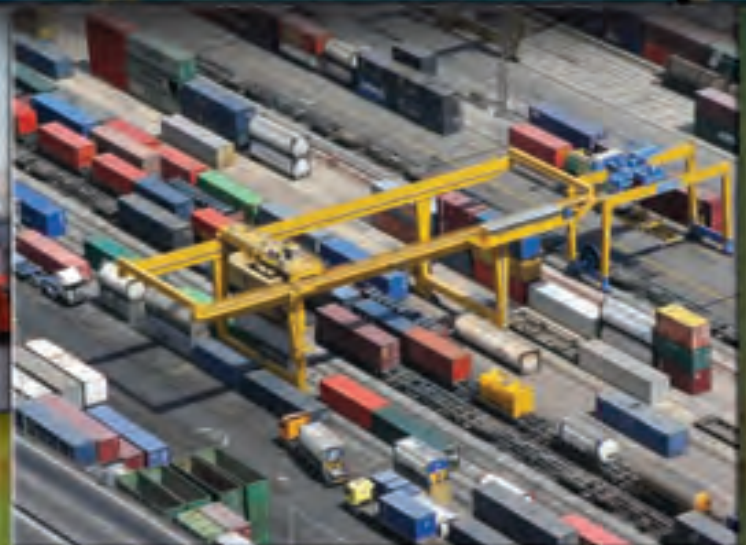




Annual Report
2007-2008

Total Logistics

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Chairman's Statement



Performance in FY 2008

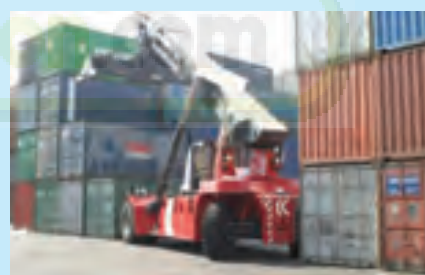
FY 2008 has been a year of rapid growth and consolidation for our various businesses. Our consolidated revenues grew by 54% from Rs.1.86 billion in the preceding year to Rs.2.86 billion in the year under consideration.

During the year, two major initiatives were taken to diversify into a new high growth area and to expand existing CFS business :

- The company, through its subsidiary, Gateway Rail Freight Limited (GRFL), commenced container rail operations with the acquisition and deployment of container rakes on the Indian Railways network.
- Upgrading of the Punjab Conware CFS was completed giving GDL two large CFS facilities at JNPT, India's premier container port.

a) CFS business:

CFS business achieved robust growth of 48% from 223,413 TEUs to 330,834 TEUs, despite increased competition and slowdown in EXIM trade in second half of FY 2008. All our CFSs at JNPT, Chennai and Visakhapatnam recorded strong growth in performance. Punjab Conware CFS commenced operations from July 2007, after completion of the upgrading. We are now in the process of expanding capacity at our CFS at Visakhapatnam and setting up a new CFS at Kochi.



b) Container Rail business:



During FY 2008, GDL's subsidiary, GRFL commenced container rail operations with the acquisition and deployment of 8 container trains on the Indian Railways network. Each train can carry upto 90 TEUs in a single trip. Our Container trains made 70 trips and carried over 6,000 TEUs on the domestic route in FY 2008. Currently, GRFL has commissioned 12 container trains, out of which 6 are deployed in the domestic route while 3 each are deployed in the reefer route and EXIM routes. We have placed orders for 10 more trains, which will be delivered in a phased manner during FY 2009. The company also operates a fleet of

almost 300 trailers which provides the last mile connectivity.

c) Cold Chain Logistics business:

Snowman Frozen Foods Ltd., which is a joint venture company with Mitsubishi Corporation, Mitsubishi Logistics Corporation and Nichirei Logistics Group Inc., Japan, is the only organized Pan India Cold Chain Logistics player in this growing business. We are in the process of consolidating the cold stores network and the refrigerated transport fleet across the country. The operations of the company have been revitalized and it has achieved cash surplus in FY 2008. The company is drawing up plans to expand a few of its key locations.



Future

Container traffic in Indian ports continues to register impressive growth of 15% per annum over the past decade. Government has invited private participation in setting up new container ports and new terminals in existing container ports. We intend to set up CFSs at the new ports and also expand capacity at existing ports, which show good potential for growth.

