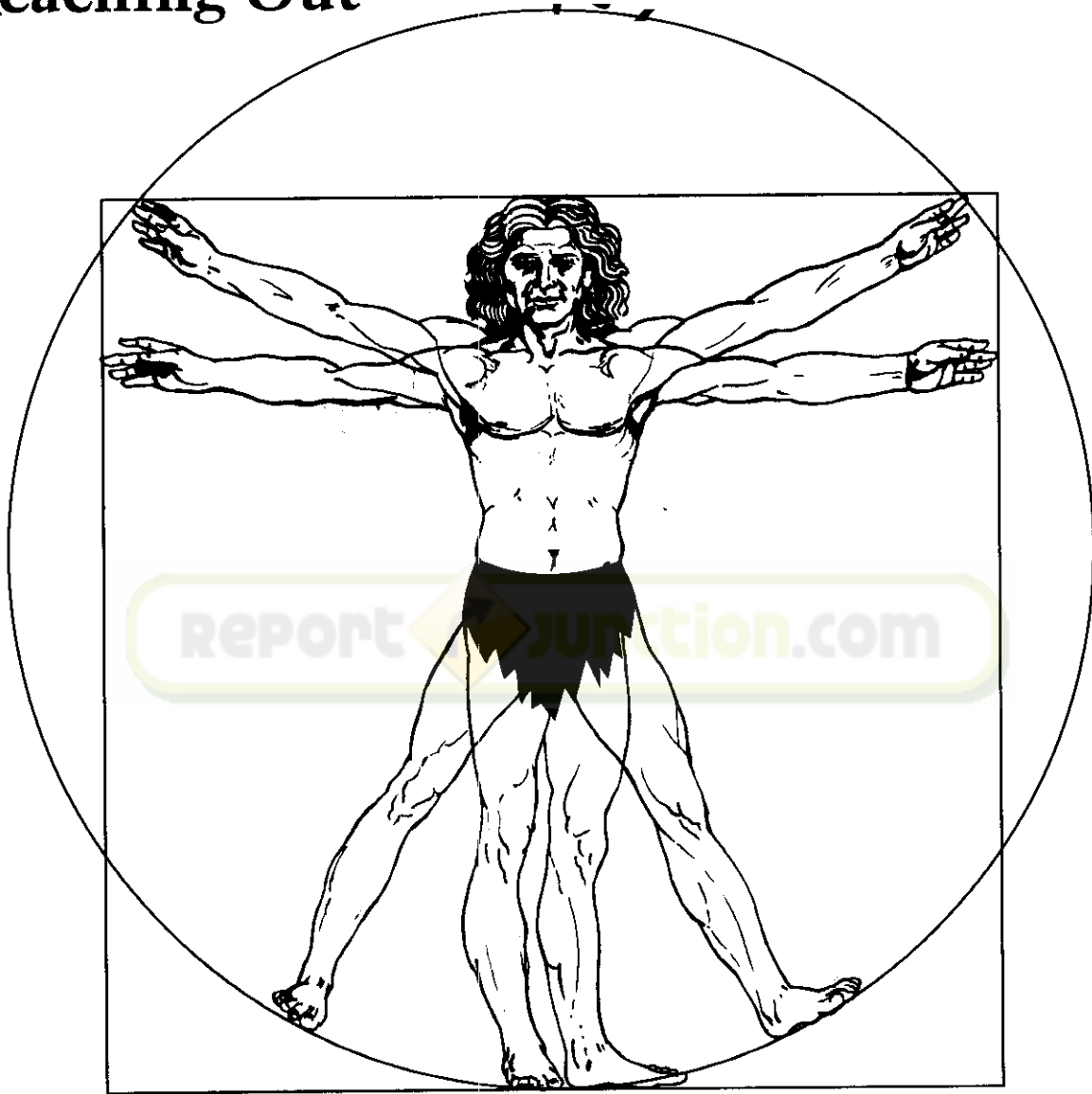


5th Annual Report
1999-2000

Reaching Out



To Deliver

GATI
CORPORATION LIMITED

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On the Cover

Over a period, Gati has gained momentum and flexibility and achieved spectacular results with inspiration from some of the Great Masters. Leonardo da Vinci being one of them. He was at different times described as Anatomist, Architect, Botanist, City planner, Costume and Stage Designer, Chef, Humorist, Engineer, Equestrian, Inventor, Geographer, Geologist, Mathematician, Military Scientist, Musician, Painter, Philosopher, Physicist and Raconteur.

