

The projects under this initiative relate to building a competitive edge in road logistics, winning customer confidence through quality excellence, expanding market share with industry specific solutions, achieving technology superiority with GATI Enterprise Management System (GEMS 2.0), enhancing people productivity and creating value through an organization wide cost efficiency drive.

In B2C E-commerce logistics, your company has embarked on a new strategy of rapid acceleration to profitably deliver 5 lac packages per day; in other words, contributing 50% of the 'One Million Packages' vision. In order to achieve this, GATI shall no longer restrict itself to High and Medium weight segments of E-commerce logistics, but shall operate in the full spectrum of High, Medium and Low weight segments. This change of strategy shall be executed on the ground very carefully, with calibrated control in Unit Delivery Costs, so as to maintain profitability.

Another key focus area relates to undertaking a critical review of loss making sub-verticals within the GATI portfolio, with a clear intention to effect a quick turnaround to profitability. Such detailed portfolio check shall be done with unwavering focus on the bottom line.

I have just described to you the very many efforts that are being made internally to strengthen the business and operations at GATI. Further, complementing these internal efforts, your company is also engaged in the search for new long term partners who are willing to invest in your company's future. Such investment and partnership, as and when it materializes, will exponentially boost your company's fitness-to-compete in the decade of opportunities ahead.

Awards & Recognition

I am extremely pleased to share with you that your company and GATI'ites, received numerous awards and recognitions yet again, as listed below. This demonstrates the continued confidence of the industry bodies and the corporate sector on GATI's Express Distribution and End to End Logistics Services.

- Best Transporter Award for Excellence in Express Delivery – By Honda
- Best Ecommerce Logistics Company Award – CII SCALE Awards
- Best in Industrial & Retail Warehousing Award – CII SCALE Awards
- Best Road Transportation Services Award– CII SCALE Awards
- High Customer Centric Business Award – By Abott
- Best Transportation Support in Part Truck Logistics Distribution – Jeep Auto
- Humanitarian Logistics Service Provider Award – The Asian Supply Chain Award
- Sustainability in 3PL Award – The Asian Supply Chain Award
- Best Customer Care & Support Award – The Asian Supply Chain Award.

Corporate Sustainability and Governance

GATI believes in being a socially responsible corporate citizen, and in going beyond business and profit through active contribution to the society. Your company's CSR efforts continue to be focussed upon various socially welfare activities including community development, education support, livelihood enhancement, disaster management and environmental protection. Beyond business, GATI's CSR initiatives have also helped the organisation in making a positive impact in people's lives. At the same time it also sensitizes us to our role as an important stakeholder of the society and environment.

GATI is committed to the highest standards of corporate governance, and strives hard to conduct its business operations in a most ethical and responsible manner, within the prevalent regulatory framework; and aims towards sustainable value creation for all its stakeholders as a listed public company. GATI complies with all applicable provisions relating to Corporate Governance stipulated under the Companies Act, SEBI Regulations, and other laws.

Acknowledgements

On behalf of the Board and all GATI'ites, I would like to sincerely thank all our Shareholders, Stakeholders, Bankers and the Government for their overwhelming trust, continued support and commitment extended to your great Company.

Ladies and Gentlemen, thank you all for your patient hearing.

Let us now proceed with the business of the meeting.

-K L Chugh, Chairman

CHAIRMAN'S SPEECH

24TH ANNUAL GENERAL MEETING



SPEECH BY THE CHAIRMAN

24TH ANNUAL
GENERAL MEETING



K L Chugh, Chairman

Dear Shareholders:

On behalf of the Board of Directors of your company and all the GATI'ites, it is my pleasure to welcome you to the 24th Annual General Meeting of your company. This year is a special year for all of us as GATI marks three decades of delivering logistics excellence in India. GATI started out on its first route between Chennai and Madurai in 1989, and today its reach is unmatched with presence across 727 districts out of a total 731 districts in India.

At the outset, may I, on behalf of all of us, convey our regards and compliments to our Prime Minister Shri Narendra Modi, for being re-elected to a second term in office. The policy continuity and stability at the centre will help lead India to a new era of sustained prosperity in the future. Our Finance Minister, Smt. Nirmala Sitharaman, presented the Union Budget in July 2019, wherein she affirmed that India aspires to grow rapidly to become a US 5 Trillion Dollar Economy over the next five years by 2025. That is the vision of the new India, ladies and gentlemen.