EXIM Container traffic on Indian Railways network continues to register high growth rate of 15% per annum. Government has taken initiatives to set up dedicated freight corridors, which will boost rail traffic. Road traffic and domestic bulk movement are increasingly being containerized due to the potential for savings in cost and time. We will augment our container train fleet to become a dominant player in the container rail business. Our Inland Container Depots (ICD) at Ludhiana and Faridabad, are expected to be operational in FY 2009/2010 which, together with the ICD near Gurgaon will comprehensively cater to the North Indian hinterland and provide connectivity to west coast ports.

There is increasing demand for cold chain facilities due to increase in consumption of perishable products and entry of large retail chains, which require extensive network of cold chain stores and refrigerated transport to manage their supply chain. Our cold chain logistics business has attracted interest from large FMCG companies and organized retail chains. We will set up cold stores at new locations and also increase capacity at our existing locations. We will also increase the size and reach of our refrigerated transport network across the country.

The external environment continues to pose challenges due to volatility in the World Economic environment & foreign exchange rates, increase in cost of raising capital and increase in cost of commodities particularly fuel, which directly impacts EXIM trade and the logistics business. There are additional challenges in India due to inadequate infrastructure and smaller scale of operations. Despite these challenges, during FY 2008, the Indian economy grew by 8.7% and merchandize exports grew by 23%, reflecting the inherent strengths of Indian economy, which is expected to grow at around 8% in FY 2009.

With the various initiatives to expand existing businesses and add new lines of business, we look to the future with optimism.

GDL group has laid the foundation for a pan-India integrated logistics business through our network of CFSs, ICDs, cold stores, container trains, fleet of trailers and strategic alliances & joint ventures, which should give us a strong position in the businesses we are in.

Bonus Shares & Dividends

During FY 2008, the Company issued bonus shares in the ratio of 1 equity share for every 4 shares held in the company. The Company has paid interim dividends totaling 30% (Rs. 3 per equity share) and the Board has recommended final dividend of 5% (Rs. 0.50 per equity share), taking the total dividend for FY 2008 to 35% (Rs. 3.50 per equity share) on the expanded equity capital of the company.

Buy Back of Shares

In July 2008, the Board of Directors approved Buyback of Company's fully paid up equity shares of Rs. 10 each from the open market through stock exchanges, at a price not exceeding Rs.110 per share payable in cash for an aggregate amount not exceeding Rs.64 crores. The offer size represents 10% of the aggregate of the Company's paid up equity capital and free reserves as on March 31, 2008.

Acknowledgement

GDL continues to strive to be a model corporate citizen setting standards of innovation, efficiency and reliability.

I place on record my sincere thanks to the various stakeholders, my fellow Directors, our partners in various businesses, our customers who patronize our facilities, our dedicated employees and our esteemed shareholders for their continuing support.

Gopinath Pillai



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BOARD OF DIRECTORS

1. Mr. Gopinath Pillai *Chairman*
2. Mr. Prem Kishan Gupta *Deputy Chairman & Managing Director*
3. Mr. Shabbir Hassanbhai
4. Mr. Karan Singh Thakral
5. Mr. Sat Pal Khattar
6. Mr. Kirpa Ram Vij
7. Mr. K.J.M. Shetty
8. Mr. M.P. Pinto
9. Mr. Saroosh Dinshaw
10. Mr. Arun Agarwal

COMMITTEES OF THE BOARD OF DIRECTORS

A) AUDIT AND INVESTORS RELATIONS COMMITTEE

1. Mr. K.J.M. Shetty *Chairman of the Committee*
2. Mr. M.P. Pinto
3. Mr. Saroosh Dinshaw
4. Mr. Gopinath Pillai

B) REMUNERATION AND ESOP COMMITTEE

1. Mr. M.P. Pinto *Chairman of the Committee*
2. Mr. Sat Pal Khattar
3. Mr. Karan Singh Thakral
4. Mr. Kirpa Ram Vij
5. Mr. Saroosh Dinshaw

C) EXECUTIVE COMMITTEE

1. Mr. Gopinath Pillai *Chairman of the Committee*
2. Mr. Prem Kishan Gupta
3. Mr. Shabbir Hassanbhai
4. Mr. Karan Singh Thakral



REGISTERED OFFICE

Sector 6, Dronagiri, Taluka Uran, District Raigad, Navi Mumbai - 400 707

CONTAINER FREIGHT STATION (CFS)

- a) Sector 6, Dronagiri, Taluka Uran, District Raigad, Navi Mumbai - 400 707
- b) Punjab State Container & Warehousing Corpn. Ltd.
Plot No. 2, Sector-2, Dronagiri Node, Uran, Navi Mumbai - 400 707

SUBSIDIARIES

Gateway East India Private Limited, Visakhapatnam-530 003
Gateway Distriparks (South) Private Limited, New Manali, Chennai-600 103
Gateway Rail Freight Limited, New Delhi-110 048.
Gateway Distriparks (Kerala) Ltd., Kochi - 682 003.
Snowman Frozen Foods Ltd., Bangalore - 560 043.

