





Delivering solutions that ensure value

No matter what the industry, Gati is equipped to deliver cost-effective, high quality services that add value and drive growth.

The warehousing facilities are spread over a 2 million sq.ft. area. These world-class facilities are located strategically across the country. Scientifically designed and equipped to international standards, all of them feature modern storage systems and sophisticated equipment.

As a logistics player, Gati is present at every link of the value chain, which helps deliver comprehensive solutions to match the business needs. The service levels and integrated service portfolio deliver cost-effectiveness that is unmatched in the industry.



We are India's only multi-modal logistics company, offering seamless connectivity across air, road, ocean and rail.



We were the first logistics company in India to receive ISO 9001 certification.



We reach 603 of India's 611 districts, a reach unmatched by any other player.



We have a fleet of 4000 vehicles, 94 refrigerated trucks and 6 marine vessels to ensure faster time to markets through well streamlined operations.



We leverage an extensive technology backbone that allows tracking of shipments online.



We have over 2 million sq.ft. of best-in-class mechanronic warehousing space, spanning the length and breadth of India.



We have vehicles on road which cover 300,000 km every single day.



We deliver a record 3 million packages weighing over 46,000 tons – every month.



We provide real-time delivery information on shipments.



We have a dedicated workforce of approximate 2,850 well trained Gati'ites.

Gaining global ground

The company's global arm – Gati International – provides worldwide reach and a highly focused expertise in India-centric operations including freight-forwarding, air and ocean freight (inbound and outbound), customs clearance, imports and exports (air and ocean), international couriers, road movement to SAARC countries, express distribution and supply chain management.

The company currently has offices in China, Singapore, Bhutan, Dubai, Hong Kong, Thailand, Nepal and Sri Lanka, and is making foray to other markets.

To further consolidate its strong market presence in the Asia-Pacific region, Gati has set up its Regional Headquarters in Singapore, which offers a combination of developed infrastructure, ease of conducting business, free flow of finance, logistics, trading and several location-specific advantages.

In early 2008, Gati forged a strategic alliance with General Logistics Systems (GLS), a leading parcel service provider that reaches 36 European countries. GLS's wide footprint, coupled with state-of-the-art infrastructure, provides Gati customers faster access and superior parcel services to the continent.

The launch of Gati Europe Express, a door-to-door service, has opened up huge opportunities for Indian companies to do business in Europe. This is a significant advantage for the company, considering that the European Union is India's largest economic partner today.



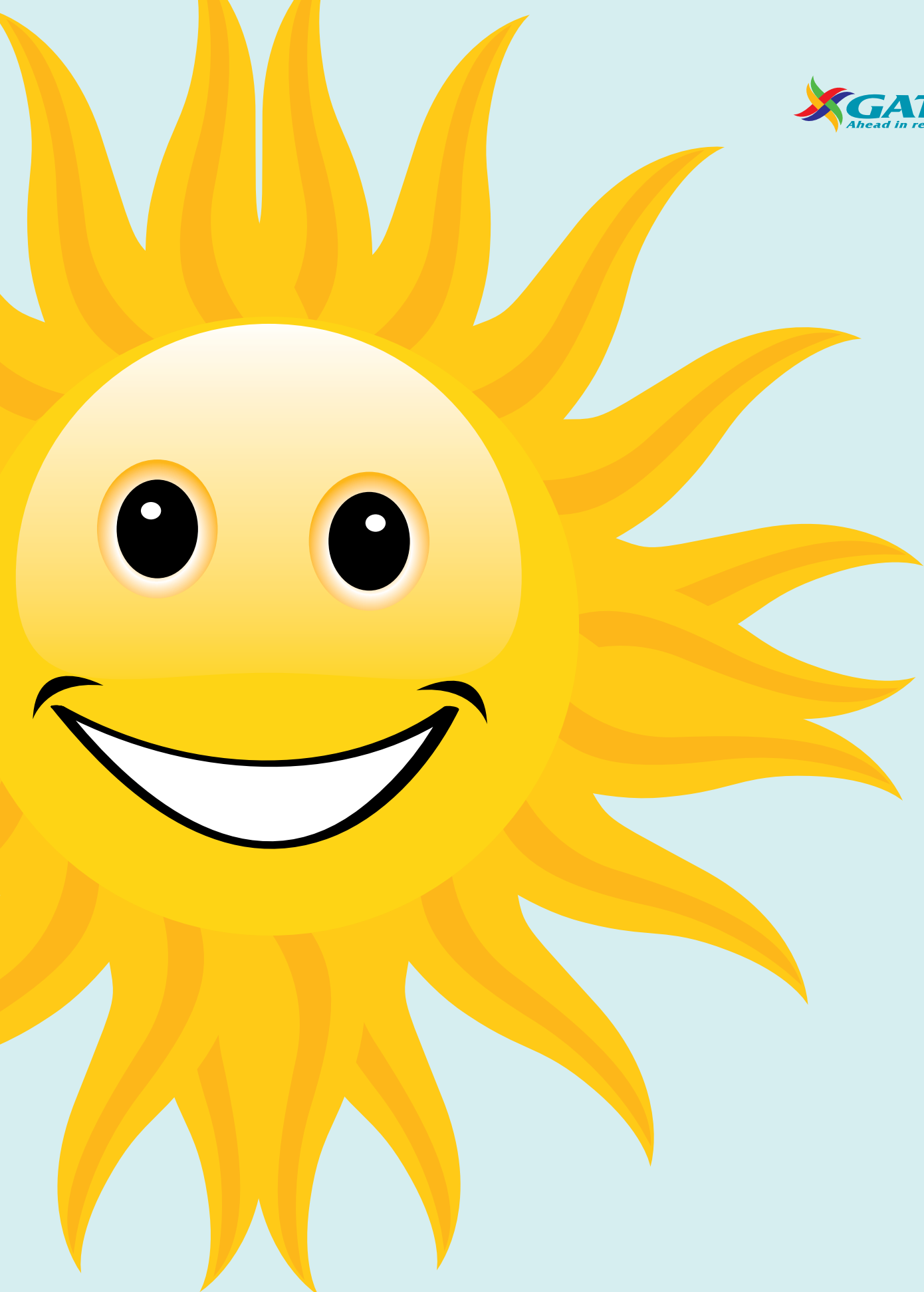


Delivering happiness

Gati offers a host of retail initiatives specially developed to bring various products and delicacies from the source of origin, with the authenticity intact, and delivered right at the doorstep.

Gati delivers Alphonso mangoes from Ratnagiri, Haleem from Hyderabad, Kesar from Kashmir, Spices from Kerala, Kinnaur apples from Himachal Pradesh, holy water from the Ganga, Rakhi for distant brothers, Diwali Sweets, and Santa's Goodies at Christmas.





Want to relish
the authentic
taste of peanuts?

Order your favourite Bharuch peanuts
in seven delectable flavours,
from anywhere in India, only through Gati.

Strengthening maritime routes

Gati Coast to Coast is the shipping division of Gati based at Chennai with over two decades of experience in the industry and has many firsts to its credit:

Gati has been the first to operate:

- A direct service to Yangon.
- A direct container service from Ranong Port, Thailand.
- A direct container service from Penang, Malaysia.

Having started with a liner service of 4000 DWT, Gati Coast to Coast today has a tonnage of 43,581 DWT and a fleet strength of six vessels:

- MV Gati (4821 DWT)
- MV Gati Suvidha (6084 DWT)
- MV Gati Zipp (6779 DWT)
- MV Gati Prestige (8161 DWT)
- MV Gati Majestic (10736 DWT)
- MV Gati Pride (7000 DWT)

In February 2009, Gati Coast to Coast launched MV Gati Pride, the company's first custom-built ship. The 7000 DWT and 442 TEU MV Gati Pride is the sixth addition to Gati's fleet of world-class vessels, and was built in two years at Asimar (Thailand). With the induction of this new state-of-the-art vessel, Gati Coast to Coast will be able to serve more ports with a younger fleet and enhanced connectivity, thus offering reliable services to customers. MV Gati Pride has the best of equipment to ensure safe and reliable handling of cargo. The fleet will operate and serve maritime routes in the Bay of Bengal, Andaman Seas and Malacca Straits.





Poised to scale greater heights

In tune with evolving business needs, Gati has been continuously fine-tuning its service network with a view to offering comprehensive supply chain solutions that encompass important value additions like just-in-time inventory and on-demand door delivery of finished products to end-customers. An unrelenting passion for innovation and excellence has always been a way of life at Gati. The company's continuous endeavor to excel in its business processes has won accolades from various quarters.

Riding on its strengths, Gati has come a long way. It continues to steadily emerge as a world player, with an eye on garnering a sizeable share of the global logistics business. The next stage is to leverage its strengths further, by looking at new opportunities that are unfolding, both in India and overseas. As a progressive company, Gati realizes the need to keep ahead of the times by proactively catering to the ever-changing needs of its customers, widening its range of products and

services, and offering new value-added business propositions.

Gati is well placed on several counts – size, proximity to markets, logistical advantage and superior brand strength.

In essence, Gati is on the springboard of another big leap forward.



Looking beyond business

Throughout its history, Gati has always striven to be a responsible corporate citizen by reaching out to the less privileged sections of society.



Gati supports two government high schools – one each in Hyderabad and Nagapattinam (a tsunami-ravaged town in Tamil Nadu) – which together provide education to over 200 young children and prepare them for life in the real world.



Gati also runs a community health clinic in Hyderabad to bring affordable healthcare to truck drivers and their families.



In June 2008, when Myanmar was devastated by Typhoon Nargis, Gati's vessel MV Gati Prestige delivered 100,000 water purifying tablets and 20,000 packets of Oral Rehydration Therapy from Chennai to Myanmar.



In August 2008, when the river Kosi burst its banks in Bihar and caused widespread inundation, Gati was at the forefront of the relief operations, delivering the much-needed food and water to the marooned villagers.



In September 2008, Gati organized a blood donation camp to support children suffering from blood disorders and for the treatment of Thalassemia and Haemophilia.



Board of Directors



KL Chugh
Chairman



Mahendra Agarwal
Managing Director & CEO



Dr Ram S Tarneja
Director



Dr P Sudhakar Reddy
Director



N Srinivasan
Director



TS Rao
Director



Sunil Kumar Alagh
Director



Anoop Kishore Seth
Director



Himmat Singh Lagad
Director

Management Team

Mahendra Agarwal

Managing Director & CEO

Chitra Shinde

Chief Business Chain Officer

Howard James-Scott

Chief Supply Chain Management Officer

Sameer Khatri

Chief International Business Officer

Ashok Chanda

Chief - Strategy & Shared Services

G.S. Ravi Kumar

Chief Information Officer

Yogesh V Khamar

Head - Facilities Management Group

Ashok Kumar

Chief - GTS

M Maheen Kannu

Head - Retail Business

Nirmal Kumar Pandey

Chief Law Officer

Peter H. Jayakumar

Chief Risk Management Officer

Ashwani Kumar Joshi

Chief HR Officer

Pushpa Joseph

Head - Marketing Services

Anantha Ratna Kumar P

Head - Business Accounts

VSN Raju

Company Secretary

Auditors

M/S R.S.Agarwala and Co

Chartered Accountants

Bankers

State Bank of India

ICICI Bank

Axis Bank.

Legal Advisors

M/s. Kanga & Co. , Mumbai.

Contents

| | |
|------------------------------------|----|
| Financial Highlights | 15 |
| Key Indicators | 16 |
| Notice to Shareholders | 17 |
| Directors' Report | 23 |
| Report on Corporate Governance | 28 |
| Management Discussion and Analysis | 35 |
| Auditors' Report | 38 |
| Balance Sheet | 42 |
| Accounts with Schedules | 44 |

Financial Highlights

(Rs. in Lakhs)

| Particulars | 2008-09 | 2007-08 | 2006-07 |
|---|---------|---------|---------|
| Sales | 61,808 | 55,207 | 45,737 |
| Total Income | 63,033 | 57,551 | 46,104 |
| Gross Profit Before Interest, Depreciation & Tax | 4,466 | 5,574 | 4,888 |
| Interest (Net) | 3,541 | 973 | 577 |
| Depreciation | 2,301 | 1,457 | 1,110 |
| Profit Before Tax | (1,376) | 3,144 | 3,201 |
| Income Tax | 129 | 766 | 865 |
| Profit After Tax | (1,506) | 2,378 | 2,336 |
| Dividend on Equity Share Capital | - | 40% | 40% |
| Dividend Payout | - | 677 | 579 |
| Equity Share Capital | 1,698 | 1,693 | 1,448 |
| Reserves & Surplus (Excl.Revaluation Reserves) | 25,385 | 27,992 | 15,606 |
| Net Worth | 27,082 | 29,685 | 17,054 |
| Gross Block | 51,343 | 30,007 | 20,052 |
| Net Block | 46,905 | 30,290 | 22,542 |
| Loan | 47,011 | 22,382 | 18,987 |

Key Indicators

| Particulars | | 2008-09 | 2007-08 | 2006-07 |
|----------------------------|------------|---------|---------|---------|
| Equity Share Capital (Rs.) | Rs / Lakhs | 1,698 | 1,693 | 1,448 |
| Earning Per Share | Rs. | (1.78) | 2.99 | 3.28 |
| Cash Earning Per Share | Rs. | 2.03 | 6.33 | 4.84 |
| Sales Per Share | Rs. | 74.37 | 69.31 | 64.21 |
| Book Value per share | Rs. | 31.95 | 37.27 | 23.94 |
| Debt : Equity Ratio | | 1.74 | 0.75 | 1.11 |
| PBDIT / Sales | % | 7.22 | 10.10 | 10.69 |
| Net Profit Margin | % | (2.44) | 4.31 | 5.07 |
| Return on Networth | % | (5.56) | 10.04 | 19.45 |
| Return on Capital Employed | % | (7.14) | 8.55 | 12.27 |

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 14th Annual General Meeting of the Shareholders of the Company will be held on Wednesday, the 21st October 2009, at 10.30 a.m. at ITC Hotel, The Kakatiya, 6-3-1187, Begumpet, Hyderabad - 500 016 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at June 30, 2009, the Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. K L Chugh, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. P S Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors 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

5. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution.**

“RESOLVED THAT Mr. Himmat Singh Lagad, who was appointed by the Board of Directors as an Additional Director of the Company and who holds office up to the date of the Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“the Act”) and Article 115 of the Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act, proposing his candidature, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

6. **To consider and if thought fit, to pass with or without modification(s), the following resolution as a special resolution.**

“RESOLVED THAT pursuant to the provisions of Section 81 (IA) and all other applicable provisions, if any, of the Companies Act, 1956 (including statutory modification(s), amendments or re-enactment(s) thereof for the time being in force) and in accordance with the provisions of the Articles of Association of the Company, the Listing Agreement entered into between the Company and the various Stock Exchanges, the subsisting Guidelines and clarifications issued by the Government of India / Reserve Bank of India (RBI) / Securities and Exchange Board of India (SEBI) or any other relevant authority and subject to such approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, consent of the company be and is hereby accorded to the Board of Directors of the company and/ or a duly authorized Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as “the Board”) in its absolute discretion, to offer / issue and allot not more than 48,72,000 warrants, convertible, at the option of the warrant holder(s) within an aggregate time period of 18 months from the date of allotment of the warrants, into 48,72,000 Equity shares of Rs.2/- each, at a premium of Rs.79/- per share for cash, as determined in accordance with the relevant SEBI Guidelines, to the Promoter(s) Group viz., Mahendra Investment Advisors Private Limited on a preferential basis, as the Board may in its absolute discretion decide, in one or more tranches and on such terms and conditions, as the Board considers fit, subject to the following:

- a. the Warrants and the equity shares to be offered and allotted upon conversion shall be subject to the provisions of the Memorandum and Articles of Association of the Company in all respects.
- b. the relevant date within the meaning of the Explanation to Clause 71, Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 for the purpose of determination of applicable price for the issue of above mentioned warrants / equity shares is 21st September, 2009.
- c. the equity shares to be allotted on conversion of the warrants shall rank pari passu with the existing equity shares of the company in all respects.
- d. an amount equal to 25% of the price fixed under Clause 77 (2) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 in relation to each of the warrant shall be paid upfront by the person to whom the allotment is being made, at the time of allotment of the warrant, and the same shall be adjusted against the price payable for the subsequent allotment of equity shares against the warrants. Further, in the event the option of conversion of warrant into equity share is not exercised by the warrant holder, in terms of this resolution the upfront payment of 25% shall stand forfeited.

“FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board/ Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/ issue, allotment and utilization of the proceeds and further to do all such acts, deeds, matters and things and to finalize and execute all documents and writings as any be necessary, proper, desirable or expedient as it may deem fit.”

“RESOLVED FURTHER that the Board be and is hereby authorized to delegate all or any of the powers to any Committee of Directors of the Company to give effect to the above resolution.”

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a special resolution.

“RESOLVED THAT pursuant to the provisions of Section 81 (IA) and all other applicable provisions, if any, of the Companies Act, 1956 (including statutory modification(s), amendments or re-enactment(s) thereof for the time being in force) and in accordance with the provisions of the Articles of Association of the Company, the Listing Agreement entered into between the Company and the various Stock Exchanges, the subsisting Guidelines and clarifications issued by the Government of India / Reserve Bank of India (RBI) / Securities and Exchange Board of India (SEBI) or any other relevant authority and subject to such approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, consent of the company be and is hereby accorded to the Board of Directors of the company and/ or a duly authorized Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as “the Board”) in its absolute discretion, to offer / issue and allot not more than 53,60,400 warrants, convertible, at the option of the warrant holder(s) within an aggregate time period of 18 months from the date of allotment of the warrants, into 53,60,400 Equity shares of Rs.2/- each, at a premium of Rs.56/- per share for cash, as determined in accordance with the relevant SEBI Guidelines, to the Promoter(s) viz., Mahendra Kumar Agarwal on a preferential basis, as the Board may in its absolute discretion decide, in one or more tranches and on such terms and conditions, as the Board considers fit, subject to the following:

- a. the Warrants and the equity shares to be offered and allotted upon conversion shall be subject to the provisions of the Memorandum and Articles of Association of the Company in all respects.
- b. the relevant date within the meaning of the Explanation to Clause 71, Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 for the purpose of determination of applicable price for the issue of above mentioned warrants / equity shares is 21st September, 2009.
- c. the equity shares to be allotted on conversion of the warrants shall rank pari passu with the existing equity shares of the company in all respects.
- d. an amount equal to 25% of the price fixed under Clause 77 (2) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 in relation to each of the warrant shall be paid upfront by the person to whom the allotment is being made, at the time of allotment of the warrant, and the same shall be adjusted against the price payable for the subsequent allotment of equity shares against the warrants. Further, in the event the option of conversion of warrant into equity share is not exercised by the warrant holder, in terms of this resolution the upfront payment of 25% shall stand forfeited.

“FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board/ Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/ issue, allotment and utilization of the proceeds and further to do all such acts, deeds, matters and things and to finalize and execute all documents and writings as any be necessary, proper, desirable or expedient as it may deem fit.”

“RESOLVED FURTHER that the Board be and is hereby authorized to delegate all or any of the powers to any Committee of Directors of the Company to give effect to the above resolution.”

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

“RESOLVED THAT pursuant to the provisions of Section 81 (IA) and all other applicable provisions, if any, of the Companies Act, 1956 (including statutory modification(s), amendments or re-enactment(s) thereof for the time being in force) and in accordance with the provisions of the Articles of Association of the Company, the Listing Agreement entered into between the Company and the various Stock Exchanges, the subsisting Guidelines and clarifications issued by the Government of India / Reserve Bank of India (RBI) / FIPB/ Securities and Exchange Board of India (SEBI) or any other relevant authority and subject to such approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, consent of the company be and is hereby accorded to the Board of Directors of the company and/ or a duly authorized Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as “the Board”) in its absolute discretion, to offer / issue and allot not more than 14,41,418 warrants, convertible, at the option of the warrant holder(s) within an aggregate time period of 18 months from the date of allotment of the warrants, into 14,41,418 Equity shares of Rs.2/- each, at a premium of Rs.56/- per share for cash, as determined in accordance with the relevant SEBI Guidelines, to the Infrastructure Fund of India LLC (hereinafter referred to as “TIFOL”) on a preferential basis, as the Board may in its absolute discretion decide, in one or more tranches and on such terms and conditions, as the Board considers fit, subject to the following:

- a. the Warrants and the equity shares to be offered and allotted upon conversion shall be subject to the provisions of the Memorandum and Articles of Association of the Company in all respects.
- b. the relevant date within the meaning of the Explanation to Clause 71, Chapter VII of the SEBI (Issue of Capital and Disclosure

Requirements) Regulations 2009 for the purpose of determination of applicable price for the issue of above mentioned warrants / equity shares is 21st September, 2009.

- c. the equity shares to be allotted on conversion of the warrants shall rank pari passu with the existing equity shares of the company in all respects.
- d. an amount equal to 25% of the price fixed under Clause 77 (2) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 in relation to each of the warrant shall be paid upfront by the person to whom the allotment is being made, at the time of allotment of the warrant, and the same shall be adjusted against the price payable for the subsequent allotment of equity shares against the warrants. Further, in the event the option of conversion of warrant into equity share is not exercised by the warrant holder, in terms of this resolution the upfront payment of 25% shall stand forfeited.

“FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board/ Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/ issue, allotment and utilization of the proceeds and further to do all such acts, deeds, matters and things and to finalize and execute all documents and writings as may be necessary, proper, desirable or expedient as it may deem fit.”

“RESOLVED FURTHER that the Board be and is hereby authorized to delegate all or any of the powers to any Committee of Directors of the Company to give effect to the above resolution.”

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a special resolution.

“RESOLVED THAT, in supercession of the resolution passed by the Company at the Extra-Ordinary General Meeting of the Company held on 25th February, 2006 in relation to the exercise of borrowing powers, consent of the Company be and is hereby accorded to the Board of Directors of the Company under Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification, amendment or re-enactment thereof for borrowing from time to time for the purposes of the business of the Company such sums of money as they may deem fit notwithstanding that the monies so borrowed together with the monies already borrowed and outstanding (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however that the aggregate of such borrowings (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed Rs.500 Crores (Rupees Five Hundred Crores only) at any one time.”

