



**Annual Report
2003-04**

Vision

TCI Group should be a customer oriented, multi-technology, multi-specialist transport system in the Indian and International markets, with a proven commitment to excellence in every facet of activity and pursuit of value based policies to satisfy aspirations of society, customers, vendors, employees, shareholders and the transport industry.

Board of Directors

S.N. Agarwal
Chairman

S.M. Datta

O.Swaminatha Reddy

K.S. Mehta

Ravi Uppal

M.P. Sarawagi

D.P. Agarwal
Vice Chairman & Managing Director

Vineet Agarwal
Executive Director

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Vice President-Finance & Secretary:
A.K. Bansal

Auditors:
R.S. Agarwala & Company
Chartered Accountants

Bankers:
State Bank of India
Citibank N.A.
HDFC Bank
Canara Bank

Registered Office: Flat Nos. 306 & 307, 1-8-271 to 273, 3rd Floor, Ashoka Bhoopal Chambers, S.P. Road, Secunderabad-500 003.

Corporate Office : TCI House, 69, Institutional Area, Sector-32, Gurgaon-122 001, Haryana
Phone: (0124) (from Delhi 95124) 2381603 to 607 Fax: (0124) (from Delhi 95124) 2381611
E-mail: corporate@tcil.com • Internet: www.grouptci.com



Notice for Annual General Meeting

Notice is hereby given that the 9th Annual General Meeting of the Company will be held on Saturday, the 4th September, 2004 at 11.00 a.m. at Surana Udyog Hall, The Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad-500 004 to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the Audited Profit & Loss A/c for the year ended 31st March 2004 and the Balance Sheet as at that date together with the Reports of Directors & Auditors.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Mr. K. S. Mehta, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. M. P. Sarawagi, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint auditors in place of retiring auditors and to fix their remuneration.

Special Business :

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution :

"RESOLVED THAT M/s. K.B. Chitracar & Co., Chartered Accountants, Kathmandu, be and are hereby appointed as Branch Auditors for auditing the accounts of all the branches of the Company situated in Royal Kingdom of Nepal for the year 2004-05 and to hold office till the conclusion of the Next Annual General Meeting at a remuneration to be fixed by the Board of Directors of the Company."

BY ORDER OF THE BOARD

For Transport Corporation of India Ltd.

Place : Gurgaon

A.K. Bansal

Date : 9th June, 2004

Vice President-Finance & Secretary

NOTES :

1. a) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No. 6 as set out above, is annexed hereto.
b) A member entitled to attend and vote is authorized to appoint a proxy to attend and, on a poll, to vote instead of himself. Such a proxy need not be a member of the company. Proxies, in order to be valid and effective, must be delivered at the registered office of the company not later than forty-eight hours before the commencement of the meeting.
2. The Share Transfer Books and the Register of Members will remain closed from 1st Sep., 2004 to 4th Sep., 2004 (both days inclusive). Dividend on equity shares for the year ended 31st March, 2004, will be paid on 9th Sep., 2004 to those Members whose names appear on the Company's Register of members at the close of working hours of the Company on 4th Sep., 2004 to the extent eligible. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
3. The name of the Company has been changed from TCI Industries Ltd. to Transport Corporation of India Ltd. vide fresh Certificate of

Incorporation dated 29/10/99, issued by the Registrar of Companies, Andhra Pradesh, Hyderabad.

