on Accounts	23		

Schedules 15 to 23 referred to above form part of the Profit and Loss Account

In terms of our Report of
even date attached

For and on behalf of the Board

For **R S Agarwala & Co.**
Chartered Accountants

V T Pawar
Chief Finance Controller

K L Chugh
Chairman

Mahendra Agarwal
Managing Director

R S Agarwala
Partner

A S Sandhu
Chief Business Accounts & Finance
Officer & Company Secretary

N Srinivasan
Director

Camp: Secunderabad
August 2, 2004

Secunderabad
August 2, 2004

Schedules to the Accounts

(Amount in Rs. Lacs)

				30th June, 2004	30th June, 2003
(1) SHARE CAPITAL					
Authorised					
10,000,000 Equity Shares of Rs. 10 each				1,000.00	1,000.00
700,000 Redeemable Preference Shares of Rs.100 each				700.00	700.00
				1,700.00	1,700.00
Issued,Subscribed and Paid-up:					
83,56,500 Equity Shares of Rs 10 each fully paid up :				835.65	835.65
Of the above :					
2,501,899 Shares were allotted for consideration other than cash as per the Scheme of Arrangement.					
2,785,500 shares were issued as fully paid bonus shares by capitalisation of Share premium.					
The Company has granted Options under the Companies Employees Stock Options Scheme and 2,66,100 options are outstanding as at 30th June, 2004. Of this 79,830 options will vest in 2004-05, 1,06,440 options in 2005-06 and 79,830 options in 2006-07.					
	Balance on 1st July 2003	Additions	Deductions	30th June, 2004	30th June, 2003
(2) RESERVES & SURPLUS					
Capital Reserves :					
Revaluation Reserve	699.59	-	1.27(b)	698.32	699.59
Share Premium	73.31	-	-	73.31	73.31
Employees' Stock Option		8.69 (c)		8.69	-
Others	1.25	-	-	1.25	1.25
				781.57	774.15
Revenue Reserves :					
General Reserve	2,000.00	300.00 (a)	-	2,300.00	2,000.00
Shipping Business Reserve (utilised)	350.00	-	-	350.00	350.00
Investment					
Fluctuation Reserve	90.00	-	-	90.00	90.00
Profit and Loss Account				223.87	223.80
				2,963.87	2,663.80
				3,745.44	3,437.95

(a) Transferred from Profit & Loss Account

(b) Transferred to Profit and Loss Account being depreciation provided on revalued amount

(c) In respect of options granted under the Companies Stock Options Scheme and in accordance with the guidelines issued by Securities and Exchange Board of India the accounting value of options (based on market value of share on the date of grant of options minus the option price) is accounted as deferred employees compensation which is amortised on a straight line basis over the vesting period. Consequently salaries, wages and bonus includes Rs.8.69 lacs, being amortisation of deferred employee compensation after adjusting for reversal on account of options left.



Schedules to the Accounts

(Amount in Rs. Lacs)

	30th June, 2004	30th June, 2003
(3) SECURED LOANS		
TERM LOANS :		
FROM BANKS		
Against first charge by way of Mortgage/ Hypothecation of specified fixed assets and other assets acquired there against (Repayable within one year Rs. 878.00 lacs, Previous year Rs. 187.50 lacs)	2,411.13	2,214.09
Secured by hypothecation of Motor Trucks, Motor Cars and Computer equipments acquired there against (Repayable within one year Rs.180.35 lacs, Previous year Rs.285.01 lacs)	482.41	405.36
HIRE PURCHASE LOANS		
Secured against Motor Trucks, purchased under Hire purchase contracts	-	30.99
Less : Hire charges allocable to future installments (Repayable within one year Rs. Nil, Previous year Rs. 29.63 lacs)	-	1.36
	-	29.63
WORKING CAPITAL LOANS		
From Banks		
Secured against first charge by way of hypothecation of all current assets including book debts, stocks and equitable mortgage of specified immovable assets of the Company and of third parties	1,116.29	1,181.32
Interest Accrued and Due	-	1.89
	4,009.83	3,832.29

In addition, some of the above loans are also guaranteed by the Managing Director

(4) UNSECURED LOANS		
Short Term Loans and Advances		
Commercial Paper	650.00	500.00
Fixed Deposits	943.57	918.10
	1,593.57	1,418.10