With these opening remarks, let me now take this opportunity to walk you through highlights of the Global & Indian economy, the logistics industry and the future roadmap of your company.

Global Macroeconomics

While the global economy has witnessed modest expansion over the last few years, the outlook for the near future is less positive than it was a year ago. Through the first half of 2019, economies across the globe have been affected by a synchronous slowdown. The US-China Trade war debates, with multiple rounds of tariffs and counter tariffs has impacted the global trade sentiments in a deep and worrisome manner. The upcoming Brexit event, the looming recession in Germany, and the lingering economic woes of Latin American countries have all contributed to the emergence of dark clouds of economic slowdown across the world. Globalization is fast losing its currency, and protectionism appears to be the emerging global mantra. Business confidence is on a rapid decent mode world-wide, although new business disruptions and start-ups across the globe continue to attract funding from investors. In summary, global economy is entering a VUCA phase again; volatility, uncertainty, complexity, ambiguity are once again the most apt descriptors of what can be expected in the next 2-3 years.

India Story

Over the last five years, India has steadily emerged as the fastest growing major economy in the world. India moved up the global GDP ranking, briefly overtaking France and United Kingdom, to become the 5th largest economy in the world; while also climbing up the ranking scale on the global Ease-of-Doing-Business, wherein India is now placed at the 77th rank.

However, more recently, the GDP growth rate of the country has slipped to 5 per cent in the first quarter of FY 2019-20, the lowest in over six years. This now is the 5th consecutive quarter of declining growth rate in India's GDP. The crisis brewing within the Indian economy is not that of a 'recession' in the conventional sense, but is more appropriately described as a 'growth recession'; wherein the economy continues to grow albeit at a slower pace in each sequential quarter. De-growth is visible in key industry sectors, especially the automobile sector; along with sluggish consumer demand across many other sectors, both in rural and in urban markets. This has caused a significant slowdown in the manufacturing sector,

accompanied by a rise in unemployment and decline in wages. Other lingering economic pain points of stagnation in exports, alarming increase of non-performing assets (NPAs) in the banking sector, reduction in credit off-take, declining private investment and poor capital formation have significantly amplified the stress on the Indian economy. Furthermore, subdued GST collection and pressure on the Indian currency are together presenting fresh challenges to the fiscal deficit and monetary policy. Thus, the Indian economy is currently faced with headwinds on multiple fronts. The recent innovative steps by the Government to ease these pressures, and to stimulate growth, will help to restore confidence and revive growth. The corporate tax reduction announcement made by the Finance Minister last week, will go a long way in creating a positive global impact giving a boost to Make in India programme.

Logistics Sector

The logistics industry, one of the key sectors in the Indian economy, has an estimated size of around USD 220 Billion, and is poised for an extended period of double digit growth across various sub-segments. There is a concerted push towards enhanced physical connectivity and improved transport infrastructure across the country through various Government schemes including Pradhan Mantri Gram Sadak Yojana, Dedicated Freight Corridor, Bharatmala and Sagarmala projects, Jal Marg Vikas and UDAN Schemes. INR 1 Lac Cr. is earmarked for investments in logistics infrastructure over the next few years through these schemes, and many other such projects.

Infrastructure status for logistics sector is already beginning to show impact for players engaged in warehouse construction, port infrastructure, logistics parks, etc. in terms of easier access to funds from financial institutions at competitive rates. However, more efforts could be made to flow these benefits to service providers as well in the logistics industry.

GST enabled logistics over the last two years has already set a strong foundation for more organized play in the logistics sector with early gains in transit time reduction, warehouse consolidation and adoption of new age technology. All this is expected to improve the overall logistics cost efficiency by as much as 3% to 4% in the coming years, and thus provide room for increased spends and investments in logistics industry. The next decade may well turn out to be the golden decade of logistics transformation in India.

GATI Limited Performance

During the year under review, your Company at consolidated level, achieved INR 1,863 Cr. as Revenue from operations in FY 2018-19 over INR 1,736 Cr. in the previous year (growth of 7.3% over last year) with a PBT of INR 35 Cr. in FY 2018-19 as compared to INR 54 Cr. in the previous year.

