



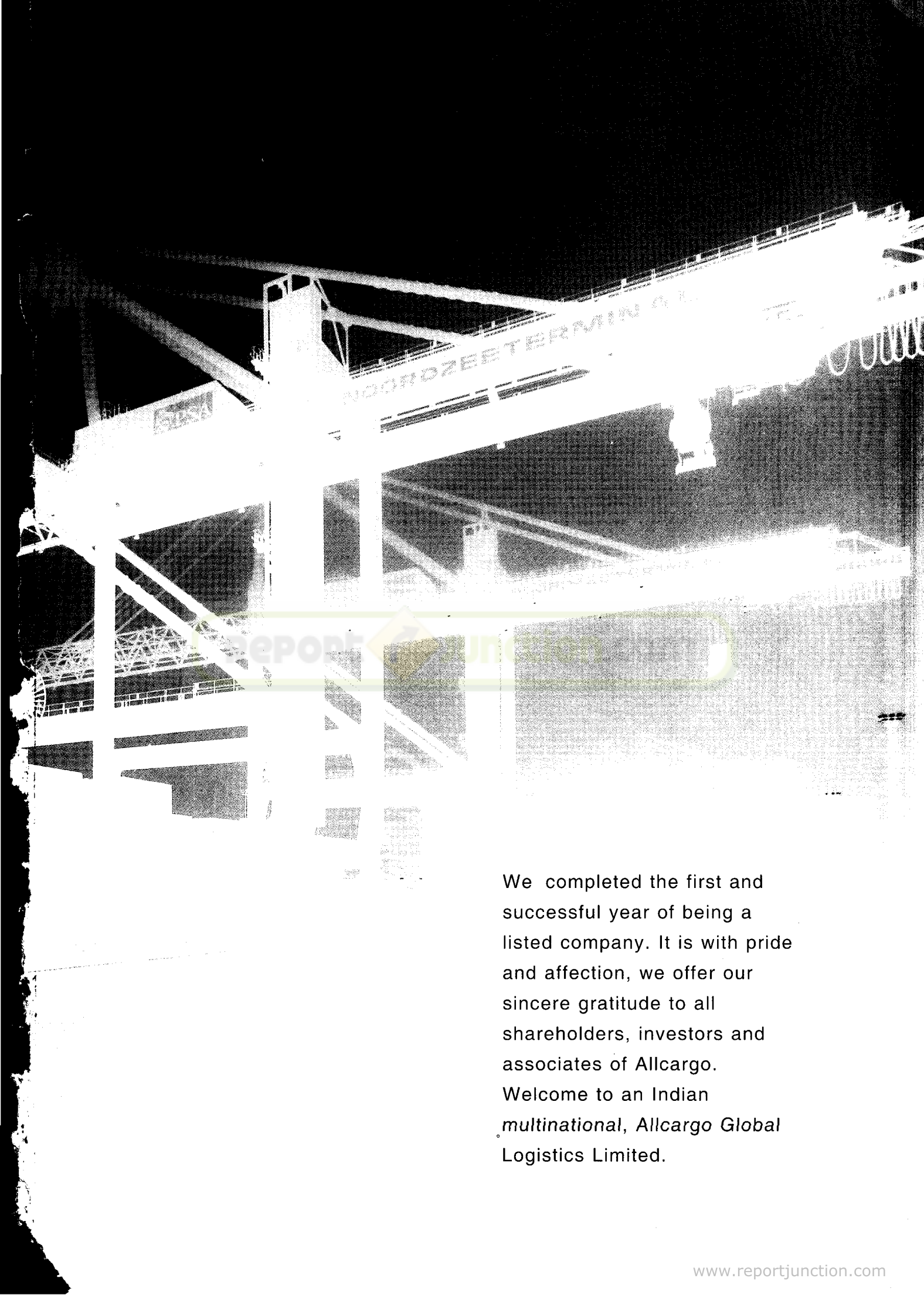
Annual Report 2006



Allcargo Global Logistics Limited

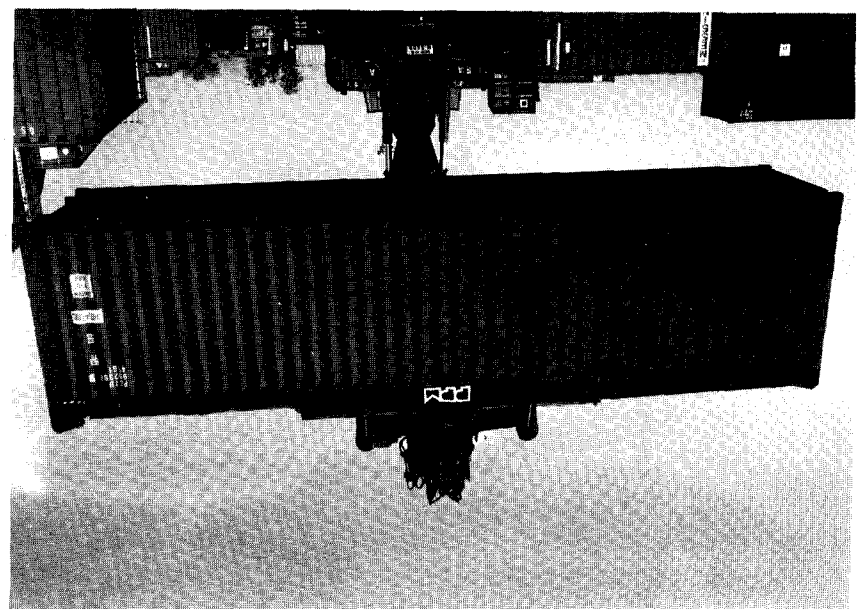
 
Geography simplified





We completed the first and successful year of being a listed company. It is with pride and affection, we offer our sincere gratitude to all shareholders, investors and associates of Allcargo.

Welcome to an Indian multinational, Allcargo Global Logistics Limited.



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Chairman's Statement

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2006 was outstanding year for our Company, with our operating and financial results reflecting strong market conditions.

During the period under review, our revenue grew more than 4 times to Rs. 9,003.93 million compared with the corresponding period last year, while our profit after tax (PAT) is Rs. 620.92 million as compared to Rs. 369.93 million in the corresponding period last year, supported by prudent management and innovative business strategy. This impressive performance also enabled us to declare a dividend of Rs. 4.50 per share. With the creation of a diverse portfolio of recurring and transactional income generating assets, the board is confident of consistent growth and performance in the future.

However, the real story — one of long-term, sustained growth and shareholder value — is just unfolding. Being the market leader and a pioneer in the Indian market space, our vision is to become a world class logistics company. As a major step towards achieving this goal, we have successfully integrated the operations of ECU Hold N.V. with us through its acquisition in June 2006.

Although we are proud of our past financial performance, we are even more excited about our future prospects. The Indian economy is expected to grow at the rate of 8% in 2007-08, suggesting significant growth opportunities for your Company. Moreover, India Inc is redefining itself as a global player, and