He was here, there, everywhere. As can only be imagined, he was obviously larger than life. Much like Gati, whose reach is everywhere. With over 325 branches delivering to over 1,300 locations. Reaching out to places where people can only dream to reach. Anything, anywhere is the Gati promise.

In this Age of Knowledge, an adapted Da Vinci on the cover of the Annual Report is an opportunity to pay tribute to a Master.

It has been an exciting journey.
The quest to reach out and deliver.
The business of Gati. The
business of ensuring that the
customers' dreams are delivered.

Gati reaches out to ensure that its
customers have complete peace
of mind. Once the cargo is picked
up, or the envelope or for that
matter anything else, the customer
takes the delivery for granted.
Takes Gati for granted. That is
what is being 100 per cent sure.

No wonder, Gati sets the
benchmark in the industry. This
puts the Company on a stretch, to
be the best in the field, at all times.

Despite the fact that service
industry has inherent risks, with
expectations often exceeding
ground realities. Gati has
recognised the pressure, and
prepared itself to deliver more than
expectations. By constantly
improving service levels. The
demanding, but discerning,
customers have adequately
reciprocated this approach.

Gati today is the undisputed
market leader.

The pressure then, is to improve
consistently. The aim is to be the
most reliable. To be the best. To be
the most competitive, and ensure
that gains in service levels are
passed on to the customers.
Gati's reach shall not only extend
to every corner of the country, the
name shall be reckoned with,
internationally. Yes, Gati has gone
global.

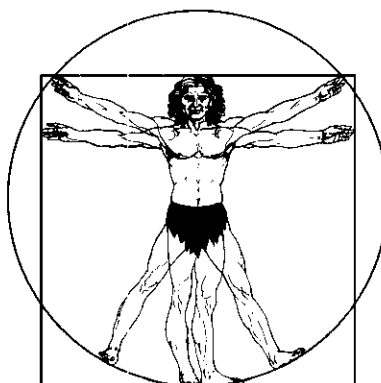
This comes of a confidence of an
organisation that has delivered so
far. Gati delivers as promised,
whether to the customers,
employees, associates, vendors,
or for that matter whoever deals
with Gati.

This track record will be
maintained with its share owners.
With them as well, there are
promises to keep. Indeed Gati is
proud to be known as an investor
friendly organisation, adding value
to the share owners.

This journey will go on.....

Its a Movement.

To reach out and deliver.



We will even *Deliver* your **Dream**

Mr. Mahendra Agarwal



Managing Director

Q. How would you like to remember the year 1999-2000?

- A. It was one of the best years that we have had so far. We expanded our business geographically as well as with new products. We established our existence in all the SAARC countries. We consolidated our position in customer friendly new products like Suvidha and 3pL Logistics solutions. We improved our systems and procedures that in turn enhanced our service levels in the field. We saw real growth, and built a foundation for sustainable growth in the future.

The year was important for Gati. It was the year when we were certified as an ISO 9001 company. Our Company is perhaps the only cargo management company in the country to be awarded this coveted certification for designing and marketing customer specific services.

It was also an year when we upgraded our technology platforms. Gati has committed to invest Rs.15 crore to upgrade its technology, which includes, state-of-the-art hardware, Wide Area Network, messaging system, ERP, higher band width, Oracle and other software applications that will improve our delivery levels. Service levels will improve on real time basis on the ground.

Q. Were any internal systems strengthened?

- A. Yes. The internal systems were given a lot of thought. This was also a year when we became far more professional. There is a well-knit team closely working together. We recognise we are in the business of service and that consistently high level of service can be provided only with committed people. Concern for human resources were put on a pedestal. Care was taken to look for and remove irritants. An objective appraisal system was put in place. Our people have equally responded to the new systems, and there is an all round improvement in service levels.

Q. How does all this translate to Gati's bottom line?

- A. There was huge jump in profits. Our turnover increased by over 26 per cent from Rs.163 crore to Rs 205 crore, while the net profit had a high jump by nearly 141 per cent from Rs.3.75 crore to over Rs.9 crore.

More important, is to look at our processes. The quality of business was improved. Two examples would clarify. For instance, we brought down our debtors outstanding. Receivables over six months came down from Rs.114 lakhs to less than Rs.14 lakhs. Debtors as a percentage of turnover dropped.

Our net current assets, rather the working capital, improved from about Rs.14 crore to Rs.23.5 crore. Our interest costs came down substantially. Everything helped to make a better bottom line. We delivered better results to our share owners.