At Standalone level, your Company achieved INR 516 Cr. as Revenue from operations in FY 2018-19 as compared to INR 446 Cr. in the previous year (growth of 15.7% over last year) with a PBT of INR 26 Cr. in FY 2018-19 as compared to INR 41 Cr. in the previous year. The decline in PBT is primarily on account of a one time net gain of INR 26 Cr. accruing in the base year. The E-commerce business delivered a healthy growth rate with improved profitability due to diversification of the customer base, along with special focus on the heavy and bulky packages segment.

Your company operates in fuel station segment including associated products like motor parts and lubricants under the Standalone business. Presently, it runs five fuel stations mostly in South and Central India with the GATI fuel station in Bengaluru completing 50 years of successful operations.

The Board of Directors of your company has recommended a dividend of 40% (INR Eighty paise) per equity share for the financial year ended March 31, 2019, subject to approval by the members in this Annual General Meeting.

GATI Kintetsu Express Private Limited (GKEPL)

recorded a total revenue of INR 1,234 Cr. EBITDA of INR 75 Cr. and PBT of INR 38 Cr. in FY 2018-19 against a revenue of INR 1,170 Cr. (growth of 5.4% over last year) EBITDA of INR 74 Cr. and PBT of INR 40 Cr. in the previous year. The Core Surface Express business has been consolidated and its customer base has been re-organized under distinct customer segments of verticals Key Enterprise Accounts, SMEs and Cash-n-Carry Retail segment for improved customer management vertical. Supply Chain Management (Warehousing) vertical has accelerated by securing near 1.5 lac square feet of additional warehousing business. The recently launched M-VATS product offering point-to-point bulk transportation and multi-point milk run distribution, has started gaining customer traction in the specified-lane full truck load (FTL) business.

Last year, the Government notified new truck axle payload norms which resulted in 20% increase in the authorised load carrying capacity across various truck types, with heavy penalty for any over-loading. This had a collateral effect in making parcel transport by train unviable and non-competitive at current lease rates vis-à-vis surface transportation. After due evaluation, the leased train transportation business incurring loss under GKEPL has been discontinued beginning FY 2019-20.

GATI Kausar (Cold Chain Division)

turned around from a negative EBITDA of INR 3 Cr. in FY 2017-18 to a positive EBITDA of INR 3 Cr. in FY 2018-19. This turn around was possible through sharp cost control measures, increased capacity utilization of cold store and improved business mix in FTL segment between primary and secondary transportation.

GATI Kausar has established its presence in the Agri-logistics market with innovative solutions that help farmers' access markets across the country. Through such efforts, your Company is committed to actively participate in shaping the future of a unified Agri-market in India, thus supporting the Government's initiative to alleviate farm distress and uplift the rural economy.

Way Forward

As I mentioned earlier, logistics industry in India is at a favourable inflection point in terms of investment and growth prospects, and the next decade can be expected to be a golden era for logistics transformation in India. In this period, one can expect significant consolidation and re-organization within the industry, and emergence of few large logistics service providers who match in scale and in capability with their global peers.

GATI has all the necessary building blocks required to re-shape and accelerate itself to such leadership position in the new emerging industry order. The GATI brand commands an undisputed leadership amongst all logistics brands in India. Your company has built a vast and diversified customer franchise across B2B and B2C segments. It offers a strong portfolio of products through its wide network reach and deep ground presence across geographies. It is well invested over the years in a built-to-suit information technology backbone, which is constantly upgraded with emerging technology platforms. Your company operates an asset-light business model, and has a well-defined organization structure with adequate systems, processes and controls. GATI is committed to reinforce and augment its many strengths, and to accelerate itself into a future-ready state, for an impactful play in the decade of exciting new opportunities ahead. As the domestic and the global economy improves in the coming months and quarters ahead, GATI shall be much in demand given its inherent market strength in India. It shall be your Board of Directors' endeavour to connect GATI with the best-in-class global peers in express distribution, and to set up world class partnerships that re-define the future of logistics in India.

GATI has set itself a vision of delivering 'One Million Packages A Day', while also transforming itself from a dominant express distribution player to an end-to-end logistics powerhouse. Work has already begun last year, and your company has initiated more than 50 breakthrough projects under an internal initiative titled 'Big Rocks'.