

# ANNUAL REPORT

## 2009-10



## Financial Highlights

Particulars		2009-10	2008-09	2007-08
Sales	Rs / Lakhs	74,472	61,808	55,207
Total Income	Rs / Lakhs	75,141	63,033	57,551
Gross Profit Before Interest, Depreciation & Tax	Rs / Lakhs	8,611	4,466	5,574
Interest (Net)	Rs / Lakhs	4,309	3,541	973
Depreciation	Rs / Lakhs	2,387	2,301	1,457
Profit / (Loss) Before Tax	Rs / Lakhs	1,915	(1,376)	3,144
Income Tax	Rs / Lakhs	404	129	766
Profit / (Loss) After Tax	Rs / Lakhs	1,511	(1,506)	2,378
Dividend on Equity Share Capital	%	20	-	40
Dividend Payout	Rs / Lakhs	341	-	677
Equity Share Capital	Rs / Lakhs	1,703	1,698	1,693
Reserves & Surplus (Excl.Revaluation Reserves)	Rs / Lakhs	26,007	25,385	27,992
Net Worth	Rs / Lakhs	29,474	27,082	29,685
Gross Block	Rs / Lakhs	50,223	51,343	30,007
Net Block	Rs / Lakhs	44,274	46,905	30,290
Loan	Rs / Lakhs	45,372	47,011	22,382

## Key Indicators

Particulars		2009-10	2008-09	2007-08
Equity Share Capital	Rs / Lakhs	1,703	1,698	1,693
Earning Per Share	Rs.	1.78	(1.78)	2.99
Cash Earning Per Share	Rs.	4.68	2.03	6.33
Sales Per Share	Rs.	88.38	74.37	69.31
Book Value per share	Rs.	32.59	31.95	37.27
Debt : Equity Ratio		1.64	1.74	0.75
PBDIT / Sales	%	11.56	7.22	10.10
Net Profit Margin	%	2.03	(2.44)	4.31
Return on Networth	%	5.45	(5.56)	10.04
Return on Capital Employed	%	4.76	(7.14)	8.55

## Board of Directors

Mr. K. L. Chugh	Chairman
Mr. Mahendra Agarwal	Managing Director & CEO
Mr. Himmat Singh Lagad	Executive Director
Dr. Ram S.Tarneja	Director
Dr. P.S.Reddy	Director
Mr. N. Srinivasan	Director
Mr. T.S.Rao	Director
Mr. Sunil Kumar Alagh	Director
Mr. Anoop Kishore Seth	Director

### Chief Finance Officer

Mr. Saurav Banerjee

### Company Secretary

Mr. VSN Raju

### Auditors

M/s. R.S.Agarwala & Co.,  
Chartered Accountants

### Bankers

State Bank of India  
ICICI Bank Limited  
Axis Bank Limited

### Registered Office

I-7-293, M.G.Road  
Secunderabad - 500003  
Andhra Pradesh, India.  
Email : investor.services@gati.com  
Tel : +91 40 27844284  
Fax : +91 40 27894284

### Registrars & Transfer Agents

M/s. Karvy Computershare Private Limited  
Plot No. 17-24, Vittal Rao Nagar  
Madhapur, Hyderabad - 500081  
Andhra Pradesh, India.  
Email: mohsin@karvy.com  
Tel : +91 40 44655000, Extn.: 51, 52  
Fax : +91 40 44655024

<b>Contents</b>	<b>Page No.</b>
Notice	5
Directors' Report	13
Report on Corporate Governance	18
Management Discussion and Analysis	24
Auditors' Report	27
Balance Sheet	30
Profit and Loss Account	31
Schedules to the Accounts	32
Notes on Accounts	39
Cash Flow Statement	44
Balance Sheet Abstract	45
Statement u/s 212(e) of the Companies Act, relating to Subsidiary Companies	46
Auditors' Report on Consolidated Financial Statements	48
Consolidated Balance Sheet	49
Consolidated Profit and Loss Account	50
Schedules to the Consolidated Accounts	51
Notes to the Consolidated Financial Statements	57
Consolidated Cash Flow Statement	63

