



PROGRESSING TOWARDS DELIVERING
1,000,000 PACKAGES EVERY DAY



A N N U A L R E P O R T 2 0 1 6 - 2 0 1 7

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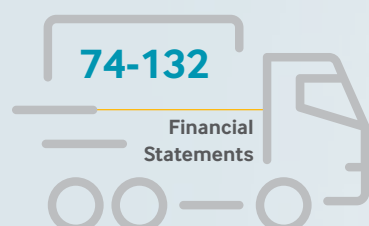
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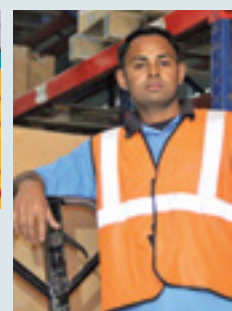
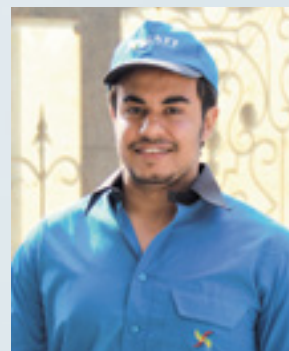
You can also find this report online on:
www.gati.com

DISCLAIMER

We have exercised utmost care in the preparation of this report. It contains forecasts and/or information relating to forecasts. Forecasts are based on facts, expectations, and/or past figures. As with all forward-looking statements, forecasts are connected with known and unknown uncertainties, which may mean the actual result deviate significantly from the forecast. Forecasts prepared by the third parties, or data or evaluations used by third parties and mentioned in this communication, may be inappropriate, incomplete, or falsified. We cannot assess whether information in this report has been taken from third parties, or these provide the basis of our own evaluations, such use is made known in this report. As a result of the above-mentioned circumstances, we can provide no warranty regarding the correctness, completeness, and up-to-date nature of information taken, and declared as being taken, from third parties, as well as for forward-looking statements, irrespective of whether these derive from third parties or ourselves. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Delivering packages is no mean task. Especially in a country as big and intricate as India, where hassle free logistics & distribution is always challenging. Hence, we take our task seriously and have been consistently successful in reaching 99% districts & 19,000+ pin codes across the country. And with similar zeal, efficiency, and innovation, we're now treading into areas of future growth opportunities, with the intent of becoming THE preferred logistics partner and the promise of delivering 1,000,000 packages daily!

BECAUSE IT'S NOT JUST ABOUT THE LOGISTICS OF DELIVERING PACKAGES. IT'S ABOUT ENSURING BUSINESSES ACROSS THE COUNTRY RUN SEAMLESSLY!



WE ARE GATI

WE ARE COUNTRY'S PIONEER IN EXPRESS DISTRIBUTION AND SUPPLY CHAIN SOLUTIONS, COMMITTED TO PROSPER OUR CUSTOMER'S BUSINESS BY CUSTOMISING THE DELIVERY OFFERING.

Headquartered in Hyderabad, India, Gati was formed in 1989 as an express distribution service company. Starting its operations between Hyderabad and Madras (now Chennai), Gati now operates 1600+ scheduled routes. The company has transformed into providing multiple services and solutions in logistics and distribution sector, emerging as a market leader in several of its offerings.

Gati today delivers across 99% districts in India, with a strong presence in Asia Pacific region and SAARC countries as well. With an integrated technological system network across air, rail and road platform, a nation-wide warehouse presence, complete ecommerce logistics, integrated cold chain solutions and trading solutions we are able to provide end to end supply chain solutions to millions of customers.

VALUES



Our Attitude

Elegant Customisation

We absorb global and home trends with curiosity and customise our offerings with an elegant method to meet the customer's wide range of expectations and care for his objects like precious pearls.

Our Behaviour

Sensitive Streamlining

With passion, integrity and responsibility we take ownership to converge towards organised teamwork with cost efficient, sensitive customer focus.