10. To consider and if thought fit to pass with or without modification(s), the following as a special resolution:

“RESOLVED that pursuant to the provisions of section 309(4) of the Companies Act, 1956, the Company hereby approves the payment of commission to non-executive Directors including Independent Directors, of the Company, to be divided equally between them (or in such manner as they may, from time to time, determine) at the rate of one percent every financial year of the net profits to be computed in the manner laid down in section 349 of the Companies Act, 1956, for a period of five financial years commencing from 1st July 2009.”

Registered Office
1-7-293, M G Road,
Secunderabad - 500 003.

September 21, 2009

By Order of the Board
for GATI LIMITED

VSN Raju
Company Secretary

NOTES

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself. The instrument appointing proxy should, however be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting. A proxy need not be a member.
2. Shareholders are requested to bring their copy of Annual Report to the meeting. In accordance with the SEBI Guidelines, only abridged standalone and consolidated annual accounts for the year ended 30th June 2009 are circulated. Any member desirous of having a copy of detailed accounts may apply to the Company and copies thereof will be available for reference at the venue and date of the Annual General Meeting.
3. The Register of Members and Share Transfer Books will remain closed from 17th October 2009 to 21st October 2009 (both days inclusive).

4. Pursuant to the provision of Section 205C of the Companies Act, 1956 as amended, dividend for the financial year ended 30th June, 2002, and thereafter, which remain unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 30th June, 2002 or any subsequent financial years are requested to make their claim to the Office of the Registrar and Transfer Agents, M/s Karvy Computershare Private Limited. It may also be noted that once the unclaimed dividend is transferred, as above, no claim shall lie in respect thereof.
5.
 - a) The members who are holding shares in physical form are requested to intimate any change in their address with pin code immediately either to the Company or to the Registrar & 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 pin code immediately to the Depository Participant.
6. 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 Ltd., the transferor Company, under the Scheme of Arrangement) are requested to surrender their old share certificates to M/s. TCI Industries Limited, Mukesh Textile Mills, N A Sawant Marg, Colaba, Mumbai - 400 005 to obtain their new share certificates of 4 Companies including this Company.
7. The shares of the Company are at present listed at Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Ltd (NSE). The listing fee for the year 2009-2010 has been paid to BSE and NSE.
8. The shares of the company have been compulsorily dematerialised with effect from 28.08.2000.
9. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking appointment or re-appointment at the Annual General Meeting are annexed.

10. Information required under the Listing Agreement

As required under the Listing Agreement, the particulars of the Directors who are proposed to be re-appointed or seeking appointment are given below:

| Name of Director | Mr. K.L. Chugh | Dr. P.S. Reddy | Mr. Himmat Singh Lagad |
|--|--|--|--|
| Qualification | B.E. (Mech), Delhi University | MD, DN MRCP / FACP / FACC | B.E. (Electronics) |
| Expertise in a specific functional areas | Mr. K.L. Chugh, Mechanical Engineer from Delhi University had been the Chairman of ITC Group from November 1991 to December 1995. On his retirement he was honored with the title of Chairman Emeritus - ITC. He has 46 years of experience in creating large projects and managing large enterprises. Mr. Chugh set up the ITC Bhadrachalam Paperboards Limited in Tribal Area of Andhra Pradesh. Mr Chugh re-engineered ITC to develop as India's Multinational. His current interests are energy, renewable energy, education and health. | Dr. P. Sudhakar Reddy is a well-known Cardiologist, Humanitarian, Social Activist & recognized as the Creator of Medicity Hospital in Hyderabad. He did his MRCP from Edinburgh, U.K. Dr. Reddy was a full time faculty member of University of Pittsburgh & Director of Cardiac Angiography Laboratories. | Mr. Himmat Singh Lagad has a career spanning over 25 years in Business Management. He has worked with such astute organizations as Nokia, Intercraft USA (Kodak Australia), Pacific Brands (Pacific Dunlop Australia), Tech Pacific (Ingram Micro Australia), TNT Logistics etc. Mr. Lagad is well recognized within the Supply Chain industry globally and was recently chosen as the Top 100 Supply Chain Professionals in Asia Pacific. |
| Date of Appointment on the Board of the Company | 30.06.1998 | 25.04.1995 | 21.01.2009 |
| Details of Shares held in the Company as on 30.06.2009 | 25,000 | 50,000 | Nil |
| List of Companies in which outside Directorships held as on 30.06.2009 (excluding Private, Section 25 Companies & Foreign Company) | 1. Sandhar Technologies Ltd. 2. Spice Mobile Ltd. 3. Spice BPO Services Ltd. 4. Bharat BPO Services Ltd. | Bhoruka Textiles Ltd. | Nil |
| Status | Independent Director | Independent Director | Independent Director |

EXPLANATORY STATEMENT U/S. 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEMS NOS. FROM 5 TO 10.

Item No.5

Mr. Himmat Singh Lagad, was appointed as an Additional Director of the Company with effect from January 20, 2009 pursuant to section 260 of the Companies Act, 1956 read with Article 115 of the Article of Association of the Company. Mr. Lagad holds office of Director upto the date of the Annual General Meeting. The Company has received notice in writing under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Mr. Lagad for the office of Director under the provisions of Section 257 of the Companies Act, 1956. None of the Directors of the Company other than Mr. Lagad is interested or concerned in the resolution.

The Board recommends the resolution set forth in item no.5 for the approval of the members.

Item No. 6, 7 and 8.

With a view to raising additional funds for expansion of infrastructure facilities, warehousing, building, to meet working capital requirement, other related capital expenditure and general corporate purposes, the company proposes to make Preferential Issue of Convertible Warrants to Promoter(s) / Promoter(s) Group and TIFOI on the terms and conditions as stated in the Resolution proposed respectively under Item No. 6 to 8 of the Notice of the Meeting..

The proposed allotment on preferential basis of the warrants convertible into equity shares to the Promoter(s)/ Promoter(s) Group and TIFOI, would not result in any change of control / management of the company.

The warrants and the equity shares allotted upon conversion of warrants, to the Promoter(s) / Promoter(s) Group and to TIFOI shall be subject to lock-in for such period as stipulated under the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009.

The certificate of the statutory auditors to the effect that the issue of warrants as well as the issue of equity shares on preferential basis under Item No.6 to 8 to the Promoter(s)/ Promoter(s) Group and TIFOI is in accordance with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 shall be placed before the Members at the ensuing Annual General Meeting and shall be available for inspection of the Members thereat.

Disclosure Pursuant to Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009.

Object of the Issue:

To infuse further funds for meeting in part capital expenditure for expansion of infrastructure facilities, warehousing, building, to meet working capital requirement, other related capital expenditure and general corporate purposes, it is proposed to issue warrants, convertible into equity shares of Rs. 2/- each at a premium to the Promoter(s)/ Promoter(s) Group and TIFOI as stated aforesaid.

The Promoter(s) / Promoter(s) Group have expressed their intention to subscribe to the warrants proposed to be issued to them. TIFOI is yet to express its intention to subscribe to the warrants proposed to be issued to them.

The pattern of shareholding before and after the issue of warrants to the Promoter(s)/ Promoter(s) Group and TIFOI would be as under:

| Category | Pre-Issue as on 30.06.2009 | | After conversion of warrants into Equity Shares, pursuant to the Resolution approved at this meeting | |
|--|----------------------------|---------------|--|---------------|
| | No. of Equity Shares held | % of Holding | No. of Equity Shares held | % of Holding |
| Promoter(s) / Promoter(s) Group | 41,758,918 | 49.20 | 51,991,318 | 53.85 |
| NRIs / OCBs / FIIs / Foreign National | 6,987,735 | 8.23 | 6,987,735 | 7.24 |
| Bodies Corporate | 5,349,927 | 6.31 | 5,349,927 | 5.54 |
| General Public | 18,871,475 | 22.24 | 18,871,475 | 19.55 |
| Indian Financial Investors / Mutual Funds / Banks / Others | 1,430,875 | 1.68 | 1,430,875 | 1.48 |
| TIFOI | 10,477,120 | 12.34 | 11,918,538 | 12.34 |
| Total | 84,876,050 | 100.00 | 96,549,868 | 100.00 |

The Promoter(s) / Promoter(s) Group shall exercise their right on the warrants within the stipulated period of 18 months for conversion into equity shares in the manner and to the extent entitled as set forth including the limits of 5% per financial year and aggregate limit of 55% under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 including any amendments thereto.

The identity of the proposed allottees, their shareholding Pre -Issue and Post - Issue of equity shares and after conversion of the warrants is as indicated below:

| Identity of Proposed Allottees | Pre-Issue as on 30.06.2009 | | After conversion of warrants into Equity Shares, pursuant to the Resolution approved at this meeting | |
|--|----------------------------|--------------|--|--------------|
| | No. of Equity Shares held | % of Holding | No. of Equity Shares held | % of Holding |
| Mahendra Investment Advisors Private Limited | 9,932,760 | 11.70 | 14,804,760 | 15.33 |
| Mahendra Kumar Agarwal | 2,071,690 | 2.44 | 7,432,090 | 7.70 |
| TIFOI | 10,477,120 | 12.34 | 11,918,538 | 12.34 |
| Total | 22,481,570 | 26.48 | 34,155,388 | 35.37 |

The proposed issue and allotment of the warrants shall be completed within a period of 15 days from the date of approval of the issue by the shareholders of the company at the ensuing Annual General Meeting or where any approval is required from regulatory authorities including FIPB or the Central Government 15 days from the date of receipt of such approval, whichever is later. The exercise of the option for conversion of the warrants into equity shares shall have to be completed within a period of 18 months from the date of allotment of the warrants.

Although the price on the basis of the SEBI mandated formula is Rs.58/- per warrant, Mahendra Investment Advisors Private Limited is taking up 48,72,000 warrants at Rs.81/- per warrant, which along with forfeited amount of Rs.9/-, amounts to the same cost to them per warrant in respect of 48,72,000 warrants issued to them as per the AGM Resolution dated 11th October 2006 that could not be converted into equity shares due to global meltdown.

The Company undertakes to re-compute the price of the Warrants in terms of the provision of these regulations, where it is required to do so. Further, the Company undertakes that the amount payable on account of recomputation of price of the warrants is not paid within the time stipulated in these regulations, the warrants shall be continue to be locked-in till the time such amount is paid by the allottees.

The Board of Directors of your Company commends the resolutions under Item No.6 to 8 of the Notice for approval of the members.

None of the Directors other than Mr Mahendra Kumar Agarwal may be deemed to be concerned or interested in the aforesaid items of business under item no. 6 and 7 of issue and allotment of warrants to the Promoter(s) / Promoter(s) Group.

None of the Directors other than Mr Anoop Kishore Seth may be deemed to be concerned or interested in the aforesaid item of business under item no.8 of issue and allotment of warrants to TIFOI.

Item No. 9

The existing limits for borrowing were approved by the shareholders at the Extra-Ordinary General Meeting held on 25th February, 2006 for an aggregate amount of Rs.200 crores. The business operations of the Company have increased manifold thereafter. The existing business operation & future growth plans of the Company necessitate the increase in the borrowing limits of the Board of Directors of the Company. The resolution set out under Item No.8 of the Notice of the Meeting seeks the consent of the Members for borrowing by the Company of sums, which in the aggregate shall not exceed Rs. 500 crores.

Section 293 (1) (d) of the Companies Act, 1956, requires the Board of Directors of the Company to obtain approval of the members to borrow monies (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose.

Your directors commend the resolution for approval. None of the directors is either concerned or interested in the resolution.

Item No.10

Section 309(4) of the Companies Act, 1956, provides that in the case of a Director who is neither Managing nor whole -time Director, the Company may, by special resolution, authorise the payment of commission for a period of five years. In view of the greater involvement of the Directors in the affairs of the Company, it is desirable that they should be paid commission at the rate of one percent, every financial year of the net profits of the Company to be computed in the manner laid down in section 349 of the Companies Act, 1956, for a period of five financial years commencing from 1st July 2009. The proposed resolution, therefore, seeks authority for such payment to the non-executive Directors.

All the non-executive Directors of the Company are interested in the resolution, to the extent the commission is payable to them in accordance with the proposed resolution.

Registered Office
 1-7-293, M G Road,
 Secunderabad - 500 003.

September 21, 2009

By Order of the Board
 for GATI LIMITED

VSN Raju
Company Secretary

DIRECTORS' REPORT

Your Directors take pleasure in presenting their Report for the year ended 30th June, 2009.

Financial Results

(Rs. in Lakhs)

| | 2008-09 | 2007-08 |
|--|---------|---------|
| Income | 63,032 | 57,550 |
| Profit before Interest, Depreciation and Taxation | 6,153 | 7,082 |
| Interest | 3,541 | 973 |
| Depreciation | 2,301 | 1,457 |
| Profit before Tax & exceptional items | 311 | 4,652 |
| Exceptional items | (1,688) | (1,508) |
| Profit / (Loss) before Tax & after exceptional items | (1,377) | 3,144 |
| Provision for Tax | 129 | 766 |
| Profit / (Loss) after Tax | (1,506) | 2,378 |
| Balance brought forward from previous year | 858 | 726 |
| Balance available for appropriation | (648) | 3,104 |
| Appropriations | | |
| Proposed dividend | -- | 677 |
| Tax on dividend | -- | 115 |
| Tonnage Tax Reserve | 101 | 454 |
| General reserve | -- | 1,000 |
| Balance Profit / (Loss) carried forward | (749) | 858 |
| | (648) | 3,104 |

Review of Operations

During the year, your company achieved a turnover of Rs.63032 lakhs, as against Rs.57550 lakhs in the previous year, showing a growth of 9.53 percent. The net loss for the year under review after tax is Rs.1505.99 lakhs as against a net profit after tax of Rs.2378 lakhs in the previous year. Due to absence of profit for the year your directors are unable to recommend any dividend for the year ended 30th June 2009.

The result for the year was largely impacted on account of losses amounting to Rs.1832 lakhs incurred by the Freighter Business and on account of the Derivative transactions amounting to Rs.1688 lakhs.

Looking at the huge Market potential and opportunity to capture the Leadership position in the "High Value premium" customer segment, your company had decided to enter into the Air freighter business which was growing rapidly in 2006-07, through an arrangement with National Aviation Company of India Limited (NACIL) erstwhile Air India, through leasing of air freighters from NACIL.

However, the unforeseen global melt down impacted the global economy most severely and most businesses went into cost cutting mode for sheer survival, impacting the high value air freighter business most adversely. The business witnessed not only a huge and sudden slump in the volume of cargo, affecting capacity utilization but also a dramatic decline in Air Freight rates, adversely impacting yields and margin of the business.

In the words of industry experts, "we have never witnessed any thing like this before in the long history of the industry and it would not be without consequence to the very business model of the industry".

Despite, the adverse market scenario, your company had put its best endeavour and efforts to continue with the said arrangement with NACIL by leveraging expertise in the field of Express distribution, Supply Chain and Air Freighters Management but due to non-cooperation and repeated breaches on the part of NACIL to make the commercial proposition viable in line with the market conditions, your Board, after careful examination of the arrangement and the issues on hand, decided to take a prudent decision to discontinue the business since February, 2009.

To mitigate the loss arising out of foreign currency fluctuation, your company had entered into derivative contract in 2007-08. As with many other corporate your company too had to bear the losses on account of the high volatility in these currencies and the contract was eventually closed during the year.

To keep pace with the growth anticipated your company had to incur certain ongoing capital expenditure during the year under review and has also acquired two vessels through borrowed funds resulting to a significant increase in the interest cost. Added to this the rate of interest also had gone up considerably as compared to earlier period which also impacted the profitability adversely.

Due to adoption of accounting policy regarding amortisation of exchange fluctuation arising out of foreign currency fluctuation on long term borrowing and significant capital expenditure incurred during the year, the depreciation also have gone up considerably during the year.

Express Distribution and Supply Chain (EDSC)

Like most other companies, your company also has been impacted by the unprecedented slow down in the global economy. Some of the impacted sectors are part of the customer base of the company hence resulted in an overall deficit against expected revenue and profit. However notwithstanding these adversities the core business of your company has done well and handled an all time record of approximately 6.4 Million orders in 2008-09 as compared to 5 Million in the previous year.

During the financial year under review, your company has focused on reducing operational expenses, improving productivity and service quality. Administration has been restructured from five zones to four zones. Your company operates in 423 locations, and 224 franchisees across the country and engaged 940 vendor vehicles along with 188 company owned vehicles. At present, the company handles on an average 40,000 tonnes of weight per month in surface transport alone.

Your company is diligently targeting outsourced supply chain management contracts. The in house potential of the company has reached a level where the company is in a position to provide network optimization, inventory optimization and a host of value added services to reduce the total logistics cost for the customers. The Supply Chain Management function at your company has tremendous growth prospects as leading manufacturers of FMCG, Pharmaceuticals, Industrial Goods, Retail and Consumer Durable are looking for substantial cost reduction and focusing on the agility of their supply chains by entering into a collaborative partnership with your company. This, therefore, will lead the organization to become an Integrated Logistics Service Provider of choice as well as providing Supply Chain Solutions Services in the country.

Coast-to-Coast

Your company's shipping division is a recognized player in the Bay of Bengal, Andaman Sea and Malacca strait areas. Two container vessels aggregating to capacity of about 18000 DWT had been added in this financial year resulting in an increase of more than 65% of the total capacity. Due to slow down and recession in global shipping the revenue growth was only 29%. However this segment has contributed to the profitability of the company during the year because of expanded network and rerouting the vessels effectively.

IT Initiatives

During the financial year 2008-09, your Company's focus was on Mobility Solutions, moving from online to Real Time Data capture and information supported by efficient POD Image Capture and Delivery, Solution for Sales Team and Revenue Protection.

Subsidiaries

With a vision to become the leader in Asia Pacific and a globally preferred provider of India Centric Supply Chain Services and Solution, your company had established 100% wholly owned subsidiary namely M/s Gati Holdings Limited at Mauritius and six step-down subsidiaries in Southeast Asia, Japan and Dubai. Due to global slow down the growth in the international business was also affected during the year and there was a drastic fall in freight rates resulting in significant fall in the contribution from the international operations.

Kausar India Ltd

On 31st March 2009, your Company has acquired additional 26.02 % outstanding Equity Share Capital of Kausar India Ltd (KIL) through reverse Book Building process as per SEBI Rules. The total holding of your Company after the above acquisition stands at 99.74%. KIL is engaged in transportation of perishable goods in refrigerated vehicles. Progressive and supportive policy towards agriculture and food processing industry in the recent Union Budget your Company foresee rapid growth in refrigerated cargo transportation and through KIL is well positioned to tap the retail logistic opportunity.

Abridged Annual Accounts

As in last year and in accordance with the SEBI Guidelines and the Companies Act, 1956, Abridged Standalone and Consolidated Annual Accounts for the year ended 30th June 2009 are being circulated while detailed accounts will be made available on request.

Accounts of Subsidiaries

The Company has filed an application before the Central Government under Section 212(8) of the Companies Act, 1956 and accordingly the individual Annual Accounts of the all the Indian and International Subsidiaries for the year ended 30th June, 2009 have not been attached to the Annual Report. Copies of these Annual Accounts and related information will be made available on request. The annual accounts of the subsidiary companies will be available at the Registered Office of the company and also at the venue during the Annual General Meeting.

AI- GATI Arbitration

During the year, your Company had to discontinue the freighter business arrangement for various reasons more specifically, on account of repeated breaches of the terms and conditions of the Agreement by NACIL, besides their inability to address your Company's grievances and issues raised from time to time thereby compelling your Company to terminate the Agreement, resulting in wrongful encashment of the Bank Guarantee for Rs.3000 lakhs by NACIL. Consequently, your Company had raised an arbitral dispute which is pending adjudication and has also filed its Claim on NACIL.

Accounting Policy

Your company has exercised the option under Companies (Accounting Standard) Amendment Rules 2009 relating to AS 11 and accordingly, appropriate adjustments have been made in the value of fixed assets and also the treatment of exchange gain/loss. The net impacts of such changes have been disclosed in the financial statements.

Equity Share Capital

Your Company has made the following allotment of shares during the year:

- » 1,15,720 Equity Shares of Rs.2/- each to the Employees of the Company under Employee Stock Option Scheme (Plan III-2005) at Rs. 31.20 each at a cash premium of Rs.29.20 per share.
- » 1,05,000 Equity Shares of Rs.2/- each to the Non-Promoter Directors of the Company under Employee Stock Option Scheme (Plan II-2005) at Rs. 12.24 each at a cash premium of Rs.10.24 per share.

Consequently as on 30th June 2009, the Company has share capital of Rs.1697.52 Lakhs comprising of 8,48,76,050 Equity Shares of Rs. 2/- each fully paid up as compare to previous year Rs. 1693.11 Lakhs comprising of 8,46,55,330 Equity Shares of Rs.2/- each.

Fixed Deposits

Fixed Deposits from the public and shareholders stood at Rs.662.11 lakhs as on 30th June 2009, out of which Rs.37.95 lakhs have matured and unclaimed. There were no overdue deposits.

Directors

Mr. K L Chugh and Dr. P S Reddy retire by rotation at the conclusion of this Annual General Meeting and being eligible offer themselves for reappointment.

Mr. Himmat Singh Lagad was appointed as an additional director on 20th January 2009 under Section 260 of the Companies Act, 1956 and would hold office up to conclusion of the Annual General Meeting of the Company. The Company has received notice from a member proposing the candidature of Mr. Lagad as Director of the Company.

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 30th June, 2009, 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 30th June, 2009 on a 'going concern' basis.

Auditors

M/s. R. S. Agarwala & Co., Chartered Accountants, the retiring auditors are eligible for re-appointment.

With regard to observation in the Audit Report, the Company has been advised by eminent Counsel that there are fair chances of the Company succeeding in the Arbitral dispute as explained in the relevant financial note. The matter will be reviewed in the current year.

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 the Annexure - I.

Personnel

Particulars of employees covered under section 217(2A) of the Companies Act, 1956 are part of the report and are available to any member on request.

Corporate Governance

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

Acknowledgment

We thank our Customers, Vendors, Investors, Bankers, Government Authorities and Shareholders for their continued support during the year. We place on record our appreciation of the contribution made by employees at all levels.