	At Ist July 2003	Current Year	30th June, 2004	30th June, 2003
(5) DEFERRED TAX LIABILITY				
Deferred Tax (Assets)/Liability				
Difference between book and				
Tax Depreciation	707.17	222.00	929.17	707.17
Deferred Revenue Expenses	30.70	(30.70)	-	30.70
Disallowance under Section 43B	(4.77)	(1.79)	(6.56)	(4.77)
Other Items	(0.10)	0.10	-	(0.10)
			922.61	733.00

Schedules to the Accounts

6. FIXED ASSETS

(Amount in Rs. Lacs)

Description	At Cost or Valuation				Depreciation				Net Block	
	As At 01.07.2003	Additions During the Year	Deductions During the Year	Balance As At 30.06.2004	Up to 30.06.2003	For the Year	Adjustment On Deductions	Balance As at 30.06.2004	30th June, 2004	30th June, 2003
Land	762.98	108.33	-	871.31	-	-	-	-	871.31	762.98
Buildings(a)	830.32	44.42	-	874.74	46.17	15.34	-	61.51	813.23	784.15
Vehicles	970.03	182.55	33.33	1,119.25	396.45	135.79	13.98	518.26	600.99	573.58
Plant & Machinery	173.61	53.92	-	227.53	35.45	9.25	-	44.70	182.83	138.17
Computers	1,597.19	1,352.39	1.28	2,948.30	835.68	422.33	0.32	1,257.69	1,690.61	761.50
Ships	2,118.41	954.57	1,653.62	1,419.36	364.30	130.79	374.37	120.72	1,298.64	1,754.11
Furniture & Fittings	394.35	91.82	0.14	486.03	169.91	50.83	0.06	220.68	265.35	224.44
Office Equipments	319.70	53.43	2.94	370.19	72.48	18.26	0.53	90.21	279.98	247.22
Capital Work-in-Progress	1,435.47	81.93	794.24	723.15	-	-	-	-	723.15	1,435.47
Total	8,602.06	2,923.35	2,485.55	9,039.86	1,920.44	782.59	389.26	2,313.78	6,726.08	6,681.62
Previous Year	7,097.89	2,274.97	770.80	8,602.06	1,461.48	538.73	79.77	1,920.44	6,681.62	-

a) Buildings include those on leasehold land.

b) A part of Land & Buildings were revalued on 31st December, 1997, 29th June, 1999, and 31st March, 2000 and the resultant increase in the value of assets by Rs. 45.96 lacs, Rs.141.31 lacs, and Rs. 148.35 lacs respectively and aggregating to Rs. 335.62 lacs was transferred to Revaluation Reserve.

c) Depreciation for the year includes Rs. 1.27 lacs in respect of the above revaluations.

d) Capital Work-in-Progress represents Building under construction and Capital Advances.



Schedules to the Accounts

(Amount in Rs. Lacs)

	30th June, 2004	30th June, 2003
(7) INVESTMENTS (Long term - At Cost)		
Fully Paid-up Equity Shares of Joint Stock Companies		
Quoted		
1,600,300 of TCI Finance Ltd. of Rs.10/- each.	143.89	143.89
Unquoted		
In Government Securities		
1 PSIDC Bond of Rs.1 lac each	1.00	-
3 PSEB-2010 Bonds of Rs. 5 lacs each	15.74	-
5 HPRIDC Bonds of Rs.1 lac each	5.23	-
3 WBIDFC Bonds of Rs.1 lac each	3.14	-
3 GEB Bonds of Rs.1 lac each	2.97	-
	28.08	-
	171.97	143.89
Market Value of Quoted Investments	88.02	56.01
(8) INVENTORIES (As taken, valued and certified by the Management)		
Diesel, Petrol, etc. (at lower of cost and net realisable value)	41.49	24.77
Stores & Spare Parts (at cost)	32.74	56.31
	74.23	81.08
(9) SUNDRY DEBTORS (Unsecured - Considered Good)		
Outstanding for more than six months	108.43	124.67
Others	3,953.11	3,380.31
	4,061.54	3,504.98
(10) CASH AND BANK BALANCES		
Cash and cheques in Hand	89.34	62.38
Cash & Cheques in Transit	247.23	42.46
With Scheduled Banks:		
In Current Accounts	149.88	116.43
In Deposit Accounts (a)	146.96	156.25
In Unpaid Dividends Accounts	53.26	19.79
	686.67	397.31

a) Some of the Fixed Deposit Receipts are deposited with banks against guarantees issued