4. The equity shares of the Company are under Compulsory Demat w.e.f. 27th November, 2000. Those members, who are still holding the shares in physical form, are requested to convert the same into electronic form by sending their request to the Company through their Depository Participant.
The ISIN No. of our Scrip is INE688A01014.
5. The members are requested to intimate any change in their address with Pin Code, if any, immediately and quote Folio Number in all correspondence. They are also requested to bring their copy of Annual Report while coming to the meeting.
6. Non-Resident Indian shareholders are requested to inform the Company immediately about :
a) The change in the residential status on return to India for permanent settlement.
b) The particulars of NRO Bank Account in India, if not furnished earlier.
7. ECS facility is presently available at Ahmedabad, Bangalore, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai and Nagpur. To avoid the risk of loss/interception of dividend warrants in postal transit and/or fraudulent encashment, shareholders are requested to avail of ECS facility – where dividends are directly credited in electronic form to their respective bank accounts. This also ensures faster credit of dividend. The ECS application form can be obtained either from Registrars' Office or the Corporate Office of the Company.
Shareholders located in places where ECS facility is not available, may submit their bank details. That will enable the Company to incorporate this information on the dividend warrants and thus prevent fraudulent encashment.
8. The members are requested to address all their communications to M/s Abhipra Capital Ltd., Ground Floor, Abhipra Complex, Dilkhush Indl. Area, A-387, G.T. Karnal Road, Azadpur, New Delhi-110033, the common agency to handle electronic connectivity and the shares in physical mode or at the Corporate Office of the Company for prompt handling.
9. The members who have still not exchanged their old share certificates are requested to surrender the same (issued by the then Transport Corporation of India Ltd. - Now known as TCI Industries Ltd., the transferor Company under the Scheme of Arrangement) along with set of four signature cards to M/s. TCI Industries Ltd., Mukesh Mills Compound, N.A. Sawant Marg, Colaba, Mumbai-400 005, as several times requested by the said Company and subsequent reminders from our Company as well to obtain their new share certificates of four Companies including this Company.
10. As already informed, with a view to bring about operational efficiency and minimizing the related administrative cost in servicing multiple folios of the same shareholders, which are otherwise identical in all respects, the Company has been consolidating such folios from time to time. Accordingly, in future, you will receive only one consolidated dividend warrant and one Annual Report in respect of your entire holding. There is no need on your part to send your

certificates for this purpose nor it is necessary for you to make any correction of folio nos. on the share certificates.

11. Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education & Protection Fund-IEPF set up by Government of India and no payments shall be made in respect of any such claims by the Fund.

Therefore, members who have not yet encashed their dividend warrant(s) for the financial year 1996-97 & 1997-98 onwards, are requested to lodge their claims with the Company without any delay as any unclaimed amount lying therein shall be transferred to IEPF on or before 14th Oct., 2005.

During the year 2003-04, the Company has deposited a sum of Rs.21769 being the unclaimed amount- both principal and interest- against the debenture redemption made during the year 1996-97 to the Investor Education & Protection Fund. Similarly, the unclaimed amount against the debenture redemption of 2001-02 will be deposited with the said fund in due course. Therefore, the concerned members/debenture holders may lodge their claim, if any, with the Company immediately.

12. The shares of the Company are at present listed on following Stock Exchanges viz. Hyderabad, NSE & BSE. The listing fees in respect of the year 2004-05 has since been paid to all these Stock Exchanges.

The Company has already approached Calcutta Stock Exchange for delisting of its shares from the said exchange and filed all the requisite papers but the formal approval is still awaited.

13. Pursuant to the requirements of the Listing Agreements with Stock Exchanges on Corporate Governance, the information about the Directors proposed to be appointed/re-appointed is given in the Annexure to the Notice.

Explanatory Statement u/s 173(2) of the Companies Act, 1956

Special Business :

Item No. 6

M/s. K.B. Chitracar & Co., Chartered Accountants, Kathmandu, have been the Branch Auditors for auditing the accounts of all the branches of the Company situated in Royal Kingdom of Nepal. They have also intimated about their willingness to carry on the work as Branch Auditors for the year 2004-05.

The Board recommends the appointment of M/s. K.B. Chitracar & Co., Chartered Accountants as Branch Auditors for the year 2004-05.

None of the directors is interested or concerned in the resolution.

BY ORDER OF THE BOARD
For Transport Corporation of India Ltd.

Place : Gurgaon

A. K. Bansal

Date : 9th June, 2004

Vice President-Finance & Secretary

ANNEXURE

ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT OR SEEKING ELECTION AT THE ANNUAL GENERAL MEETING :

Mr. K.S. Mehta : is a renowned Chartered Accountant in practice. Being an expert in corporate financial planning & restructuring, project financing, business valuations and tax matters etc., he is also actively associated with leading Chambers of Commerce, including FICCI & PHDCCI. He has been the past President of PHDCCI.