BANKERS

- 1. HDFC Bank Limited
- 2. ICICI Bank Limited
- 3. DBS Bank Limited

INTERNAL AUDITORS

Sahni Natarajan & Bahl, Chartered Accountants, Mumbai

AUDITORS

Price Waterhouse, Chartered Accountants, Mumbai

REGISTRAR AND TRANSFER AGENTS

Intime Spectrum Registry Limited, Mumbai



DIRECTORS' REPORT

Your Directors have pleasure in presenting their report for the year ended 31st March 2008.

A. Financial Results

Sl. No	Particulars	2007-08 (Rs. Million)	2006-07 (Rs Million)
1	Income from Operations and Other Income	1,758.47	1,604.46
2	Profit before Interest, Depreciation and taxes	1,001.74	996.77
3	Interest	0.62	7.40
4	Depreciation	133.47	93.92
5	Profit before Exceptional items & taxation	867.65	895.45
6	Provision for taxes	115.52	122.29
7	Profit after tax	752.13	773.16
8	Profit brought forward from previous year	959.65	632.48
9	Dividend	404.56	323.26
10	Tax on Dividend	68.75	45.33
11	Transfer to General Reserve	75.30	77.40
12	Profit carried to Balance Sheet	1,163.17	959.65

B. Dividend

The Company has paid two Interim dividends of 15% each, totaling 30% (Rs. 3 per share) of the equity share capital of the company amounting to Rs.346.76 million for the financial year 2007-08. Your Directors recommend Final Dividend of 5% (Rs.0.50 per share) amounting to Rs.57.80 million of the equity share capital of the company for financial year 2007-08. The Dividend Distribution Tax borne by the Company on the Interim and Final Dividends amounts to Rs.68.75 million.

C. Management Discussion & Analysis:

a) Industry structure and developments

Containerised movement of cargo grew by 19% in 2007-08, as compared to the overall growth in export Import trade of 9.5% per annum in recent years. Containerised cargo represents only 30% of India's Export Import Trade, as compared to the global average of over 70%.

JNPT accounted for more than 50% of the total containerized traffic handled out of India, by handling over 4 million Teus. In 2007-08, the country's second biggest container port at Chennai handled over 1 million TEUs.

b) Opportunities and threats

Growth of containerisation in both Export Import and domestic trade, private sector participation in ports and movement of containers by rail, liberalization of Government policies and continuous increase in the country's foreign trade, present the company with new opportunities for expansion and increase in profitability. The Company commenced operations from July 2007 at its second CFS at JNPT, which has been taken from Punjab State Container and Warehousing Corporation Limited, under an Operations and management agreement for a period of 15 years from February 2007. The CFS has been revitalised and renovated, adding to the Company's capacity at JNPT, which is India's premier container port. The Company continues to prune costs and augment its equipment for handling and transporting containers, which are operated by contractors. The Company is in the process of setting up a CFS at the fast growing port of Kochi in a joint venture



with Chakiat Agencies Private Ltd. The Company's rail subsidiary, Gateway Rail Freight Limited (GRFL) has commenced operating container trains on the Indian railways network. GRFL has put in place a fleet of railway rakes and trailers to provide end-to-end solution to customers across the country. The Company's cold chain logistics subsidiary Snowman Frozen Foods Ltd. continues to be a premier player in this emerging business.

Competition from existing and new entrants and managing the geographical / capacity expansion present the company with new challenges.

c) Segment-wise / Product-wise performance

The Company's entire business is from CFS & ICD operations. There are no other primary / secondary segments in the Company's business.

d) Outlook

The strong growth in container traffic during 2007-08 is expected to continue during 2008-2009. The expanded capacity of CFS at JNPT, increase in the business of rail movement of containers and growth in the emerging cold chain logistics business are expected to have positive impact on the Company's business and profitability.

e) Risks and concerns

Increase in fuel costs could result in increase in Company's major costs of transport and handling. Increase in container traffic vis-à-vis creation of capacity at the ports could lead to congestion at ports which would result in decline / delay in the throughput handled by the Company. The revenues of the Company are concentrated on the container volume handled by major shipping lines and consolidators, who use its CFSs at various locations.