**The annual report is also available at [www.gati.com](http://www.gati.com)**

## Notice

Notice is hereby given that the 15th Annual General Meeting of the Company will be held on Wednesday, October 27, 2010 at 11:00 A.M at Hotel Taj Deccan, Road No. 1, Banjara Hills, Hyderabad - 500 034 to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at June 30, 2010, the Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To declare dividend on the equity shares of the Company.
3. To appoint a Director in place of Mr. N Srinivasan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Sunil Kumar Alagh, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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:

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

"RESOLVED THAT in partial modification of the resolution approved at the Annual General Meeting held on October 11, 2006, pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any of the Companies Act, 1956, including any statutory modification or re-enactment thereof and subject to the prior approval of the Central Government and such other consent and approvals as may be necessary, the Company hereby approves the payment of remuneration to Mr. Mahendra Agarwal as Managing director of the Company on the terms as set out in the Explanatory Statement annexed hereto for the period commencing from July 1, 2009 till August 10, 2011 notwithstanding that the said remuneration is in excess of the ceiling limit of Rs.48,00,000 per annum or Rs.4,00,000 per month under paragraph (C) of Part - II, Section - II of Schedule XIII to the Companies Act, 1956, in the event, the Company in any financial year during such period has no profits or its profits are inadequate.

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 Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactments thereof and subject to such consents and approvals including the approval of the Central Government, as may be necessary, the consent of the shareholders be and is hereby accorded for the appointment and remuneration payable to Mr. Himmat Singh Lagad as Whole-time Director of the Company designated as "Executive Director" for a period of 3 years with effect from December 01, 2009 as per the terms and conditions as stated in the explanatory statement."

"RESOLVED FURTHER THAT the components of the remuneration be altered or varied, as may be mutually agreed between the Company and Mr. Himmat Singh Lagad, within the overall limits of the remuneration."

RESOLVED FURTHER THAT where in any financial year, the Company has no profits or its profits are inadequate, the Company do pay to Mr Himmat Singh Lagad, Whole-time Director of the Company, remuneration by way of salary, perquisites and allowances, as stated in the explanatory statement."

**8. To consider and if thought fit, to pass with or without modifications, the following resolution as a special resolution.**

"RESOLVED THAT in accordance with the provisions of Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956, the approval of the shareholders be and is hereby accorded for contribution to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amount the aggregate of which will in any financial year not exceed Rs. 50 lakhs or 5% of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the said Act, during the three financial years immediately preceding, whichever is greater".

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

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

**August 18, 2010**

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 June 30, 2010 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 October 25, 2010 to October 27, 2010 (both days inclusive).
4. Pursuant to the provision of Section 205C of the Companies Act, 1956 as amended, dividend for the financial year ended June 30, 2003, 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 June 30, 2003 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 Ltd. 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 Ltd., Mukesh Textile Mills, N A Sawant Marg, Colaba, Mumbai - 400 005 to obtain their new share certificates of four companies including this Company.
7. The shares of the Company are at present listed at Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd (NSE). The listing fee for the year 2010-2011 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 appointed or seeking re-appointment are given below:

