

Contents

Taking on the future with Domino Discipline	2
Gati at a Glance	3
Gati - The Pioneer	4
A Leader all the way...	5
Milestones 2006-2007	6
Elegant customisation driven by Information Technology	8
Our People	9
Excellence Recognised	10
Our commitment towards building India's future	11
The Way Ahead	12
Driven by the Future	14
Notice to Shareholders	18
Directors' Report	24
Report on Corporate Governance	31
Management Discussion and Analysis	39
Auditors' Report	45
Accounts with Schedules	48

Taking on the future with Domino Discipline

The world over, Dominos represent precision, interconnectivity and complexity. You knock one domino over, and it sets off a fantastic chain reaction. And since we have been working in complex markets for over 17 years now, we have absorbed and applied this hardworking phenomenon in a philosophy we call Domino Discipline.

Imbibing Domino Discipline as our work culture has made us constantly upgrade ourselves in terms of our systems, infrastructure, processes, technology, people and skills.

We work towards one goal, Customer Delight through service quality and best value solutions. We work towards our goal by enhancing our service portfolio to meet the evolving needs of our markets and our customers.

Our top of the line service quality and products ensure that we enjoy the good will and the patronage of our customers and are able to contribute to their success.

Our satisfied and delighted customers are the true testimony of our service.

Highlights of Gati

- ✦ A pioneer and a leader in Express Distribution & Supply Chain Solutions, Gati has reinvented itself once again! Youthful, trendy and market driven, Gati is ready to take up new challenges.
- ✦ Gati's first of its kind offers and services have created benchmarks in the industry.
- ✦ The new mechanronic Express Distribution Centres have revolutionised logistics and distribution systems across the country.
- ✦ Gati's Domino Discipline has revolutionised the way Gati works and has aligned everyone in Gati towards one goal: Customer Delight.

Highlights of the Logistics Industry

- ✦ Out of the total volume of 2,801.3 million tons of cargo moved last year, seaports handled 573 million tons, airports 1.3 million tons, rail 667 million tons; road 1,560 million tons. (Source: SSKI Research Report)
- ✦ An average Indian spends Rs. 448 per annum on logistics.
- ✦ The retail sector spent over 30 billion p.a. on JIT movement.

Gati at a Glance

Gati operates in **three** main business segments

Express Distribution & Supply Chain

With a fleet of over 4000 vehicles on the road and a network capability of delivering to 594 out of 602 districts in India, a network of 340 offices at over 12340 locations and its capability to handle over 1.6 million packets and over 30,000 tonnes of consignments every month, Gati is the indisputable leader of the Indian Logistics sector and a preferred logistics partner across the Asia-Pacific and SAARC Region.



Gati has totally revolutionised the industry with state-of-the-art Mechantronic Express Distribution Centres, that not only use the latest technology to track, store and handle goods, but offer various value added facilities like online Warehouse Management Systems, inventory management and control systems, billing and collections, flexible hiring and top of the line storage facilities and material Handling equipment.

Gati has been very active in the area of Support Distribution Systems, where it provides solutions to companies who do not have their own distribution networks. The service includes order booking/fulfillment, inventory management, 24x7x365 days accessibility, reverse logistics, design of customised solutions and optimisation of costs through multimodal integration.

Gati believes in constantly upgrading itself to meet the market demands. The latest addition to its impressive list of firsts, is India's first ever mega Mechantronic Express Distribution Centre (EDC) at Peenya, Bangalore. The Mechantronic EDC covers over 100,000 sq. ft of three tiered space, capable of storing over 5,500 pallets and over 2000 units of unpalleted cargo. It has 11 loading bays to facilitate speedy loading and unloading, using state-of-the-art load hogs, dock levelers and material handling equipment. Gati has already opened

8 Mechantronic EDCs in Ambala, Coimbatore, Guwahati, Indore, Jaipur, Kolkata, Panvel and Pune and will be opening 11 more across the country within the next 24 months.

The 3PL concept has emerged as a new growth opportunity in the booming Indian Economy. Gati's know-how, distribution management skills and investment in technology, infrastructure and people, is best placed to offer innovative, cost effective and feature rich solutions to its customers. Gati can offer its customer multimodal connectivity, efficient inventory turnover, latest technological tools and production planning and over all, excellent service at the most competitive costs.