Schedules to the Accounts

(Amount in Rs. Lacs)

	30th June, 2004	30th June, 2003
(11) LOANS AND ADVANCES		
(Unsecured- Considered good)		
Loans	-	150.00
Advances Recoverable in Cash or in Kind or for Value to be Received	827.34	627.45
Advances and Deposits	327.67	304.15
Tax Deducted at Source	219.34	165.19
	1,374.35	1,246.79
Due from Officers of the Company	1.40	2.53
Maximum Due During the year	2.61	4.00

(12) LIABILITIES		
Sundry Creditors	812.82	1,064.40
Other Liabilities	461.48	236.61
Due to Directors	-	0.07
Interest Accrued on Loans	41.69	46.09
Security Deposits	206.61	172.78
Unpaid/Unclaimed Dividends	53.26	19.79
	1,575.86	1,539.74

There are no amounts to be transferred to Investor Education and Protection Fund.

(13) PROVISIONS		
Taxation (Net of Payments)	128.09	84.49
Gratuity and Leave Encashment	28.68	23.98
Proposed Dividend	225.62	208.91
Tax on Dividend	29.49	26.77
	411.88	344.15

(14) MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Deferred Revenue Expenditure		
Balance at the beginning of the year	85.21	63.48
Add : Dry Docking Expenses incurred during the year	-	89.72
(Refer Note.5)	85.21	153.20
Less : Amount Written off during the year	85.21	67.99
	-	85.21



Schedules to the Accounts

(Amount in Rs. Lacs)

	30th June, 2004	30th June, 2003
(15) FREIGHT (Including Inter-Divisional Transfers)		
Freight, Miscellaneous charges etc (a) (Tax deducted Rs. 47.55 lacs, Previous Year Rs.28.91 lacs) (a) Includes Demurrage of Rs.51.37 lacs, Previous Year Rs.105.99 lacs)	21,159.85	20,521.10
Shipping Freight and Charter Hire (Tax deducted Rs. Nil, Previous Year Rs.0.22 lacs)	2,444.16	1,861.81
	23,604.01	22,382.91
(16) OTHER INCOME		
Rent (Tax deducted Rs. 0.59 lacs, Previous Year Rs. 0.93 lacs)	5.03	6.25
Miscellaneous Income	121.60	87.79
Agricultural Income (Net)	-	0.44
Difference in Exchange (Net)	2.46	-
Profit on Sale of Ship (Net)	174.43	25.80
	303.52	120.28
(17) COST OF SALES		
Opening Stock	24.77	20.69
Purchases	6,914.27	5,045.39
	6,939.04	5,066.08
Less : Closing Stock	41.49	24.77
	6,897.55	5,041.31
(18) OPERATING EXPENSES		
Freight (Including Inter-Divisional Transfers)	11,915.98	12,174.57
Vehicles' Trip Expenses	326.99	256.81
Tyres & Tubes	9.19	9.83
Other Operating Expenses	685.67	792.88
Claims for Loss & Damages (Net)	102.54	65.15
Commission	48.86	35.91
Vehicles' Taxes	19.40	15.02
Vehicles' and Ships Insurance	91.44	78.75
Power, Fuel and Water Expenses	566.71	385.04
Stores & Spare Parts Consumed	96.37	77.16
Port & Survey Expenses	588.25	471.15
	14,451.40	14,362.27

Schedules to the Accounts

(Amount in Rs. Lacs)

	30th June, 2004	30th June, 2003
(19) PERSONNEL EXPENSES		
Salaries, Wages & Bonus	2,580.68	2,289.09
Gratuity	41.65	28.05
Contribution to Provident & Other Funds	158.16	168.31
Contribution to Employees' State Insurance	32.03	26.26
Staff Welfare Expenses	687.82	726.21
	3,500.34	3,237.92

(20) ADMINISTRATIVE EXPENSES		
Rent	506.64	431.68
Rates and Taxes	7.76	22.48
Insurance	45.04	41.11
Telephone Expenses	411.54	407.42
Printing and Stationery	301.19	228.77
Travelling Expenses	482.31	527.60
Legal Expenses	44.11	36.11
Advertisement Expenses	79.95	68.03
Office Maintenance and Repairs	304.69	304.93
Miscellaneous Expenses	928.04	757.02
Remuneration to Directors:		
Salaries & Allowances	38.50	44.50
Commission	6.25	6.00
Fees	2.55	3.30
Remuneration to Auditors:		
Audit fees	2.37	2.82
Tax Audit fees	0.76	0.76
Bad Debts and irrecoverable Balances Written Off (Net)	137.62	112.14
Charity & Donations	4.71	7.07
Difference in exchange (Net)	-	0.60
Loss on sale / Discard of Other Fixed Assets (Net)	15.69	10.05
	3,319.72	3,012.38