Q. What is your competitive advantage?

- A. Our biggest strength is our understanding of Indian road systems and laws. We at Gati know the roads. In the retail express business, we will remain the best.

Gati has also the capability to change fast, reorganise itself, and develop products and services required by today's economy. With our hardworking team at Gati, we often cross hurdles, and actually deliver better than expectations.

Q. What is the Gati dream?

- A. To be the leader in every type of movement and distribution, and to maintain that leadership. Gati has taken concrete steps to realise this expectation. We are ensuring that we are good enough to deliver much more to customers. Yes, one day we will even deliver their dreams.

*We are ensuring
that we are good enough
to deliver much more to
customers. Yes, one day
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their dreams.*

Q. What is the business outlook for 2000-01?

- A. Implement new technologies, including ERP and Wide Area Network and therefore offer better service to customers on real time basis. Gati will ensure that the customer has better information. Gati's courier and international business will grow.

More significantly, we are ready to take advantage of the opportunities that e-commerce has thrown up. Gati will greatly benefit by the changes that are on in the new economy. For all I know, we will be one of the major beneficiaries, of the developments in the knowledge sector.

Q. How is the share owner value enhanced?

- A. Our plan is to increase the wealth of the share owners. We will have a highly motivated organisation, which can produce results, and therefore take care of improved bottom lines. Gati will also have better pay out ratio. Our share owners will find us standing up to their expectations. **Even their dreams, we will deliver.**

*An organisation's ability to learn, and translate
that learning into action rapidly,
is the ultimate competitive advantage.*

- Jack Welch, Chairman, General Electric



Our Business - To *Deliver*

We deliver anything, anywhere

The more commonly recognised image of Gati. Is that all? There is more to it.

Every month Gati

- Covers three times the distance of all our National Highways put together - 42 lakh kms across 380 routes.
- Delivers over 5,00,000 packages.

Time movement of cargo

is built on the hub and spoke mechanism consisting of 18 hubs, 14 air operating centres and 14 centralised delivery cells. All of these provide complete solutions to the needs of the customers, in a cost-effective manner and have become a source of delight to customers.

10 Customer Service

centres and 5 automatic call distribution centres in the metros, and the call free No. 1600 - 33 - GATI provide total customer convenience. The system works from anywhere in the country.

The website www.gaticargo.com

is another facility which helps track and trace consignments. The customers can find the information at any time from anywhere in the country. They can enter the docket number and get the information without human intervention, on their own

A fleet strength of 550 aerodynamic LCVs, 1,000 incity pick up and delivery vehicles, 150 containerised HCVs, refrigerated vehicles and tractor-trailers provide the cutting edge to the business. The strategic alliance with Indian Airlines with assured space in IA flights is a unique advantage.

These are backed up by fully computerised operations in almost all the branches, track and trace system for total monitoring of consignments, web enabled access to various application systems (invoicing, accounting, customer queries), enterprise wide Private Messaging Systems at almost all locations, Wide Area Network through terrestrial lines and v-sats, order booking, processing and tracking through internet.

The most important asset that Gati has in the business is its over 2,000 dedicated and trained personnel, 1,000 Gati associates, 400 vendors, who jointly work together to keep to the commitments with the customers. Training is one of the key activities within the Company.

To strengthen GATI's IT platform, we have embarked on an Enterprise Resource Planning, Customer Relationship Management systems, Call center, Messaging Systems & infrastructure reengineering. With the new Information Technology architecture in place, GATI will be able to provide high-end services to its customers and partners on a real time basis. IT in Gati is a key pillar of the organisation. Its like the spine - present, working, taking the burden, but unseen.

The trained and committed people are the Company's soul. The live, kicking and dynamic organisation is then what makes the Movement Company.

The route network, the fixed time schedule for departure and arrival of consignments, the back-up trucks and staff, the hub & spoke concept to reach and deliver, are a phenomenal strength. They are designed to be strong, and have immediate substitution in times of failure. These are strengths that make Gati the only cargo movement company that has assured delivery schedule and the confidence and courage to offer money-back guarantee to its customers. The central nervous system works effectively.

To achieve nirvana, you must have perfect information about every customer order and every asset in your business (both permanent physical assets and various inventory components). And guess what? The only way to secure, maintain, and harvest this information is through the aggressive use of Information Technology.

- J. William Gurley, "Above the Crowd"



GATI @ THE SPEED OF BUSINESS

SUCCEEDING IN THE DIGITAL ECONOMY

The new economy is the best that could have happened. Gati will be one of the major beneficiaries of the IT revolution and is getting ready to take the tide.

