

Annual Report 2000-2001

Creating



Infinite possibilities

GATI
LIMITED

Contents

1	Theme
2	We are the best option From the Desk of the Managing Director
4	The strengths are unfolding - Possibilities are emerging
6	IT adds to the cutting edge
7	Our people make the difference
8	Defining quality - Delivering standards
9	Strong financials - Stronger platforms
11	The Outlook - Confidence in the future
12	Meeting social commitments
13	Growing fundamentals - Financial Highlights
14	Board of Directors
15	Notice
21	Directors' Report
24	Report on Corporate Governance
30	Management Discussion & Analysis
34	Auditors' Report
36	Balance Sheet
37	Profit and Loss Account
38	Schedules
51	Proxy & Attendance Slip
52	Epilogue
IBC	Forward Looking Statements

On the cover

Infinity with its symbol ' ∞ ' denotes a never-ending proposition. Mathematicians have interpreted it to mean ad infinitum, continuum and so on. In simple term, it is limitless.

Carried to its logical conclusion, it represents a world without boundaries. Gati is moving the same scale, with pick up and delivery anywhere in the world by every mode of transport. Providing endless options to customers. Creating opportunities for increasing business streams. Adding to revenue models. Ad infinitum. Transfinite. For the continuum. The possibilities are infinite.

The symbol of infinity encircled by Gati represents the expanding vision of the Company.

There is a transformation at Gati. A renewed strength. Offering lot more for the customers. In products. In services. In locations. In extended reach. Gati is creating a wide world of possibilities. An endless set of opportunities for the Company to improve its strike rate.

Gati is reaching everywhere. The target is to have presence in most of the districts of the country. Similarly, action is on to extend the area of operation from being only in all SAARC countries, to being all over the world. In short, Gati is truly going international.

The Company now has multimodal capabilities. From being pioneers in express road cargo, to meeting customer needs by every mode of transport. By air, sea and soon by rail.

It is not just delivering movables to the brick and mortar industries. The Company is quick to realise e-commerce has opened another world of opportunities. Since, manufacturers seek to be present everywhere and deliver to their distant markets, and at low holding cost, Gati has tailor made, custom built Logistics Solutions for meeting their exacting standards. The intense use of IT in moving ideas and merchandise, is indeed converting Gati into a knowledge company.

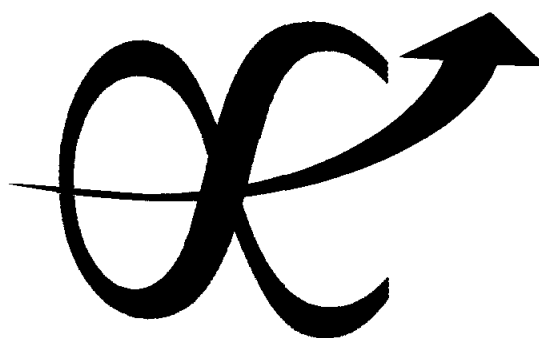
Report



Junction

Today, GATI uses state-of-the-art technology to deliver express and priority cargo, parcels, mail, household goods, and for that matter anything that the customer wants, wherever he wants, by whatever mode. Anything, anywhere.

While Gati is creating infinite possibilities, customers have the best options going for them. The wheels will move faster. The Company will convert the opportunities into cash. Stakeholders should see wealth and value creation.





FROM THE DESK OF THE MANAGING DIRECTOR

We are the best option

The year 2000-01 was one of reasonable achievements in the face of a challenging period for the economy. There was improved business volume and the total income for the year rose by 22.27 per cent at Rs.250.23 crore.

The Company produced a pre-tax profit of Rs.11.09 crore, showing a marginal improvement over the previous year. This is accomplished despite charging off additional expenditure of about Rs.3 crore on brand building undertaken during the year.

The net profit however, was lower at Rs.8.09 crore, largely because of the high incidence of corporate tax. Under the circumstances, the earning per share (EPS) of Rs.9.68, on the enhanced equity capital after the issue of bonus shares, should be considered a satisfactory performance.

The year was also notable for some of the strategic initiatives taken. There was continuous focus on operational efficiency, and considerable work was done to achieve sustainable long-term growth.

Organisational competitiveness was sharpened and the year ended with Gati becoming a brand new business enterprise. It is now far more focused on industry leadership position in terms of products, services, reputation, responsiveness and profitability.