Secunderabad,
August 7, 2009

For and on behalf of the Board

K. L. 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

Company has taken a conscious decision of going in for younger tonnage with lower specific fuel consumption. Also vessels run at optimum speed as per maker's recommendations to conserve and save fuel. All dry docking and planned maintenance including overhaul of machineries are being done as per manual.

In the Express Distribution and Supply Chain Division, the following measures were taken:

1. Vehicles were purchased carefully in compliance with all latest regulations relating to pollution control and Bharat Stage (Euro) norms i.e. EII and above.
2. The periodical maintenance of Company's vehicles was done as per manufacturer's prescribed norms to ensure optimum fuel consumption.
3. Drivers' training programs are being organized and conducted periodically to improve their driving skills and better fuel efficiency of vehicle.
4. Initiated DIP i.e., Drivers Information Package which would educate them about Do's and Don'ts, RIC (Route Information card) and Check list to be followed before departing the vehicle.
5. Introduction of "ADDITIVITIES" in Diesel to stop black carbon (smoke) which reduces air pollution and increases efficiency of the vehicles.

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 21 (item 17(ii) to (iv)) to Notes on Accounts.

ANNEXURE – II

Details of Stock Options Pursuant to SEBI Guidelines on Stock Options:

GATI Employee Stock Option Schemes

| S. No. | Description | Plan 2003 | Plan 2006 | Plan 2007 |
|--------|--|---|---|--|
| 1 | No. of shares available under GATI ESOS | 32,17,500 | 17,82,500 | 17,55,720 |
| 2 | Total No. of options granted during the year | Nil | Nil | Nil |
| 3 | Total No. of options accepted during the year. | Nil | Nil | Nil |
| 4 | 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. | | |
| 5 | Options Vested during FY 2008-09 | 5,13,000 | Nil | Nil |
| 6 | Options Exercised during FY 2008-09 | 2,20,720 | Nil | Nil |
| 7 | Options Lapsed during FY 2008-09 | 2,92,280 | Nil | Nil |
| 8 | Variation of terms of options | Nil | The Vesting Period for the pending exercised options has been extended by the committee | Nil |
| 9 | Money realized by exercise of options | Rs. 48,95,664/- | Nil | Nil |
| 10 | Grant price | There are no options granted under this scheme during the year | There are no options granted under this scheme during the year | There are no options granted under this scheme during the year |
| 11 | Total No. of options in force as on 30th June 2009 | 2,81,250 | 15,02,680 | Nil |
| 12 | Grant details to members of Senior Management Team | Nil | Nil | Nil |
| 13 | No. of associates holding 5% or more of the total number of options granted during the year | Nil | Nil | Nil |
| 14 | No. of associates with 1 % or more of paid up capital | Nil | Nil | Nil |
| 15 | Diluted EPS as per Accounting Standard 20 | | | |
| 16 | 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 recognized if it had used the fair value of the options | (1,15,23,497) | | |
| | iii) The impact of this difference on profits and on EPS of the company | Profit /(Loss) after Tax Less: Additional Employee compensation cost based on fair value Adjusted PAT (loss) Adjusted EPS | Rs. (15,05,78,547) Rs. (1,15,23,497) Rs. (16,21,02,044) (1.91) | |
| | iv) Weighted average exercise price and fair value of Stock Options granted: | | | |
| | Stock Options granted on | Weighted average exercise price (in Rs.) | Weighted average Fair price (in Rs.) | Chosing market price at BSE on the date of grant (in Rs.) |
| | NIL | NIL | NIL | NIL |
| | 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 | Disclosures under clause (v) & (vi) are not applicable as the company has not granted any options during the year. | | |
| | vi) The main assumptions used in the Black Scholes option-pricing model during the year were as follows: Risk free interest rate, Expected life of options from the date(s) of grant, Expected volatility, Dividend yield | | | |

For and on behalf of the Board

Secunderabad
August 7, 2009

KL Chugh
Chairman

ANNEXURE – III

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy

Gati's Philosophy on Corporate Governance focuses on the attainment of the high standards of transparency, accountability, ethics and equity with management flexibility, empowerment and responsiveness in the interest of Shareholders, Customers, Employees, Business Associates and the Society at large.

Board of Directors

The Board of Directors comprises of 9 directors.

Composition and Category of Directors

| Name | Category and Designation |
|--------------------------|---|
| Mr. K L Chugh | Independent Director - Chairman |
| Mr. Mahendra Agarwal | Promoter and Managing Director |
| Dr. Ram S Tarneja | Independent Director |
| Mr. N Srinivasan | Independent Director |
| Dr. Sudhakar Reddy | Independent Director |
| Mr. T S Rao | Independent Director |
| Mr. Sunil Kumar Alagh | Independent Director |
| Mr. Anoop Kishore Seth | Nominated by The Infrastructure Fund of India LLC as Non Executive Director |
| Mr. Himmat Singh Lagad * | Independent Director |

* Appointed as an Additional Director w.e.f. 20th January, 2009

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

| Director | Attendance Particulars | | No. of other Directorships and Committee Membership / Chairmanship * | | |
|------------------------|------------------------|----------|--|-----------------------|-------------------------|
| | Board Meetings | Last AGM | Other Directorships | Committee Memberships | Committee Chairmanships |
| Mr. K. L. Chugh | 6 | Yes | 4 | - | 1 |
| Mr. Mahendra Agarwal | 5 | Yes | 5 | 3 | - |
| Dr. Ram S. Tarneja | 6 | Yes | 11 | 2 | - |
| Mr. N. Srinivasan | 1 | Yes | 14 | 9 | 4 |
| Dr. P. S. Reddy | 2 | No | 1 | 2 | - |
| Mr. T. S. Rao | 5 | Yes | 1 | 1 | 1 |
| Mr. Sunil Kumar Alagh | 4 | Yes | 2 | 1 | - |
| Mr. Anoop Seth | 5 | Yes | 12 | 1 | 2 |
| Mr. Himmat Singh Lagad | 1 | No | - | 1 | - |

* excluding Private Limited Companies and Companies registered under Section 25 of the Companies Act, 1956.

Number of Board Meetings held and dates on which held

During the financial year 2008-09, the Board of Directors met Six times on 1st August 2008, 22nd October, 2008, 20th January 2009, 21st April 2009, 11th May 2009 and 20th May, 2009. The maximum time gap between the meetings was not more than four calendar months.

Code of Conduct

The Board of Directors of the Company has laid down a code of conduct for all Board Members and designated Senior Management of the Company. The code of conduct is available on the website of the Company www.gati.com. All Board members and senior management personnel have affirmed compliance with the code of conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

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, SEBI Regulations and the Listing Agreements with the Stock Exchanges.

Composition and Terms of Reference

The Board has constituted Audit Committee comprising four Independent Directors namely Mr. N. Srinivasan (Chairman), Mr. T S Rao, Dr. Ram S Tarneja and Mr. Anoop Seth.

The terms of reference of the Committee covers accounting matters, financial reporting, internal controls and the matters as contained in Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with Stock Exchanges.

Meetings and Attendance during the Year

During the year under review, the Audit Committee met four times on 1st August, 2008, 21st October, 2008, 19th January, 2009 and 20th April, 2009. All the directors were present at all the meetings except Mr. N. Srinivasan who attended three meetings.

Compensation and HR Committee

Composition and other details

The Board has constituted Compensation & HR Committee comprising four Independent Directors namely, Mr. K.L. Chugh (Chairman), Dr. Ram S Tarneja, Dr. P. S. Reddy and Mr. Sunil Alagh.

Terms of reference

The Committee to evaluate compensation and benefits for Executive Director(s) and to frame policies and systems of the Employee Stock Option Scheme and to look after the issues relating to major HR policies.

Attendance during the year

During the year the Committee met four times on 1st August, 2008, 21st November, 2008, 20th January, 2009, and 21st April, 2009. Mr. K L Chugh, Dr. Ram S Tarneja, Mr. Sunil Alagh were present for all the meetings and Dr. P.S. Reddy attended two meetings.

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. N.K. Pandey, Compliance Officer

Terms of Reference

The Committee was constituted to look into the Investors' complaints and to redress the same expeditiously. The Committee meets as and when there are any complaints from investors. Mr. N K Pandey was appointed as the Compliance Officer during the year in the absence of Company Secretary.

Attendance during the year

During the year the Committee met three times on 15th September 2008, 21st November, 2008, and 11th March 2009. Mr. T S Rao was present for all the meetings, Dr. P S Reddy attended one meeting and Mr. Mahendra Agarwal attended two meetings.

In order to expedite the process of share transfers, the Board has delegated the powers to officers of the Company. The delegated authority is attending to share transfer formalities at least once a fortnight, as required.

Details of complaints for the year 2008-09

| S.No. | Nature of Complaint | Received | Disposed | Pending |
|-------|--|----------|----------|---------|
| 1 | Non receipt of Dividend Warrants | 29 | 29 | Nil |
| 2 | Non receipt of Share certificates after transfer / split / consolidation | 2 | 2 | Nil |
| 3 | Non receipt of Annual Report | 3 | 3 | Nil |
| 4 | No receipt of Bonus Shares | 1 | 1 | Nil |

2 requests for transfers were pending for approval as on 30th June 2009 which were dealt by 10.07.2009. 3 requests for dematerialization were pending for approval as on 30th June 2009 which were dealt by 09.07.2009.

Details of Remuneration paid to Directors during the Year

a) Mr. Mahendra Agarwal, Managing Director

| Particulars | Rs. in lakhs |
|---------------------------------------|--------------|
| Salary | 24.00 |
| PF Contribution /Superannuation Funds | 19.17 |
| Rent-free accommodation/perks | 1.41 |
| Total | 44.58 |

b) Non-Executive Directors

The sitting fees paid for the year ended 30th June, 2009 to the Directors, including Committee Meetings is as follows:

| Name | Amount (Rs.) | Name | Amount (Rs.) |
|------------------------|--------------|------------------------|--------------|
| Mr. K L Chugh | 160,000 | Mr. T S Rao | 210,000 |
| Dr. Ram S Tarneja | 240,000 | Dr. P Sudhakar Reddy | 70,000 |
| Mr. N Srinivasan | 180,000 | Mr. Sunil Kumar Alagh | 120,000 |
| Mr. Himmat Singh Lagad | 30,000 | Mr. Anoop Kishore Seth | 20,000 |

The Commission paid for the last year ended 30th June, 2008 to the Directors is as follows:

| Name | Amount (Rs.) | Name | Amount (Rs.) |
|-------------------|--------------|-----------------------|--------------|
| Mr. K L Chugh | 480,000 | Dr. P Sudhakar Reddy | 290,000 |
| Dr. Ram S Tarneja | 290,000 | Mr. Sunil Kumar Alagh | 290,000 |
| Mr. N Srinivasan | 360,000 | Mr. T S Rao | 290,000 |

General Body Meetings

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

| Year | AGM/ EGM | Date | Venue | Time |
|-------------|----------|--------------------|--|------------|
| 2005 - 2006 | AGM | 11th October, 2006 | Novotel & HICC Complex (Near Hi-tech city), P.O. Bag 111, Cyberabad Post office, Hyderabad - 500 081 | 10.30 A. M |
| 2006 - 2007 | AGM | 13th October, 2007 | Hotel Taj Residency, Road No. 1, Banjara Hills, Hyderabad - 500 034 | 10.30 A. M |
| 2007 - 2008 | AGM | 22nd October, 2008 | Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad - 500 034 | 11.00 A.M |

Details of Postal Ballot

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

We have disclosed the related party transactions and others in Notes to Accounts (Note No.15)

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 un-audited financial results and annual audited 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

Management Discussion and Analysis forms part of the Annual Report.

General Information for Shareholders

Date, Time and Venue of Annual General Meeting : 21st October, 2009 at 10.30 A M
at Hotel ITC, The Kakatiya
6-3-1187, Begumpet, Hyderabad - 500 016

Financial Calendar for 2009-2010 (tentative)

Annual General Meeting : October, 2010
Results for the quarter ended 30 September, 2009 : Last week of October, 2009
Results for the quarter ended 31 December, 2009 : Last week of January, 2010
Results for the quarter ended 31 March, 2010 : Last week of April, 2010

Book Closure Dates

From 17.10.2009 to 21.10.2009 (both days inclusive) for the purpose of the Annual General Meeting.

Dividend Payment Date

: Not Applicable

Listing on Stock Exchanges

The Company's Shares are listed on The Bombay Stock Exchange Limited, Mumbai and The National Stock Exchange of India Limited, Mumbai. The FCCBs bonds are listed with Singapore Stock Exchange Ltd (SGX-ST).

The listing fee for the year 2009-10 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 & CDSL for Equity Shares : INE 152B01027

Monthly High / Low Stock Quotations at BSE and NSE

(Fig. in Rs.)

| Month | NSE | | BSE | |
|----------------|-------|-------|-------|-------|
| | High | Low | High | Low |
| July 2008 | 87.05 | 62.00 | 90.00 | 61.20 |
| August 2008 | 85.80 | 66.20 | 86.00 | 66.05 |
| September 2008 | 73.80 | 55.00 | 73.00 | 56.00 |
| October 2008 | 70.40 | 26.80 | 63.00 | 28.00 |
| November 2008 | 46.05 | 35.00 | 45.90 | 35.20 |
| December 2008 | 44.80 | 37.25 | 44.40 | 37.35 |
| January 2009 | 43.35 | 32.00 | 43.05 | 33.10 |
| February 2009 | 42.00 | 28.15 | 41.95 | 34.70 |
| March 2009 | 44.40 | 35.50 | 44.40 | 35.40 |
| April 2009 | 57.60 | 40.10 | 57.55 | 40.05 |
| May 2009 | 68.60 | 42.75 | 68.70 | 43.00 |
| June 2009 | 73.80 | 49.50 | 73.00 | 49.60 |

Share Price Performance in Comparison to Broad-based Indices - BSE / NSE Sensex

| Particulars | Gati Share Price v/s BSE | | Gati Share Price v/s NSE | |
|--------------------|--------------------------|------------|--------------------------|-----------|
| | Share Price(Rs.) | BSE Sensex | Share Price(Rs.) | NSE Nifty |
| As on 1 July 2008 | 68.30 | 13,480.02 | 67.80 | 3896.75 |
| As on 30 June 2009 | 50.30 | 14,493.84 | 50.20 | 4291.10 |
| % Change | (26.35) | 7.52% | (25.96) | 10.12% |

Total equity as on 30.06.2009 is 84,876,050 (previous year 84,655,330) of Rs.2/- each

Registrar and Share Transfer Agents

M/s Karvy Computershare Private Limited
 (Unit Gati Limited)
 Plot no.17 - 24,Vittalrao Nagar,
 Near Image Hospitals,
 Madhapur, Hyderabad 500 081.
 E-mail : mohsin@karvy.com

Share transfer system

The Company has a Registrar and Share Transfer Agent. Share transfers, if 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. Request 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 30th June, 2009

| No. of Shares | | No. of Shareholders | % of Total Shareholders | No. of Shares | % to Total Capital |
|---------------|-----------|---------------------|-------------------------|-------------------|--------------------|
| Upto | 5000 | 31,561 | 98.66 | 5,529,234 | 6.51 |
| 5001 | 10000 | 208 | 0.65 | 748,987 | 0.88 |
| 10001 | 20000 | 98 | 0.31 | 750,944 | 0.88 |
| 20001 | 30000 | 22 | 0.07 | 279,166 | 0.33 |
| 30001 | 40000 | 13 | 0.04 | 224,211 | 0.26 |
| 40001 | 50000 | 16 | 0.05 | 371,892 | 0.44 |
| 50001 | 100000 | 33 | 0.10 | 1,211,963 | 1.43 |
| 100001 | and above | 40 | 0.13 | 75,759,653 | 89.26 |
| Total | | 31,991 | 100.00 | 84,876,050 | 100.00 |

Distribution of Shareholding as on 30th June, 2009

| Category | No. of Shares Held | % Shareholding |
|-----------------------------------|--------------------|----------------|
| Company Promoter / Promoter Group | 41,758,918 | 49.20 |
| Mutual Funds / UTI | 1,372,060 | 1.62 |
| Financial Institutions / Banks | 58,815 | 0.07 |
| Foreign Institutional Investors | 6,620,720 | 7.80 |
| Non-Resident Indians | 367,015 | 0.43 |
| Overseas Corporate Bodies | 10,477,120 | 12.34 |
| Bodies Corporate | 5,349,927 | 6.30 |
| General Public | 18,871,475 | 22.23 |
| Total | 84,876,050 | 100.00 |

Dematerialisation of Shares

Over 97.87% of the total shares have been dematerialised upto 30th June 2009. Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 28th 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

The Company has allotted USD 20 Million FCCBs on 5th December 2006. Out of this USD 5 Million has been converted into Equity Shares on 21st January 2008. The balance USD 15 Million are still pending for conversion as on date of this report.

Plant Location : Not Applicable

Investor Correspondence:

For Shares held in physical and demat form:

Karvy Computershare Pvt. Ltd.

(Unit Gati Limited)
Plot No. 17-24, Vittalrao Nagar,
Near Image Hospitals,
Madhapur, Hyderabad - 500081
Tel: 040-23420815 - 20
Email: mohsin@karvy.com

Any Query on Annual Report

Gati Limited

Secretarial Department
I-7-293, MG Road, Secunderabad - 500003
Tel: 040-27844284 / 27843788
Email: com_sec_dept_ho@gati.com

For any other queries: com_sec_dept_ho@gati.com

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Gati Limited.

We have examined the compliance of the conditions of Corporate Governance by Gati Limited for the year ended June 30, 2009, 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.

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

Camp : Secunderabad
Date : August 7, 2009

R.S. Agarwala
Partner
Membership No.F-5534

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for Board of Directors and Senior Management for the year ended 30th June 2009.

for **GATI LIMITED**

Place : Secunderabad
Date : August 7, 2009

Mahendra Agarwal
Managing Director & CEO

MANAGEMENT DISCUSSION & ANALYSIS

Industry Structure & Development

The Indian logistics industry is estimated at 90 billion USD, of which about 70% belong to the unorganized sector of the remaining 30% of the organized sector, the growth rate is pegged at 20-25% per year. Logistics in the Indian context would mean providing services such as transportation, warehousing, distribution, order and inventory management. Critically examining logistics cost drivers will enable Indian firms gain competitive edge in the global market place.

Due to global slow down and inadequate growth particularly in Europe and the USA, India is gradually emerging as the “Destination hub” for many logistics service providers from across the world. With more and more foreign players making a foray in the market, the Indian counterparts are also gearing up for the challenges, by providing a spectrum of services and offerings.

Opportunities

Despite the challenges faced by the logistics industry, it contributed about 11% to the GDP calculation in 2008-09 as compared to 13% in 2007-08. Food and beverages, automobile, construction and engineering, textiles and cement have been identified as the top sectors emerging as well. Market players are looking at initiatives such as reverse logistics, end to end Supply Chain Management solutions to propel growth in the market scenario.

The Indian warehousing sector has a enormous potential as it is poised to become a \$55 billion sector by 2010-11 with around 45 million sq ft warehousing space expected to be developed in the country in next five years supplemented by around 110 logistics parks.

Huge opportunities exist in the cold chain market in India. In terms of revenue, the total cold chain market in India as of 2008-09 is worth US\$ 475 million and is expected to have an average growth rate of 25%.

Infrastructure development is another aspect fueling growth. To facilitate the country's economic development, the government plans to invest \$17bn in transport infrastructure. The government plans to create trade-related infrastructure, envisaging world-class infrastructure for warehousing of various products. Another dimension of development are the FTWZ's (Free trade warehousing zones), which would enable supply chain / logistics to function much more efficiently by removing the cargo bottlenecks witnessed at the ICDs.

Moreover, projects such as the Golden Quadrilateral program, National Maritime program, introduction of freight corridors in rails shall strengthen and will add fuel to the growth.

The current economic scenario, which is largely impacted by the global slow down however is expected to recover soon with the fall in logistics cost due to the huge developments in infrastructure. With the rise in disposable incomes, changing consumer preferences, fast emerging retail segments, infrastructure investment, the Indian logistics sector and the 3PL markets are expected to witness explosive growth in the successive years.

Constraints and Challenges

The biggest challenge faced by the organised logistics companies in India today, is competition from the unorganized operators. This is coupled with increasing environmental pressures, government regulations and subsidies for infrastructure development. Adding to all these, is the lack of “Industry status” to the logistics sector.

Business Risks and Mitigation

The Year 2008-2009 for India has been quite different from the expectations of industry stalwarts and economy speculators. Increase in input materials costs, wages, interest and transportation have forced companies to cut costs. Logistic service providers therefore are required to be cost effective and more efficient to compete in market place.

High logistics and warehousing costs in India shows that there are lots of inefficiencies in the operating costs, making Indian companies less competitive compared to their counterparts. Getting the right volume of goods at the right time and at the right place is extremely critical now than ever before, especially when budgets are tight and customers more demanding.

Being a dominant player, Gati faces competition from both domestic as well as international players. However, Gati's wide reach, competitive cost advantage and wide range of solutions coupled with its technological strength helped Gati in mitigating such risks to a largest extent.

Furthermore, Gati is focused to strengthen the IT support by launching initiatives such as Mobility solutions, enhance and revamp the IT software application modules, new software modules for seamless interface with customer applications, workflow system to reduce usage of paper etc.

Business Overview and Performance

During the year, the company has achieved a turnover of Rs.63,032 lakhs, as against Rs. 57,550 lakhs in the previous year. Following are the segment wise revenue figures of the Company for the year under review:

(Rs. in Lakhs)

| Division | 2008-09 | 2007-08 |
|-------------------------------------|---------------|---------------|
| Express Distribution & Supply Chain | 52,458 | 47,971 |
| Coast-to-Coast (Shipping) | 9,349 | 7,235 |
| Other Income | 1,225 | 2,344 |
| Total | 63,032 | 57,550 |

Discussion on financial performance has been dealt with in the Directors' Report and should be treated as forming part of this Management Discussion and Analysis Report.

Outlook and Future Strategies

The Company continues to be driven by its vision of becoming the leader in Asia Pacific and a globally preferred provider of India-centric supply chain services and solutions. The Company's future strategies are focused on development of both domestic and international businesses by building new strategic relationship through its subsidiaries, process improvement, effective cost management, offering innovative products and services and establishment of state-of-the-art warehouses.