Mr. Mehta has a wide exposure to industry in his capacity as Director in some of the leading companies in the corporate sector.

Other Directorships

Committee Memberships

Name of Company	Name of Committee
Prudential ICICI Asset Management Company Ltd. - Director	Transport Corporation of India Ltd.
Radico Khaitan Limited - Director	Audit Committee - Member
Ayurvvet Limited (Formerly Dabur Ayurvvet Ltd.) - Director	Shareholders/Investors Grievance Committee - Chairman
Kothari Management & Industrial Consultants Ltd. - Director	Blue Coast Hotels & Resorts Ltd.
Medpat Finance Limited - Director	Remuneration Committee - Chairman
Gas Auto Limited - Director	Audit Committee - Member
Blue Coast Hotels & Resorts Ltd. - Director	Investors Grievance Committee - Member
Innotem Services Pvt. Ltd. - Director	Radico Khaitan Ltd.
Pannell Kerr Forster Consultants Pvt. Ltd. - Director	Audit Committee - Chairman
Federation of India Chamber of Commerce & Industry - Member (Sec-25)	Delhi Stock Exchange
	Default Committee - Chairman
	New Listing/Condonation of Non-compliance of Listing Agreement - Member

Mr. M.P. Sarawagi : As a senior executive, he has worked with the Company for over 40 years till his retirement as whole time director on 31st Dec., 2003. He possesses rich experience in the legal and commercial aspects especially relating to the transport industry.

Mr. Sarawagi is a law graduate from Calcutta University and has been instrumental in taking care of wide range of legal complexities inherent in transportation sector. He is also associated with The Calcutta Goods Transport Association & All India Motor Union Congress and other Cultural associations.

Other Directorships

Committee Memberships

Name of Company	Name of Committee
Bhoruka Finance Corp. of India Ltd. - Director	Transport Corporation of India Ltd.
Bhoruka Investment Ltd. - Director	Share Transfer Committee - Member
TCI India Ltd. - Director	
Orissa Tyres Ltd. (in Liquidation) - Director	
Prabhudhan Carriers Pvt. Ltd. - Director	
Prabhudhan Properties Pvt. Ltd. - Director	
Prabhudhan Real Estate Pvt. Ltd. - Director	



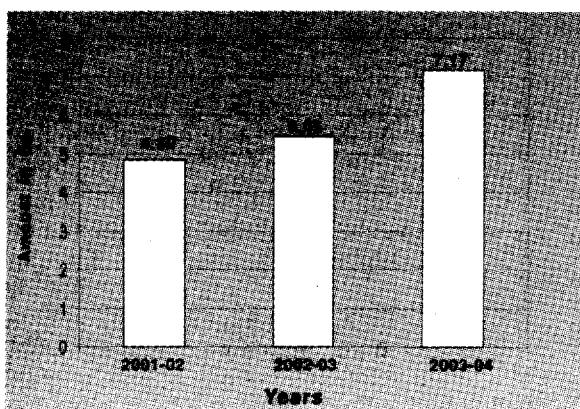
Key Financials

(In Rs. Lacs)