With the wide world of web offering considerable opportunity for every producer to market his products, there would be demand for back up services, and for delivery of goods ordered on the net. The normal distribution channels will give way to systems that cater to customer focused delivery platforms. The increasing emphasis to market 3pL (third party logistics) is an attempt at garnering the back office assignments. **Gati is geared to provide back-end solution in the emerging world of e-commerce.**

Gati is also keenly looking to the considerable amount of movement of goods, both B2B as well as B2C. Things have to move, and the web world will ensure it. Gati will pitch in and ensure that when people think of cargo, they think of Gati.

Gati's strength is its ability to offer end-to-end solutions. In the new netcentric world, there will be electronically based business interactions between the company and its business partners, and among customers.

This will create a new synchronised supply chain, which will yield better customer service, higher quality, lower inventory and faster delivery. Collaboration between vendors and customers is critical. Gati will be there as the intermediary, and take on this opportunity. Gati is getting ready to have a decent size of the e-commerce cake.

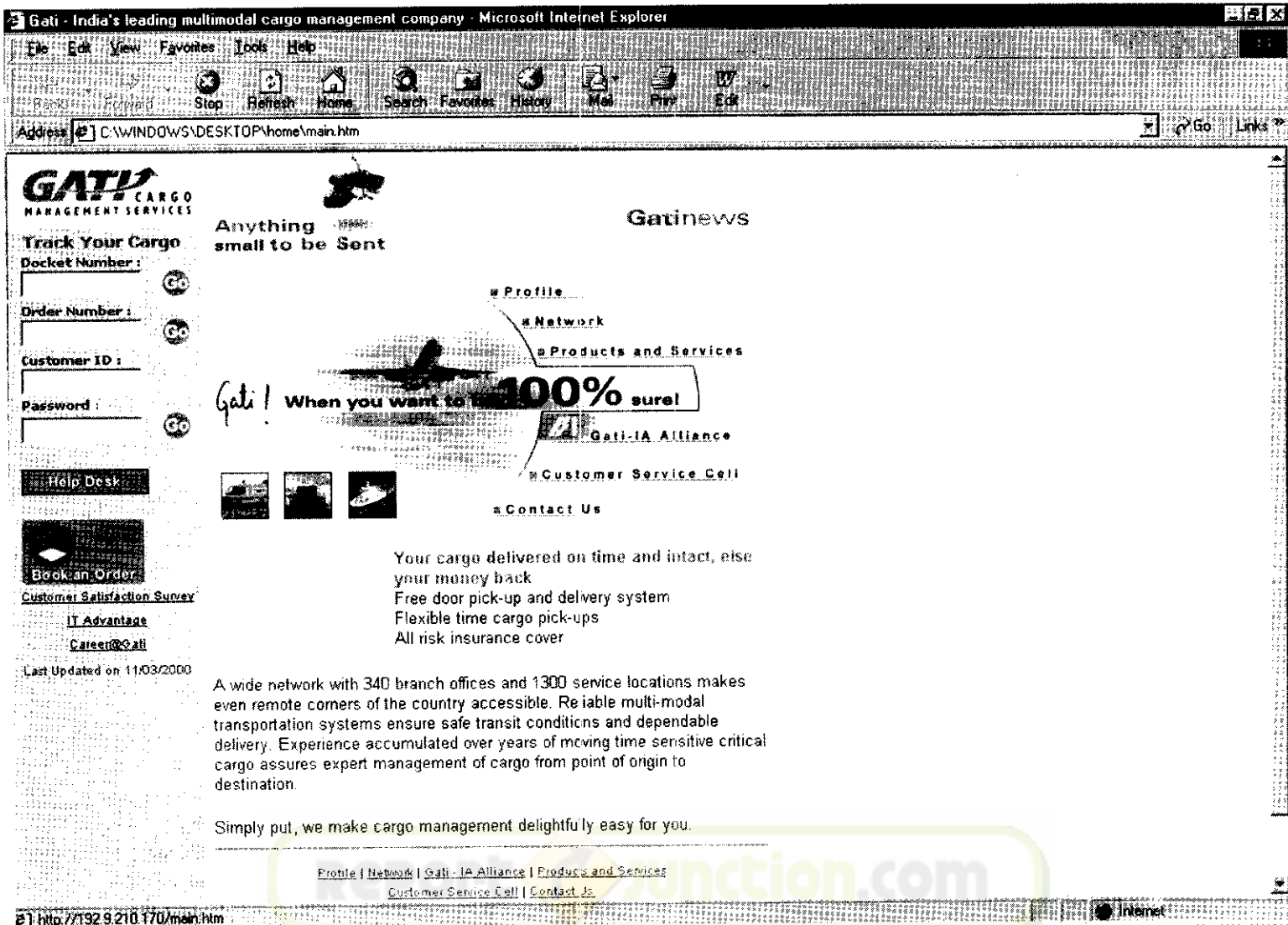
Gati is dealing with the Knowledge economy. Speed to understand, evolve and implement is critical. As usual, Gati is fast, with a speed in finding solutions. As fast as the business situation demands - the strength of Gati.