Our Action

Domino Discipline

In all transactions we follow a domino game-like disciplined chain of consecutive actions at any given time & place to achieve the goal of customer value protection and quality delivery.

Our Delivery

Promise

Caring for our customers' precious objects with domino discipline, we promise to stay ahead in service quality, wide network, high calibre responsible people, technology & automation.

VISION



Be a globally preferred provider of India-centric Supply Chain Services and Solutions and a leader in the Asia Pacific region.

Delight customers with quality service by setting new trends through innovation and technology.

Be the most preferred organisation for all stakeholders.

Be a responsible corporate citizen with unwavering commitment to environmental protection and conservation.





3,000+

Gati Business Associates

608+

Offices across India

4

Offices across Asian countries

4,000+

Business partners

5,000

Fleet Size

180+

Reefer trucks

2,400

Last mile e-com delivery fleet

3+

Mn sqft warehouse space across India

6,098

Young work force

19,000

Pin codes covered in India

1,600+

Scheduled routes

24X7

Customer Support

MESSAGE FROM THE FOUNDER AND CEO



We are encouraged by the improvement in the macro-economic trends and structural changes, especially the GST roll-out, which will help strengthen Gati's competitiveness.

Dear Shareholders.

Against the backdrop of moderate business environment and after-effects of demonetisation, FY2016-17 was a challenging year for your company. Despite the challenges, I am glad to report that we made significant advances to establish the direction for longer-term success. Beyond the immediate horizon, we are encouraged by the improvement in the macro-economic trends and structural changes, especially the GST roll-out, which will help strengthen competitiveness and grow market share. With its diversified product portfolio, discipline to provide quality service, and the

people talent, the company is confident of growing in ways that create long-term shareholder value.

Performance Highlights

The full year growth was moderate and chiefly affected by e-Commerce growth stagnation and lingering effects of demonetisation in select industry verticals. The post festive slowdown in ecommerce industry and the slow tapering down of demonetisation effect on both B2B and B2C segments had a material impact on your company's performance.

Emerging Opportunities

As widely reported, GST is perceived as the most wide-ranging tax reorganisation and targets to make India into “One Nation, One Tax, One Market”. The structure proposed under the GST offers an ideal opportunity for organisations to re-engineer their existing supply chain networks to reduce inefficiencies. With its comprehensive integrated service portfolio, Gati is distinctively positioned to support the consequent supply chain realignment. Chiefly, the company’s pan-India reach has been already designed on a hub and spoke model for efficiency and speed.

A GST structure will also support reduction of bottlenecks like border check-posts, and aid in faster flow of shipments by improving average speeds and subsequently increasing your company’s fleet utilisation. Information technology will be a critical differentiator in the logistics industry post-GST, not only in terms of compliance to the GSTN Network but also providing the better shipment visibility to customers.

Over the course of several months, your company has taken affirmative steps on compliance, operations, technology and manpower training to be ready for GST. Central to your company’s GST value proposition is the idea of “helping customers unlock the GST advantage”. The objective is to help customers have control of their domestic supply chain, make informed decisions based on demand and supply patterns, and have confidence in the pan-India network adjustments they make.

Our Business, Operations and Technology Strategies

Over the last few years, the company has undertaken significant initiatives to fortify its stronghold to deliver consistently to customers, by developing end-to-end solutions, enhancing technology capabilities and augmenting operations quality processes. These strategies are based on the fundamental premise that customers will continue to seek larger role of logistics service providers like Gati, who can integrate their unique supply chain requirements. Recent portfolio enhancement with the launch of Gati Fulfilment Services and commissioning of cold chain warehouses are reflective of this very perspective.

On the core express distribution business, the company is committed to maintaining its pan-India network and service leadership, in the post-GST environment. Specific medium to long-term changes in domestic supply chains like consolidation of customer warehouses will necessitate improvement in service levels to areas outside the major metropolitan centers. Likewise, our team has proactively worked on optimising the delivery network, basis a predictive logic of load movement post GST. Additionally, Gati is expanding its portfolio of multi-modal distribution and warehousing solutions, offering customers more customisation in serving their emerging needs.