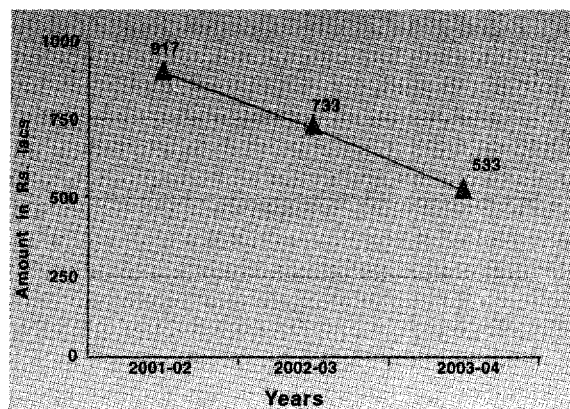
PARTICULARS	2003-04	2002-03	2001-02	2000-01	1999-00
OPERATIONAL					
1 Total Income	63407	53682	52449	49742	43573
2 Profit before interest, depreciation & tax	2857	2582	2609	2710	2402
3 Interest (net)	533	733	917	1029	1044
4 Depreciation	1136	937	928	851	612
5 Profit before tax	1188	912	764	830	746
6 Tax - Current	98	205	166	75	95
- Deferred	337	135	92	-	-
7 Net profit	753	572	506	755	651
8 Cash profit	2227	1644	1526	1606	1263
9 Dividend Per Share (Rs.)	1.80	1.80	1.80	1.80	1.80
10 Earning per Share (Rs.)	7.17	5.45	4.82	7.19	8.93
FINANCIAL					
11 Gross Block	16675	14901	13646	13333	12444
12 Net Block	12722	11722	10825	11049	10879
13 Net worth	5725	5183	4819	5434	4344
14 Total Debts	8251	7654	6806	7613	7209
15 Avg. Capital Employed	13406	12231	12336	12300	11287
16 Return on net worth	13.15%	11.04%	10.50%	13.89%	14.99%
17 Return on Capital Employed	12.84%	13.45%	13.63%	15.11%	15.86%
18 Debt Equity ratio (Times)	1.44	1.48	1.41	1.40	1.66
19 Interest Cover (Times)	5.36	3.52	2.85	2.63	2.30
20 Book Value per share (Rs.)	54.52	49.36	45.90	51.75	59.59
21 Share Capital	1050	1050	1050	1050	729

No. of Shareholders : 18052

Earning Per Share



Interest Incidence



MANAGEMENT DISCUSSION AND ANALYSIS

Business and Economic Perspective

The economy as a whole has shown promising trends during the year under review as India integrates into the global economy. Even though weak sentiments plagued global economies, India recorded a GDP growth of over 8% with all sectors contributing significantly. Foreign currency reserves have increased by US \$38 billion during fiscal 2003-04 & have gone up currently to US \$118 billion level. Exports in US dollar terms increased by 17% while imports registered a growth by over 25%.

With the assumption of the office by the new Congress led Government at the centre, it is expected that the reforms process will continue. RBI has projected GDP growth for 2004-05 at 6.5-7%. Despite uncertainties, India's position among the top performers globally in terms of GDP growth is expected to continue during 2004-05.

The Indian Logistics Industry

The Council of Logistics Management, USA defines *Logistics Management as that part of Supply Chain Management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers' requirements*. Logistics broadly covers transportation, handling and warehousing, packaging, inventories, administration costs and other costs. Indian industry roughly spends 13% of the GDP on logistics costs compared to a global benchmark of 10-11%.

The Logistics industry in India is undergoing a transformation due to several factors:

- The Government of India's National Highway development project, the Golden Quadrilateral linking the 4 Metros, the North-South-East-West corridors and connecting roads to villages is estimated to be completed by 2007. This would improve the connectivity as well as improve efficiencies with faster movements.
- Rationalization of taxation structure and moving to a uniform Value Added Tax (VAT) scenario would lead to outsourcing of warehousing and secondary distribution to professional third party logistics (3PL) providers. Companies would benefit with lower costs and lower inventories.
- The opening of the Indian economy to WTO as well as signing of several Free Trade Agreements (FTA) is compressing the supply chains of corporations to adopt modern and improved logistics strategies.
- Changing consumer behavior especially in urban areas are creating exceptional demands on organizations to adopt flexible yet smooth logistics management.

The Indian Road freight transport sector, roughly estimated at US\$15 Billion, dominates the logistics industry. This sector continues to remain unorganized and fragmented with complex bureaucratic structures in the free flow movement of products across the country.

Fuel and other inputs like lubricants, tyres, truck chassis, toll taxes etc.

account for close to 60% of operating costs for a truck. Over a period of 5 years from 1999-2000 till 2003-04, the weighted average of diesel prices has gone by 70%. However, this did not lead to a proportionate increase in freight rates. According to the Road Freight Index (RFI™), the freight rates over the same period moved up only by 17% indicating a substantial discount over estimated real freight rates.

Business Strategy

The need of the hour for most companies is a single window service provider who works with them as a partner for their supply chain, synchronized to their flexible requirements and offering the desired service at the lowest possible price.