May be some time in future, Gati may be seen as a new economy company.

An ICE scrip in the making?

You either move with speed or die. Its the converse of "speed kills."

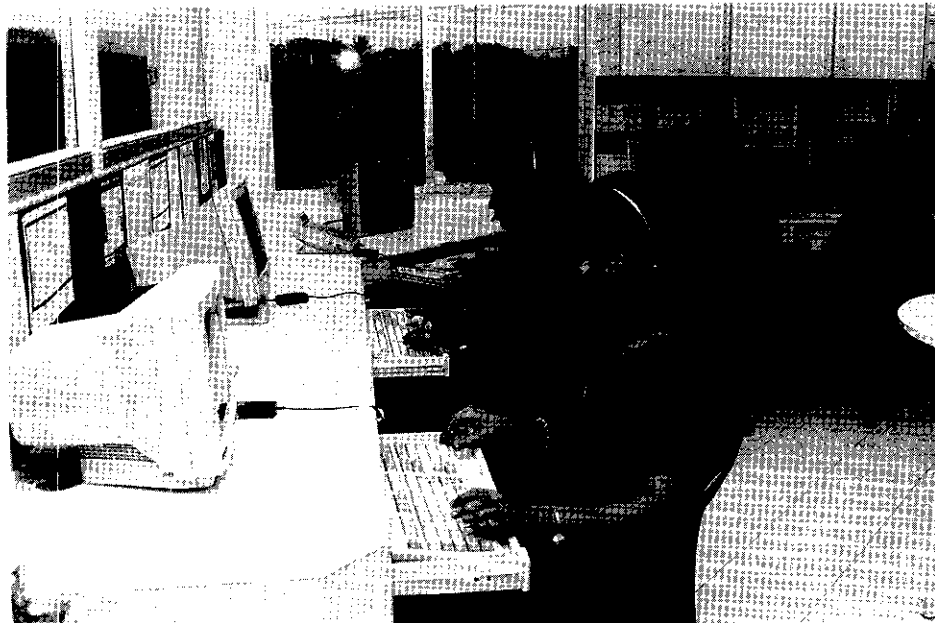
**Richard McGinn,
Chairman & CEO, Lucent Technologies**



www.gaticargo.com home page

Gati's customers with the docket numbers can reach **www.gaticargo.com** and track and trace their shipments from anywhere.

They can also call up the customer service centre at the call free tele No. **1600 - 33 - GATI** from anywhere in the country and will be informed of their cargo movement.



1600 - 33 - GATI at work

Strong Fundamentals

Growth in business ultimately shows up. The numbers actually mirror the hard work put in through the year. Some of them merit a review:

Turnover grew during the year by 26 per cent from Rs.163 crore to Rs 205 crore. This was achieved through strategic planning, foray into new business avenues, expansion of Gati network to SAARC nations, consolidation of products like Suvidha the courier business, and 3pL Logistics Solutions.

Net profit showed a higher growth of nearly 141 per cent from Rs.3.75 crore to Rs.9 crore. This was the result of re-engineering of operations, control on costs, as well as through better management of working capital.

Earning per share (EPS) for the year is Rs.16.25 on the year end equity capital.

Net worth of the Company increased from Rs.25 crore to nearly Rs.40 crore. This is partly the result of conversion of warrants at a premium of Rs.10. The sharp jump in net profits substantially helped report higher net worth.

Working capital increased from nearly Rs.14 crore to over Rs.23 crore. Quality of debtors changed, with outstanding over six months reducing by over Rs.1 crore. Interest cost for the year dropped from Rs.4.4 crore to less than Rs.3 crore.

Gati at year end is a far stronger organisation than it was at the beginning of the year. This was achieved under close supervision. In the process the Company has improved its foundations, which will make the growth sustainable in the future. Making it easy to deliver to the share owners, as well.