Name of Director	Mr. N. Srinivasan	Mr. Sunil Kumar Alagh	Mr. Himmat Singh Lagad
Qualification	FCA	Graduate in Economics (Hons) and MBA from IIM, Calcutta.	B.E. (Electronics)
Expertise in specific functional areas.	Mr. Srinivasan was the Senior Partner of Fraser & Ross and Deloitte Haskins & Sells. Mr. Srinivasan is closely associated with development of the profession of accounting and auditing in India, having been the past Chairman of the Southern India Regional Council and a Central Council Member of the Institute of Chartered Accountants of India. Mr. Srinivasan was the past President of Institute of Internal Auditors India and the Regional President and Director of Internal Auditors Inc., Florida. He was the past President of Madras Chamber of Commerce and Industry, Indo-Australian Chamber of Commerce, Management Association and Indo American Chamber of Commerce and is in the Committee of Associated Chamber of Commerce & Industry and Madras Chamber of Commerce and Industry. He is on the Board of several reputed companies.	Mr. Sunil Alagh is Chairman, SKA Advisors, a Business Advisory / Consultancy firm with a focus on marketing and brand building strategies. He is the ex- MD of Britannia Industries. Currently, he is on the Board of United Breweries Ltd and Indofil Organics Ltd. He is a member of the Advisory Board of Schindler and on the Governing Board of IIM Bangalore & Indore, National Institute of Design, Ahmedabad and the Indian Institute of Foreign Trade, Delhi. In addition, he is a Member of the Round Table on Higher Education of the Ministry of HRD, Government of India.	Mr. Himmat Singh Lagad has a career spanning over 25 years in Business Management. He has worked with such organizations as Nokia, Intercraft USA (Kodak Australia), Pacific Brands (Pacific Dunlop Australia), Tech Pacific (Ingram Micro Austra-Asia), TNT Logistics etc. Mr. Lagad has also served in the Electronic Engineering area of the Indian Navy. Mr. Lagad is well recognized within the Supply Chain industry globally and was recently chosen as one of the Top 100 Supply Chain Professionals in Asia Pacific.
Date of Appointment on the Board of the Company	October 18, 2000	April 22, 2004	January 20, 2009 as an Additional Director & December 1, 2009 as an Executive Director
Details of Shares held in the Company as on June 30, 2010.	50,000	10,000	Nil
List of Companies in which outside Directorships held as on June 30, 2010 (excluding Private, Section 25 Companies & Foreign Company)	United Breweries (Holdings) Ltd., Bangalore, Tractors and Farm Equipment Ltd., Chennai, UB Engineering Ltd., Pune, India Cements Capital & Finance Ltd., Chennai, Redington (India) Ltd., Chennai, Amco Batteries Ltd., Bangalore, The United Nilgiri Tea Estates Company Ltd., Coimbatore, Ador Fontech Ltd., Bangalore, TAFE Motors & Tractors Ltd., Chennai, Essar Shipping Ports & Logistics Ltd., The Andhra Pradesh Paper Mills Ltd., Secunderabad, McDowell Holdings Ltd., Bangalore, The India Cements Ltd., Best & Crompton Engg. Ltd. Chennai	United Breweries Ltd., Indofil Organic Industries Ltd.,	NIL
Chairman / Member of the Committees of other Companies on which he is a Director as on June 30, 2010	He is the Chairman of Audit Committee in United Breweries (Holdings) Ltd., UB Engineering Ltd., Redington (India) Ltd., TAFE Motors & Tractors Ltd. He is a member of Audit Committee in Tractors & Farm Equipments Ltd., Essar Shipping Ports & Logistics Ltd., India Cements Capital & Finance Ltd., Andhra Pradesh Paper Mills Ltd., & United Nilgiri Tea Estates Ltd.	He is a member of Audit Committee in United Breweries Ltd. and member of Investors' Grievance Committee in Indofil Organic Industries Ltd.	Nil
Category	Independent Director	Independent Director	Executive Director
Relationship with other Directors	Not related to any other Director	Not related to any other Director	Not related to any other Director

## **EXPLANATORY STATEMENT U/S. 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEMS NOS. 6, 7 AND 8.**

### **Item No.6**

The members of the Company in the Annual General Meeting of the Company held on October 11, 2006 had approved the appointment of Mr Mahendra Agarwal as a Managing Director of the Company for a period of 5 years with effect from August 11, 2006 with terms and conditions as stipulated therein, which are as follows.

#### **A Basic Salary**

*Rs.4,00,000/- per month in the pay scale of Rs.4,00,000 - 10,00,000 with authority to the Board to sanction increment within the scale.*

#### **B. Perquisites and Allowances**

- i) Furnished accommodation or House Rent Allowance in lieu thereof at the rate of 50% of his salary, reimbursement of expenses incurred on utilities such as gas, electricity, water, furnishings, repairs, etc.,*
- ii) Reimbursement of actual medical expenses incurred for self and family.*
- iii) Leave Travel Concession / Allowance for self and family, in accordance with the rules of the Company.*
- iv) Fees of Clubs.*
- v) Personal Accident Insurance Premium as per the rules of the Company.*
- vi) Chauffeur driven company car and telephone at residence and use of mobile cell phone. Long distance personal calls will be reimbursed to the Company by the Managing Director.*
- vii) Company's contribution to Provident Fund and Superannuation Fund and Gratuity which shall not be included in the computation of limits for remuneration or perquisites.*
- viii) Leave with full pay and allowances and right to accumulation and encashment as per the rules of the Company.*