The company is an Integrated Logistic Solutions Provider (ILSP) through a multi model network of road, ocean and rail backed up by warehousing facilities set up at all strategic locations. The company uses technology effectively to increase the operational efficiency and reduce costs so that it is more competitive in the market place. The company is focused on cost optimization especially on operations and has also taken assistance from external agencies to reduce the operating costs substantially by improvement in the processes.

Gati's Mission

- Be the leader in Asia-Pacific and a globally preferred provider of India-centric supply chain services and solutions.
- Delight the customers with quality services by setting new trends through innovation and technology.
- Be the most preferred organization for all its stakeholders.
- Be a responsible corporate citizen with unwavering commitment to environmental protection and conservation.

Superbrand India

Company regained the Consumer Superbrand Status for the year 2009-10. This portrays the confidence the customers have on the brand and the trust they place with Gati as the most preferred logistics services provider.

Further the Company have been nominated for the NDTV Business Leadership Awards for the year 2009-10.

Green Office Award: Gati Middle East FZE won the Green Office Award for the year 2008 -09.

Internal Management Control Systems & their Adequacy

As a diversified enterprise, the company provides services at a number of locations across India and Asia Pacific. The company has always had a system-based approach to risk management and a well-defined framework of checks and balances, to ensure effective internal controls. It has in place adequate systems of internal control, commensurate with its size and the nature of operations. Company also has well defined organizational structure, documented policy guidelines, predefined delegation of power with authority levels for approving revenue as well as capital expenditure.

Risk Assessment and Mitigation

The company has a Corporate Risk Management Team consisting of professionally qualified accountants and functional specialists who are empowered to examine/audit the adequacy, relevance and effectiveness of the control systems, compliance with policies, plans and statutory requirements. The audit is based on the Risk Management Plan, using the Risk based approach in consultation with the statutory auditors and the Audit committee. The Audit Committee approves the Risk Management Plan and is reviewed at regular interval for necessary changes. The Vigilance team, which has a presence in the field, supports the Risk Management Team. The team members of the Risk Management Group are regularly trained on various areas.

A risk management policy document detailing the various risks associated with the business and the mitigation strategies to minimize/overcome the impact of the risks is discussed and reviewed at Audit Committee meetings.

The Audit Committee also reviews the reports of the Risk Management Team and suggestions for improvement are discussed and implemented appropriately.

The Risk Management team in conjunction with the Business / Product Heads and Express Distribution Centre (EDC) Heads disseminate risk awareness across all levels through various appropriate means including training programs. The Business / Product Heads and EDC Heads are also responsible to report on the compliance with reference to the Risk Management practices with the EDC / Business Unit.

The Risk Management Group also covers the major subsidiaries of the company

A firm of Chartered Accountants carries out the Internal Audit of the Shipping Division and the scope of the coverage is monitored with inputs from the Corporate Risk Management Group.

Human Resources

The Company strongly believe our employees, fondly called Gati'ites, are our key strength and we owe a major part of our success to them. Our Pledge states "Ahead in Reach" and symbolizes creating high caliber Gati'ites. Human Resources support and active participation is vital for the effective performance of Business Chain Group and overall Organization. Total manpower of the organization, as on 30th June 09 is 2678 regular employees and 165 trainees i.e., 2843 across all levels.

The Company has a tie up with a leading Logistics & SCM Management School. This tie up ensures availability of trained resource.

Human Resource Department emphasises on talent acquisition, talent management and talent development.

AUDITORS' REPORT

TO THE MEMBERS OF GATI LIMITED

We have audited the attached Balance Sheet of Gati Ltd as at 30th June, 2009, the annexed profit and Loss Account and the Cash Flow Statement of the Company for the year ended on the date, in which are incorporated the audited accounts of the Coast-to-Coast Division and the branch in Nepal 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 also 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 (as amended) 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, referred 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 accounts as required by law have been kept by the Company so far as appears from our examinations 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 representation received from the directors as on 30th June, 2009 and taken on record by the Board of Directors none of the directors is disqualified as on 30th June, 2009 from being appointed as a director under section 274(1) (g) of the Companies Act, 1956.
 - vi) Reference is invited to the following notes on Schedule 21:
 - a) Note 3 regarding pending dispute with National Aviation Company of India Limited (NACIL) and claims & counter claims made in this behalf. Further Rs.2659 lakhs due from NACIL are included in loans and advances pending realisation. According to the legal opinion of the Company's Attorney no provision is necessary in these accounts at this stage. We are unable to express an opinion in the matter.
 - b) Note 6 regarding exercise of the option in terms of amendments to Accounting Standard – 11 "The Effects of Changes in Foreign Exchange Rates" as a result of which losses after tax for the year are lower by Rs. 579 lakhs, Reserves & Surplus lower by Rs.202.51 lakhs and fixed assets higher by Rs.94.56 lakhs.

Subject to para (vi) (a) above:

- vii) 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, 2009.
 - b) In the case of Profit and Loss Account, of the loss 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
Date : August 7, 2009

R.S. Agarwala
Partner
Membership No.F-5534

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of our reports of even date

1. The Company has maintained records showing full particulars including quantitative details and situation of fixed assets like land, building, 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 ledger is not feasible.
2. During the year the Company has not disposed of a substantial part of its fixed assets.
3. Physical 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) As informed, the Company has not granted any loans, secured & unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
(b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
5. There is an adequate internal control system commensurate with the size and nature of the Company's business for the purchase of inventories, fixed assets and for the sale of services. During the course of our audit no major weakness has been noticed in the internal control system, nor have we 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 particulars of contracts or arrangements that need to be entered into the register in pursuance of Section 301 of the 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 such contracts or arrangements entered into the register in pursuance of Section 301 of the Act, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
7. The Company has complied with the provision of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder with regard to deposits accepted from the public.
8. The Company has appointed a firm of Chartered Accountant at Coast- to- Coast Division 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 the 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 explanations 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, wealth tax, service tax, customs duty 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, there are no statutory dues as at the year end which have not been deposited on account of a dispute.
11. The Company has no accumulated losses as at June 30, 2009 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 statue 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. The investments in shares, securities, debentures etc are held by the Company in its own name.
16. In our opinion, and according to the information and explanation 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 purpose 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 the long-term investment.
19. The company has not made any preferential allotment of shares during the year.
20. There are no secured debentures issued during the year.
21. The company has not raised any money by public issue 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 we have been informed of such cases by the management.

For R.S. Agarwala & Co.
Chartered Accountants

Camp : Secunderabad
Date : August 7, 2009

R.S. Agarwala
Partner
Membership No.F-5534

Financial Results

BALANCE SHEET AS AT 30TH JUNE, 2009

(Rs. in Lakhs)

| | Schedule | 30th June, 2009 | 30th June, 2008 |
|---|----------|------------------|------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Fund | | | |
| Share Capital | 1 | 1,697.52 | 1,693.11 |
| Reserves and Surplus | 2 | 26,076.58 | 28,685.10 |
| | | 27,774.10 | 30,378.21 |
| Loan Funds | | | |
| Secured Loans | 3 | 33,167.97 | 11,208.67 |
| Unsecured Loans | 4 | 13,842.61 | 11,173.36 |
| | | 47,010.58 | 22,382.03 |
| Deferred Tax Liability | 5 | 811.79 | 748.37 |
| Total Funds Employed | | 75,596.46 | 53,508.61 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | | | |
| Gross Block | 6 | 51,342.59 | 30,007.10 |
| Less: Depreciation | | 8,035.70 | 6,012.82 |
| Net Block | | 43,306.88 | 23,994.29 |
| Capital Work-in-Progress | | 3,597.84 | 6,295.29 |
| | | 46,904.72 | 30,289.58 |
| Investments | 7 | 6,577.87 | 5,580.43 |
| Foreign Currency Monetary Item Translation Difference (Note 6 on Schedule 21) | | 275.89 | - |
| Current Assets, Loans and Advances | | | |
| Inventories | 8 | 454.25 | 276.14 |
| Sundry Debtors | 9 | 10,763.14 | 11,098.41 |
| Cash and Bank Balances | 10 | 1,333.85 | 1,223.43 |
| Loans and Advances | 11 | 15,031.56 | 13,718.36 |
| | | 27,582.80 | 26,316.34 |
| Less: Current Liabilities and Provisions | | | |
| Liabilities | 12 | 3,616.16 | 4891.37 |
| Provisions | 13 | 2,128.67 | 3,786.37 |
| | | 5,744.82 | 8,677.74 |
| Net Current Assets | | 21,837.98 | 17,638.60 |
| Total Assets (Net) | | 75,596.46 | 53,508.61 |
| Notes on accounts | 21 | | |

Schedules 1 to 13 and Schedule 21 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

K.L. Chugh
 Chairman

Mahendra Agarwal
 Managing Director & CEO

R. S. Agarwala
 Partner

N. Srinivasan
 Director

 Camp: Secunderabad
 August 7, 2009

 Secunderabad
 August 7, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2009

(Rs. in Lakhs)

| Particulars | Schedule | 30th June, 2009 | 30th June, 2008 |
|--|----------|-------------------|------------------|
| INCOME | | | |
| Freight and Warehousing | 14 | 61,807.91 | 55,206.74 |
| Other Income | 15 | 1,224.70 | 2,344.24 |
| TOTAL | | 63,032.61 | 57,550.98 |
| EXPENDITURE | | | |
| Operating expenses | 16 | 41,568.99 | 36,613.28 |
| Personnel expenses | 17 | 8,040.26 | 7,030.66 |
| Administrative expenses | 18 | 6,190.06 | 5,253.39 |
| Advertisement expenses | | 306.61 | 840.79 |
| Repairs and Maintenance expenses | 19 | 773.32 | 730.57 |
| Interest (Net) | 20 | 3,541.23 | 972.92 |
| Depreciation (Net - Note 4 on Schedule 21) | | 2,300.70 | 1,457.46 |
| TOTAL | | 62,721.17 | 52,899.07 |
| Profit Before Tax and Exceptional Items | | 311.44 | 4,651.90 |
| Exceptional Items (Note 7 on Schedule 21) | | (1,687.84) | (1,508.24) |
| Profit Before Tax after Exceptional Items | | (1,376.40) | 3,143.66 |
| Provision for Tax | | | |
| Current Tax (Tonnage Tax) | | 9.10 | 554.87 |
| Deferred Tax | | 63.42 | 142.00 |
| Fringe Benefit Tax | | 56.87 | 68.76 |
| Profit after Tax | | (15,05.79) | 2,378.03 |
| Balance brought forward from previous year | | 857.67 | 726.31 |
| Balance available for appropriation | | (648.12) | 3,104.34 |
| APPROPRIATIONS | | | |
| Proposed Dividend | | - | 677.24 |
| Tax on Dividend | | - | 115.10 |
| Tonnage Tax Reserve | | 100.94 | 454.33 |
| General Reserve | | - | 1,000.00 |
| Balance Carried to Balance Sheet | | (749.06) | 857.67 |
| | | (648.12) | 3,104.34 |
| Earning per Share (Note 14 on Schedule 21) | | | |
| Basic | | (1.78) | 2.99 |
| Diluted | | (1.65) | 2.88 |
| Notes on accounts | 21 | | |

Schedules 14 to 21 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**K.L. Chugh**
Chairman**Mahendra Agarwal**
Managing Director & CEO**R. S. Agarwala**
Partner**N. Srinivasan**
DirectorCamp: Secunderabad
August 7, 2009Secunderabad
August 7, 2009

SCHEDULES TO THE ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|---|-----------------|-----------------|
| (1) SHARE CAPITAL | | |
| Authorised | | |
| 100,000,000 Equity Shares of Rs.2/- each | 2,000.00 | 2,000.00 |
| 1,000,000 Redeemable Preference Shares of Rs.100/- each | 1,000.00 | 1,000.00 |
| | 3,000.00 | 3,000.00 |
| Issued, Subscribed and Paid-up: | | |
| 84,876,050 (Previous Year 84,655,330) Equity Shares of Rs.2/- each fully paid up: | 1,697.52 | 1,693.11 |
| Of the above: | | |
| 12,509,495 shares were allotted for consideration other than cash as per the Scheme of Arrangement. | | |
| 13,927,500 shares were issued as fully paid bonus shares by capitalisation of share premium | | |
| During the year following shares were issued: | | |
| 220,720 shares of Rs.2/- each on vesting of Employees Stock Options | | |

| | Balance as on 1st July, 2008 | Additions | Deductions | 30th June, 2009 | 30th June, 2008 |
|--------------------------------------|---------------------------------|-------------------|-----------------|------------------|------------------|
| (2) RESERVES and SURPLUS | | | | | |
| Capital Reserves: | | | | | |
| Revaluation Reserve | 693.26 | - | (a) 1.27 | 691.99 | 693.26 |
| Securities Premium | 18,727.52 | (b) 60.85 | (c) 790.51 | 17,997.86 | 18,727.52 |
| Employees' Stock Option | 188.80 | - | (d) 152.98 | 19.51 | 188.80 |
| | | | (e) 16.31 | | |
| Others | 439.73 | - | - | 439.73 | 439.73 |
| | 20,049.31 | 60.85 | 961.08 | 19,149.08 | 20,049.31 |
| Revenue Reserves: | | | | | |
| General Reserve | 6,600.00 | - | (f) 202.51 | 6,397.49 | 6,600.00 |
| Shipping Business Reserve (utilised) | 350.00 | - | - | 350.00 | 350.00 |
| Tonnage Tax Reserve | 828.13 | (g) 100.94 | - | 929.07 | 828.13 |
| Profit and Loss Account | 857.67 | (1,505.79) | 100.94 | (749.06) | 857.67 |
| | 8,635.79 | (1,405.05) | 303.45 | 6,927.50 | 8,635.79 |
| | 28,685.10 | (1,344.20) | 1,264.53 | 26,076.58 | 28,685.10 |

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

(b) On vesting of Stock Options

(c) Provision for pro-rata premium on redemption of Foreign Currency Convertible Bonds.

(d) In respect of options granted under the Companies Employee's Stock option Scheme and in accordance to 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 option price) is accounted as deferred employee compensation, which is amortized on a straight line basis over the vesting period. Rs.152.98 lakhs represents Options refunded / lapsed net of amortisation.

(e) Transferred to Securities Premium on vesting of 220,720 options during the year.

(f) On reversal of Exchange gain accounted during the year ended 30th June, 2008 (Note 6 on Schedule 21)

(g) Transferred from Profit and Loss Account being 20 percent on profit after tax of coast to coast (shipping) division.

SCHEDULES TO THE ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|--|------------------|------------------|
| (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. 4,427 lakhs; previous year - Rs. 1,145.13 lakhs) * | 16,220.85 | 5,947.99 |
| Secured by hypothecation of Motor Trucks and Motor Cars acquired there against (Repayable within one year - Rs. 310.23 lakhs; previous year - Rs. 318.13 lakhs) | 560.73 | 858.25 |
| FROM OTHERS | | |
| Secured by hypothecation of specified immovable asset (Repayable within one year - Rs. 2.76 lakhs; previous year - Rs. 4.34 lakhs) | 85.26 | 89.83 |
| Secured by subservient charge on all the movable assets including current assets * | 3,500.00 | - |
| Finance Lease (Note 10 on Schedule 21) (Secured by assets acquired under lease arrangements) | 6,893.18 | - |
| 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 | 5,907.95 | 4,312.60 |
| | 33,167.97 | 11,208.67 |
| * Also guaranteed by the Managing Director (Promoter) of the Company. | | |
| (4) UNSECURED LOANS | | |
| Fixed Deposits | 662.11 | 730.86 |
| Foreign Currency Convertible Bonds | 7,180.50 | 6,442.50 |
| Short Term Loans and Advances | | |
| From Banks | 6,000.00 | 4,000.00 |
| | 13,842.61 | 11,173.36 |

(5) DEFERRED TAX

| | At 1st July, 2008 | Current Year | 30th June, 2009 | 30th June, 2008 |
|----------------------------|-------------------|--------------|-----------------|-----------------|
| On account of depreciation | 748.37 | 63.42 | 811.79 | 748.37 |

(6) FIXED ASSETS (Standalone)

(Rs. in Lakhs)

| | At Cost or Valuation | | | | Depreciation | | | | Net Block | |
|---------------------------------|----------------------|---------------------------------|----------------------------------|--------------------------------|---------------------|-----------------|--------------------------------|--------------------------------|-----------------------|-----------------------|
| Description | As On 01.07.2008 | Additions During the Year | Deductions During the Year | Balance As On 30.06.2009 | As On 01.07.2008 | For the Year | Adjustment On Deductions | Balance As On 30.06.2009 | 30th June, 2009 | 30th June, 2008 |
| OWNED ASSETS | | | | | | | | | | |
| Tangible | | | | | | | | | | |
| Land | | | | | | | | | | |
| Freehold | 5,748.00 | 1,780.26 | - | 7,528.26 | - | - | - | - | 7,528.26 | 5,748.00 |
| Leasehold | 123.42 | 910.34 | - | 1,033.77 | - | - | - | - | 1,033.77 | 123.42 |
| Buildings | 3,086.82 | 2,443.26 | - | 5,530.08 | 179.56 | 61.27 | - | 240.83 | 5,289.26 | 2,907.26 |
| Vehicles | 2,206.00 | 340.37 | 103.38 | 2,442.99 | 838.59 | 317.15 | 71.44 | 1,084.30 | 1,358.69 | 1,367.42 |
| Plant & Machinery | 3,391.22 | 198.94 | 51.06 | 3,539.10 | 409.85 | 179.17 | 2.50 | 586.52 | 2,952.58 | 2,981.37 |
| Computers | 3,064.66 | 149.27 | 48.22 | 3,165.71 | 2,116.06 | 295.06 | 46.71 | 2,364.41 | 801.30 | 948.60 |
| Ships | 8,756.08 | 8,222.64 | - | 16,978.72 | 802.37 | 738.44 | - | 1,540.81 | 15,437.91 | 7,953.71 |
| Furniture & Fittings | 1,455.10 | 218.44 | 0.63 | 1,672.91 | 550.47 | 120.27 | 0.64 | 670.10 | 1,002.81 | 904.64 |
| Office Equipments | 928.58 | 140.08 | 2.65 | 1,066.01 | 226.41 | 58.97 | 0.13 | 285.25 | 780.76 | 702.17 |
| Intangible | | | | | | | | | | |
| Computer Software | 1,247.22 | 78.78 | - | 1,326.00 | 889.52 | 212.50 | - | 1,102.01 | 223.99 | 357.70 |
| LEASED ASSETS | | | | | | | | | | |
| Ship taken on finance lease | - | 7,059.04 | - | 7,059.04 | - | 161.49 | - | 161.49 | 6,897.55 | - |
| Total | 30,007.10 | 21,541.42 | 205.94 | 51,342.59 | 6,012.82 | 2,144.31 | 121.42 | 8,035.70 | 43,306.88 | 23,994.29 |
| Previous Year | 20,052.33 | 10,383.81 | 429.04 | 30,007.10 | 4,700.48 | 1,457.46 | 145.12 | 6,012.82 | 23,994.29 | |
| Capital Work-in-Progress | | | | | | | | | | |
| | | | | | | | | Total | 3,597.84 | 6,295.29 |
| | | | | | | | | | 46,904.72 | 30,289.58 |

Note :

- A part of Land & Buildings were revalued on 31st December, 1997, 29th June, 1999, and 31st March, 2000 and the resultant increases in the value of assets by Rs.45.96 lakhs, Rs.141.31 lakhs, and Rs.148.35 lakhs respectively and aggregating to Rs.335.62 lakhs was transferred to Revaluation Reserve.
- Depreciation for the year includes Rs.1.27 lakhs in respect of the above revaluation.
- Addition to Assets includes Rs.100.79 lakhs (previous year - Rs. Nil) on account of exchange rate difference on restatement of foreign currency loans net of earlier years difference.
- The increase in the rupee liability arising out of the revaluation of the foreign currency convertible bonds balance as on 30.06.2009, has been adjusted to the carrying cost of respective fixed assets and has been depreciated over their remaining depreciable life. The depreciation for the current year includes Rs.3.15 lakhs arising on account of this adjustment.
- Additions to Ship includes Rs.17.61 lakhs (previous year - Rs. Nil) being borrowing cost capitalised during the year.
- Capital Work-in-Progress includes Capital Advances of Rs.1,918.84 lakhs; previous year - Rs.4,084.17 lakhs.

