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SEAMLESS INFRASTRUCTURE



DEDICATED WORKFORCE



UNMATCHED LEADERSHIP

SIXTEENTH ANNUAL REPORT 2006



IT TAKES A LEADER TO DELIVER

BLUE DART

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Blue Dart received an award from 'The Institute of Chartered Accountants of India' (ICAI) for Annual Report and Excellence in Financial Reporting for the year ended December 31, 2005, at a special gathering organised by ICAI at New Delhi on January 19, 2007.



The Chief Guest, His Excellency Dr S.S. Sidhu, Honourable Governor of Manipur (left), handing over the trophy to Tushar Gunderia (right), Company Secretary, Blue Dart Express Limited.

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Our Vision

To be the best and set the pace in the air express integrated transportation and distribution industry, with a business and human conscience.

We commit to develop, reward and recognise our people who, through high quality and professional service, and use of sophisticated technology, will meet and exceed customer and stakeholder expectations profitably.

Our Guiding Principles

We will treat each other fairly and with respect and dignity.

We will encourage freedom in communication of thoughts and ideas in all our interactions.

We value integrity and we will be uncompromising in upholding it at all times.

We will give due importance to the health, safety and well being of our people.

We will ensure that our PSP philosophy serves as a driving force behind the success of our organisation.

We will encourage and inculcate in all a winning attitude.

We will encourage learning, self-development and building effective leadership.

We will expect our people to be accountable for all their actions related to the company.

We will provide a workplace where each and every employee is nurtured and who in turn will nurture the organisation, thereby creating wealth for stakeholders.

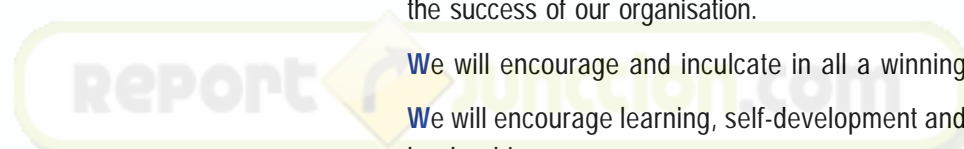
We will drive the First Time Right concept to achieve 100% Quality and Customer satisfaction.

We will encourage passion and enthusiasm for Work, Service Quality and Customer Care.

We will project a positive, caring and professional image of ourselves and our service at all times.

We will avoid waste by being conscious of the impact of all our actions on the environment.

We will continue to be a law abiding, apolitical and secular company.





Blue Dart Centre, Mumbai

Corporate Information

REGISTERED OFFICE

Blue Dart Centre,
Sahar Airport Road,
Andheri (East),
Mumbai-400 099
Tel : 28396444
Fax : 28244131/28311184
www.bluedart.com

PRINCIPAL BANKERS

Canara Bank
Citibank N.A.
HDFC Bank Ltd.
ICICI Bank Ltd.
IDBI Bank Ltd.

AUDITORS

Price Waterhouse

SOLICITORS

Mulla & Mulla & Craigie Blunt & Caroe
DSK Legal

REGISTRAR & TRANSFER AGENT

Intime Spectrum Registry Ltd.

Board of Directors

(As on March 5, 2007)