Coast-to-Coast

Gati Coast-to-Coast is the most preferred service provider across ports of Bay of Bengal, Andaman Sea and Malacca Strait. Currently the division has a fleet of three container



vessels, with a combined capacity of about 17000 DWT, operating on the Chennai - Port Blair - Yangon - Chennai and the Chennai - Port Kelang routes.

Apart from immediate future plans for additional tonnage, company has already a 7200 DWT container vessel under construction and ready for launch by April 2008 to provide service to Andaman Sea, Thai ports, Singapore and Colombo routes.

Fuel Station

The Company has transferred all the four fuel stations located at Bangalore, Hyderabad, Belgaum and Indore to its 100% wholly owned four subsidiaries as per the scheme of arrangement approved by Shareholders and Hon'ble High Court of Andhra Pradesh.





Gati – The Pioneer

Gati was born out of a vision. A vision that saw logistics and supply chain becoming the drivers of the economy. It was that vision which made Gati, a customer driven pioneer in Logistics and Supply Chain, since its inception in 1989, and it is this vision, which continues to make Gati a leader in this field even today. A vision that constantly listens to its customers and adapts itself to make the most of the challenges thrown in its path. A vision that believes that the customer is the most important link.

Gati saw that this sector was moving beyond mere transportation and storage, and thus became the first Logistics and Supply Chain Solutions provider to realise the importance of Nagpur and set up a hub there, to understand the needs of the market and use the hub and spoke model for shipment distribution. Gati has moved from being a logistics service provider to being a partner to its customer.

Catering to India-centric solutions, Gati has consolidated its presence in the Asia Pacific market, with offices in Singapore, Hong Kong, China, Sri Lanka, Thailand, Nepal and Dubai. Today following its values of sensitive streamlining and ahead in reach, Gati not only connects to 594 out of 602 districts across India, but across 220 countries, through a network of partnerships that strengthen its multimodal capacity, delivering maximum value to its customers at the most efficient costs. With a vision to become the leader in Asia Pacific and a globally preferred provider of India centric supply chain services and solutions, Gati has established a 100% wholly owned subsidiary namely M/s Gati Holdings Limited at Mauritius and five step-down subsidiaries namely M/s Gati Asia Pacific Pte Ltd. at Singapore, M/s Gati Hong Kong Ltd. at Hong Kong, M/s. Gati China Holdings Limited at Mauritius, M/s Gati Cargo Express (Shanghai) Co. Limited at Shanghai and M/s. Gati Middle East FZE at Dubai. During this year, the above subsidiary companies

have made marginal losses, but kept pace with the challenges in the international market. Gati's international business operations are keeping pace with the changing market trends and international division is expected to contribute significantly in the forthcoming years.

Following its ethos of elegant customisation, Gati offers a host of products and services that are easily adaptable to each customer. A Gati'ite always puts the customer first and understands their needs and requirements, before giving customised solutions. Not only that, Gati has been a pioneer in using IT to service its customers. From being the first in India to introduce online tracking through the company website, information sharing through e-POD facility, updates through mobiles and email and an all India customer friendly toll free number, today Gati has moved on to becoming the customers business partner and adding value to their business through online onsite and offsite inventory management, dispatch scheduling, satellite based tracking and many more initiatives that have greatly helped the customer to reduce their business costs, while getting the best service.

During the year under review, Gati achieved a turnover of Rs.46,104 lakhs, as against Rs.37,617 lakhs in the previous year showing a growth of 22.50% (Last year figures are without fuel stations to make the same comparable with current year as the Fuel Station Division is transferred to 100% wholly owned subsidiaries). The Net Profit after Tax has grown to Rs. 2,336 lakhs as against Rs.1,956 lakhs in the previous year, registering a growth of 19.49%.

Today, Gati is a business entity, devoted to its customers. Our aim is much more than movement, our aim is to provide you an experience that you will never forget and want to repeat. Our aim is to delight you!



A Leader all the way...