SCHEDULES TO THE ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|--|------------------|------------------|
| (7) INVESTMENTS (At Cost) | | |
| Long term - Non-trade Fully Paid-up Equity Shares | | |
| Quoted | | |
| 1,600,300 of TCI Finance Ltd. of Rs.10/- each. | 143.89 | 143.89 |
| (Market Value of Quoted Investments - Rs.222.44 lakhs; previous year - Rs.310.29 lakhs) | 143.89 | 143.89 |
| Unquoted | | |
| 18,750,000 of Gati Infrastructure Ltd. of Rs.10/- each. | 1,875.00 | 1,875.00 |
| (Pledged with Institution for providing Financial Assistance to Gati Infrastructure Limited) | | |
| 18,000 shares of ITAG Infrastructure Ltd. of Rs.10/- each | 1.80 | 1.80 |
| | 1,876.80 | 1,876.80 |
| Subsidiaries | | |
| 3,874,898 Shares of Gati Holdings Ltd. of \$1 (USD) each (1,049,979 shares subscribed during the year) | 1,772.76 | 1,261.96 |
| 860,000 of Trymbak Commercial & Trading Pvt. Ltd. of Rs.10/- each | 86.00 | 86.00 |
| 365,000 of Ocimum Commercial & Trading Pvt. Ltd. of Rs.10/- each | 36.50 | 36.50 |
| 1,075,000 of Sumeru Commercial & Trading Pvt. Ltd. of Rs.10/- each | 107.50 | 107.50 |
| 155,000 of Newatia Commercial & Trading Pvt. Ltd. of Rs.10/- each | 15.50 | 15.50 |
| 3,697,300 Shares of Kausar India Ltd. of Rs.10/- each (964,768 shares acquired during the year) | 2,477.97 | 1,990.38 |
| 50,000 shares of Gati Import Export Trading Ltd. of Rs.10/- each | 5.00 | 5.00 |
| 352,163 shares of Zen Cargo Movers Pvt. Ltd. of Rs.10/- each | 35.22 | 35.22 |
| 50,000 Shares of Gati Skyways Ltd. of Rs.10/- each | 5.00 | 5.00 |
| | 4,541.44 | 3,543.06 |
| Government Securities (Unquoted) | | |
| 3 11.50% PSEB-2010 Bonds of Rs. 5 lakhs each | 15.74 | 15.74 |
| 5 12.20% HPRIDC Bonds of Rs.1 lakh each (Redeemed during the year) | - | 0.95 |
| | 15.74 | 16.68 |
| | 6,577.87 | 5,580.43 |
| (8) INVENTORIES | | |
| (As taken, valued and certified by the Management) | | |
| Stores and Spares | 454.25 | 276.14 |
| (At lower of cost and net realisable value) | 454.25 | 276.14 |
| (9) SUNDRY DEBTORS (Unsecured - Considered Good) | | |
| Debts outstanding for more than six months | 196.37 | 276.15 |
| Other debts | 10,566.77 | 10,822.26 |
| | 10,763.14 | 11,098.41 |
| Includes Rs.227.63 lakhs due from subsidiaries (previous year Rs.192.94 lakhs) | | |

SCHEDULES TO THE ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|---|------------------|------------------|
| (10) CASH AND BANK BALANCES | | |
| Cash in Hand | 50.84 | 40.91 |
| Cheques in Hand | 113.72 | 386.55 |
| Remittance in Transit | 119.56 | 323.16 |
| With Scheduled Banks: | | |
| In Current Accounts | 721.55 | 205.68 |
| In Deposit Accounts (a) | 233.27 | 210.02 |
| In Unpaid Dividends Accounts | 70.11 | 54.00 |
| With Non-Scheduled Banks | 24.81 | 3.12 |
| Bhutan National Bank - Rs.0.40 Lakhs; previous year - Rs.0.39 lakhs (maximum balance Rs.4.27 Lakhs; previous year - Rs.5.86 lakhs) | | |
| Everest Bank Ltd - Rs.24.41 Lakhs; previous year - Rs.2.73 lakhs (maximum balance Rs.24.40 Lakhs; previous year - Rs.3.93 lakhs) | | |
| a) Fixed Deposit Receipts amounting to Rs.190.84 Lakhs are deposited with banks against guarantees issued and other authorities / institution. | 1,333.85 | 1,223.43 |
| (11) LOANS AND ADVANCES (Unsecured - Considered Good) | | |
| Loans (a) | 1,091.43 | 1,000.00 |
| Advances Recoverable in Cash or in Kind or for Value to be Received (b) | 5,927.06 | 2,495.20 |
| Advances and Deposits | 4,186.40 | 1,424.35 |
| Balance of consideration for assignment of right to a ship | 1,673.82 | 7,688.10 |
| Tax Deducted at Source | 2,152.85 | 1,110.71 |
| | 15,031.56 | 13,718.36 |
| a) Includes Rs.91.43 lakhs due from Subsidiary Companies (previous year - Nil) | | |
| b) Includes Rs.474.14 lakhs due from Subsidiary Companies (previous year - Rs.148.32 lakhs) | | |
| (12) LIABILITIES | | |
| Sundry creditors | 1,982.19 | 1,365.86 |
| Due for purchase of ship under construction | - | 1,655.00 |
| Subsidiary companies | 100.78 | 93.25 |
| Other liabilities | 889.46 | 1,152.69 |
| Interest accrued on loans | 38.98 | 37.25 |
| Security deposits | 534.64 | 533.33 |
| Unpaid/Unclaimed dividends | 70.11 | 54.00 |
| (There are no amounts pending to be transferred to Investor Education and Protection Fund) | 3,616.16 | 4,891.37 |
| (13) PROVISIONS | | |
| Taxation (Net of Payments) | 358.22 | 506.63 |
| Gratuity and Leave Encashment | 160.90 | 160.12 |
| Premium on redemption of Foreign Currency Convertible Bonds | 1,609.54 | 819.03 |
| Provision for Derivative | - | 1,508.24 |
| Proposed Dividend | - | 677.24 |
| Tax on Dividend | - | 115.10 |
| | 2,128.67 | 3,786.37 |

SCHEDULES TO THE ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|--|------------------|------------------|
| (14) FREIGHT and WAREHOUSING | | |
| Freight, Miscellaneous charges etc (a) (Tax deducted – Rs.890.71 Lakhs; previous year - Rs.784.44 lakhs) | 51,796.42 | 47,346.43 |
| Warehousing Charges (Tax deducted – Rs.114.14 Lakhs; previous year - Rs.44.55 lakhs) | 662.30 | 625.48 |
| Shipping Freight, Charter Hire, Miscellaneous charges (a) (Tax deducted - Rs. 10.60 Lakhs; previous year - Rs.26.97 lakhs) | 9,349.19 | 7,234.84 |
| a) Includes Demurrage of Rs.271.64 Lakhs; previous year - Rs.320.55 lakhs | 61,807.91 | 55,206.74 |
| (15) OTHER INCOME | | |
| Rent (Tax deducted – Rs.3.31 Lakhs; previous year - Rs.2.33 lakhs) | 16.57 | 15.60 |
| Miscellaneous Income | 441.88 | 209.56 |
| Profit on assignment of right to a ship under construction | - | 1,815.51 |
| Difference in Exchange (Net) (a) a) Includes Rs.505.74 Lakhs on re-instatement of foreign currency monetary items (previous year Rs.269.44 Lakhs) | 766.25 | 303.56 |
| | 1,224.70 | 2,344.24 |
| (16) OPERATING EXPENSES | | |
| Freight | 32,738.96 | 29,531.91 |
| Vehicles' trip expenses | 1,709.33 | 1,252.32 |
| Tyres and Tubes | 76.92 | 38.39 |
| Warehouse rent | 350.60 | 242.15 |
| Other Operating Expenses | 1,602.40 | 1,396.10 |
| Claims for Loss and Damages (Net) | 138.58 | 51.43 |
| Commission | 112.06 | 4.44 |
| Vehicles' taxes | 55.09 | 48.62 |
| Vehicles' and ships Insurance | 173.20 | 108.03 |
| Power, Fuel and Water Expenses | 1,702.41 | 1,145.63 |
| Stores and Spare Parts Consumed | 299.08 | 218.83 |
| Port and Survey Expenses | 2,610.37 | 2,575.42 |
| | 41,568.99 | 36,613.28 |
| (17) PERSONNEL EXPENSES | | |
| Salaries, Wages and Bonus* (Net of Deferred Employee Compensation Rs.152.98 Lakhs) | 7,264.00 | 6,146.09 |
| Gratuity | 126.43 | 79.91 |
| Contribution to Provident and Other Funds | 280.27 | 241.61 |
| Contribution to Employees' State Insurance | 47.97 | 48.98 |
| Other Personnel Expenses | 321.59 | 514.06 |
| *(includes Leave encashment) | 8,040.26 | 7,030.66 |

SCHEDULES TO THE ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|--|-----------------|-----------------|
| (18) ADMINISTRATIVE EXPENSES | | |
| Rent | 1,458.08 | 1,109.41 |
| Rates and Taxes | 14.28 | 23.21 |
| Insurance (includes Rs.20 lakhs towards Keyman Insurance Policy) | 119.13 | 127.52 |
| Telephone Expenses | 242.89 | 255.81 |
| Printing and Stationery | 245.91 | 310.47 |
| Travelling Expenses | 568.96 | 605.45 |
| Legal Expenses | 86.58 | 43.24 |
| Office Maintenance and Repairs | 766.27 | 715.00 |
| Miscellaneous Expenses | 2,408.76 | 1,853.58 |
| Remuneration to Directors: | | |
| Salaries and Allowances | 24.00 | 89.40 |
| Commission | - | 42.90 |
| Fees | 10.30 | 11.90 |
| Remuneration to Auditors: | | |
| For Audit | 12.15 | 12.15 |
| For Tax Audit | 4.00 | 3.00 |
| For Certification | 1.00 | 1.00 |
| Bad Debts and irrecoverable balances written off (Net) | 162.46 | 10.24 |
| Charity and Donations | 46.47 | 39.12 |
| Loss on sale of Fixed Assets (Net) | 18.81 | - |
| | 6,190.06 | 5,253.39 |
| (19) REPAIRS & MAINTENANCE EXPENSES | | |
| Motor Trucks | 132.21 | 181.95 |
| Other Vehicles | 84.35 | 88.44 |
| Plant and Machinery | 41.44 | 26.77 |
| Buildings | 10.72 | 17.65 |
| Computers | 197.12 | 157.58 |
| Ships | 105.49 | 76.42 |
| Dry docking expenses | 202.00 | 181.76 |
| | 773.32 | 730.57 |
| (20) INTEREST | | |
| Fixed Loans (a) | 2,439.41 | 967.13 |
| Finance Lease Charges | 419.95 | - |
| Debentures | 47.27 | 62.52 |
| Fixed Deposits | 63.86 | 72.41 |
| Others | 728.82 | 78.31 |
| | 3,699.32 | 1,180.37 |
| Less: Interest Capitalized | 17.61 | - |
| Less: Interest Received | 140.48 | 207.45 |
| (Tax Deducted - Rs.23.38 lakhs ; previous year - Rs.32.07 lakhs) | 3,541.23 | 972.92 |
| a) Includes Rs.1.33 lakhs from Investments in Government Securities; previous year Rs.4.15 lakhs) | | |

SCHEDULES TO THE ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|--|-----------------|-----------------|
| 21. NOTES ON ACCOUNTS | | |
| 1. Estimated amount of contracts remaining to be executed on capital account and not provided for | 688.55 | 5,264.82 |
| 2. Contingent Liability not provided for in respect of | | |
| Bank Guarantees | 602.85 | 3,759.45 |
| Guarantees and Counter Guarantees outstanding | 1,863.64 | 1,665.97 |
| 3. During the year the Company has discontinued Freighter Aircraft operations as per the arrangement with National Aviation Company of India Ltd (NACIL), (the erstwhile Indian Airlines Ltd,) due to continuous failure and defaults by NACIL in discharging its contractual obligations under the Agreement, giving rise to Arbitral Disputes. Further NACIL had wrongfully invoked the Bank Guarantees for Rs.3,000 Lakhs based on certain untenable claims without providing the related services against such claims. The matter now stands referred to the arbitration of the Arbitral Tribunal appointed by the parties. Pending decision of the Arbitral Tribunal a sum of Rs.2,659 Lakhs is included in loans and advances being the difference between the amount of Bank Guarantee invoked and claims acknowledged by the Company. In the Company's view there are fair chances of recovery of Rs.2,659 Lakhs. Further the Company has filed its Statement of Claim before the Arbitral Tribunal for the losses suffered on account of forced suspension of Freighter operation during the contracted period and have also challenged the wrongful invocation of the Bank Guarantee by NACIL. | | |
| During the proceedings before the Delhi High Court under the Arbitration and Conciliation Act, 1996 initiated by the Company, NACIL had made a claim of Rs.5,672 Lakhs in the matter and purported wrongfully to invoke the Bank Guarantee given by the Company. However, the said proceedings having now been concluded, any claim by NACIL will now have to be made denovo before the said Tribunal. In the considered opinion of the Company's Attorney, no provision is considered necessary in these accounts at this stage. | | |
| 4. The net depreciation charged for the year is arrived at as follows: | | |
| Depreciation for the year | 2,144.31 | 1,458.73 |
| Add: Amortization of foreign currency monetary item translation difference | 157.66 | - |
| Deduct: Transfer from Revaluation Reserve being depreciation provided on revalued amount | 1.27 | 1.27 |
| Net Depreciation charged in Profit and Loss Account | 2,300.70 | 1,457.46 |
| 5. In view of the losses made during the year current tax includes tonnage tax only. The liability as per Income Tax will be ascertained based on the tax year ending 31st March, 2010. | | |
| 6. As per independent professional opinion and in terms of amendments notified on 31st March, 2009 to Accounting Standard 11, "The Effects of changes in Foreign Exchange Rates" loss of Rs.154.98 Lakhs on restatement of foreign currency borrowings relating to acquisition of depreciable capital asset has been accounted by addition to the cost of depreciable assets to be depreciated over the balance life of the assets. The exchange gain of Rs.54.18 lakhs credited to the Profit and Loss Account during the year ended 30th June, 2008 has been reversed and adjusted to asset account by debit to the General Reserve. In other cases exchange loss of Rs.275.89 lakhs (net of Rs.157.66 lakhs amortised during the year) has been accumulated in a Foreign Currency Monetary Item Translation Difference Account to be amortised not beyond 31st March, 2011. As a result of this change in Accounting Policy, losses after tax for the year are lower by Rs.579 lakhs, general reserve lower by Rs.202.51 lakhs and fixed assets higher by Rs.94.56 lakhs. | | |
| 7. Exceptional Item represents loss on maturity of Derivative instruments. | | |
| 8. The company has granted options under the Companies Employees Stock Options Scheme and 1,783,930 Options are outstanding (Previous year 2,818,580) as at 30th June 2009. Of this 732,054 options will vest in 2009-10, 601,072 options in 2010-11, and 450,804 options in 2011-12. | | |
| 9. During the year 2006-07 the Company issued Foreign Currency Convertible Bonds (FCCB) of a face value of US \$ 1000 each aggregating to US \$ 20 million. As per the terms of the issue, the holders have an option to convert the FCCB into Ordinary Shares at a conversion rate of Rs.125 per Ordinary Share at a fixed exchange rate conversion of Rs.44.67 = US \$ 1, from 20th December, 2006 to 5th November, 2011. The conversion price will be reset periodically to the average closing price of the shares on the reset date, and it has been presently reset at Rs.90.00 per share. FCCB of US \$ 5 million was converted into shares in the previous year. Unless previously converted, the Company will redeem these bond at 147.88 per cent of the principal amount on 6th December, 2011. | | |

SCHEDULES TO THE ACCOUNTS

>21 NOTES ON ACCOUNTS (contd...)

10. The Company has taken a ship on finance lease during the year and accordingly as per AS-19, the asset has been capitalized with corresponding Liability.

The future lease payment obligation and their present value as at 30th June, 2009

(Rs. in Lakhs)

| Lease Payments | 2008 - 09 | | 2007 - 08 | |
|----------------------------|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | Lease Payments Obligations | Present Value of lease payments | Lease Payments Obligations | Present Value of lease payments |
| Repayable less than 1 year | 1,280 | 1,133 | - | - |
| 1 year to 5 years | 6,400 | 3,984 | - | - |
| More than 5 years | 3,824 | 1,776 | - | - |
| Total | 11,504 | 6,893 | - | - |

| | 30th June, 2009 | 30th June, 2008 |
|---|-----------------|-----------------|
| 11. REMUNERATION TO DIRECTORS | | |
| Managing Director | | |
| Salaries & Allowances | 24.00 | 89.40 |
| Commission | - | 20.00 |
| Money value of Perquisites | 1.41 | 3.60 |
| Contribution to Provident /Superannuation Funds | 19.17 | 15.94 |
| Other Directors | | |
| Commission | - | 22.90 |
| Fees | 10.30 | 11.90 |
| | 54.88 | 163.74 |

12. In respect of Micro, Small and Medium Enterprises, the company has sent letters to all suppliers for the status of each supplier, but no confirmation has been received from any supplier; hence the disclosure regarding the unpaid amount and interest if any payable could not be given.

13. In the opinion of the Board of Directors, the current assets, loans and advances have a value on realisation in the ordinary course of business atleast equal to the amount at which they are stated.

| | 30th June, 2009 | 30th June, 2008 |
|--|-------------------|-------------------|
| 14. Earning per share | | |
| (i) Net profit after tax available for equity shareholders - for Basic and Diluted EPS (Rs.) | (1,505.79) | 2,378.03 |
| (ii) Weighted average no. of ordinary shares for Basic EPS (Nos.) | 84,752,689 | 79,655,055 |
| Add : Adjustments for foreign currency convertible bonds and stock options (Nos.) | 6,690,675 | 2,822,772 |
| Weighted average no. of ordinary shares for Diluted EPS (Nos.) | 91,443,364 | 82,477,827 |
| (iii) Nominal value of Ordinary Shares (Rs.) | 2.00 | 2.00 |
| (iv) Basic Earning per Ordinary Share (Rs.) | (1.78) | 2.99 |
| (v) Diluted Earning per Ordinary Share (Rs.) | (1.65) | 2.88 |

SCHEDULES TO THE ACCOUNTS

>21 NOTES ON ACCOUNTS (contd...)

15. Related Party Disclosures

Related parties with whom transactions have taken place during the year

i Directors/Key Management Personnel:

Mr. Mahendra Agarwal (Managing Director & CEO)

ii Associates

1. Gati Intellect Systems Ltd.
2. TCI Finance Ltd.
3. Giri Roadlines & Commercial Trading Pvt. Ltd.
4. Jubilee Commercials & Trading Pvt. Ltd.
5. Gati Infrastructure Ltd.
6. Gati Shipping Ltd.
7. Gati Cargo Management Services Ltd.
8. TCI Hi-ways Pvt. Ltd.
9. TCI Industries Ltd.
10. Mahendra Kumar Agarwal & Sons (HUF)
11. ITAG Infrastructure Ltd.
12. ITAG Business Solutions Ltd.
13. Gati (Thailand) Ltd.

Subsidiaries

1. Gati Holdings Ltd.
2. Gati Asia Pacific Pte Ltd.
3. Gati Hong Kong Ltd.
4. Gati China Holdings Ltd.
5. Gati Middle East FZE Ltd.
6. Gati Cargo Express (Shanghai) Co. Ltd.
7. Gati Japan Ltd.
8. Newatia Commercial & Trading Pvt. Ltd.
9. Trymbak Commercial & Trading Pvt. Ltd.
10. Ocimum Commercial & Trading Pvt. Ltd.
11. Sumeru Commercial & Trading Pvt. Ltd.
12. Kausar India Ltd.
13. Gati Import Export Trading Ltd.
14. Zen Cargo Movers Pvt. Ltd.
15. Gati Skyways Ltd.

(Rs. in Lakhs)

| SL | Nature of Transaction | Key Management Person | Associates | Subsidiaries | 30th June, 2009 | 30th June, 2008 |
|----------|--|-----------------------|------------|--------------|-----------------|-----------------|
| A | Expenditure | | | | | |
| | Rent | | 125.98 | - | 125.98 | 40.38 |
| | Freight and Other Charges | | 685.39 | 148.05 | 833.44 | 264.13 |
| | Port Expenses | | 116.90 | - | 116.90 | 62.30 |
| | Key Management Personnel Remuneration | 44.58 | | | 44.58 | 128.94 |
| B | Receipts | | | | | |
| | Freight and Other Charges | | 12.62 | 175.25 | 187.87 | 209.37 |
| | Interest | | | 1.37 | 1.37 | 21.52 |
| | Rent | | 0.18 | 5.93 | 6.11 | 6.04 |
| C | Finance and Investment | | | | | |
| | Investments | | | 998.39 | 998.39 | 2,363.16 |
| | Loans - Given | | | 91.43 | 91.43 | - |
| | Loans - Repaid | | - | - | - | - |
| | Advances Given / (Repaid) | | | 325.82 | 325.82 | (93.85) |
| D | Balance at the year end | | | | | |
| | Investments | | 2,020.69 | 4,541.44 | 6,562.13 | 5,563.74 |
| | Sundry Debtors | | | 227.63 | 227.63 | 193.16 |
| | Loans | | | 91.43 | 91.43 | - |
| | Advances | | | 474.14 | 474.14 | 148.32 |
| | Sundry Creditors | | 455.51 | 100.78 | 556.29 | 251.39 |
| | Advances towards Fixed Assets | | 61.00 | - | 61.00 | 61.00 |
| | Corporate Guarantees | | | 1,863.64 | 1,863.64 | 1,665.97 |

SCHEDULES TO THE ACCOUNTS

>21 NOTES ON ACCOUNTS (contd...)

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|---|------------------------|------------------------|
| 16. Segment Information | | |
| Primary Business Segment | | |
| Express Distribution & Supply Chain: Covers integrated cargo services – Road, Rail and Air Transportation. | | |
| Coast-to-Coast (Shipping): Covers Sea Transportation | | |
| 1. Segment Revenue (net sale/income) | | |
| a) Express Distribution & Supply Chain | 52,544.72 | 48,004.38 |
| b) Coast-to-Coast (Shipping) | 9,349.19 | 7,234.84 |
| Total | 61,893.91 | 55,239.22 |
| Less: Inter-Segment Revenue | 86.00 | 32.48 |
| Net sales/income from operations | 61,807.91 | 55,206.74 |
| 2. Segment Results | | |
| Profit before tax and interest from each Segment | | |
| a) Express Distribution & Supply Chain | 1,876.37 | 2,392.19 |
| b) Coast-to-Coast (Shipping) | 1,976.31 | 3,232.63 |
| Total | 3,852.67 | 5,624.82 |
| Less : Interest (Net of Income) | 3,541.23 | 972.92 |
| Add : Unallocable incomes / Losses | (1,687.84) | (1,508.24) |
| Total Profit Before Tax | (1,376.40) | 3,143.66 |
| 3. Other Information | | |
| Segment Assets | | |
| a) Express Distribution & Supply Chain | 41,585.51 | 36,196.98 |
| b) Coast-to-Coast (Shipping) | 32,902.01 | 20,408.94 |
| Unallocated Corporate Assets | 6,853.76 | 5,580.43 |
| Total Assets | 81,341.28 | 62,186.35 |
| Segment Liabilities | | |
| a) Express Distribution & Supply Chain | 35,620.41 | 24,111.24 |
| b) Coast-to-Coast (Shipping) | 17,946.78 | 7,696.90 |
| Total Liabilities | 53,567.19 | 31,808.14 |
| Capital employed | 21,077.00 | 26,052.00 |
| The company operates mainly in India and the overseas earnings is less than threshold limits. Hence, there are no separate geographical segments. | | |
| | 30th June, 2009 | 30th June, 2008 |
| 17 Additional Information pursuant to the Provisions of Paragraphs 3 & 4 of Part II of Schedule VI to the Companies Act, 1956 | | |
| 1. Value of Imported and Indigenous Stores & Spare Parts Consumed during the year | | |
| | % Value | % Value |
| Imported | 44.78 133.92 | 62.58 136.95 |
| Indigenous | 55.22 165.16 | 37.42 81.88 |
| | 100.00 299.08 | 100.00 218.83 |

SCHEDULES TO THE ACCOUNTS

>21 NOTES ON ACCOUNTS (contd...)