Air Marshal S.S. Ramdas (Retd.)
PVSM, AVSM, VM, VSM
Chairman



Anil Khanna
Managing Director



Malcolm Monteiro
Director



Clyde C. Cooper
Director



Greg Tanner
Director



Suresh G. Sheth
Director



Ross Allen
Alternate Director to Greg Tanner

Executive Management



Yogesh Dhingra
Finance Director & Group
Chief Financial Officer



Tulsi Nowlakha Mirchandaney
Sr. V.P.- Marketing & Projects



Arun Kulkarni
Sr. V.P.- Administration
& Ground Operations



V.N. Iyer
V.P.- Corporate Accounts



Arun Nangpal
V.P.- Customer Service



Anil Gambhir
V.P.- Internal Audit



A.S. Ananth
V.P.- Human Resources



Tushar Gunderia
Company Secretary



Ashoka Kumar Jain
Sr. V.P.- North Region



Gopinath Menon
Sr. V.P.- South 2 Region



Balfour Manuel
V.P.- West 1 Region



K. Gopa Kumar
V.P.- South 1 Region



Amod Dasgupta
V.P.- East Region



Samir Shah
G.M.- West 2 Region



T.A. Krishnan
V.P.- North Region

Chairman's Statement



Dear Shareholders,

I wish each one of you a very cordial and warm welcome to the sixteenth Annual General Meeting of the Company.

Your Company has come a long way since its early days in 1983. Blue Dart is 23 years young today and, from a fledgling courier company with limited operations, your company has now become South Asia's premier courier and integrated air express package distribution organisation. During this exciting and challenging journey, your company has created many milestones that have now become industry benchmarks.

I would like to take this opportunity to share with you the progress achieved by your Company during the financial year ended December 31, 2006.

Your Company posted a Rs. 502.28 million profit after tax for the year ended December 31, 2006, compared to Rs. 434.09 million for the nine-month period ended December 31, 2005 of the previous year. Income from operations for the year ended December 31, 2006 was Rs. 6,680 million, compared to Rs. 4,151 million for the nine-month period ended December 31, 2005 of the previous year. For the nine month period, April to December, 2006, the Company's sales have grown by 24.32% over the corresponding period of the previous year. The Board of Directors of your Company has recommended a dividend of 10% for the year ended December 31, 2006.

The Indian economy continues to report healthy growths. According to the Centre for Monitoring of Indian Economy (CMIE), the GDP has grown at a compounded annual growth rate (CAGR) of 8.1 per cent in the last three years from a CAGR of 4.6 per cent in the previous three years. Projections by the Reserve Bank of India (RBI), the Centre for Monitoring of Indian Economy and the National Council of Applied Economic Research (NCAER) peg the growth rates at 8-10% over the next few years. It is heartening to note that our country is listed among the top 10 FDI destinations in the world.

Growth in the express industry in India mainly depends on the extent of business activity. Historically, growth of the express industry was dependent on the growth of domestic and international trade. However, recent years have seen a high growth of emerging areas in new sectors

such as services, IT, automotive, lifestyle, pharma, agricultural, retail, banking and financial services. The growth in these sectors has also paved the way for the emergence of new value-added services, accelerating the growth of the express industry. Further, the rapidly growing Indian economy and the steady rise in per capita income and improving consumption volumes of the Indian population will boost the country's warehousing sector. As more and more multibrand retail outlets / hyper malls open in India, and multinational retail giants such as Wal-Mart, Carrefour, Tesco, Metro set up their operations, more complex warehousing and distribution services will become an immediate necessity. Warehousing will become an overall extension of supply chain management. India will witness a boom in logistics and modern warehousing technology.

Blue Dart, today, is South Asia's premier courier and integrated air express package distribution company that offers secure and reliable delivery of consignments to over 14,400 plus locations in India and 220 countries worldwide. During the year 2006, your Company carried more than 57 million domestic and 630,000 international shipments weighing 152,000 tonnes.

An integrated air support and ground network that involves 600,000 sq.ft. of facilities, seven aviation hubs and bonded warehouses, eight domestic hubs, eight surface hubs, dedicated air services with a fleet of five Boeing 737-200 freighters and two Boeing 757-200 freighters are part of the Company's own infrastructure.

During the year, your Company announced the induction of two Boeing 757-200 freighters into its existing fleet of five Boeing 737-200 freighters. The addition of the Boeing 757s has increased capacity from 166 tonnes to 250 tonnes per night and increased the air route connections from the existing 39 to 60.