Because of its far reaching vision, Gati since its inception has always been setting benchmarks for the industry. Today, Gati has many firsts to its name, and is constantly improving and expanding its baskets of services. Moving from mere cargo movement to fleet and inventory management, today Gati has many firsts to its name

- ✚ One of the first Indian logistics service providers to re-align its network to the hub and spoke model.
- ✚ The first logistics service provider to enter educational institutions and introduce a Post Graduate Diploma in Logistics and Supply Chain Management in the Asian School of Business Management, Bhubaneshwar.
- ✚ The first Indian logistics service provider to have a nation wide toll free number, with trained customer friendly staff to handle all queries.
- ✚ The first Indian Logistics service provider to connect all its locations via a futuristic web based integrated software – Gati Enterprise Management System (GEMS), Oracle APPS & CRM.
- ✚ The first Indian Logistics Service Provider to have a fully functional Disaster Recovery Solution for the entire Gati operation.
- ✚ One of the first Indian logistics service providers to test out the GPRS tracking system and introduce it in its fleet.
- ✚ A dedicated Engineering Solutions department engaged in engineering and re-engineering the company's Warehouses and converting them to top of the line Mechantronic Express Distribution Centres, adaptable to the needs of the customer.
- ✚ Gati has the widest and the deepest reach in the country, with delivery capacity to 594 out of 602 delivery districts of India.
- ✚ The first to set-up Mechantronic Express Distribution Centres in India.
- ✚ One of the only Indian Logistics service providers to provide RF connectivity across its locations and multiple data virtualisation sites to improve the flow of information.
- ✚ The first Indian logistics service provider to set up warehousing operations in Singapore FTZ to enable our Indian and Singaporean customers to conduct their business on time and at ease.



Milestones 2006 - 2007

In its constant quest for customer delight through innovative and cost efficient solutions, Gati is always on the look out for how it can improve its customer's experience. In the last year, Gati has strengthened its position in the Air Cargo sector and the warehousing and distribution sector in India and its position as a premier India-Centric Logistics services and solutions provider across the Asia-Pacific and SAARC Region, through various activities and partnerships.

The New Brand Identity

At Gati, innovation and change is a religion. Being market driven and committed to customer delight are our beliefs. October 11, 2006 was the day Gati was reborn as a vibrant, dynamic, youthful, market driven company sensitive to the needs of its customer and delivering tailor made solutions, committed towards making its customers experience a delightful and stress free distribution experience.

In the last year, keeping true to its promise of customer delight through sensitive streamlining and elegant customisation, Gati has reworked its value chain to deliver excellent service quality and has invested in its people, technology, service quality and network to create a vibrant and dynamic customer sensitive organisational culture. The new corporate identity has helped proactively in strengthening the company's market position.

Gati's colourful "Link Waves" symbol represents our customer sensitive contemporary outlook, multi-cultural and youthful image, and ability to operate in complex markets with a variety of products and services.

Flowing in pre-charted directions "Link Waves" indicate our wide reach and network in India, and continuous inbound and out bound traffic to deliver professional India centric logistics solutions to global customers.

The Tiger and the Dragon

January 2007 was a landmark day, not only for Gati and CREIL but for China and India, as Gati signed a memorandum of understanding (MOU) with China Railway Express International Logistics Company (CREIL) for rail and road cargo package delivery. The tie up will provide end to end distribution solutions from anywhere in India to anywhere in China and vice versa, and develop freight forwarding, ocean freight, courier and logistics services in India-China trade lane. It will generate freight revenue of over \$20 million in the first year, and facilitate delivery reach between China and India, providing importers and exporters a unique opportunity for end-to-end connectivity in both the countries.

The Titans Unite

In April 2007 Gati entered into an agreement with Air India for the development of a joint courier service. This service will enable the two titans to enter the Retail Courier market in a big way and to encash the economic growth. This alliance will offer courier services at an economical price and provide customers with a single window solution.

New Facility at Singapore

In February 2007, Gati Asia-Pacific commenced its airfreight operations and warehouse in the Changi Air Cargo Complex



FTZ. The new facility offers a wide range of freight forwarding services, including air import and export, air-sea/sea-air transshipment within the FTZ, custom brokerage and clearance through EDI, building own cargo pallets on SQ flights, cargo transfer, collection and delivery to customers.