The Company embarked on an extensive strategic review of all its operations. Based on the findings, a clear-cut projection of business and action plans were worked out. Milestones have been set up, with a touch of stretch in them.

"We are seen as a leader not just because we are the largest, but because of our history, dedication to the customer and commitment to high quality."

We have redefined what it means to be the best in the eyes of customers, employees and shareholders. The review revealed that we are seen as a leader not just because we are the largest, but because of our history, dedication to the customer and commitment to high quality. This review also clarified what we needed to do to become a better, and more profitable company.

Our destination is clear. We are pursuing ways to generate sustained growth. We want to harmonise and simplify our business process architecture across the Company. The intention is to enable Gati to realise the advantages of being an industry leader.

Proximity to customers is the key element of our success.

Proximity to customers is the key element of our success. We will combine speed, imagination and an entrepreneurial mindset to build upon our leading position in our industry.

Our reach is being expanded both within the country as well as overseas. Our corporate byline is we deliver anything, anywhere. We have products and services that meet every requirement of cargo movement. From the smallest packet handled by Suvidha to the largest containerised cargo.

Gati offers the widest option, and by every mode of transport. Our customers should have access to our products and services when, where and how they want them. We are creating infinite possibilities for the customers.

In the process, Gati is improving its business model. We are therefore becoming more meaningful for our employees and investors. More options to the customers will make Gati the best option for all stakeholders.

Our aggressive growth will be spearheaded by the powerful brand GATI, commanding a strong market position wherever we are present. The Gati brand is supported by an unmatched infrastructure and the highest quality people who have a shared commitment to the future of the Company. These are formidable assets and give confidence to look ahead with optimism.

Everything that we do will add to the income streams. Increasing the availability of our products and services is an important contributor to real growth. Internally, we are establishing new benchmarks for productivity and continuous improvement.

A recharged Gati is today that much stronger. Our stakeholders should be able to see infinite possibilities.





The strengths are unfolding

Possibilities are emerging

Gati is a company on the move. In the transformation process, the critical objectives are to go near the customer, offer more products, improve the reach and meet customer needs. For an already market driven customer centric organisation, the exercise is more a matter of rejuvenation.

A revitalised Gati will have reach and presence in all the districts of the country. It is not just about widening the geographical reach. The ability to pick up and deliver wherever business originates, and give an end-to-end solution will make for far higher reliability and customer assurance.

The Company has a variety of products to get a large slice of the market. Some of them need mention:

♦ **Gati Express**, delivering cargo at the doorstep of the customers. A service with widest network of branches and customised service.

♦ **Gati Priority**, giving the cargo wings, and delivering in strategic alliance with Indian Airlines.

♦ **Gati Suvidha**, the extra - extra courier service, offering a fast and reliable desk-to-desk delivery of very urgent and time sensitive documents, small packages etc.

♦ **Containerised bulk cargo** movement, ideal for high value, fragile and bulk cargo.