As part of our ongoing drive to bring international quality services to the domestic market, your Company inaugurated its new super hub facilities in Bangalore and Chennai. Your Company also announced the opening of its seventh aviation hub at Ahmedabad. This new aviation hub facility, located at the cargo complex near the old airport, facilitates faster transportation of larger loads to and from the Gujarat region, thereby enhancing Blue Dart's flexibility to meet the supply chain needs of businesses and industries.

During the year, your Company also opened its outbound gateway at Hyderabad with flights connecting the city to the rest of the country. This complements the inbound gateway opened in 2004-05, and enables the shipment of loads into and from Hyderabad and the rest of Andhra Pradesh. As part of its Business Contingency and Continuity Plan (BCCP), your Company established a back-up technology hub in Bangalore. The BCCP is aimed towards ensuring that all centralised applications and the web interface for customers are made seamlessly available to them, in the event of any unforeseen event, disaster or act of God.

Information Technology is an integral and vital part of our product offerings and is a backbone to our operations. During the year, your Company

launched an upgraded version of Mobile Dart™, a unique SMS-based service that enables customers to track their shipments via SMS from anywhere in the country. This service provides greater convenience and control to customers, keeping in mind their increased mobility and demand for real-time information. Our technology has been developed to address different business needs of the customer. We are the only Indian express company to have developed, inhouse, an advanced state-of-the-art track and trace system (COSMAT-II) for all our consignments. Our Customer Service Cells are equipped with Automated Call Distribution Systems (ACDs) to provide quick response and support to our customer. Our competence lies in the business of superior express delivery services. We have been successful in maintaining reliability levels of 99.96 per cent and technology has played an important role to help us achieve this goal.

Growing customer awareness and demand, as well as an intensified competitive environment, have led to greater quality orientation. The customer-service provider relationship has to necessarily upgrade from tactical to strategic and from transactional to consultative. Since its early years of development, Blue Dart has always attempted to probe the consumer mindset through extensive market research by an independent research agency and the findings have served as a reality check on performance, perception, customer satisfaction, imagery and importance of various parameters that impact customer loyalty, satisfaction and advocacy. This regular exercise continues to help Blue Dart keep its ear to the ground and align its service improvements to market needs.

The focus of all activities at Blue Dart is to add 'value'. The company strongly believes that real value can be added only if these are first ingrained in our people through communication and training. "YOU CAN MAKE THE DIFFERENCE" was the programme for the year 2006 where over 1,200 employees were trained across various functions to highlight the contribution capability of each person in the organisation and to bring about a greater line of sight to the Customer.

I am glad to inform you that your Company's Annual Report and Accounts for the year ended December 31, 2005, was awarded the 'Silver Shield' under the specified 'Service Sector' category of 'ICAI Awards for Excellence in Financial Reporting' by the Institute of Chartered Accountants of India (ICAI). During the year 2006, your Company was once again selected a Business Superbrand from over 1699 brands across 169 product categories.

Some of the challenges faced by your Company include continuing to match up to the rising expectations of our customers, expanding our network to reach hitherto uncovered areas, containing rising fuel and freight costs, and retention of manpower. The proposed amendments to the Postal Act seek to confer an exclusive privilege to the Postal Department to handle all document parcels weighing less than 300 gms, which, if implemented, would have a significant impact on the Company's business. The Express Industry Council of India (EICI), of which your Company is a member, has been making strong representations to various ministries for an amicable solution. In addition, the high growth prospects of the Indian economy have attracted the attention of both domestic and foreign competitors into the transportation industry, and your Company will have to brace itself for the impact of increased competitive pressures over the next years. As a prudent organisation, your Company views risk as an important item on its agenda and constantly reviews areas of concern.

With its existing air and ground infrastructure, the latest state of the art technology and wide geographical coverage, your Company is ideally placed in the Indian market to support India's growth and development, distribution and third party logistics and supply chain management needs.