*For the purpose of calculating the above ceiling on the perquisites and allowances shall be evaluated as per the Income Tax Rules wherever applicable.*

#### **Commission**

*In addition to salary, allowances and perquisites, he will be entitled to a commission the amount whereof to be decided by the Compensation & HR Committee each year, subject to the provisions of the Companies Act, 1956 and/or any other regulations.*

#### **General**

- i) He shall not be paid any sitting fee for attending meeting(s) of the Board or Committee(s) thereof.*
- ii) Subject to the superintendence, control and direction of the Board, he shall exercise substantial managerial powers in general and specific powers as may from time to time be lawfully entrusted to and conferred upon him by the Board.*
- iii) Basic Salary or part thereof shall be paid to him, after all statutory deductions, in India or abroad as required to meet his personal maintenance expenses. This will be done as per due approval under Foreign Exchange Management Act, 1999 and its regulations, notifications etc.*
- iv) The appointment is terminable by either party giving the other six months notice in writing without assigning any reason and without liability to pay any compensation.*

Due to carry forward of loss incurred during the financial year ended June 30, 2009, the profits of the Company for the financial year ended June 30, 2010 are inadequate to pay the remuneration as aforesaid to Mr Mahendra Agarwal, Managing Director of the Company

In pursuance of Paragraph - I, Section - II of Part-II of Schedule - XIII of the Companies Act, 1956 read with sub-paragraph (c) thereof, the Compensation & HR Committee of the Company by a resolution dated August 18, 2010 have approved the payment of the aforesaid remuneration to Mr Mahendra Agarwal, Managing Director of the Company for a period from July 1, 2010 to August 10, 2011.



**The information required to be disclosed as per sub paragraph (C) of Part-II, Section - II of Schedule XIII to the Companies Act, 1956 is furnished hereunder:**

The Company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of thirty days in the preceding financial year i.e. 2005-2006 before the date of appointment of Mr. Mahendra Agarwal as Managing Director effective August 1, 2006.

#### **I. General Information:**

- 1) Nature of Industry: Express Distribution & Supply Chain and Shipping Services.
- 2) Date of commencement of commercial production: 05.05.1995.
- 3) Financial performance of the Company for the last 3 years:

**Rs. in Crores**

<b>Particulars</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>
Sales	744.72	618.08	552.07
Total Income	751.41	630.33	575.51
Gross Profit Before Interest, Depreciation & Tax	86.11	44.66	55.74
Interest (Net)	43.09	35.41	9.73
Depreciation (Net)	23.87	23.01	14.57
Profit / (Loss) Before Tax	19.15	(13.76)	31.44
Income Tax	4.04	1.29	7.66
Profit / (Loss) After Tax	15.11	(15.06)	23.78
Dividend on Equity Share Capital	20%	-	40%
Dividend Payout	3.41	-	6.77
Equity Share Capital	17.03	16.98	16.93
Reserves & Surplus (Excl.Revaluation Reserves)	260.07	253.85	279.92
Net Worth	294.74	270.82	296.85
Gross Block	502.23	513.43	300.07
Net Block	442.74	469.05	302.90
Loan	453.72	470.11	223.82

4. During the year earnings in Foreign Currency was Rs. 62.06 crores.
5. Foreign investments or collaborators: The Infrastructure Fund of India LLC holds 12.30% of the equity in our Company

#### **II. Information about the Managing Director:**

- (I) Background details and recognition : Mr. Mahendra Agarwal is the Founder and MD & CEO of Gati Ltd. - India's leading Express Distribution and Supply Chain Solutions Company. He established Gati with an aim to redefine the logistics industry.

Mr Agarwal is the driving force behind Gati's journey to leadership position. His foresight has been instrumental in the company's exponential growth - by venturing into global markets and diversifying into varied domains. He combines his entrepreneurial skills with business acumen to enable a sustainable business model. Under his visionary leadership, Gati has evolved into a major ILSP (Integrated Logistics Service Provider).