With the launch of its ambitious Shop-Floor Automation (SFA) initiative in early FY2017, your company reached a vital milestone. This package-level visibility through 100% Bar Code scanning is unprecedented in the domestic express distribution sector, especially in the context of Gati’s scale and reach. With all the complexities, the undertaking took time to stabilise and I am happy to report that the automation is fully-implemented with a positive impact on customer experience and productivity. Going forward, Gati will continue to advance such technology interventions to provide operational scalability, cost optimisation and service improvement needed to support future growth opportunities and enhance profitability.

In November 2016, the company invested in BrownTape, a technology platform that helps online sellers on multiple e-Commerce marketplaces to manage their orders from a single window. The alliance will work on the vision of simplifying e-Commerce for all levels (small, medium, and large) of online sellers, who will be able to manage their e-Commerce ecosystem seamlessly.

To gain further penetration into consumer retail, your company is also developing solutions that integrate the online and offline shopping channels available to consumers. The strategy leverages the company’s competitive edge on account of its experience in handling both Business-to-Consumer and Business-to-Business channel logistics, and will result in longer and more profitable business relationship with customers.

Training

Gati’s longstanding investment in building people’s skills and capabilities is essential to maintain leadership position in a competitive market. In FY2016-17, the company introduced learning interventions to meet talent requirement across the diverse pan-India talent base. A Specialised skill development center was inaugurated during the course of the year to focus on driver safety and training across India. Additionally, cross-functional teams across all locations have been put through rigorous GST training for ensuring flawless roll-out and execution.

Building Sustainable Communities

Gati considers that operating in a responsible way is vital to fostering a strong business for its people, customers, and the society in general. In line with this, several activities towards Corporate Social Responsibility were carried out in FY2016-17. Community efforts took on special meaning in Bihar and Assam in July-August period, where communities were put in extreme conditions following wide-spread flooding. Gati’s employees were actively involved in the flood relief activities, leveraging on the company’s logistics capabilities and reach. Another notable activity was the commissioning of solar-powered deep water pumps in the Nagarjuna- Srisailem tiger reserve in collaboration with WWF India. In almost half a year of its installation, this unique system based on clean and renewable energy has been serving the water-scarce areas of reserve forests.

The Future

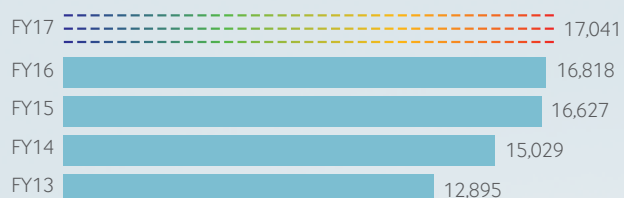
As the industry evolves in the post-GST environment, your company will command the advantages of competing in a larger market with opportunities for service innovation. In fact, Gati’s Vision 2020 is centered around providing end-to-end logistics solutions, tailor-made to customer specific needs. Our focus remains on improving customer experience, leveraging our network advantage and creating avenues toward long-term shareholder value. I thank you for the unrelenting confidence in your company and its management.

Regards

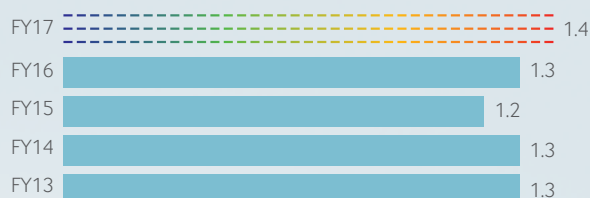
Mahendra Agarwal
Founder & CEO

FINANCIAL HIGHLIGHTS (CONSOLIDATED)