the Indian consumers are increasingly accessing all kinds of products from every corner of the globe. As such, India's logistics market is experiencing a period of explosive growth, with high double-digit growth rates for both outsourced and contract logistics; Allcargo, with its global footprint is well positioned to take advantage of this situation. We believe our financial strength, as well as the international expertise of our staff, and widening global network will all add to our advantage, and will remain as the pillars on which we aspire to build our empire.

On the international front, global economies are about to perform solid economic growth. Northeast Asia is acquiring enormous economic power with Korea and China influencing business decisions and trade flows. With our international presence, we are in a position to capitalize on these global opportunities.

Back home, with increased geographical distribution of incomes, the consumer markets are expanding beyond the five metros of Mumbai, Delhi, Bangalore, Chennai and Hyderabad. The rising competition across industry verticals is forcing firms to focus on end-to-end product distribution, giving thrust to the logistics outsourcing business. The rapid growth of organized retail and agro-processing industries, and strong foreign direct investment (FDI) inflows into the automobile, capital goods, electronics, retail and telecommunication industries will drive our growth, and lead to enhanced market opportunities for our services.

Meanwhile, outsourced logistics, at about one-quarter of the entire \$90 billion Indian logistics market, is slated to grow at a compounded annual growth rate of over 16 percent in the next four years. Realizing the potential, Allcargo has expanded its basket of services to provide Multimodal Transport Operations, Container Freight Stations (CFS), Project Cargo handling, Airfreight, and Transport logistics.

The year 2006 was one of change and initiatives; a year that laid your Company's global foundation and set it on the path of international growth. We accomplished several major milestones during the period.