Transport Corporation of India Ltd. (TCI) has been at the forefront of all significant developments in the logistics industry. The company has been making considerable investments in the transformation of the organization from a road transport company to an integrated logistics solutions provider. The company, in order to fine tune its logistics strategy, also undertook a survey last year to assess the third party logistics market and trends with the Management Development Institute (MDI), Gurgaon, a leading educational institution.

From raw material procurement, domestically or internationally, customs clearance and handling, multi-modal transportation (road, rail, air, sea), state of the art warehousing and order processing to final deliveries and even receivables collection, TCI is the only company in India that can offer comprehensive integrated logistics solutions. The Company's strong ethical and transparent value system, customer orientation and adaptation to international quality standards have re-affirmed its leadership position.

Financial / Operational Performance

TCI is India's largest private sector integrated logistics company with a pan-India presence of 1000 company owned offices and a coverage in 95% of districts. TCI's transport division continues to be the largest domestic road transport company while XPS, the express cargo division has been growing rapidly. The company's own fleet of 700 vehicles is engaged in providing customized and dedicated transportation management for the movement of automobiles, industrial gases, over dimensional cargo, refrigerated cargo and others.

As customer requirements are changing, the need to provide third party logistics solutions have been increasing especially in dynamic industry segments like Automobiles, retail, pharmaceuticals, consumer goods and others. TCI has been providing services such as:

- In plant warehousing for inbound raw materials and stores management for a textile major
- Dedicated transportation, finished product warehousing and secondary transportation for an automobile company
- Just in time supply from dedicated warehouses for a retail chain

TCI registered a growth of 18.12% (2.32% in previous year) with operating income increasing from Rs 258 million to Rs 286 million. Operating margins have moved by 10.65% over the previous year.

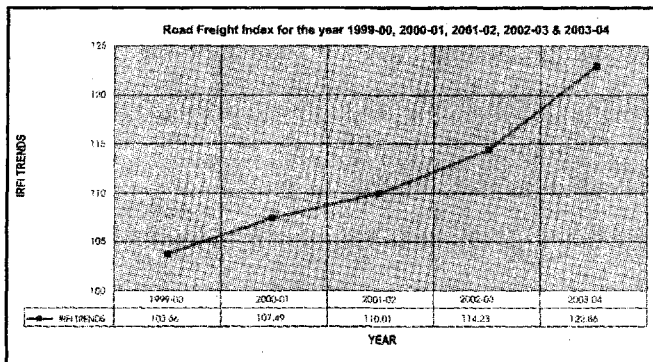
Joint Venture

The Company formed a joint venture with Mitsui & Co. of Japan in 1999 as a strategic intent to position itself as an integrated logistics solutions provider. Transystem Logistics International Pvt. Ltd. (TLI) is a unique example in Asia where the complete automobile logistics of Toyota Kirloskar Motors Ltd. (TKM), Bangalore, is handled singularly at global quality levels.

TCI's investment into TLI helps the parent company to learn about globally accepted standards as well as attain dedicated transportation business. The Joint venture has been performing well within the expectations of Toyota and is constantly working to improve its productivity and profitability.

Power Generation

During the year under review, the Company has successfully commissioned its Wind Mill power project with a capacity of 2.5 MW in the state of Rajasthan. Through this initiative, your Company has





initiated its entry in the priority sector of power thereby contributing to the national cause.

Internal Management Controls and their adequacy

Your company's well established internal audit process continuously monitors the adequacy and effectiveness of the internal control environment across the various businesses and the status of compliance with operating system and policies, and assists in the formulation of risk management policies. In the networked IT environment of your Company, validation of IT security receives focused attention of the internal audit team whose members are regularly trained in contemporary audit techniques and methodologies.

The Audit Committee of your Board reviewed the adequacy and effectiveness of the internal control environment and monitored implementation of internal audit recommendations. It is also actively engaged in overseeing financial disclosures and in reviewing your Company's risk management policies.

Information Technology

TCI has been using information technology as a tool for internal process management and controls as well as serving our customers by providing them with ease of doing business and improved response times. The Company has linked its major offices on a closed user network of dedicated leased lines and a VSAT backbone. All of its other major locations are on internet dial-up connections for real time data flow and communication.