(21) REPAIRS & MAINTENANCE EXPENSES		
Motor Trucks	62.24	44.48
Other Vehicles	54.90	47.53
Plant & Machinery	5.01	0.08
Buildings	16.01	3.31
Computers	63.50	54.60
Ships	151.84	75.99
Dry Docking Expenses (Refer note 5)	208.58	67.99
	562.08	293.98



Schedules to the Accounts

(Amount in Rs. Lacs)

	30th June, 2004	30th June, 2003
(22) INTEREST		
Debentures	-	14.29
Fixed Loans	430.07	349.38
Fixed Deposits	96.35	117.18
Others	70.16	83.73
	596.58	564.58
Less: Interest Received	28.25	61.31
(Tax Deducted Rs.5.99 lacs, Previous Year Rs.12.26 lacs)		
	568.33	503.27

(23) NOTES ON ACCOUNTS

1. REMUNERATION TO DIRECTORS

Managing Director

Salaries & Allowances	26.13	22.00
Money value of Perquisites	1.51	1.51
Contribution to Provident /Superannuation Funds	8.03	6.51

Wholetime Directors

Salaries & Allowances	12.38	22.50
Money value of Perquisites	19.57	1.28
Contribution to Provident /Superannuation Funds	1.70	1.80

Other Directors

Commission	6.25	6.00
Fees	2.55	3.30

78.12 **64.90**

Computation of net profit in accordance with Section 309(5) of the Companies Act, 1956

Profit before Tax	837.79	645.10
Add : Depreciation as per accounts	781.33	537.47
Directors' Remuneration/Commission	78.12	64.90

Sub-total

1,697.24 **1,247.47**

Less : Capital Profit on Sale of Assets

188.87 -

Depreciation under Section 350

781.33 537.47

Net profit computed in accordance with Section 309(5)

727.04 710.00

Commission payable to Directors - 1%

7.27 7.10

Restricted to

6.25 6.00

The above does not include contribution to Gratuity Fund and provision for encashable leave which is actuarially calculated on an overall basis.

Schedules to the Accounts

(Amount in Rs. Lacs)

	30th June, 2004	30th June, 2003
(23) NOTES ON ACCOUNTS (contd...)		
2. THE NET DEPRECIATION CHARGED FOR THE YEAR IS ARRIVED AT AS FOLLOWS:		
Depreciation for the year	782.60	538.74
Deduct : Transfer from Capital Reserve being depreciation provided on revalued amount	1.27	1.27
Net Depreciation charged in Profit and Loss Account	781.33	537.47
3. There is a diminution of Rs. 55.87 lacs in the market value of quoted investments as on 30th June 2004, Taking into account the business plan and prospects of the investee company and the long term nature of investments such diminution is considered temporary in nature. In any event the balance in the Investment Fluctuation Reserve is considered adequate for the purpose.		
4. Tax provision in these accounts has been made considering the working results for the accounting year ended 30th June, 2004. The actual tax liability will be determined on the basis of tax accounting year ended 31st March, 2004 (assessment year 2004-05).		
5. Pursuant to Accounting Standard (AS)-26 on "Intangible Assets" issued by the Institute of Chartered Accountants of India, the entire amount of Rs.208.58 lacs (including the brought forward balance of Rs.85.21 lacs) have been charged to Profit & Loss account. However the charge to Profit & Loss account would have been Rs.67.78 lacs only, as per the earlier policy of amortising over a period of 30 months. As a result the profit of the current year is lower by Rs.140.80 lacs.		
6. Earning per shares		
No of equity shares outstanding (Nos.)	83.57	83.57
Net profit after tax available for equity shareholders (Rs.)	555.18	410.33
Basic earnings (In Rupees) per share of Rs. 10/- each (Rs.)	6.64	4.91
Diluted earnings (In Rupees) per share of Rs. 10/- each (Rs.)	6.57	NA
7. Capital work in Progress includes advances given in earlier years to Associate Companies namely Giri Roadlines Pvt. Ltd. Rs. 400 lacs. (Maximum balance during the Year Rs.400 Lacs) and TCI Industries Ltd. Rs.98.50 lacs (Maximum balance during the Year Rs.98.50 lacs)		
8. Loans & Advances includes advance given to Associate Companies namely Jubilee Commercials & Trading Pvt. Ltd. Rs.24.84 lacs (Maximum balance during the year Rs.166 lacs) and Gati Investments Ltd. Rs. 33.83 lacs (Maximum balance during the year Rs.33.83lacs)		