The Company plans to enhance capacities within the network by induction of additional dedicated air and ground carriage capacities, over a period of time, to capitalise on the future growth of the express industry. Your Company also plans to expand into the ground transportation segment to seize the opportunities provided by the Golden Quadrilateral Project, North-South and East-West corridors, strong domestic consumption and improving infrastructural landscape. Your Company will enhance its existing expertise in surface services and build the ground positioning on its strong brand equity, operational prowess, technology capability, customer responsiveness and leadership positioning in the air express market and emerge as a strong player in the ground transportation segment.

The alliance of Blue Dart and DHL brought together two strong brands with premier offerings in the domestic and international air express and logistics domain, and offers increasing future opportunities.

The basic philosophy of Corporate Governance at Blue Dart is to achieve business excellence, to create and enhance value for its stakeholders, customers, employees, and business associates, thereby making a significant contribution to the economy and society. Good Corporate Governance enables firms to compete internationally, and prosper over the long term. We continue to deliver value to our stakeholders through our People Philosophy, based on distinctive customer service, business ethics, accountability and profitability.

Our people have been, and continue to be, our greatest differentiator, because they deliver the quality of services that distinguish and sustain our brand.

I take this opportunity to thank all our people for their exemplary dedication and hard work, and for rendering impeccable services to every constituent of your Company's customers, without which our reputation for service excellence would not have been possible.

Mr. Malcolm Monteiro, Managing Director, tendered his resignation at the conclusion of the Board Meeting of the Company held on February 21, 2007, consequent to his appointment as Senior Vice President and Area Director – South Asia, DHL Express. I take this opportunity to thank Mr. Malcolm Monteiro, on behalf of the Board Members, on behalf of your Company and on my own behalf, for his valuable contribution for the growth and success of the Company. Mr. Anil Khanna, Senior Vice President – Western Region, has assumed the position of Managing Director with effect from February 21, 2007.

I express my gratitude, on behalf of your Company and on my own behalf, to our bankers, financial institutions, government authorities, business associates and other constituents for their valuable support and unstinting co-operation.

I deeply appreciate and thank you for the confidence and faith that you have reposed in Blue Dart, thereby providing us with the impetus to grow.

I look forward to your continued support and participation in the growth of your Company.

Warm regards,

Mumbai
March 5, 2007

Air Marshal S.S. Ramdas (Retd.)
Chairman

Financial Summary

Financial Summary of Last Five Years

Rupees in Millions

Particulars	2002-03	2003-04	2004-05	Apr 01 to Dec 31 2005	2006
Income from Operations	3,149.94	3,548.64	4,583.27	4,150.87	6,680.24
Other Income	3.75	4.69	37.87	75.79	17.44
Total Income	3,153.69	3,553.33	4,621.14	4,226.66	6,697.68
Total Expenditure	2,706.71	2,996.71	3,820.14	3,411.07	5,683.10
Operating Profit	446.98	556.62	801.00	815.59	1,014.58
Interest (net)	56.87	43.52	46.51	22.59	15.76
Gross Profit	390.11	513.10	754.49	793.00	998.81
Depreciation	78.21	100.14	153.20	131.41	220.11
Profit Before Tax	311.90	412.96	601.29	661.59	778.70
Taxation	101.08	148.16	210.88	227.50	276.42
Profit After Tax	210.82	264.80	390.41	434.09	502.28
Equity	237.63	237.63	237.63	237.63	237.63
Reserves	942.26	1,086.60	1,395.85	1,789.36	2,264.58
Gross Fixed Assets	1,460.57	1,869.04	2,330.58	2,413.16	2,440.41
Book Value (Rs.)	49.30	55.47	68.60	85.27	105.39
ROCE (in percentage)	25.76	28.95	35.42	32.73	32.92
Debt Equity (in times)	0.44	0.49	0.33	0.21	0.04
Networth	1,179.89	1,324.23	1,633.48	2,026.99	2,502.21

Note: The figures of the current year are not comparable to those of the previous period as the figures of the previous period are for a period of nine months from April 1, 2005 to December 31, 2005.