Another first from the Pioneer

Gati's first mega Mechanronic Express Distribution Centre (EDC) was inaugurated on June 15, 2007. Occupying a floor area of over 100,000 sq.ft, the three tiered Mechanronic EDC has a storage capacity for over 5,500 pallets and 1426 pallets shelving space, with adequate storage for palletized and non-palletized cargo. Cargo loading capacity varies from 2 tons on the lower floors to 1 ton and 500 kgs for the upper floors. Situated in Bangalore, it is purposed to serve as an Express Distribution Center for both local and transshipment cargo.

The warehouse has 11 loading bays for handling both standard containers and an assortment of trucks of all sizes. The loading bays are equipped with modern hydraulic air bag technology dock levelers as well as "Load Hogs" to cater for faster loading/unloading operations. Added to this is the installation of automated rolling shutter doors. An assortment of Material Handling Equipment (MHE) varying from forklifts, stackers to manual and electronic trucks are used to manage the EDC. Cargo is transported to the floors through the use of three goods lifts and an MHE lift used to convey a stacker to work on the mezzanine floor.

In terms of safety and security systems, the Mechanronic EDC is equipped with the latest CCTV monitoring units, access control systems, round the clock security, barrier gates, fire alarm systems, smoke detectors and fire preventing equipment.

Our commitment to the retail customer

One of Gati's largest customer base are the one time, retail customers, so what better way to honour them, than to innovate and arrive at business ideas, which lightens their business pressures and makes business a pleasure for them. Café d'eliver, an innovative concept is a 24x7 retail outlet that offers all the products of Gati under one roof. The outlet comes equipped with various business centre facilities like internet facility, copiers, fax machines etc.

Currently, Gati has inaugurated these outlets at Hyderabad and Pune and has plans to set up 1500 outlets by the end of 2008. The service bouquet too, will increase to include facilities like forex, e-ticketing, money transfers etc. All of this, to see a smile on the customers face.



Elegant customisation driven by Information Technology

As the markets become more diverse and competition intensifies, information technology becomes a major driver of this sector, as it enables faster flow of information, helps keep track of where the goods are and their movements, helps resolve crises in real time and allows the customer to interact with the company and get instant results.

The technology enables a competitive company like Gati to offer to its customers, instant tracking solutions, online view and delivery of e-PODs, inventory and warehouse space management, schedule online pick ups and dispatches and various other competitive shipment and fleet management tools.

In the year 2006 - 2007, the company worked extensively with technology and has introduced various important solutions to support its growth and deliver customer value. The new state-of-the-art data centre at the Head Office in Secunderabad, houses all the servers and has immense storage capabilities to handle the business volumes. The top of the line equipment ensures zero data loss and storage virtualization.

With the aim of moving towards a paperless office and work from anywhere for the senior team, workflow solution in the areas of Employee Information System, Performance Management System, Leave Management System, Computer Based Testing etc. was successfully implemented.

In order to speed up the decision making and data analysis capabilities of the Senior Management Team, an Oracle based Business Intelligence & Data Warehouse project has been initiated and is ready to go live.

To divide the increased load and make the systems faster, all major locations have been provided with an alternate backup data link to our Head Office Data Center using RF technology thereby increasing the availability of the locations for load balancing of network traffic and serve as an alternate in case of terrestrial link failures.



Our People

Our employees and associates are our most important asset. A member of the Gati family is known as a Gati'ite. As of June 2007, we have over 3000 Gati'ites tirelessly working towards the goals of making Gati the most preferred India centric logistics partner across the globe.

The HR department has implemented a path breaking new initiative called the *On line Performance Management System*. New modules on Resume hunting and Recruitment, Computer Based Testing and Leave Management have been introduced. These are keeping in line with international HR practices.

The year also saw key talent acquisition for critical positions that will certainly bring the benefit in the years to come. Talent acquisition was looked at from tier 3 cities and rural/ semi urban areas to give an opportunity to such persons. Trainees from tier 3 cities have come on board that forms part of the talent pool.