Schedules to the Accounts

(Amount in Rs. Lacs)

	30th June, 2004	30th June, 2003
(23) NOTES ON ACCOUNTS (contd...)		
9. Estimated amount of contracts remaining to be executed on capital account and not provided for	15.47	96.19
10. Previous year's figures have been regrouped/ rearranged wherever necessary.		
11. Contingent Liability not provided for in respect of ESI, Nepal Income Tax etc. Demands under dispute	28.80	28.80
Guarantees and Counter Guarantees outstanding	301.99	290.95
Claims against the company in respect of which the company has made counter claim and the matter is pending before the court. The ultimate liability if any cannot be presently ascertained.		
12. Related Party Disclosures Related parties with whom transactions have taken place during the year		
i Directors/Key Management Personnel: Mr. Mahendra Agarwal (Managing Director) Mr. S Bhattacharya (Wholetime Director - upto 15.7.2003) Mr. Manoj Todi (Wholetime Director - Infrastructure)		
ii Associates Gati Intellect Systems Ltd. TCI Finance Ltd. Giri Roadlines Pvt. Ltd. Jubilee Commercials & Trading Pvt. Ltd. Gati Investments Ltd. Gati Shipping Ltd. TCI Hi-ways Pvt. Ltd. TCI Industries Ltd. Mahendra Kumar Agarwal & Sons (HUF)		
SL Nature of Transaction	July-June 2004	July-June 2003
A Expenditure		
i Associates		
Consultancy	-	11.70
Rent	15.92	10.56
Freight Charges	178.83	340.08
Port Expenses	48.96	38.20
Interest	3.23	-
ii Key Management Personnel		
Remuneration	69.32	55.60
iii Relative of Key Management Personnel	-	0.57
B Receipts		
Associates		
Interest	11.13	26.87
Freight	-	14.93
Sale of Trucks	-	8.00
Other Charges	48.52	35.72

Schedules to the Accounts

(Amount in Rs. Lacs)

	30th June, 2004	30th June, 2003
(23) NOTES ON ACCOUNTS (contd...)		
C Finance & Investment Associates		
Advances towards fixed Assets - Given	78.50	35.82
Loans - Taken	542.50	737.70
Loans - Given / Repaid	392.50	727.70
Deposit repaid	-	1.70
D Balance at the year end Associates		
Loans and Advances	58.67	313.74
Advances towards Fixed Assets	498.50	420.00
Corporate Guarantees	301.99	290.95

- 13 Segment Information
 Primary Business Segment
 Logistics Segment : Covers integrated cargo services – Road, Rail & Air Transportation.
 Shipping Segment : Covers Sea Transportation
 Trading Segment : Covers pumps dealing in petrol, diesel and lubricants etc.

Year ended	30th June, 2004	30th June, 2003
1. Segment Revenue (net sale/income)		
a) Logistics	21,160	20,521
b) Shipping	2,444	1,862
c) Trading	7,011	5,131
Net sales/income from operations	30,615	27,514
2. Segment Results		
Profit before tax and interest from each Segment		
a) Logistics	1,691	1,426
b) Shipping	193	112
c) Trading	74	54
Total	1,958	1,592
Less : i Interest (Net of Income)	568	503
ii Other un-allocable expenditure net of un-allocable income	552	444
Total Profit Before Tax	838	645
3. Other Information		
Segment Assets		
a) Logistics	10,502	9,190
b) Shipping	2,242	2,556
c) Trading	179	101
Unallocated Corporate Assets	172	294
Total Assets	13,095	12,141
Segment Liabilities		
a) Logistics	7,212	6,459
b) Shipping	1,276	1,393
c) Trading	26	15
Total Liabilities	8,514	7,867

The company operates mainly in India and therefore there are no separate geographical segments.



Schedules to the Accounts

(23) NOTES ON ACCOUNTS (contd...)