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|--|-----------------|-----------------|
| II. Expenditure in Foreign Currency | | |
| Travelling Expenses | 94.55 | 148.96 |
| Insurance | 97.74 | 36.44 |
| Port Expenses | 124.18 | 60.66 |
| Charter Hire | 585.81 | - |
| Dry docking expenses and Repairs | 256.98 | 185.49 |
| Professional Fee | 509.72 | 333.79 |
| Miscellaneous | 370.54 | 135.49 |
| III. Value of Imports on C.I.F. Basis | | |
| Spare Parts | 133.92 | 175.15 |
| Capital Goods | 8,101.52 | 5,268.04 |
| IV. Earnings in Foreign Currency | | |
| Freight | 3,966.60 | 6,369.83 |
| Interest | - | 56.30 |

18. Previous year's figures have been regrouped/rearranged wherever necessary.

19. 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 Express Distribution & Supply Chain Division, Freight Income is accounted when goods are delivered by the Company to customers. In Coast-to-Coast Division, Freight Income is accounted when ships sail.
- Freight expenses are accounted when hired vehicles deliver goods to the Company at destination.
- 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 eliminated.
- Year-end liability in respect of claims for loss and damages is provided as calculated by claims recovery agents.

Gratuity and Leave Encashment

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

Provident Fund

Provident fund contribution is remitted to appropriate authority.

Superannuation Fund

Superannuation fund contribution is remitted to approved trust fund.

Fixed Assets

- Fixed assets are stated at cost and / or at revaluation. Cost includes borrowing cost and indirect expenditure capitalized to the extent it relates to the construction activity or incidental thereto.
- Dry docking and other expenses at the time of acquisition of ships are capitalised.
- Depreciation on the amount added to Fixed Assets on revaluation is adjusted by transfer of equivalent amount from revaluation reserve created on revaluation of Fixed Assets to Profit and Loss Account.

SCHEDULES TO THE ACCOUNTS

>21 NOTES ON ACCOUNTS (contd...)

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.

Foreign Exchange Transaction

- a) Foreign currency transactions are recorded at average rate for the month.
- b) Monetary items in foreign currency at the year end are converted in Indian currency at the year end rates. In terms of the amendments to Accounting Standard 11 on The Effects of Changes in Foreign Exchange Rates, exchange differences relating to long-term monetary items are dealt with in the following manner:
 - i. Exchange differences relating to long-term monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable capital asset are added to/deducted from the cost of the asset and depreciated over the balance life of the asset.
 - ii. In Other cases such differences are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance life of the long-term monetary item, not beyond 31st March, 2011.
- c) Any income or expense on account of exchange difference either on settlement or translation is recognized in the profit & loss account.
- d) In respect of forward exchange contracts, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expense over the life of the contract.

Taxation

Income Tax

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. In respect of shipping division, tonnage tax is provided based on the capacity of the ships. 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.

Fringe benefit tax is provided in accordance with the Income Tax Act, 1961.

Impairment of Assets

Impairment of Assets are assessed at each balance sheet date and loss is recognised whenever the recoverable amount of an asset is less than its carrying amount.

Signatures to Schedules "I" to "21"

In terms of our Report of even date attached

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

R. S. Agarwala
Partner

Camp: Secunderabad
August 7, 2009

For and on behalf of the Board

K.L. Chugh
Chairman

Mahendra Agarwal
Managing Director & CEO

N. Srinivasan
Director

Secunderabad
August 7, 2009

STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED

(Rs. in Lakhs)

| Particulars | 30th June, 2009 | 30th June, 2008 |
|--|--------------------|--------------------|
| (I) Cash Flows from Operating Activities | | |
| Net Profit after tax as per Profit and Loss A/c | (1,505.79) | 2,378.03 |
| Provision for tax | 129.39 | 765.63 |
| Exceptional items | 1,687.84 | 1,508.24 |
| Net profit before taxation and exceptional items | 311.44 | 4,651.90 |
| Adjustment for Non-Cash and Non-Operating Items. | | |
| Depreciation | 2,300.70 | 1,457.46 |
| Interest on borrowings (Net) | 3,541.23 | 972.92 |
| Bad debts written off (Net) | 162.46 | 10.24 |
| (Profit) / Loss on sale of fixed assets (Net) | 18.81 | (1.71) |
| Rental income received | (16.57) | (15.60) |
| Operating profits before working capital changes | 6,318.07 | 7,075.21 |
| (Increase) / Decrease in Sundry debtors (Net of Bad debts) | 172.81 | (3,974.81) |
| (Increase) / Decrease in Inventories | (178.11) | (123.18) |
| (Increase) / Decrease in Loans & Advances | (1,313.20) | (10,375.78) |
| Increase / (Decrease) in Liabilities | (1,275.22) | 2,938.47 |
| Increase / (Decrease) in Provisions | (1,657.70) | 2,551.71 |
| Cash generated from operations | 2,066.66 | (1,908.39) |
| Income tax paid (Net tax refund received) | (65.97) | (623.64) |
| Net Cash from Operating Activities | 2,000.69 | (2,532.03) |
| (II) Cash Flow from Investing Activities | | |
| Proceeds from sale of fixed assets | 84.52 | 283.92 |
| Proceeds from sale of investments | 0.95 | 4.40 |
| Interest / Dividend received | 140.48 | 207.45 |
| Rent income | (16.57) | (15.60) |
| Purchase of fixed assets (including assets taken on lease) | (19,439.62) | (9,436.79) |
| Investments made | (998.39) | (2,347.36) |
| Net Cash from Investing Activities | (20,228.64) | (11,303.98) |
| (III) Cash Flow from Financing Activities | | |
| Increase in Equity | 4.41 | 245.40 |
| Increase / (Decrease) in Share premium and ESOS | (898.96) | 10,361.45 |
| Receipt of Secured Loans | 23,406.53 | 4,452.77 |
| Receipt of Unsecured Loans | 2,738.00 | - |
| Dividend Paid (including dividend tax) | (792.34) | (677.50) |
| Interest on loans paid | (3,681.71) | (1,180.37) |
| Repayment of Secured Loans | (1,447.23) | - |
| Repayment of Unsecured Loans | (68.75) | (1,057.68) |
| Exceptional item (Derivatives) | (1,687.84) | (1,508.24) |
| Net Cash from Financing Activities | 17,572.12 | 10,635.82 |
| Effect of exchange difference (Net) | 766.25 | 303.56 |
| Net Increase / (Decrease) in cash and cash equivalents (I + II + III) | 110.42 | (2,896.63) |
| Cash and Cash equivalents in the beginning of the year | 1,223.43 | 4,120.06 |
| Cash and Cash equivalents in the end of the year (See Schedule 10) | 1,333.85 | 1,223.43 |
| Cash flow from Activities during the year | 110.42 | (2,896.63) |

Notes :

1. Cash flow statement has been prepared under the indirect method as set out in Accounting Standard-3 issued by the Institute of Chartered Accountants of India.
2. Cash and bank balance included Unclaimed dividend to the extent of Rs.70.11 lakhs.
3. Previous year's figures have been regrouped / reclassified, wherever necessary.

In terms of our Report of even date attached

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

R. S. Agarwala
Partner

Camp: Secunderabad
August 7, 2009

For and on behalf of the Board

K.L. Chugh
Chairman

Mahendra Agarwal
Managing Director & CEO

N. Srinivasan
Director

Secunderabad
August 7, 2009

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

State Code

I. Registration Details

Registration No.
Balance Sheet Date

II. Capital Raised during the year (Amount in Rs.Thousands)

Public Issue Bonus Issue Rights Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities
Total Assets

Sources of Funds

Paid up Capital
Reserves & Surplus
Secured Loans
Unsecured Loans
Deferred Tax Liability

Application of Funds

Fixed Assets
Investments
Foreign Currency Monetary Item Translation Difference
Net Current Assets
Miscellaneous Expenditure
Accumulated Losses

IV. Performance of Company (Amount in Rs.Thousands)

Turnover (including Other Income)
Total Expenditure
Profit Before Tax
Profit After Tax
Dividend %
Earning per share Basic
Diluted

V. Generic names of three Principal Products of Company

Item Code No. (ITC Codes)
Product Description

In terms of our Report of even date attached

For and on behalf of the Board

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

K.L. Chugh
Chairman

Mahendra Agarwal
Managing Director & CEO

R. S. Agarwala
Partner

N. Srinivasan
Director

Camp: Secunderabad
August 7, 2009

Secunderabad
August 7, 2009

STATEMENT PURSUANT TO SECTION 212 (E) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

| S. No. | Name of Subsidiary Company | Financial year of Subsidiary ended on | Number of equity shares held by Gati Limited and / or its subsidiaries | Extent of interest of Gati Limited in the capital of the subsidiary | Net aggregate amount of profits or losses of the subsidiary so far as it concerns the members of Gati Limited dealt with or provided for in the accounts of Gati Limited | Net aggregate amount of profits or losses of the subsidiary so far as it concerns the members of Gati Limited and is not dealt with in the accounts of Gati Limited |
|--------|--|---------------------------------------|--|---|--|---|
| | | | | | For the financial year ended on 30th June, 2009 | |
| 1 | Gati Holdings Ltd. | 30th June, 2009 | 3,874,897 shares of USD 1 each | 100% held by Gati Ltd | Nil | Loss of USD 0.01 Mn |
| 2 | Gati Asia Pacific Pte. Ltd. | 30th June, 2009 | 1,196,045 shares of SGD 1 each | 100% held by Gati Holdings Ltd | Nil | Loss of SGD 0.08 Mn |
| 3 | Gati Hong Kong Ltd. | 30th June, 2009 | 2,706,410 shares of HKD 1 each | 100% held by Gati Holdings Ltd | Nil | Loss of HKD 0.76 Mn |
| 4 | Gati China Holdings Ltd. | 30th June, 2009 | 1,666,600 shares of USD 1 each | 100% held by Gati Holdings Ltd | Nil | Loss of USD 0.007 Mn |
| 5 | Gati Cargo Express (Shanghai) Co. Ltd. | 30th June, 2009 | 1,200,000 shares of USD 1 each | 100% held by Gati China Holdings Ltd | Nil | Loss of RMB 1.75 Mn |
| 6 | Gati Japan Ltd. | 30th June, 2009 | 49,063 shares of USD 1 each | 100% held by Gati Holdings Ltd | Nil | Nil |
| 7 | Gati Middle East Fze. Ltd. | 30th June, 2009 | 1,000,000 shares of AED 1 each | 100% held by Gati Holdings Ltd | Nil | Loss of AED 0.68 Mn |
| 8 | Newatia Commercial & Trading Pvt. Ltd. | 30th June, 2009 | 155,000 shares of Rs.10 each | 100% held by Gati Ltd | Nil | Profit of Rs 0.66 Mn |
| 9 | Trymbak Commercial & Trading Pvt. Ltd. | 30th June, 2009 | 860,000 shares of Rs.10 each | 100% held by Gati Ltd | Nil | Profit of Rs 2.61 Mn |
| 10 | Ocimum Commercial & Trading Pvt. Ltd. | 30th June, 2009 | 365,000 shares of Rs.10 each | 100% held by Gati Ltd | Nil | Profit of Rs 0.33 Mn |
| 11 | Sumeru Commercial & Trading Pvt. Ltd. | 30th June, 2009 | 1,075,000 shares of Rs.10 each | 100% held by Gati Ltd | Nil | Profit of Rs 5.29 Mn |
| 12 | Kausar India Ltd. | 30th June, 2009 | 3,697,300 shares of Rs.10 each | 99.74% held by Gati Ltd | Nil | Loss of Rs 18.92 Mn |
| 13 | Zen Cargo Movers Pvt. Ltd. | 30th June, 2009 | 352,163 shares of Rs.10 each | 97.24% held by Gati Ltd | Nil | Loss of Rs 1.72 Mn |
| 14 | Gati Import Export Trading Ltd. | 30th June, 2009 | 50,000 shares of Rs.10 each | 100% held by Gati Ltd | Nil | Profit of Rs 0.80 Mn |
| 15 | Gati Skyways Ltd. | 30th June, 2009 | 50,000 shares of Rs.10 each | 100% held by Gati Ltd | Nil | Loss of Rs 0.01 Mn |

Statement Relating to Subsidiary Companies as on 30th June, 2009

(Rs. in Lakhs)

| S. No. | Name of Subsidiary Company | Issued and Subscribed Share Capital | Reserves | Total Assets | Total Liabilities | Investments | Turnover | Profit / Loss Before Taxation | Provision for Taxation | Profit / Loss after Taxation | Proposed Dividend |
|--------|--|-------------------------------------|----------|--------------|-------------------|-------------|----------|-------------------------------|------------------------|------------------------------|-------------------|
| 1 | Gati Holdings Ltd. | 1,884.90 | (70.80) | 1,937.67 | 123.57 | 1,493.54 | - | (6.80) | - | (6.80) | - |
| 2 | Gati Asia Pacific Pte. Ltd. | 400.17 | (518.79) | 237.69 | 356.31 | - | 1,223.25 | (27.91) | - | (27.91) | - |
| 3 | Gati Hong Kong Ltd. | 169.88 | (215.44) | 66.54 | 112.10 | - | 333.33 | (47.47) | - | (47.47) | - |
| 4 | Gati China Holdings Ltd. | 810.70 | 0.35 | 818.47 | 7.43 | 583.73 | - | (3.53) | - | (3.53) | - |
| 5 | Gati Cargo Express (Shanghai) Co. Ltd. | 667.12 | (298.57) | 1,092.82 | 724.27 | - | 2,323.22 | (124.38) | - | (124.38) | - |
| 6 | Gati Japan Ltd. | 23.87 | - | - | 23.87 | - | - | - | - | - | - |
| 7 | Gati Middle East Fze. Ltd. | 132.50 | (4.42) | 142.91 | 14.82 | - | 78.97 | (44.28) | - | (44.28) | - |
| 8 | Newatia Commercial & Trading Pvt. Ltd. | 15.50 | 20.85 | 60.93 | 24.62 | - | 1,157.88 | 9.58 | 2.98 | 6.60 | - |
| 9 | Trymbak Commercial & Trading Pvt. Ltd. | 86.00 | 61.29 | 180.03 | 32.87 | - | 3,339.09 | 38.33 | 12.15 | 26.18 | - |
| 10 | Ocimum Commercial & Trading Pvt. Ltd. | 36.50 | 8.68 | 66.72 | 21.56 | - | 714.61 | 4.76 | 1.47 | 3.29 | - |
| 11 | Sumeru Commercial & Trading Pvt. Ltd. | 107.50 | 161.43 | 379.81 | 110.42 | - | 5,764.65 | 76.53 | 23.56 | 52.97 | - |
| 12 | Kausar India Ltd. | 370.68 | (13.65) | 1,748.22 | 1,391.19 | 0.10 | 1,950.55 | (188.27) | 0.92 | (189.19) | - |
| 13 | Zen Cargo Movers Pvt. Ltd. | 36.21 | (18.71) | 42.94 | 25.63 | - | 14.35 | (17.23) | - | (17.23) | - |
| 14 | Gati Import Export Trading Ltd. | 5.00 | 7.22 | 307.35 | 295.33 | - | 665.41 | 11.70 | 3.65 | 8.05 | - |
| 15 | Gati Skyways Ltd. | 5.00 | (0.18) | 4.67 | 0.03 | - | - | (0.09) | - | (0.09) | - |

Converted into Indian Rupees at the exchange rate 1USD = 48.6438

Converted into Indian Rupees at the exchange rate 1SGD = 33.4577

Converted into Indian Rupees at the exchange rate 1HKD = 6.2768

Converted into Indian Rupees at the exchange rate 1RMB = 7.12760

Converted into Indian Rupees at the exchange rate 1AED = 13.2499

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF GATI LIMITED.

We have audited the attached Consolidated Balance Sheet of Gati Limited (the Parent Company) and its subsidiary companies collectively called the 'Gati Group' as at 30th June, 2009, the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. 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.

- 1 We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
- 2 The financial statements of the Branches, Subsidiary and Associate Companies have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the reports so furnished.
- 3 We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standard (AS-21), Consolidated Financial Statements, issued by the institute of Chartered Accountants of India.

Based on our audit and on consideration of reports of other auditors on separate financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements, read together with paragraph 2 above, give a true and fair view in conformity with the accounting principle generally accepted in India

- a) In the case of Consolidated Balance Sheet of the state of affairs of the Gati Group as at 30th June, 2009.
- b) In the case of Consolidated Profit and Loss Account, of the loss of the Gati Group for the year ended on that date and
- c) In the case of Consolidated Cash Flow Statement, of the cash flows of the Gati Group for the year ended on that date.

For R.S. Agarwala & Co.
Chartered Accountants

Camp : Secunderabad
Date : August 7, 2009

R.S. Agarwala
Partner

Membership No.F-5534

CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2009

(Rs. in Lakhs)

| | Schedule | 30th June, 2009 | 30th June, 2008 |
|---|----------|------------------|------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Fund | | | |
| Share Capital | 1 | 1,697.52 | 1,693.11 |
| Reserves and Surplus | 2 | 25,317.02 | 28,049.24 |
| | | 27,014.54 | 29,742.35 |
| Loan Funds | | | |
| Secured Loans | 3 | 33,834.08 | 12,238.85 |
| Unsecured Loans | 4 | 13,842.61 | 11,379.03 |
| | | 47,676.69 | 23,617.89 |
| Minority Interest | | | |
| Deferred Tax Liability | 5 | 1.15 | 177.45 |
| | | 736.92 | 748.37 |
| Total Funds Employed | | 75,429.30 | 54,286.06 |
| APPLICATION OF FUNDS | | | |
| Goodwill on consolidation | | | |
| | | 2,007.66 | 1,603.55 |
| Fixed Assets | | | |
| Gross Block | 6 | 53,723.78 | 32,436.69 |
| Less: Depreciation | | 9,158.59 | 6,852.47 |
| Net Block | | 44,565.18 | 25,584.21 |
| Capital Work-in-Progress | | 3,597.84 | 6,295.29 |
| | | 48,163.02 | 31,879.50 |
| Investments | | | |
| Foreign Currency Monetary Item Translation Difference | 7 | 2,036.53 | 2,035.67 |
| (Note 6 on Schedule 22) | | 275.89 | - |
| Current Assets, Loans and Advances | | | |
| Inventories | 8 | 702.10 | 346.20 |
| Sundry Debtors | 9 | 12,132.25 | 12,121.36 |
| Cash and Bank Balances | 10 | 2,134.56 | 1,639.12 |
| Loans and Advances | 11 | 14,980.30 | 13,853.51 |
| | | 29,949.21 | 27,960.19 |
| Less: Current Liabilities and Provisions | | | |
| Liabilities | 12 | 4,764.63 | 5,357.40 |
| Provisions | 13 | 2,265.52 | 3,863.26 |
| | | 7,030.14 | 9,220.66 |
| Net Current Assets | | 22,919.07 | 18,739.53 |
| Preliminary Expenses | | 27.13 | 27.82 |
| Total Assets (Net) | | 75,429.30 | 54,286.06 |
| Notes on accounts | 22 | | |

Schedules 1 to 13 and Schedule 22 referred to above form part of the Consolidated 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

K.L. Chugh
 Chairman

Mahendra Agarwal
 Managing Director & CEO

R. S. Agarwala
 Partner

N. Srinivasan
 Director

 Camp: Secunderabad
 August 7, 2009

 Secunderabad
 August 7, 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2009

(Rs. in Lakhs)

| Particulars | Schedule | 30th June, 2009 | 30th June, 2008 |
|--|-------------------|-------------------|------------------|
| INCOME | | | |
| Freight and Warehousing | 14 | 67,437.59 | 60,153.18 |
| Sales | | 11,603.41 | 11,530.65 |
| Other Income | 15 | 1,254.52 | 2,430.67 |
| TOTAL | | 80,295.52 | 74,114.50 |
| EXPENDITURE | | | |
| Cost of sales | 16 | 11,319.35 | 11,311.25 |
| Operating expenses | 17 | 46,451.77 | 40,695.62 |
| Personnel expenses | 18 | 8,568.60 | 7,565.41 |
| Administrative expenses | 19 | 6,641.07 | 5,643.44 |
| Advertisement expenses | | 307.01 | 855.01 |
| Repairs and Maintenance expenses | 20 | 787.23 | 754.53 |
| Interest (Net) | 21 | 3,655.54 | 1,132.91 |
| Depreciation (Net - Note 4 on Schedule 22) | | 2,638.32 | 1,855.42 |
| TOTAL | | 80,368.91 | 69,813.59 |
| Profit Before Tax and Exceptional Items | | (73.39) | 4,300.91 |
| Exceptional Items (Note 7 on Schedule 22) | | (1,687.84) | (1,508.24) |
| Profit Before Tax after Exceptional Items | | (1,761.23) | 2,792.67 |
| Provision for Tax | | | |
| Current Tax (Tonnage Tax) | | 51.84 | 602.65 |
| Deferred Tax | | (4.61) | 142.00 |
| Fringe Benefit Tax | | 58.03 | 70.47 |
| Profit after Tax | | (1,866.48) | 1,977.55 |
| Balance brought forward from previous year | | 174.78 | 443.90 |
| Balance available for appropriation | | (1,691.70) | 2,421.45 |
| APPROPRIATIONS | | | |
| Proposed Dividend | | - | 677.24 |
| Tax on Dividend | | - | 115.10 |
| Tonnage Tax Reserve | | 100.94 | 454.33 |
| General Reserve | | - | 1,000.00 |
| Balance Carried to Balance Sheet | | (1,792.64) | 174.78 |
| | (1,691.70) | 2,421.45 | |
| Earning per Share (Note 14 on Schedule 22) | | | |
| Basic | | (2.20) | 2.48 |
| Diluted | | (2.04) | 2.88 |
| Notes on accounts | 22 | | |

Schedules 14 to 22 referred to above form part of the Consolidated 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**K.L. Chugh**
Chairman**Mahendra Agarwal**
Managing Director & CEO**R. S. Agarwala**
Partner**N. Srinivasan**
DirectorCamp: Secunderabad
August 7, 2009Secunderabad
August 7, 2009

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|---|-----------------|-----------------|
| (I) SHARE CAPITAL | | |
| Authorised | | |
| 100,000,000 Equity Shares of Rs.2/- each | 2,000.00 | 2,000.00 |
| 10,00,000 Redeemable Preference Shares of Rs.100/- each | 1,000.00 | 1,000.00 |
| | 3,000.00 | 3,000.00 |
| Issued, Subscribed and Paid-up: | | |
| 84,876,050 (Previous Year 84,655,330) Equity Shares of Rs.2/- each fully paid up : | 1,697.52 | 1,693.11 |
| Of the above : | | |
| 12,509,495 shares were allotted for consideration other than cash as per the Scheme of Arrangement. | | |
| 13,927,500 shares were issued as fully paid bonus shares by capitalisation of share premium | | |
| During the year following shares were issued: | | |
| 220,720 shares of Rs.2/- each on vesting of Employees Stock Options | | |

| | Balance as on 1st July, 2008 | Additions | Deductions | 30th June, 2009 | 30th June, 2008 |
|--------------------------------------|---------------------------------|-------------------|-----------------|--------------------|--------------------|
| (2) RESERVES and SURPLUS | | | | | |
| Capital Reserves: | | | | | |
| Revaluation Reserve | 693.26 | - | (a) 1.27 | 691.99 | 693.26 |
| Securities Premium | 18,727.52 | (b) 60.85 | (c) 790.51 | 17,997.86 | 18,727.52 |
| Employees' Stock Option | 188.80 | - | (d) 152.98 | 19.51 | 188.80 |
| | | | (e) 16.31 | | |
| Translation Reserve | 47.03 | (f) 98.38 | - | 145.41 | 47.03 |
| Others | 439.72 | - | - | 439.72 | 439.72 |
| | 20,096.33 | 159.23 | 961.07 | 19,294.49 | 20,096.33 |
| Revenue Reserves: | | | | | |
| General Reserve | 6,600.00 | - | (g) 63.90 | 6,536.10 | 6,600.00 |
| Shipping Business Reserve (utilised) | 350.00 | - | - | 350.00 | 350.00 |
| Tonnage Tax Reserve | 828.13 | (h) 100.94 | - | 929.07 | 828.13 |
| Profit and Loss Account | 174.78 | (1,866.48) | 100.94 | (1,792.64) | 1,74.78 |
| | 7,952.91 | (1,765.54) | 164.84 | 6,022.53 | 7,952.91 |
| | 28,049.24 | (1,606.31) | 1,125.91 | 25,317.02 | 28,049.24 |

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

(b) On vesting of Stock Options

(c) Provision for pro-rata premium on redemption of Foreign Currency Convertible Bonds.