TCI has been working to create new web-enabled software and advanced tracking systems for increased productivity and visibility across the chain. Several company-owned trucks are now equipped with Global positioning systems (GPS) for real-time monitoring to increase productivity and profitability.

Human Resource Management

TCI strongly believes that people are at the heart of corporate purpose and constitute the primary source of sustainable competitive advantage. It has established strong human resource management and development policies aligned to the overall vision of the company.

The company has established a strong training and development program for all employees to be a responsive and market-driven organization. This year the company introduced a 360 degree feedback system for the top line managers across the various business divisions. The program was very well received and the company intends to take it to the next level of managers in the coming year. Several innovative and highly focused training programs have also been established through the company's internal training centers.

Opportunities & Challenges

The gradual transformation of the Indian economy presents challenges and opportunities for organizations to take the next leap forward. TCI with its 46 years of experience in transportation and logistics management and a dedicated and trained team is constantly evolving itself to retain its leadership position and competitive edge. TCI has the vision to put itself on the global map in the field of integrated logistics service providers.

Risks and Concerns

The Company is potentially exposed to any significant fluctuations in the state of the Indian economy. The significant presence of unorganized sector offering cheaper rates coupled with unethical practices also intervenes with healthy competition. TCI with its strong systems & practices in place has positioned itself to counter these threats to the best possible extent through its highly integrated operations and thrust on value addition to all its businesses.

Outlook

TCI's vision to be the customer's choice for all their logistics requirements is based on its guiding principles of trust, reliability and excellence. The company's strategy has been directed towards providing the highest level of service through superior operational efficiencies and is fully geared to capitalize on any growth opportunities.

DIRECTORS' REPORT

To the Members,

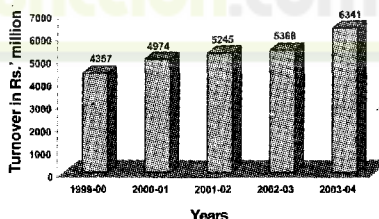
Your Directors have pleasure in presenting their report on the business and operations of your Company for the year ended 31st March, 2004.

FINANCIAL PERFORMANCE:

	(Rs. in lacs)	
	2003-04	2002-03
Income	63407	53682
Profit before Interest, Depreciation and Taxation	2857	2582
Less : Interest (Net)	533	733
Depreciation (Net)	1136	937
Profit before Tax	1188	912
Less : Provision for Tax - Current	98	205
- Deferred	337	135
Profit after Tax	753	572
Taxes for earlier years	1	6
Add : Balance brought forward	260	245
Profit available for appropriation	1014	823
Appropriations		
Dividend	189	189
Dividend Tax	24	24
Transfer to General Reserve	500	350
Balance carried forward	301	260
	1014	823

OPERATIONAL PERFORMANCE

During the financial year 2003-04, your Company has achieved a growth in revenue by 18% with an increased Profit after Tax by 31.64% as compared to the previous year. Your Company has been successful in controlling costs, especially interest and indirect expenses, which has helped it in enhancing the net margin on turnover.



DIVIDEND

Your Directors are pleased to recommend the payment of dividend @ 18% (Last year —18%) for the year ended 31st March 2004.

BUSINESS SEGMENTS

Transport Division:

Primarily, the conventional & non-time sensitive cargo is being handled under this division. Margin has been under pressure due to reverse auctions, major strike in April, 03 and increase in fuel prices, which could not be passed on to the customers. Therefore, the profitability continues to be under pressure in this segment. The turnover of the division has improved by 14.51% over the last year.

XPS Cargo Services Division :

Within a short span of seven years, XPS has crossed numerous milestones. In the year under review, the turnover has been significantly higher at Rs.1398 million registering an increase by over 32.67% vis-à-vis last year. This growth is relatively higher in comparison to the industry standards.

The division has also established primary set-up for its cold chain project for handling refrigerated cargo movement and achieved revenue of Rs 4.80 million during the year. The international wing also made satisfactory in-roads, which will certainly yield results in coming future.

Logistics Division:

Leading corporates are recognizing the importance of Logistics in the