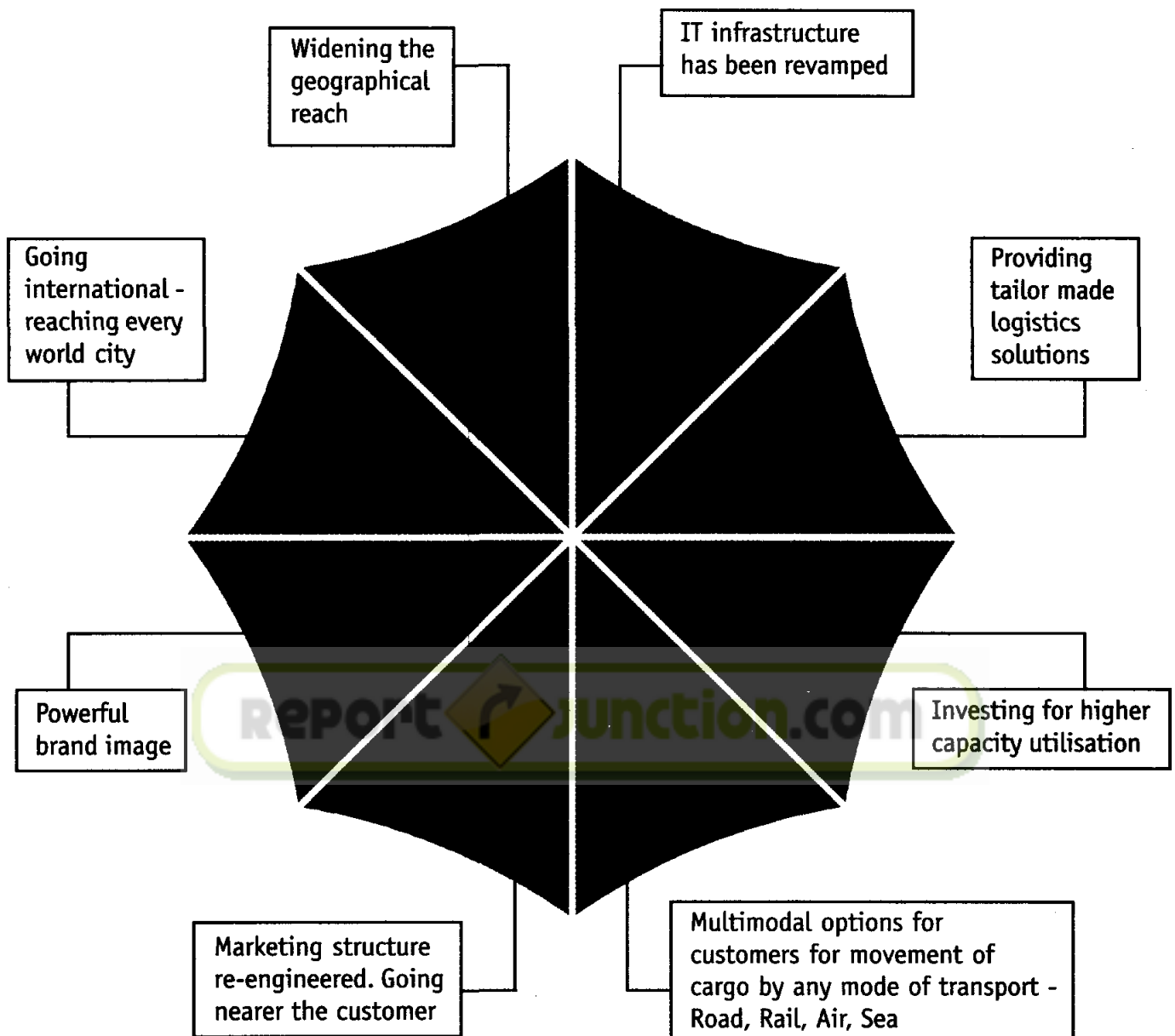
♦ **Refrigerated cargo** movement, protecting the cargo at predetermined temperatures upto minus 25 degree centigrade.

♦ **Gati Coast-to-Coast**, operating with the help of three vessels between Chennai and Port Blair.

♦ **Gati 3PL** logistics solutions, offering tailor made support distribution systems. This consists of managing for the customer activities like order booking, order fulfillment, inventory management with seamless information flow. Gati's very large network of locations ensures for the customer complete market penetration for their products.

In each of them pioneering work has been done. The customer sees the strength and capability. Because all of them have been made to suit his needs.

The ability to pick up and deliver wherever business originates, and give an end-to-end solution will make for far higher reliability and customer assurance.



The wheel of progress



IT adds to the cutting edge

This is IT. Everyone knows that Gati is a knowledge company. Soon it might get included as part of the new economy!

Information Technology (IT) is the backbone of Gati. Indeed, IT has played a key role in GATI being the market leader in the industry. Revamping of IT infrastructure has made Gati get closer to its customers.

GATI is implementing a web based integrated software Gati@web comprising of

- ▲ GEMS (Gati Enterprise Management System) which is a custom developed software in Oracle 8i for enterprise wide solutions.
- ▲ Oracle Financials
- ▲ Oracle CRM

Gati@web will provide smooth interface with customer websites and their application. In addition, this is an online information system for tracking package movement from majority of Gati's locations. Going forward, this will be the first step towards B2B solutions. Also, the new CRM package will help in focusing on the customers, their needs and the focus can be uniform across various locations of Gati.

To support the implementation of Gati@web the following have been done during 2000-2001.

Hardware Infrastructure revamp

The state of art Sun Enterprise server has been installed to handle the central database of Financials, and CRM. Dell 4300 supports the Messaging system at Head Office. The regional and area offices are provided with the Dell 2300 and 1300 servers to support the custom developed application.