14. Additional Information pursuant to the Provisions of Paragraphs 3 & 4 of Part II of Schedule VI to the Companies Act, 1956

		30th June, 2004		30th June, 2003	
	Unit	Quantity	Rupees in Lacs	Quantity	Rupees in Lacs
I. Sales					
Diesel & Petrol	KL	28276	6955.25	22247	5093.79
Motor Parts and Lubricants		-	55.76	-	36.72
			7011.01		5130.51
II. Purchases					
Diesel & Petrol	KL	28342	6863.26	22262	5016.05
Motor Parts and Lubricants		-	51.01	-	29.34
			6914.27		5045.39
III. Opening Stock					
Diesel & Petrol	KL	61	15.86	50	11.57
Motor Parts and Lubricants		-	8.91	-	9.12
			24.77		20.69
IV. Closing Stock					
Diesel & Petrol	KL	99	27.68	61	15.86
Motor Parts and Lubricants		-	13.82	-	8.91
			41.50		24.77
V. Value of Imported and Indigeneous Stores & Spare Parts Consumed during the year		%	Rupees in Lacs	%	Rupees in Lacs
Imported		54.18	52.21	33.77	26.05
Indigeneous		45.82	44.16	66.23	51.11
		100.00	96.37	100.00	77.16
VI. Expenditure in Foreign Currency					
Travelling Expenses			53.31		44.06
P & I Insurance			63.11		45.41
Repairs			86.20		53.45
Miscellaneous			464.56		283.04
VII. Value of Imports on C.I.F. Basis					
Spare Parts			52.21		26.05
Capital Goods			949.71		-
VIII. Earnings in Foreign Currency					
Freight			951.34		831.51

15. ACCOUNTING POLICIES

Recognition of Income & Expenditure

- Income and expenditure are generally recognised on accrual basis in accordance with the applicable accounting standards and provision is made for all known losses and liabilities.
- In Gati Cargo Management Services Division, Freight Income is accounted when goods are delivered by the Company to customers. In Shipping Division, Freight Income is accounted when ships sail.
- Freight expenses are accounted when hired vehicles deliver goods to the Company at destination.

- d) Having regard to the size of operations and the nature and complexities of the company's business, freight received/paid in advance is accounted as income/expenses on payment and interdivisional transfers are not eliminated.
- e) Year-end liability in respect of claims for loss and damages is provided as calculated by claims recovery agents.

Gratuity

A provision for gratuity liability to employees is made on the basis of actuarial valuation and paid to the approved Gratuity Fund

Provident Fund

Provident fund contribution is remitted to appropriate authority.

Superannuation Fund

Superannuation fund contribution is remitted to approved trust fund.

Fixed Assets

- a) Fixed assets are stated at cost and / or at revaluation.
- b) Dry docking and other expenses at the time of acquisition of ships are capitalised.
- c) Depreciation on the amount added to Fixed Assets on revaluation is adjusted by transfer of equivalent amount from capital reserve created on revaluation of Fixed Assets to Profit and Loss Account.

Depreciation

Depreciation is provided on straight line method at rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on addition/deductions is calculated prorata from/to the date of addition/ deduction.

Investments

Investments are stated at cost.

Inventories

Inventories are valued at lower of cost and net realisable value.

Foreign Exchange Transaction

Any exchange difference in foreign currency transaction is adjusted to the cost of fixed assets where applicable ; In other cases, it is accounted in the Profit and Loss Account.

Taxation

Provision for tax is made for both current and deferred taxes. Provision for current income tax is made on the current tax rates based on the working results of the year. The company provides for deferred tax based on the tax effect of timing differences resulting from the recognition of items in the accounts and in estimating its current tax provision. The effect on deferred taxes of a change in tax rate is recognised in the year in which the change is effected.