(d) In respect of options granted under the Companies Employee's Stock option Scheme and in accordance to 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 option price) is accounted as deferred employee compensation, which is amortized on a straight line basis over the vesting period. Rs.152.98 Lakhs represents Options refunded / lapsed net of amortisation.

(e) Transferred to Securities Premium on vesting of 220,720 options during the year.

(f) In respect of translation of Foreign Currency into Indian Rupees.

(g) On reversal of Exchange gain accounted during the year ended 30th June, 2008 (Note 6 on Schedule 22)

(h) Transferred from Profit and Loss Account being 20 percent on profit after tax of coast to coast (shipping) division.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|---|------------------|------------------|
| (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.4,427 lakhs; previous year - Rs.1,145.13 lakhs) * | 16,511.69 | 6,978.17 |
| Secured by hypothecation of Motor Trucks and Motor Cars acquired there against (Repayable within one year - Rs.310.23 lakhs; previous year - Rs.318.13 lakhs) | 560.73 | 858.25 |
| FROM OTHERS | | |
| Secured by hypothecation of specified immovable asset (Repayable within one year - Rs.2.76 lakhs; previous year - Rs.4.34 lakhs) | 85.26 | 89.83 |
| Secured by subservient charge on all the movable assets including current assets * | 3,847.33 | - |
| Finance Lease (Note 10 on Schedule 22) (Secured by assets acquired under lease arrangements) | 6,921.12 | - |
| 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 | 5,907.95 | 4,312.60 |
| | 33,834.08 | 12,238.85 |

* Also guaranteed by the Managing Director (Promoter) of the Company

| | | |
|--------------------------------------|------------------|------------------|
| (4) UNSECURED LOANS | | |
| Fixed Deposits | 662.11 | 897.46 |
| Foreign Currency Convertible Bonds | 7,180.50 | 6,442.50 |
| Short Term Loans and Advances | | |
| From Banks | 6,000.00 | 4,000.00 |
| From Others | - | 39.07 |
| | 13,842.61 | 11,379.03 |

| | At 1st July, 2008 | Current Year | 30th June, 2009 | 30th June, 2008 |
|----------------------------|-------------------|--------------|-----------------|-----------------|
| (5) DEFERRED TAX | | | | |
| On account of depreciation | 748.37 | (11.45) | 736.92 | 748.37 |

(6) FIXED ASSETS (Consolidated)

(Rs. in Lakhs)

| | At Cost or Valuation | | | | Depreciation | | | Net Block | |
|---------------------------------|----------------------|---------------------------------|----------------------------------|--------------------------------|-----------------|--------------------------------|--------------------------------|----------------------|----------------------|
| Description | As On 01.07.2008 | Additions During the Year | Deductions During the Year | Balance As On 30.06.2009 | For the Year | Adjustment On Deductions | Balance As On 30.06.2009 | 30th June 2009 | 30th June 2008 |
| OWNED ASSETS | | | | | | | | | |
| Tangible | | | | | | | | | |
| Land | | | | | | | | | |
| Freehold | 5,748.00 | 1,780.26 | - | 7,528.27 | - | - | - | 7,528.27 | 5,748.00 |
| Leasehold | 123.42 | 910.34 | - | 1,033.76 | - | - | - | 1,033.76 | 123.42 |
| Buildings | 3,086.82 | 2,443.26 | - | 5,530.08 | 61.27 | - | 242.56 | 5,287.52 | 2,905.53 |
| Vehicles | 4,544.12 | 350.45 | 176.98 | 4,717.59 | 653.57 | 125.23 | 2,166.99 | 2,550.60 | 2,905.47 |
| Plant & Machinery | 3,419.28 | 198.94 | 51.06 | 3,567.16 | 179.17 | 2.50 | 586.51 | 2,980.65 | 3,009.44 |
| Computers | 3,086.37 | 164.83 | 48.22 | 3,202.98 | 295.71 | 46.71 | 2,380.15 | 822.84 | 955.22 |
| Ships | 8,756.08 | 8,222.64 | - | 16,978.72 | 738.44 | - | 1,540.81 | 15,437.91 | 7,953.71 |
| Furniture & Fittings | 1,460.87 | 218.44 | 0.63 | 1,678.68 | 120.39 | 0.64 | 671.05 | 1,007.62 | 909.56 |
| Office Equipments | 964.51 | 140.11 | 3.25 | 1,101.37 | 59.42 | 0.73 | 307.02 | 794.35 | 716.17 |
| Intangible | | | | | | | | | |
| Computer Software | 1,247.22 | 78.91 | - | 1,326.13 | 212.50 | - | 1,102.01 | 224.11 | 357.70 |
| LEASED ASSETS | | | | | | | | | |
| Ship taken on finance lease | - | 7,059.04 | - | 7,059.04 | 161.49 | - | 161.49 | 6,897.55 | - |
| Total | 32,436.69 | 21,567.22 | 280.14 | 53,723.78 | 2,481.94 | 175.81 | 9,158.59 | 44,565.18 | 25,584.21 |
| Previous Year | 20,133.69 | 12,857.87 | 554.86 | 32,436.69 | 2,630.27 | 491.79 | 6,852.47 | 25,584.21 | |
| Capital Work-in-Progress | | | | | | | Total | 3,597.84 | 6,295.29 |
| | | | | | | | | 48,163.02 | 31,879.50 |

Note :

- A part of Land & Buildings were revalued on 31st December, 1997, 29th June, 1999, and 31st March, 2000 and the resultant increases in the value of assets by Rs.45.96 lakhs, Rs.141.31 Lakhs, and Rs.148.35 Lakhs respectively and aggregating to Rs.335.62 lakhs was transferred to Revaluation Reserve.
- Depreciation for the year includes Rs.1.27 lakhs in respect of the above revaluation.
- Addition to Assets includes Rs.100.79 Lakhs (previous year - Rs. Nil) on account of exchange rate difference on restatement of foreign currency loans net of earlier years difference.
- The increase in the rupee liability arising out of the revaluation of the foreign currency convertible bonds balance as on 30.06.2009, has been adjusted to the carrying cost of respective fixed assets and has been depreciated over their remaining depreciable life. The depreciation for the current year includes Rs.3.15 lakhs arising on account of this adjustment.
- Additions to Ship includes Rs.17.61 Lakhs (previous year - Rs. Nil) being borrowing cost capitalised during the year.
- Capital Work-in-Progress includes Capital Advances of Rs.1,918.84 lakhs; previous year - Rs.4,084.17 lakhs.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|---|------------------|------------------|
| (7) INVESTMENTS (At Cost) | | |
| Long term - Non-trade | | |
| Fully Paid-up Equity Shares | | |
| Quoted | | |
| 1,600,300 of TCI Finance Ltd. of Rs.10/- each. (Market Value of Quoted Investments - Rs.222.44 lakhs; previous year - Rs.310.29 lakhs) | 143.89 | 143.89 |
| 100 shares of State Bank of India Ltd. | 0.10 | 0.10 |
| Unquoted | | |
| 18,750,000 of Gati Infrastructure Ltd. of Rs.10/- each. (Pledged with Institution for providing Financial Assistance to Gati Infrastructure Limited) | 1,875.00 | 1,875.00 |
| 18,000 shares of ITAG Infrastructure Ltd. of Rs.10/- each | 1.80 | - |
| Government Securities (Unquoted) | | |
| 3 11.50% PSEB - 2010 Bonds of Rs.5 lakhs each | 15.74 | 15.74 |
| 5 12.20% HPRIDC Bonds of Rs.1 lakh each (Redeemed during the year) | - | 0.95 |
| | 2,036.53 | 2,035.67 |
| (8) INVENTORIES | | |
| (As taken, valued and certified by the Management) | | |
| Diesel, Petrol etc. | 59.62 | 44.18 |
| Stores and Spares (At lower of cost and net realisable value) | 642.48 | 302.02 |
| | 702.10 | 346.20 |
| (9) SUNDRY DEBTORS (Unsecured - Considered Good) | | |
| Debts outstanding for more than six months | 249.59 | 310.57 |
| Other debts | 11,882.66 | 11,810.79 |
| | 12,132.25 | 12,121.36 |
| (10) CASH AND BANK BALANCES | | |
| Cash in Hand | 78.64 | 231.21 |
| Cheques in Hand | 113.72 | 386.55 |
| Remittance in Transit | 119.56 | 323.16 |
| With Scheduled Banks: | | |
| In Current Accounts | 1,386.37 | 384.58 |
| In Deposit Accounts (a) | 341.36 | 256.52 |
| In Unpaid Dividends Accounts | 70.11 | 54.00 |
| With Non-Scheduled Banks | 24.81 | 3.12 |
| Bhutan National Bank - Rs.0.40 lakhs; previous year - Rs.0.39 lakhs (maximum balance Rs.4.27 lakhs; previous year - Rs.5.86 lakhs) | | |
| Everest Bank Ltd - Rs.24.41 Lakhs; previous year - Rs.2.73 lakhs (maximum balance Rs.24.40 lakhs; previous year - Rs.3.93 lakhs) | | |
| | 2,134.56 | 1,639.12 |
| a) Fixed Deposit Receipts amounting to Rs.190.84 lakhs are deposited with banks against guarantees issued and other authorities / institution. | | |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|--|------------------|------------------|
| (11) LOANS AND ADVANCES (Unsecured - Considered Good) | | |
| Loans | 1,106.88 | 1,048.70 |
| Advances Recoverable in Cash or in Kind or for Value to be Received | 5,662.63 | 2,366.58 |
| Advances and Deposits | 4,332.47 | 1,608.54 |
| Balance of consideration for assignment of right to a ship | 1,673.82 | 7,688.10 |
| Tax Deducted at Source | 2,204.49 | 1,141.59 |
| | 14,980.30 | 13,853.51 |
| (12) LIABILITIES | | |
| Sundry creditors | 2,581.38 | 1,877.43 |
| Due for purchase of ship under construction | - | 1,655.00 |
| Other liabilities | 1,539.30 | 1,200.39 |
| Interest accrued on loans | 39.20 | 37.25 |
| Security deposits | 534.64 | 533.33 |
| Unpaid/Unclaimed dividends (There are no amounts pending to be transferred to Investor Education and Protection Fund) | 70.11 | 54.00 |
| | 4,764.63 | 5,357.40 |
| (13) PROVISIONS | | |
| Taxation (Net of Payments) | 489.55 | 573.41 |
| Gratuity and Leave Encashment | 166.42 | 170.23 |
| Premium on redemption of Foreign Currency Convertible Bonds | 1,609.54 | 819.03 |
| Provision for Derivatives | - | 1,508.24 |
| Proposed Dividend | - | 677.24 |
| Tax on Dividend | - | 115.10 |
| | 2,265.52 | 3,863.26 |
| (14) FREIGHT and WAREHOUSING | | |
| Freight, Miscellaneous charges etc (a) (Tax deducted – Rs.890.71 lakhs; previous year - Rs.784.44 lakhs) | 57,426.10 | 52,292.87 |
| Warehousing Charges (Tax deducted – Rs.114.14 lakhs; previous year - Rs.44.55 lakhs) | 662.30 | 625.48 |
| Shipping Freight, Charter Hire, Miscellaneous charges (a) (Tax deducted - Rs.10.60 lakhs; previous year - Rs.26.97 lakhs) | 9,349.19 | 7,234.84 |
| a) Includes Demurrage of Rs.271.64 lakhs; previous year - Rs.320.55 lakhs | 67,437.59 | 60,153.18 |
| (15) OTHER INCOME | | |
| Rent (Tax deducted – Rs.3.31 lakhs; previous year - Rs.2.33 lakhs) | 13.22 | 15.60 |
| Miscellaneous Income | 475.05 | 296.00 |
| Profit on assignment of right to a ship under construction | - | 1,815.51 |
| Difference in Exchange (Net) (a) | 766.25 | 303.56 |
| a) Includes Rs.505.74 lakhs on re-instatement of foreign currency monetary items (previous year Rs.269.44 lakhs) | 1,254.52 | 2,430.67 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|--|------------------|------------------|
| (16) COST OF SALES | | |
| Opening Stock | 66.36 | 67.94 |
| Purchases | 11,489.11 | 11,309.66 |
| | 11,555.46 | 11,377.60 |
| Less : Closing Stock | 236.12 | 66.35 |
| | 11,319.35 | 11,311.25 |
| (17) OPERATING EXPENSES | | |
| Freight | 37,566.63 | 33,584.82 |
| Vehicles' trip expenses | 1,731.22 | 1,252.32 |
| Tyres and Tubes | 78.18 | 39.79 |
| Warehouse rent | 350.60 | 242.37 |
| Other Operating Expenses | 1,634.37 | 1,415.14 |
| Claims for Loss and Damages (Net) | 138.58 | 51.43 |
| Commission | 112.06 | 4.44 |
| Vehicles' taxes | 55.09 | 49.10 |
| Vehicles' and ships Insurance | 173.20 | 108.48 |
| Power, Fuel and Water Expenses | 1,702.41 | 1,153.47 |
| Stores and Spare Parts Consumed | 299.08 | 218.83 |
| Port and Survey Expenses | 2,610.37 | 2,575.42 |
| | 4,6451.77 | 4,0695.62 |
| (18) PERSONNEL EXPENSES | | |
| Salaries, Wages and Bonus* (Net of Deferred Employee Compensation Rs.152.98 lakhs) | 7,772.59 | 6,626.77 |
| Gratuity | 126.43 | 109.83 |
| Contribution to Provident and Other Funds | 280.27 | 243.65 |
| Contribution to Employees' State Insurance | 47.97 | 54.87 |
| Other Personnel Expenses | 341.34 | 530.28 |
| *(includes Leave Encashment) | 8,568.60 | 7,565.41 |
| (19) ADMINISTRATIVE EXPENSES | | |
| Rent | 1,470.95 | 1,129.70 |
| Rates and Taxes | 22.60 | 28.85 |
| Insurance (includes Rs.20 lakhs towards Keyman Insurance Policy) | 119.62 | 130.72 |
| Telephone Expenses | 249.03 | 282.43 |
| Printing and Stationery | 249.66 | 355.73 |
| Travelling Expenses | 574.87 | 609.77 |
| Legal Expenses | 91.28 | 76.28 |
| Office Maintenance and Repairs | 1,094.90 | 736.13 |
| Miscellaneous Expenses | 2,478.66 | 2,055.07 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|--|-----------------|-----------------|
| Remuneration to Directors: | | |
| Salaries and Allowances | 24.00 | 97.80 |
| Commission | - | 42.90 |
| Fees | 10.30 | 11.90 |
| Remuneration to Auditors: | | |
| For Audit | 15.30 | 18.12 |
| For Tax Audit | 4.16 | 3.78 |
| For Certification | 1.00 | 1.00 |
| Bad Debts and irrecoverable balances written off (Net) | 162.46 | 14.14 |
| Charity and Donations | 53.47 | 49.12 |
| Loss on sale of Fixed Assets (Net) | 18.81 | - |
| | 6,641.07 | 5,643.44 |
| (20) REPAIRS & MAINTENANCE EXPENSES | | |
| Motor Trucks | 134.65 | 190.10 |
| Other Vehicles | 95.82 | 96.11 |
| Plant and Machinery | 41.44 | 34.91 |
| Buildings | 10.72 | 17.65 |
| Computers | 197.12 | 157.58 |
| Ships | 105.49 | 76.42 |
| Dry docking expenses | 202.00 | 181.76 |
| | 787.23 | 754.53 |
| (21) INTEREST | | |
| Fixed Loans (a) | 2,550.10 | 1,128.83 |
| Finance Lease Charges | 419.95 | - |
| Debentures | 47.27 | 62.52 |
| Fixed Deposits | 63.86 | 72.41 |
| Others | 738.16 | 78.31 |
| | 3,819.35 | 1,342.07 |
| Less: Interest Capitalized | 17.61 | - |
| Less: Interest Received | 146.20 | 209.16 |
| (Tax Deducted - Rs.23.38 lakhs; previous year - Rs.32.07 lakhs) | 3,655.54 | 1,132.91 |
| a) Includes Rs.1.33 lakhs from Investments in Government Securities; previous year Rs.4.15 lakhs) | | |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|--|-----------------|-----------------|
| (22) NOTES ON ACCOUNTS | | |
| 1. Estimated amount of contracts remaining to be executed on capital account and not provided for | 688.55 | 5,264.82 |
| 2. Contingent Liability not provided for in respect of | | |
| Bank Guarantees | 602.85 | 3,759.45 |
| Guarantees and Counter Guarantees outstanding | 1,863.64 | 1,665.97 |
| <p>3. During the year the Company has discontinued Freighter Aircraft operations as per the arrangement with National Aviation Company of India Ltd (NACIL), (the erstwhile Indian Airlines Ltd,) due to continuous failure and defaults by NACIL in discharging its contractual obligations under the Agreement, giving rise to Arbitral Disputes. Further NACIL had wrongfully invoked the Bank Guarantees for Rs. 3000 Lakhs based on certain untenable claims without providing the related services against such claims. The matter now stands referred to the arbitration of the Arbitral Tribunal appointed by the parties. Pending decision of the Arbitral Tribunal a sum of Rs. 2,659 Lakhs is included in loans and advances being the difference between the amount of Bank Guarantee invoked and claims acknowledged by the Company. In the Company's view there are fair chances of recovery of Rs. 2659 Lakhs. Further the Company has filed its Statement of Claim before the Arbitral Tribunal for the losses suffered on account of forced suspension of Freighter operation during the contracted period and have also challenged the wrongful invocation of the Bank Guarantee by NACIL.</p> <p>During the proceedings before the Delhi High Court under the Arbitration and Conciliation Act, 1996 initiated by the Company, NACIL had made a claim of Rs. 5,672 Lakhs in the matter and purported wrongfully to invoke the Bank Guarantee given by the Company. However, the said proceedings having now been concluded, any claim by NACIL will now have to be made denovo before the said Tribunal. In the considered opinion of the Company's Attorney, no provision is considered necessary in these accounts at this stage.</p> | | |
| 4. The net depreciation charged for the year is arrived at as follows : | | |
| Depreciation for the year | 2,481.93 | 1,855.42 |
| Add: Amortization of foreign currency monetary item translation difference | 157.66 | - |
| Deduct: Transfer from Revaluation Reserve being depreciation provided on revalued amount | 1.27 | - |
| Net Depreciation charged in Profit and Loss Account | 2,638.32 | 1,855.42 |
| 5. In view of the losses made during the year current tax includes tonnage tax only. The liability as per Income Tax will be ascertained based on the tax year ending 31st March, 2010. | | |
| 6. As per independent professional opinion and in terms of amendments notified on 31st March, 2009 to Accounting Standard 11, "The Effects of changes in Foreign Exchange Rates" loss of Rs. 154.98 Lakhs on restatement of foreign currency borrowings relating to acquisition of depreciable capital asset has been accounted by addition to the cost of depreciable assets to be depreciated over the balance life of the assets. The exchange gain of Rs. 54.18 lakhs credited to the Profit and Loss Account during the year ended 30th June, 2008 has been reversed and adjusted to asset account by debit to the General Reserve. In other cases exchange loss of Rs. 275.89 lakhs (net of Rs. 157.66 lakhs amortised during the year) has been accumulated in a Foreign Currency Monetary Item Translation Difference Account to be amortised not beyond 31st March, 2011. As a result of this change in Accounting Policy, losses after tax for the year are lower by Rs. 579 lakhs, general reserve lower by Rs. 202.51 lakhs and fixed assets higher by Rs. 94.56 lakhs. | | |
| 7. Exceptional Item represents loss on maturity of Derivative instruments. | | |
| 8. The company has granted options under the Companies Employees Stock Options Scheme and 1,783,930 Options are outstanding (Previous year 2,818,580) as at 30th June 2009. Of this 732,054 options will vest in 2009-10, 601,072 options in 2010-11, and 450,804 options in 2011-12. [(Previous year 2,818,580) as at 31st Dec, 2009. Of this 940,374 options will vest in 2009-10, 548,992 options in 2010-11, and 294,564 options] | | |
| 9. During the year 2006-07 the Company issued Foreign Currency Convertible Bonds (FCCB) of a face value of US \$ 1000 each aggregating to US \$ 20 million. As per the terms of the issue, the holders have an option to convert the FCCB into Ordinary Shares at a conversion rate of Rs. 125 per Ordinary Share at a fixed exchange rate conversion of Rs. 44.67 = US \$ 1, from 20th December, 2006 to 5th November, 2011. The conversion price will be reset periodically to the average closing price of the shares on the reset date, and it has been presently reset at Rs. 90.00 per share. FCCB of US \$ 5 million was converted into shares in the previous year. Unless previously converted, the Company will redeem these bond at 147.88 per cent of the principal amount on 6th December, 2011. | | |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

>22 NOTES ON ACCOUNTS (contd...)