- In June, we acquired 100 per cent stake in the Belgium based NVOCC major, ECU Hold N.V., ("ECU") the holding company of the ECU Line Group. It may be recalled that we had first acquired 33.8 per cent stake in ECU in mid-2005, which was subsequently raised to 49.99 per cent in early January 2006. Allcargo has been associated with ECU Line since 1995 and has been using its network for carriage of goods to various destinations across the world. Being a multinational and a world leader in cargo consolidation operations, ECU caters to about 5,000 destinations around the world. The acquisition has given Allcargo access to ECU Line's more than 100 offices in 56 countries, and its network of agents in 120 countries.
- In order to synergise the operations and provide value addition to the international presence of ECU, we have started Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO). With back-end processes being outsourced to WNS, one of the first BPOs that came into India, we plan to take advantage of cost and time differences, besides standardising internal processes. The KPO team is being carved largely out of the existing company pool, which makes the learning curve shorter and transition less troublesome.
- In January 2007, we also acquired 100% stake in Hindustan Cargo Limited from Thomas Cook. ECU had a growing airfreight business internationally and to supplement this business, Hindustan Cargo was an ideal choice for acquisition. We expect this company to supplement our product offerings with its strength in airfreight services. We are currently in the final stage of recruiting senior level personnel to exploit the immense opportunities in airfreight and contract logistics.
- In the CFS segment, we have recently commissioned two facilities at Mundra and Chennai that would add 104,000 TEUs to our present annual capacity in Phase I. The capital expenditure has been funded from the IPO proceeds that the Company raised in June 2006. The two CFSs have become operational in May 2007, and hence the incremental benefits would accrue in late 2007.
- We have entered into a memorandum of understanding (MoU) with the government of

Gujarat for setting up projects for the development of infrastructure for international logistics in the state. We have also signed an MoU with the government of Madhya Pradesh to set up two Inland Container Depots (ICDs) in the state.

- With growing opportunities in both domestic and Exim logistics, we have completed the land acquisition process at 5 other locations in India to set up ICDs. Some of these ICDs would have rail connectivity while others would be land-bridged to the gateway ports.

With all these developments, we believe the future holds many exciting opportunities for your Company. On the backing of solid growth in the last few years, and acquisition of ECU, we expect the international sales of your Company to grow significantly. We have built strengths in terms of manpower, technology and a wide basket of

products to allow the market growth to continue in the years to come.

We in Allcargo, believe in investing in our people to grow with the organisation and create opportunities for them within and outside India. The day to day affairs of your Company is managed by a very competent management team. We practice high standard of Corporate Governance and follow ethical value system. We have adopted advanced HR practices for retaining and attracting talent to manage our growth.

Your Company is looking at opportunities to invest in the area of surface transport which we believe is an essential part of logistic chain.

To conclude, I would like to thank our customers, shareholders, business partners, suppliers, and employees for their unflagging support that has enabled your Company to turn in another outstanding performance for the financial year, 2006.

With best regards,

Place : Mumbai

Dated: April 24, 2007

Shashi Kiran Shetty

Chairman & Managing Director

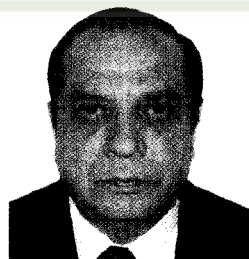
Our Board of Directors



**MR. SHASHI KIRAN
SHETTY,**
Chairman &
Managing Director



**MR. KAIWAN
KALYANIWALLA,**
Non-Executive
Independent Director



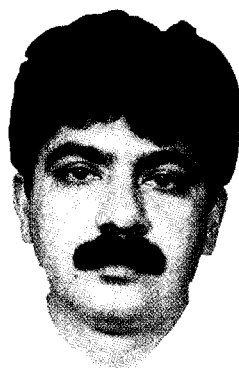
MR. KEKI ELAVIA,
Non-Executive
Independent Director



MS. ARATHI SHETTY,
Executive Director



MR. SATISH GUPTA,
Non-Executive
Independent Director



MR. ADARSH HEGDE,
Executive Director
Appointed w.e.f. August 21, 2008



MR. RAJIV SAHNEY,
Non-Executive
Independent Director
Appointed w.e.f. August 21, 2008