Signatures to Schedules "1" to "23"

In terms of our Report of
even date attached

For and on behalf of the Board

For **R S Agarwala & Co.**
Chartered Accountants

V T Pawar
Chief Finance Controller

K L Chugh
Chairman

Mahendra Agarwal
Managing Director

R S Agarwala
Partner

A S Sandhu
Chief Business Accounts & Finance
Officer & Company Secretary

N Srinivasan
Director

Camp: Secunderabad
August 2, 2004

Secunderabad
August 2, 2004



Cash Flow Statement for the year ended 30th June, 2004

(Amount in Rs. Lacs)

For the year ended	30th June, 2004	30th June, 2003
A. Cash Flow from Operating Activities :		
Net Profit before Tax	837.79	645.10
Depreciation	781.33	537.47
Loss on Sale of Fixed Assets	15.69	10.06
Profit on Sale of Ship	(174.43)	(25.80)
Interest Payments	596.57	564.58
Interest Received	(28.25)	(61.31)
Operating Profit before Working Capital Changes	2028.70	1670.09
Adjustment for :		
Increase/Decrease in Trade and other Receivables	(556.56)	(817.78)
Increase/Decrease in Trade Payables and other Liabilities	40.82	356.65
Increase/Decrease in Inventories	6.84	(1.08)
Loans & Advances	(127.55)	116.79
Interest on Borrowings	(596.57)	(564.58)
Increase/Decrease in Miscellaneous Expenditure not written off	85.21	(21.73)
Tax Paid	(49.40)	68.77
Net Cash from Operating Activities	831.49	807.13
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets (Including Capital Advances)	(2923.35)	(2274.97)
Sale of Assets	2255.03	706.78
Increase/Decrease in Investments	(28.08)	-
Interest Received	28.25	61.31
Net Cash from Investing Activities	(668.15)	(1506.88)
C. Cash Flow from Financing Activities		
Receipt/Repayment of Secured Loans	177.54	2050.40
Receipt/repayment of Short term Unsecured Loans	175.47	(1080.46)
Increase in Employee Stock Option	8.69	-
Dividend Paid (Including Tax)	(235.68)	(208.91)
Net Cash from Financing Activities	126.02	761.02
Net Increase in Cash & Cash Equivalent (A+B+C)	289.36	61.27
Cash & Cash Equivalent as on 01.07.2003	397.31	336.04
Cash & Cash Equivalent as on 30.06.2004	686.67	397.31

This is the Consolidated
Cash Flow Statement
referred to in my report
of even date

In terms of our Report of
even date attached

For and on behalf of the Board

For **R S Agarwala & Co.**
Chartered Accountants

V T Pawar
Chief Finance Controller

K L Chugh
Chairman

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Managing Director

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Partner

A S Sandhu
Chief Business Accounts & Finance
Officer & Company Secretary

N Srinivasan
Director

Camp: Secunderabad
August 2, 2004

Secunderabad
August 2, 2004

Balance Sheet Abstract And Company's General Business Profile

As per Part IV, Schedule VI of the Companies Act, 1956.

I. Registration Details

Registration No. 20121 State Code No. 01

Balance Sheet Date 30 06 2004

II Capital raised during the year (Rs. In thousand)

Public Issue	Bonus Issue	Rights Issue	Private Placement
N I L	N I L	N I L	N I L

III Position of Mobilisation and Deployment of Funds (Rs. In thousands)

Total Liabilities Total Assets

1 1 1 0 7 1 0	1 1 1 0 7 1 0
---	---

Sources of Funds

Paid up Capital	Reserves & Surplus	Secured loans
8 3 5 6 5	3 7 4 5 4 4	4 0 0 9 8 3
Unsecured loans	Deferred Tax Liability	
1 5 9 3 5 7	9 2 2 6 1	

Application of Funds

Fixed Assets	Investments	Net Current Assets
6 7 2 6 0 8	1 7 1 9 7	4 2 0 9 0 5
Misc Expenditure	Accumulated losses	
N I L	N I L	

IV. Performance of the Company (Rs. In thousands)

Turnover	Total Expenditure	Profit before Tax
3 0 9 1 8 5 4	3 0 0 8 0 7 5	8 3 7 7 9
Profit After Tax	Earning Per Share in Rs.	Dividend%
5 5 5 1 8	6 . 6 4	2 7

V Generic Names of the Three Principal Products / Services of the Company

Item Code No. (ITC Code) : NIL
Product Description : Logistics, Express Cargo and Shipping Services

In terms of our Report of
even date attached

For and on behalf of the Board

For **R S Agarwala & Co.**
Chartered Accountants

V T Pawar
Chief Finance Controller

K L Chugh
Chairman

Mahendra Agarwal
Managing Director

R S Agarwala
Partner

A S Sandhu
Chief Business Accounts & Finance
Officer & Company Secretary

N Srinivasan
Director

Camp: Secunderabad
August 2, 2004

Secunderabad
August 2, 2004

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Notes

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