The Indian express cargo industry barely existed in the late 1980s. The concept of Door Pick up and Door Delivery, Express Cargo, Retail Express Cargo, Multimodal Express Delivery, Integrated Logistics and many such innovative ideas were conceptualised and pioneered by him successfully in India. In 1996, he decided to tie up with Indian Airlines to facilitate speedy delivery of shipments.

Today Gati Limited has offices in Singapore, Beijing, Shanghai, Qingdao, Hong Kong, Bangkok, and Dubai apart from SAARC countries that concentrate on India-centric distribution solutions.

Mr. Agarwal is an avid speaker and has been invited to many symposia and forums like the Global Logistics Summit 2006 held at the Indian School of Business, Hyderabad and the Logistics 2005 conference. He was also invited to IIM (Ahmedabad) to interact with the students. In June 2008, he was awarded "Best Entrepreneur of the Year" by Hyderabad Management Association.

As an astute professional, he has implemented "Domino discipline" in his organisation and seeks to make it a way of life at Gati. A leader, thinker and philosopher, Mr. Agarwal is an institution by himself.

Apart from being on the Board of several Indian companies Mr. Agarwal is also a Co-Chairman of CII Andhra Pradesh CEO Forum and member of CII-AP State Council, IMA's CEO Forum, CEO Clubs (India Chapter) and FICCI's Civil Aviation Committee.

In Singapore, he is a Board member of Singapore Indian Chamber of Commerce & Industry (SICCI), Charter Member of The Indus Entrepreneurs (TiE), and member of the Economic Strategies Subcommittee, which has been set up by the Government of Singapore.

He holds an Engineering Degree from Bangalore University, and a Masters in Business Administration from Austin, USA.

Mr Agarwal continues to guide Gati towards the future with characteristic passion and a commitment to excel in everything he does.

(2) *Past remuneration:*

(Rs. in Lakhs)

Particulars	2009-10	2008-09	2007-08
Salary	119.60	24.00	87.00
Perquisites	0.96	1.41	3.93
Retiral benefits	21.06	19.17	15.95
Commission	-	-	20.00
Others (Leave encashment)	-	-	2.40
<b>Total</b>	<b>141.62</b>	<b>44.58</b>	<b>129.28</b>

- (3) *Job profile and his suitability:* Managing Director of the Company has an overall responsibility of the Company in terms of driving and strategizing the growth of the Company. Mr. Mahendra Agarwal is on the Board of the Company since 1995. He is Bachelor of Engineering (Mech) from Bangalore University and MBA from USA. Mr. Agarwal is associated with Transport and Express Cargo Industry for about 33 years. He is on the Board of TCI Finance Ltd and TCI Industries Ltd.

- (4) *Comparative remuneration profile with respect to industry, size of the company, profile of the position and person*

Mr. Mahendra Agarwal served on the Board of the Company since its inception. He has led the Company from its nascent stage and has propelled its growth. He has streamlined the business process operations of the Company and has been a strategic management person. His skill set and experience place him in a corresponding position in major logistic and supply chain solution companies in India. Considering the general industry and the specific company profile, the proposed remuneration is in line with the industry levels and that of comparatively placed companies in India.

- (5) *Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.*

Mr. Agarwal is the promoter director in the Company and has no relationship with any managerial personnel.

### III. Other information

- (1) *Reasons of loss or inadequate profits:* The Company made profits of Rs. 15.11 crores for the financial year ended June 30, 2010. However, due to the carry-forward loss from the previous financial year (2008-09) amounting to Rs. 7.49 crores, the profits of financial year 2009-10 were rendered inadequate.
- (2) *Steps taken or proposed to be taken for improvement:* The company has been able to rebound with growth that is higher than industry growth levels in many of the verticals that it operates through strategic planning. The company has increased its presence in value added services, information management, transport management, inventory management, procurement management and warehouse management areas. Working with some of the best companies in their industry, the company has been able to branch into vendor management and reverse logistics areas as well thereby taking us closer to our vision of being an Integrated Logistics Service Provider of choice as well as providing Supply Chain Solutions Services in the country.