Wide Area Network (Gatinet)

Gati has tied up with Global Tele Systems to provide online connectivity (WAN) between the regional offices and head office. The backbone bandwidth is 128Kbps and the last mile connectivity between Gati regional office and Global is with 2Mbps bandwidth. In addition there is a 128kbps internet leased connectivity. Higher bandwidth is essential to support the online applications of Gati@web and the interface of various customers will be supported by the leased connectivity to the internet.

Messaging (Gatimail)

Gatimail has been implemented using Netscape Messaging System (iPlanet). This has resulted in faster communication within GATI and also with the customers.

Gati has used IT to improve the quality of delivery. No wonder, many IT professionals value Gati for optimising.

Revamping of IT infrastructure has made Gati get closer to its customers.

Our people make the difference

Fast track growth at Gati can happen only with the 100 per cent commitment of **Gatiites**, the human resources who make up the Company. Gati is charting out a consistent double digit growth in the future, and the entrepreneurial spirit of the men and women in the Company will work to accomplish it.

Naturally, the people will make the difference. Hence they are the organisation's priority. The Company provides an environment – culture, job satisfaction, opportunity and compensation – that attracts and retains skilled talents.

The staff are encouraged to view the Company personally, and to care for each other. Teamwork matters and this sense of belonging creates a sum total of output larger than the sum of the individuals put together.

The people realise they are in the service industry and that Gati needs to be focused on the customer, and deliver to their demands. In fact, they constantly strive to better their performance. They are aware, that a service provider is only as good as the last transaction.

There is a sense of urgency within the organisation. This is largely because of the excitement that they generate looking for customer satisfaction.

Gati is a young organisation with 78 per cent of its over 2000 employees in their twenties. This is dynamic energy and performs at its peak backed by the intensive training inputs. The organisation is live to enhancing their capabilities.

This dynamism, the excitement, the hunger to deliver and the young mindset are all making it easy to restructure and re-engineer the marketing and service set up. The change is being implemented seamlessly.

The change that the customer will see is the improved responsiveness of the Gati staff. There will be the fleet footed, confident Gati personnel keen to meet and deliver as agreed.

The corporate credo values achievement, and reciprocates whereby meritocracy rules. Employee satisfaction surveys and audits were done under the guidance of industry experts to ascertain areas for improvement. During the year, T.V.Rao Learning Systems Private Limited, Ahmedabad conducted an audit of the HRD activities. Based on the findings, the Company has adopted new HR techniques, which has enhanced the quality of work and life of its employees.

It has now been decided to extend the facility of Employee Stock Option Scheme (ESOPs) to the employees. The concept of ownership that among the Team Gati will get formalized. The Company will match their excitement with encouragement.

Who
An Amazing Way to
Moved
Deal With Change
My
In Your Work and In Your Life
Cheeze?



Defining quality

Delivering standards

There is no need to reinvent the wheel. Quality in the express cargo, or for that matter in the movement industry, is about delivering the package in tact, at the time committed to the customer. The customer seeks not only delivery, but also reliability and honouring of commitments.

At Gati, this basic principle drives the entire corporate. The infrastructure of the organisation, at any level of hierarchy or function, is therefore tuned to give what the customer wants, and what Gati promised. This is ingrained amongst all personnel, associates, drivers and anybody else who work the brand, GATI.

This approach to quality has been borrowed from the concept of Six Sigma. The systems are hence, constantly reviewed to move towards zero defect and hundred percent service level.

Sure, there are a very few occasions, when there are delays. Some caused by reasons beyond the control of Gati. And, some are avoidable human errors. Within the Company, there is a quick acceptance of mistakes as they occur. Care is taken to correct the system, to pre-empt repetition.

Gati is also the first in the industry to make the upfront statement, "On time, intact. Else your money back". This is not a mere statement. It is an affirmative action, a hunger within the organisation to work towards perfection. It is a challenge for the Gati organisation to push itself to meet self imposed deadlines.

This involves teamwork and an understanding that building quality builds customer loyalty. Improved customer loyalty goes to make lasting relationships. The Gati persona realise that in the service industry, customer longevity adds to referral activity. And, loyal customers add to the bottom line.

The customer seeks not only delivery,
but also reliability and honouring of commitments.