f) Internal Control systems and adequacy

The Company makes use of IT enabled solutions in its operations, accounting and for communication within its facilities and with customers and vendors. Financial and Operating guidelines are put in place to regulate the internal management. The Company's accounts and operations are subject to internal audit and review by the Audit Committee of the Board of Directors.

g) Financial / Operational performance

Operations:

The Company's income from operations & other income grew by 10% from Rs. 1,604.46 million in 2006-2007 to Rs. 1,758.47 million in 2007-2008. The company's throughput grew by 34% from 188,357 TEUs in 2006-2007 to 251,728 TEUs in 2007-2008. The Profit before tax decreased from Rs.895.45 million in 2006-07 to Rs.867.65 million in 2007-08 after providing for interest Rs.0.62 million (2006-07: Rs.7.40 million) and depreciation Rs.133.47 million (2006-07: Rs.93.92 million).

Finance:

The company has repaid the loans availed from banks for purchase of transport and handling equipment. HDFC Bank Limited has sanctioned credit facilities comprising of term loan Rs.250 million, overdraft limit Rs.100 million and non-funded limit Rs.400 million, which will be availed based on requirements.

During the year, the Company issued bonus shares in the ratio of 1 equity share for every 4 shares held in the company by capitalizing securities premium amounting to Rs.230.92 million.

The income from interest on fixed deposits with banks and investments reduced from Rs.204.89 million in 2006-07 to Rs.89.41 million in 2007-08, as the available funds were deployed for capital expenditure during 2007-08.

Deployment of GDR Funds:

The Company had raised Rs. 3,846.34 million by Global Offering of 16.66 million Equity Shares of Rs. 10 each at a premium of Rs. 220.87 per share in the form of Global Depository Receipts



(GDRs) each representing one Share at an Offer price of USD 5.10 per GDR in December, 2005. The purpose of issue of Equity Shares and actual utilisation of funds till March 31, 2008 is given below:

Particulars	Purpose for GDR Issue	Actual utilisation of funds
Expand, upgrade and enhance the existing facilities, to acquire or construct CFS or ICD facilities in other strategic locations in India, to expand the scope of services to include other logistics-related solutions and for general corporate purposes	3,680.38	3,680.38
Offer Expenses (as specified in Prospectus)	165.96	165.96
Total	3,846.34	3,846.34

h) Human Resources

The Company continued to have cordial and harmonious relations with its employees. Human relations policies were reviewed and upgraded in line with the Company's plans for geographical expansion. Initiatives on training and development of human resources were undertaken. The Company had staff strength of 136 as on 31st March 2008, including staff at Punjab Conware CFS, as compared to 108 employees as on 31st March 2007.

i) Cautionary statement

Statements made in this report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might vary materially from those either expressed or implied.

D. Subsidiaries:

☐ GATEWAY EAST INDIA PRIVATE LIMITED (GEIPL)

The Company has 74% equity shareholding in GEIPL, which is engaged in the business of running a CFS at Visakhapatnam. GEIPL's Income grew by 42% to Rs 46.73 million in 2007-08 from Rs. 32.96 million in 2006-07. Loss for the financial year 2007-08 was Rs.4.00 million as against Rs.9.89 million for 2006-07. During 2007-08, GEIPL had interest cost Rs.2.87 million (Rs.4.03 million in 2006-07) and depreciation Rs.4.11 million (Rs.3.95 million in 2006-07). The operations are expected to stabilize in 2007-08 leading to increased throughput and higher profitability.

☐ GATEWAY DISTRI PARKS (SOUTH) PRIVATE LIMITED (GDSPL)

The Company has 100% equity shareholding in GDSPL, which is engaged in the business of running a CFS at Chennai. GDSPL's Income grew by 68% to Rs 245.67 million in 2007-08 from Rs. 146.30 million in 2006-07. Profit after tax for the financial year 2007-08 was Rs.87.76 million as against Rs.35.39 million for 2006-07.

☐ GATEWAY RAIL FREIGHT LIMITED (GRFL)

The Company has 82.97% equity shareholding in GRFL, which is engaged in the business of operating container trains and rail linked ICD at Garhi Harsaru. In its first year of operations in 2007-08, GRFL's Income was Rs.521.97 million. Loss for the financial year 2007-08 was Rs.82.72 million after providing for depreciation / amortisation Rs. 82.73 million on rakes, trailers and railway registration fees and interest on loans Rs.15.84 million. GRFL plans to construct Rail linked Inland Container Depot (ICD) on the plots of land acquired at Faridabad in Haryana and Ludhiana in Punjab and increase its rolling stock of rakes to carry containers for both domestic and export import trade on Indian Railways network.