10. The Company has taken a ship on finance lease during the year and accordingly as per AS-19, the asset has been capitalized with corresponding liability.

The future lease payment obligation and their present value as at 30th June, 2009.

(Rs. in Lakhs)

| Lease Payments | 2008 - 09 | | 2007 - 08 | |
|----------------------------|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | Lease Payments Obligations | Present Value of lease payments | Lease Payments Obligations | Present Value of lease payments |
| Repayable less than 1 year | 1,280 | 1,133 | - | - |
| 1 year to 5 years | 6,400 | 3,984 | - | - |
| More than 5 years | 3,824 | 1,776 | - | - |
| Total | 1,1504 | 6,893 | - | - |

| | 30th June, 2009 | 30th June, 2008 |
|---|-----------------|-----------------|
| 11. REMUNERATION TO DIRECTORS | | |
| Managing Director & CEO | | |
| Salaries & Allowances | 24.00 | 89.40 |
| Commission | - | 20.00 |
| Money value of Perquisites | 1.41 | 3.60 |
| Contribution to Provident /Superannuation Funds | 19.17 | 15.94 |
| Other Directors | | |
| Commission | - | 22.90 |
| Fees | 10.30 | 11.90 |
| | 54.88 | 163.74 |

12. In respect of Micro, Small and Medium Enterprises, the company has sent letters to all suppliers for the status of each supplier, but no confirmation has been received from any supplier; hence the disclosure regarding the unpaid amount and interest if any payable could not be given.

13. In the opinion of the Board of Directors, the current assets, loans and advances have a value on realisation in the ordinary course of business atleast equal to the amount at which they are stated.

| | 30th June, 2009 | 30th June, 2008 |
|--|-------------------|-------------------|
| 14. Earning per share | | |
| (i) Net profit after tax available for equity shareholders - for Basic and Diluted EPS (Rs.) | (1,866.48) | 1,977.55 |
| (ii) Weighted average no. of ordinary shares for Basic EPS (Nos.) | 84,752,689 | 79,655,055 |
| Add: Adjustments for foreign currency convertible bonds and stock options (Nos.) | 6,690,675 | 2,822,772 |
| Weighted average no. of ordinary shares for Diluted EPS (Nos.) | 91,443,364 | 82,477,827 |
| (iii) Nominal value of Ordinary Shares (Rs.) | 2.00 | 2.00 |
| (iv) Basic Earning per Ordinary Share (Rs.) | (2.20) | 2.48 |
| (v) Diluted Earning per Ordinary Share (Rs.) | (2.04) | 2.40 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

>22 NOTES ON ACCOUNTS (contd...)

15. Related Party Disclosures

Related parties with whom transactions have taken place during the year

i Directors / Key Management Personnel:

Mr. Mahendra Agarwal (Managing Director & CEO)

ii Associates

1. Gati Intellect Systems Ltd.
2. TCI Finance Ltd.
3. Giri Roadlines & Commercial Trading Pvt. Ltd.
4. Jubilee Commercials & Trading Pvt. Ltd.
5. Gati Infrastructure Ltd.
6. Gati Shipping Ltd.
7. Gati Cargo Management Services Ltd.
8. TCI Hi-ways Pvt. Ltd.
9. TCI Industries Ltd.
10. Mahendra Kumar Agarwal & Sons (HUF)
11. ITAG Infrastructure Ltd.
12. ITAG Business Solutions Ltd.
13. Gati (Thailand) Ltd.

Subsidiaries

1. Gati Holdings Ltd
2. Gati Asia Pacific Pte Ltd
3. Gati Hong Kong Ltd
4. Gati China Holdings Ltd
5. Gati Middle East FZE Ltd
6. Gati Cargo Express(Shanghai) Co.Ltd
7. Gati Japan Ltd.
8. Newatia Commercial & Trading Pvt. Ltd
9. Trymbak Commercial & Trading Pvt. Ltd
10. Ocimum Commercial & Trading Pvt. Ltd
11. Sumeru Commercial & Trading Pvt. Ltd
12. Kausar India Ltd.
13. Gati Import Export Trading Ltd.
14. Zen Cargo Movers Pvt. Ltd
15. Gati Skyways Ltd.

(Rs. in Lakhs)

| S.No. | Nature of Transaction | Key Management Person | Associates | Subsidiaries | 30th June, 2009 | 30th June, 2008 |
|----------|---------------------------------|-----------------------|------------|--------------|-----------------|-----------------|
| A | Expenditure | | | | | |
| | Rent | | 125.98 | - | 125.98 | 40.38 |
| | Freight and Other Charges | | 685.39 | 148.05 | 833.44 | 264.13 |
| | Port Expenses | | 116.90 | - | 116.90 | 62.30 |
| | Key Management Personnel | | | | | |
| | Remuneration | 44.58 | | | 44.58 | 128.94 |
| B | Receipts | | | | | |
| | Freight and Other Charges | | 12.62 | 175.25 | 187.87 | 209.37 |
| | Interest | | | 1.37 | 1.37 | 21.52 |
| | Rent | | 0.18 | 5.93 | 6.11 | 6.04 |
| C | Finance and Investment | | | | | |
| | Investments | | | 998.39 | 998.39 | 2,363.16 |
| | Loans - Given | | | 91.43 | 91.43 | - |
| | Loans - Repaid | | | - | - | - |
| | Advances Given / (Repaid) | | | 325.82 | 325.82 | (93.85) |
| D | Balance at the year end | | | | | |
| | Investments | | 2,020.69 | - | 2,020.69 | 5,563.74 |
| | Sundry Debtors | | | 227.63 | 227.63 | 193.16 |
| | Loans | | | 91.43 | 91.43 | |
| | Advances | | | 474.14 | 474.14 | 148.32 |
| | Sundry Creditors | | 455.51 | 100.78 | 556.29 | 251.39 |
| | Advances towards Fixed Assets | | 61.00 | | 61.00 | 61.00 |
| | Corporate Guarantees | | | 1,863.64 | 1,863.64 | 1,665.97 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

>22 NOTES ON ACCOUNTS (contd...)

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|---|-------------------|------------------|
| 16. Segment Information | | |
| Primary Business Segment | | |
| Express Distribution & Supply Chain : Covers integrated cargo services – Road, Rail and Air Transportation. | | |
| Coast-to-Coast (Shipping) : Covers Sea Transportation | | |
| I. Segment Revenue (net sale/income) | | |
| a) Express Distribution & Supply Chain | 58,174.50 | 52,950.83 |
| b) Coast-to-Coast (Shipping) | 9,349.19 | 7,234.84 |
| c) Fuel Stations (subsidiary company) | 11,603.41 | 11,530.65 |
| Total | 79,127.10 | 71,716.31 |
| Less: Inter-Segment Revenue | 86.00 | 32.48 |
| Net sales/income from operations | 79,041.10 | 71,683.83 |
| 2. Segment Results | | |
| Profit before tax and interest from each Segment | | |
| a) Express Distribution & Supply Chain | 1,901.13 | 3,891.20 |
| b) Coast-to-Coast (Shipping) | 1,976.31 | 3,232.63 |
| c) Fuel Stations (subsidiary company) | 129.20 | 142.00 |
| Total | 4,006.64 | 7,265.83 |
| Less : i) Interest (Net of Income) | 3,655.54 | 1,132.91 |
| ii) Other un-allocable expenditure net of un-allocable income | 424.49 | 1,832.00 |
| Add : Unallocable incomes / (Losses) | (1,687.84) | (1,508.24) |
| Total Profit Before Tax | (1,761.23) | 2,792.67 |
| 3. Other Information | | |
| Segment Assets | | |
| a) Express Distribution & Supply Chain | 47,245.01 | 40,492.24 |
| b) Coast-to-Coast (Shipping) | 32,902.01 | 20,408.94 |
| c) Fuel Stations (subsidiary company) | - | 569.88 |
| Unallocated Corporate Assets | 2,312.42 | 2,035.67 |
| Total Assets | 82,459.44 | 63,506.73 |
| Segment Liabilities | | |
| a) Express Distribution & Supply Chain | 37,498.12 | 25,907.16 |
| b) Coast-to-Coast (Shipping) | 17,946.78 | 7,696.90 |
| c) Fuel Stations (subsidiary company) | - | 160.31 |
| Total Liabilities | 55,444.90 | 33,764.37 |
| The company operates mainly in India and the overseas earnings is less than threshold limits. Hence, there are no separate geographical segments. | | |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

>22 NOTES ON ACCOUNTS (contd...)

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|--|-------------------|------------------|
| Secondary Business Segment | | |
| I. Segment Revenue (net sale/income) | | |
| a) India | 76,639.64 | 69,939.75 |
| b) International | 4,008.53 | 4,423.47 |
| Total | 80,648.16 | 74,363.22 |
| Less: Inter-Segment Revenue | 352.64 | 248.72 |
| Net sales/income from operations | 80,295.52 | 74,114.50 |
| 2. Segment Results | | |
| Profit before tax and interest from each segment | | |
| a) India | 4,251.18 | 7,544.35 |
| b) International | (244.54) | (278.52) |
| Total | 4,006.64 | 7,265.83 |
| Less : i Interest (Net of Income) | 3,655.54 | 1,132.91 |
| ii Other un-allocable expenditure net of un-allocable income | 424.49 | 1,832.00 |
| Add : i Unallocable incomes / losses | (1,687.84) | (1,508.24) |
| Total Profit Before Tax | (1,761.23) | 2,792.67 |
| 3. Other Information | | |
| Segment Assets | | |
| a) India | 77,189.71 | 58,704.72 |
| b) International | 1,813.19 | 1,162.78 |
| Unallocated Corporate Assets | 2,312.00 | 2,035.67 |
| Total Assets | 81,314.90 | 61,903.16 |
| Segment Liabilities | | |
| a) India | 55,763.84 | 33,138.54 |
| b) International | 676.44 | 448.37 |
| Total Liabilities | 56,440.28 | 33,586.91 |
| 17 Additional Information pursuant to the Provisions of Paragraphs 3 & 4 of Part II of Schedule VI to the Companies Act, 1956 | | |
| I. Value of Imported and Indigenous Stores & Spare Parts Consumed during the year | | |
| | % Value | % Value |
| Imported | 44.78 133.92 | 62.58 136.95 |
| Indigenous | 55.22 165.16 | 37.42 81.88 |
| | 100.00 299.08 | 100.00 218.83 |
| II. Expenditure in Foreign Currency | | |
| Travelling Expenses | 94.55 | 148.96 |
| Insurance | 97.74 | 36.44 |
| Port Expenses | 124.18 | 60.66 |
| Charter Hire | 585.81 | - |
| Dry docking expenses and Repairs | 256.98 | 185.49 |
| Professional Fee | 509.72 | 333.79 |
| Miscellaneous | 370.54 | 135.49 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

>22 NOTES ON ACCOUNTS (contd...)

(Rs. in Lakhs)

| | 30th June, 2009 | 30th June, 2008 |
|--|-----------------|-----------------|
| III. Value of Imports on C.I.F. Basis | | |
| Spare Parts | 133.92 | 175.15 |
| Capital Goods | 8,101.52 | 5,268.04 |
| IV. Earnings in Foreign Currency | | |
| Freight | 3,966.60 | 6,369.83 |
| Interest | - | 56.30 |

18. The Consolidated Financial statements include results of all the subsidiaries and associates of Gati Ltd.

| Name of the Company | Country of origin | % of share holding | Consolidated as |
|--|-------------------|-----------------------|-----------------|
| Newatia Commercial & Trading Pvt. Ltd. | India | 100% held by Parent | Subsidiary |
| Trymbak Commercial & Trading Pvt. Ltd. | India | 100% held by Parent | Subsidiary |
| Ocimum Commercial & Trading Pvt. Ltd. | India | 100% held by Parent | Subsidiary |
| Sumeru Commercial & Trading Pvt. Ltd. | India | 100% held by Parent | Subsidiary |
| Kausar India Ltd. | India | 99.74% held by Parent | Subsidiary |
| Gati Import Export Trading Ltd. | India | 100% held by Parent | Subsidiary |
| Zen Cargo Movers Pvt. Ltd | India | 97.24% held by Parent | Subsidiary |
| Gati Skyways Ltd. | India | 100% held by Parent | Subsidiary |
| Gati Holdings Ltd (GHL) | Mauritius | 100% held by Parent | Subsidiary |
| Gati Asia Pacific Pte Ltd. | Singapore | 100% held by GHL | Subsidiary |
| Gati Hong Kong Ltd. | Hongkong | 100% held by GHL | Subsidiary |
| Gati China Holdings Ltd. (GCHL) | Mauritius | 100% held by GHL | Subsidiary |
| Gati Middle East FZE Ltd. | UAE | 100% held by GHL | Subsidiary |
| Gati Cargo Express (Shanghai) Co. Ltd. | China | 100% held by GCHL | Subsidiary |
| Gati Japan Ltd. | Japan | 100% held by GHL | Subsidiary |
| ITAG Infrastructure Ltd. | India | 30% held by Parent | Associate |

- 1) The accounts of the Subsidiaries / Associate companies have been audited by the respective statutory auditors and the financial statements of these Companies have been considered in the consolidation.
- 2) The consolidated financial statements have been prepared on the following principles:
 - a) In respect of subsidiary company, the financial statements have been consolidated on a line by line basis by adding together the book values of like items of Assets, Liabilities, Income and expenses, after fully eliminating intra-group balances and unrealised profits / losses on Intra-group transactions as per Accounting Standard 21 "Consolidated Financial Statement"
 - b) In case of foreign subsidiaries being non integral foreign operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at the rate prevailing at the end of the year. Any exchange difference arising on consolidation is recognised as "Translation Reserve / Asset"
 - c) The excess of cost to the company of its investment in subsidiary and associate is recognised in the financial statements as goodwill, which is tested for impairment on every Balance Sheet date. The excess of company's share of equity and reserves of the subsidiary and associate companies over the cost of acquisition is treated as capital reserve.

19. Previous year's figures have been regrouped/rearranged wherever necessary.

20. ACCOUNTING POLICIES

Recognition of Income & Expenditure

- a) 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.
- b) In Express Distribution & Supply Chain Division, Freight Income is accounted when goods are delivered by the Company to customers. In Coast-to-Coast Division, Freight Income is accounted when ships sail.
- c) 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 eliminated.
- e) Year-end liability in respect of claims for loss and damages is provided as calculated by claims recovery agents.

Gratuity and Leave Encashment

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

Provident Fund

Provident fund contribution is remitted to appropriate authority.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

>22 NOTES ON ACCOUNTS (contd...)

Superannuation Fund

Superannuation fund contribution is remitted to approved trust fund.

Fixed Assets

- Fixed assets are stated at cost and / or at revaluation.
- Dry docking and other expenses at the time of acquisition of ships are capitalised.
- Depreciation on the amount added to Fixed Assets on revaluation is adjusted by transfer of equivalent amount from revaluation 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.

Foreign Exchange Transaction

- Foreign currency transactions are recorded at average rate for the month.
- Monetary items in foreign currency at the year end are converted in Indian currency at the year end rates. In terms of the amendments to Accounting Standard 11 on The Effects of Changes in Foreign Exchange Rates, exchange differences relating to long-term monetary items are dealt with in the following manner:
 - Exchange differences relating to long-term monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable capital asset are added to/deducted from the cost of the asset and depreciated over the balance life of the asset.
 - In Other cases such differences are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance life of the long-term monetary item, not beyond 31st March, 2011.
- Any income or expense on account of exchange difference either on settlement or translation is recognized in the profit & loss account.
- In respect of forward exchange contracts, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expense over the life of the contract.

Taxation

Income Tax

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. Fringe benefit tax is provided in accordance with the Income Tax Act, 1961.

Impairment of Assets

Impairment of Assets are assessed at each balance sheet date and loss is recognised whenever the recoverable amount of an asset is less than its carrying amount.

Accounting policies of Subsidiaries

Significant accounting policies followed by subsidiaries, to the extent, different and unique from parent.

Gati Holdings Ltd.

a) Depreciation :

Depreciation on fixed assets is calculated on a straight-line basis over the estimated useful life of the assets as follows.

| | |
|------------------------|-------------|
| Computer | 3 Years |
| Furniture and fittings | 3 - 4 Years |
| Office equipment | 3 - 4 Years |
| Motor Vehicles | 7 Years |

b) Basis of preparation

The Consolidated financial statements of the overseas subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and interpretations issued by the IAS Board.

Signatures to Schedules "I" to "22"

In terms of our Report of even date attached

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

R. S. Agarwala
Partner

Camp: Secunderabad
August 7, 2009

For and on behalf of the Board

K.L. Chugh
Chairman

Mahendra Agarwal
Managing Director & CEO

N. Srinivasan
Director

Secunderabad
August 7, 2009

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED

(Rs. in Lakhs)

| Particulars | 30th June, 2009 | 30th June, 2008 |
|--|--------------------|--------------------|
| (I) Cash Flows from Operating Activities | | |
| Net Profit after tax as per Profit and Loss A/c | (1,866.48) | 1,977.55 |
| Provision for tax | 105.26 | 815.12 |
| Exceptional items | 1,687.84 | 1,508.24 |
| Net profit before taxation and exceptional items | (73.39) | 4,300.91 |
| Adjustment for Non-Cash and Non-Operating Items. | | |
| Depreciation | 2,638.32 | 1,855.42 |
| Interest on borrowings (Net) | 3,655.54 | 1,132.91 |
| Bad debts written off (Net) | 162.46 | 14.14 |
| (Profit) / Loss on sale of fixed assets (Net) | 18.81 | - |
| Rental income received | (13.22) | (15.60) |
| Operating profits before working capital changes | 6,388.53 | 7,287.78 |
| (Increase) / Decrease in Sundry debtors (Net of Bad debts) | 151.57 | (4,546.39) |
| (Increase) / Decrease in Inventories | (355.90) | (125.27) |
| (Increase) / Decrease in Loans & Advances | (1,126.79) | (10,605.68) |
| Increase / (Decrease) in Liabilities | (592.77) | 2,916.16 |
| Increase / (Decrease) in Provisions | (1,597.74) | 2,626.81 |
| Cash generated from operations | 2,866.89 | (2,446.60) |
| Income tax paid (Net tax refund received) | (109.87) | (673.12) |
| Net Cash from Operating Activities | 2,757.01 | (3,119.72) |
| (II) Cash Flow from Investing Activities | | |
| Proceeds from sale of fixed assets | 104.33 | 63.07 |
| Proceeds from sale of investments | 0.95 | 16.43 |
| Interest / Dividend received | 146.20 | 209.16 |
| Rent income | (13.22) | (15.60) |
| Purchase of fixed assets (including assets taken on lease) | (20,148.43) | (12,318.53) |
| Investments made | - | (0.10) |
| Net Cash from Investing Activities | (19,910.18) | (12,045.57) |
| (III) Cash Flow from Financing Activities | | |
| Increase in Equity | 4.41 | 245.40 |
| Increase / (Decrease) in Share premium and ESOS | (898.95) | 10,361.44 |
| Receipt of Secured Loans | 23,042.46 | 5,452.20 |
| Receipt of Unsecured Loans | 2,532.33 | - |
| Dividend Paid (including dividend tax) | (792.34) | (677.50) |
| Interest on loans paid | (3,801.74) | (1,342.07) |
| Repayment of Secured Loans | (1,447.23) | - |
| Repayment of Unsecured Loans | (68.75) | (852.01) |
| Exceptional item (Derivatives) | (1,687.84) | (1,508.24) |
| Net Cash from Financing Activities | 16,882.35 | 11,679.23 |
| Effect of exchange difference (Net) | 766.25 | 303.56 |
| Net Increase / (Decrease) in cash and cash equivalents (I + II + III) | 495.44 | (3,182.50) |
| Cash and Cash equivalents in the beginning of the year | 1,639.12 | 4,821.62 |
| Cash and Cash equivalents in the end of the year (See Schedule 10) | 2,134.56 | 1,639.12 |
| Cash flow from Activities during the year | 495.44 | (3,182.50) |

Notes:

- Cash flow statement has been prepared under the indirect method as set out in Accounting Standard-3 issued by the Institute of Chartered Accountants of India
- Cash and bank balance included Unclaimed dividend to the extent of Rs.70.11 lakhs.
- Previous year's figures have been regrouped / reclassified, wherever necessary.

In terms of our Report of even date attached

For **R. S. Agarwala & Co.**
 Chartered Accountants
R. S. Agarwala
 Partner
 Camp: Secunderabad
 August 7, 2009

For and on behalf of the Board

K.L. Chugh
 Chairman

Mahendra Agarwal
 Managing Director & CEO
N. Srinivasan
 Director

Secunderabad
 August 7, 2009



Regd. & Head Office: Gati Ltd., I-7-293, M.G. Road, Secunderabad - 500003, India.

CALL FREE NO: 180-0-180-4284, Mobile No: 09860354284

www.gati.com

EXPRESS DISTRIBUTION & SUPPLY CHAIN SOLUTIONS