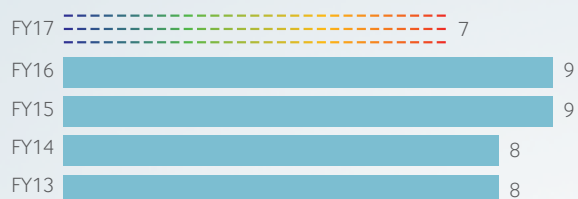
Total income (₹ in Million)



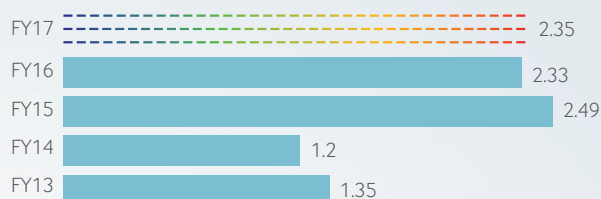
Current Ratio



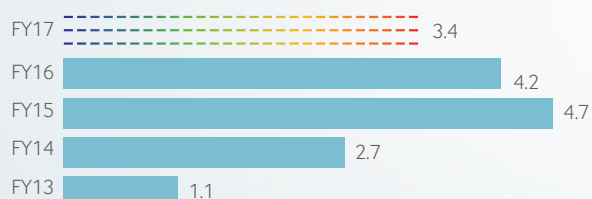
EBITDA (%)



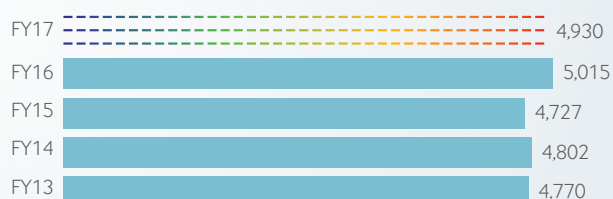
Turnover on Capital Employed (₹ in Million)



EPS (₹)



DEBT (₹ in Million)



AWARDS AND EVENTS



1



4



2



5



3



6

1

- 10th ELSC Leadership awards- Best Service Provider of the Year '16
- 10th ELSC Leadership awards- Best 3 PL company of the Year '16
- 10th ELSC Leadership awards for Gati Kausar
- Cold Chain Warehouse of the Year '16
- Cold Chain Transporter of the Year '16

2

Gati partnered in leading industry forums to discuss the new emerging trends and best practices.

5

Recognised as 100 Best Companies for Women

2

Global Logistics Excellence Award – Best Cold Storage Infra (Gati Kausar)

4

Gati Kausar wins CII Food and Safety Award of the Year '16

6

- Won "Indias Best CIO's - Top 50 Honoree" by DELL EMC & CAI
- Won "CIO of the Year Award 2017 for Category Transport & Logistics" by BSE - CIO Klub
- Won "CIO Powerlist 2017 award for Category Transport & Logistics Icon" by CORE (Centre of Recognition and Excellence).
- Won "Intelligent Enterprise Award 2017, Category - Enterprise Mobility" presented by Express Computer

BUSINESS SEGMENTS

EXPRESS DISTRIBUTION



Overview

Gati-Kintetsu Express Private Limited (Gati-KWE) is a joint venture company between Gati (India's pioneer in Express Distribution and Supply Chain Solutions) and Kintetsu World Express (KWE) – Japan's leading logistics provider that manage the express distribution services.

Our unrivaled transportation infrastructure provides our customers with unmatched competitive advantage. Our ubiquitous network creates fundamental scale and advantages. Operating across surface, rail and air modes, our express distribution provides our customers with convenience and choice of various delivery modes.

Highlights, 2016-17

- Partnered with a national carrier giving us a larger reach across the country to further strengthen our air business
- Introduced cashless payment methodologies on a pan-India basis curtailing the drop in COD due to demonetisation

Core competitiveness

- Among the market leaders in the segment in India
- Streamlined supply chain solutions and efficiencies for our clients
- On time delivery rate at an average of 80% in the last year.
- Uninterrupted services backed by pan-India network