☐ GATEWAY DISTRI PARKS (KERALA) LIMITED (GDKL)

The Company has 60% equity shareholding in GDKL, which is in the process of setting up a CFS at Kochi. Chakiat Agencies Pvt. Ltd. hold 40% shareholding in this Joint venture company. GDKL has entered into a Joint venture with a CFS at Cochin to handle export import of containers at the

fast growing port of Kochi. GDKL's income from the joint venture was Rs.0.38 million and loss for the year was Rs.1.03 million, after providing for tax Rs.0.49 million.

❑ **SNOWMAN FROZEN FOODS LIMITED (SFFL)**

The Company together with a third party has acquired 50.1% shareholding in SFFL, which operates 14 cold stores and a fleet of refrigerated trucks at the various major cities across the country. SFFL has pan India presence and provides total cold chain logistics solutions to its customers for products like seafood, dairy products, ice cream, fruits & vegetables, retail and food service. SFFL's Income grew by 10% to Rs 301.38 million in 2007-08 from Rs. 274.35 million in 2006-07. Profit after tax for the financial year 2007-08 was Rs.0.2 million as against loss of Rs.47.67 million for 2006-07. The Company is in the process of refurbishing its operations and has plans to expand its cold stores to new locations. Mitsubishi Corporation, Mitsubishi Logistics Corporation and Nichirei Logistics Group of Japan are the other major shareholders in this joint venture company.

E. Employees Stock Option scheme (ESOP)

Sr. No.	Particulars	ESOP-I (2002-2003)	ESOP-II (2004-2005)	ESOP-III (2005-2006)	ESOP-IV (2006-2007)	ESOP-V (2007-2008)
a.	Options granted (net of cancelled options)	5,433 options for 100 Equity shares each i.e.543,300 Equity Shares	1,490 options for 100 Equity shares each i.e.149,000 Equity Shares	Options for 132,798 Equity shares	Options for 277,437 Equity shares	Options for 306,875 Equity shares
b.	Pricing Formula	Exercise Price Rs. 10 per Equity Share	Exercise Price Rs. 22.50 per Equity Share	20% discount on the closing market price prior to the date of the meeting of the Remuneration and ESOP Committee Rs.130.92 per equity share (after adjustment for issue of bonus shares)	20% discount on the closing market price prior to the date of the meeting of the Remuneration and ESOP Committee Rs. 109.25 per equity share (after adjustment for issue of bonus shares)	20% discount on the closing market price prior to the date of the meeting of the Remuneration and ESOP Committee Rs. 92.92 per equity share
c.	Options vested	5,433	1,490	91,730	130,625	–
d.	Options exercised	5,433	1,490	33,800	118,875	–
e.	Total number of shares arising from exercise of options	543,300	149,000	33,800	118,875	–
f.	Options lapsed	–	–	–	–	–
g.	Variation of terms of options	–	–	–	–	–
h.	Amount realized by exercise of options	Rs.5.43 million	Rs.3.35 million	Rs.5.04 million	Rs.11.34 million	–
i.	Total number of options in force as on 31-3-2008	–	–	Options for 98,998 Equity shares	Options for 158,562 Equity shares	Options for 306,875 Equity shares
j.	Employee-wise details of options granted (net of cancellation)					
i.	Senior managerial personnel					
a.	Mr. Kirpa Ram Vij, Director	5,000 options for 100 Equity shares each i.e.500,000 Equity Shares	–	–	–	–
b.	Mr. C. S. Verma, Former Chief Executive Officer	–	–	–	Options for 40,000 Equity shares (Cancelled 20,000)	–
c.	Mr. Kapil Anand, Former Chief Executive Officer	200 options for 100 Equity shares each i.e.20,000 Equity Shares	400 options for 100 Equity shares each i.e.40,000 Equity Shares	–	–	–
d.	Mr. R. Kumar, Deputy Chief Executive Officer and Chief Finance Officer cum Company Secretary	–	400 options for 100 Equity shares each i.e.40,000 Equity Shares	Options for 40,000 Equity shares	Options for 40,000 Equity shares	Options for 50,000 Equity shares
e.	Mr. Jacob Thomas, Vice-President (Operations)	–	100 options for 100 Equity shares each i.e.10,000 Equity Shares	Options for 16,000 Equity shares	Options for 16,000 Equity shares	Options for 20,000 Equity shares