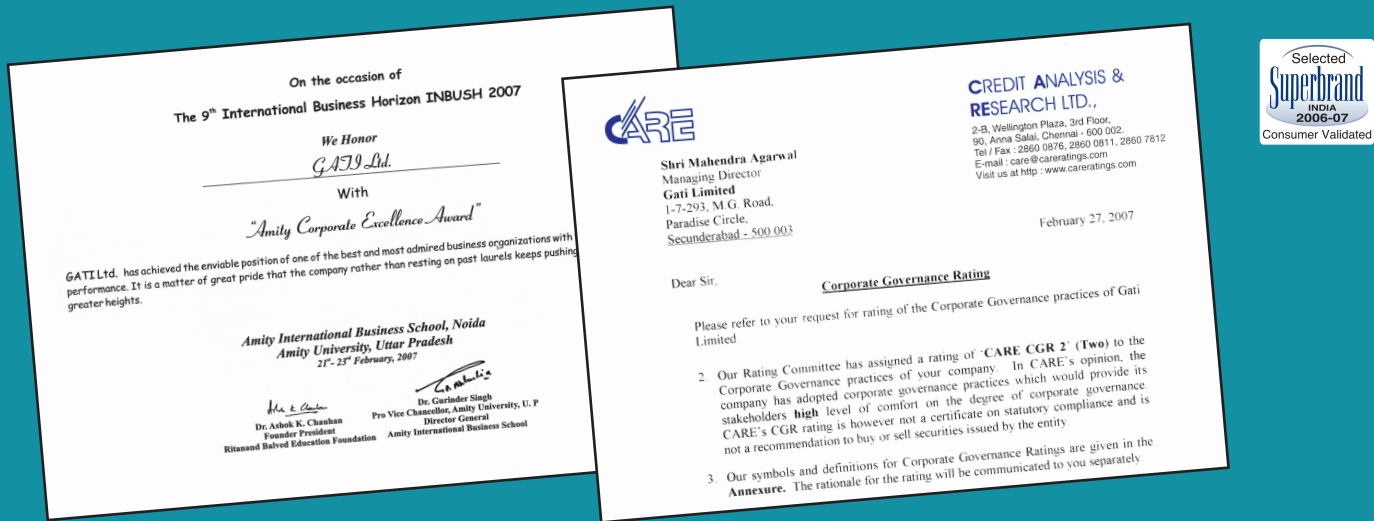
To improve the brand image of Gati and to establish it as an organisation committed to learning and development, we have

a tie-up with Asian School of Business Management, Bhubaneswar for the one year "Post Graduate Programme in Logistics and Supply Chain Management" for a batch of 30 students. On successful completion of this course, we intend to absorb the student. The course was inaugurated on 6th July 2007 where letters of intent were given to the students.

An external agency was commissioned to conduct an Employee Satisfaction Survey among Gati'ites to understand their satisfaction levels. The feedback received has been analysed and necessary action is taken to make Gati a preferred company to work with.




Focus was also given on work life balance and "Fun @ work place" where a lot of initiatives were started during the year.


The HR Department at Gati knows each and every Gati'ite and works towards creating an environment conducive to productivity and learning and conducts various activities to make Gati a nice place to work in.





Excellence Recognised

In the past year, Gati has been recognised by the industry and its customers as being a business dedicated to customer delight. They have shown their immense appreciation and belief in us, as is demonstrated by the following:

-  The rating committee of Credit Analysis & Research (CARE) has assigned a rating of CGR-2 to Gati, in recognition of the companies exemplary Corporate Governance Practices.
-  For the second time in a row, Gati was recognised as a Consumer Superbrand in the Logistics category of 2006 - 2007.
-  Amity International Business School awarded us the HR Excellence Award 2006 - 2007 at their 9th International Business Horizon (INBUSH 2007) for our best business practices and corporate excellence.

 Gati Singapore office was awarded the Regional Headquarter (RHQ) status by the Economic Development Board (EDB), Ministry of Trade And Industry, Republic of Singapore. The certificate is awarded to Gati Asia Pacific Pte Ltd in recognition of the development & expansion plan of the company.

 HCL Infosystems recognised Gati as the "Best Logistics Partner".

 NDTV nominated Gati for the Business leadership Awards in the logistics category.