

A N N U A L R E P O R T 2 0 0 4 - 2 0 0 5

moving together



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

Auditors:

R.S. Agarwala & Company
Chartered Accountants

Bankers:

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

Sr. Vice President-Finance & Secretary:

A.K. Bansal

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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 10th Annual General Meeting of the Company will be held on Tuesday, the 30th August, 2005 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 consider and adopt the Audited Profit & Loss A/c for the financial year ended 31st March 2005, the Balance Sheet as at that date and the Reports of the Directors & Auditors thereon.
2. To declare a dividend on Equity shares.
3. To appoint a Director in place of Mr. S.M.Datta, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ravi Uppal, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and 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. Chitrakar & 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 2005-06 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."
7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution :
"RESOLVED THAT the Authorised Share Capital of the Company be increased from Rs. 16,00,00,000 (Rupees Sixteen Crores Only) divided into 1,10,00,000 (One Crore Ten Lacs) Equity Shares of Rs.10/- (Rupees Ten Only) each and 5,00,000 (Five Lacs) Preference Shares of Rs.100/- (Rupees One Hundred Only) each to Rs. 25,00,00,000 (Rupees Twenty Five Crores Only) by creation of additional 90,00,000 (Ninety Lacs) equity shares of Rs.10/- (Rupees Ten Only) each."
8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a special resolution :
"RESOLVED THAT the existing Clause V of the memorandum of Association of the Company be and is hereby substituted by the following:

Clause V

The Authorized Share Capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) divided into 2,00,00,000 (Two Crores) Equity Shares of Rs.10/- (Rupees Ten Only) each and 5,00,000 (Five Lacs) Preference Shares of Rs.100/- (Rupees One Hundred Only) each with such rights, privileges and conditions attached thereto as may be determined by the general meeting at the time of issue. The Company has and shall always have the power to divide, sub-divide, split or consolidate its shares from time to time in such manner as may be permitted under the Act."

9. To consider and if though fit, to pass the following resolution with or without modification(s), as a special resolution :
"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Article 4 of the Article of Association of the Company be and is hereby substituted by the following :

The Authorized Share Capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) divided into 2,00,00,000 (Two Crores) Equity Shares of Rs.10/- (Rupees Ten Only) each and 5,00,000 (Five Lacs) Preference Shares of Rs.100/- (Rupees One Hundred Only) each with power to increase or reduce the said capital and to divide, sub-divide, split or consolidate its shares from time to time in such manner as may be permitted under the Act."

The existing clause (a) & (b) to the main clause 4 of the Articles of Association will remain unaltered.

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

"RESOLVED THAT in accordance with Schedule XIII and provisions of Sections 198, 269 & 309 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents and approvals, as may be necessary, the Company hereby approves the payment of commission to Mr. Vineet Agarwal, Executive Director w.e.f. 1st April, 2005 as per the details set out in the explanatory statement annexed hereto."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters & things as may be necessary or expedient to give effect to this resolution."

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

"RESOLVED THAT in supersession of the Special Resolution passed by the Members at their Annual General Meeting held on 29th Aug. 2003 and pursuant to the provisions of section 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, consent of the Company be and is hereby accorded to Mr. Chander Agarwal, a relative of Directors of the Company to hold office or place of profit in the Company in its Sr. Management cadre on the revised terms with effect from 1st April 2005 as set out in the explanatory statement annexed hereto."

BY ORDER OF THE BOARD

For Transport Corporation of India Ltd.

Place : Gurgaon

A.K. Bansal

Date : 29th June, 2005

Sr. VP - Finance & Secretary

NOTES :

1. a) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No. 6 to 11 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 26th August 2005 to 30th August 2005 (both days inclusive). Dividend on equity shares for the year ended 31st March, 2005, will be paid on or before 3rd September, 2005 to those Members whose names appear on the Company's Register of members at the close of working hours of the Company, on 30th August, 2005 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.
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 once again requested to convert the same into electronic form by sending their request to the Company through their Depository Participant in order to avail inherent advantages.
The ISIN No. of our Scrip is INE 688A01014.
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 attend 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. Members are requested to intimate under the signature of the sole/first Joint Holder about the Bank Account Number, Type of Account, Saving (SB) or Current (CA), name and address of the bank, in which they intend to deposit the Dividend Warrants, so that the same can be printed on Dividend Warrants in future, to avoid the incidence of fraudulent encashment of the instrument.
8. 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 of 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.
9. The members are requested to address all their communications to M/s Abhipra Capital Ltd., Ground Floor, Abhipra Complex, Dilkush 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.
10. 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.
11. 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 decided to consolidate such folios with immediate effect. 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.
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 2005-06 has since been paid to all these Stock Exchanges.

The Company has also since received approval from Calcutta Stock Exchange for delisting of its shares from the said exchange.
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 2005-06.

The Board recommends the appointment of M/s. K.B. Chitracar & Co., Chartered Accountants as Branch Auditors for the year 2005-06.

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

Item Nos. 7, 8 & 9

The Company's present Authorized Share Capital is Rs. 16,00,00,000/- (Rupees Sixteen Crores Only) divided into 1,10,00,000 (One Crore Ten Lacs) Equity Shares of Rs.10/- (Rupees Ten Only) each and 5,00,000 (Five Lacs) Preference Shares of Rs.100/- (Rupees One Hundred Only) each.

With a view to keep pace with the growing economical scenario, there exists some expansion plans on the anvil which may result into increase in the existing paid up equity capital needing further increase in the Authorised Capital which also require corresponding changes in the Memorandum And Articles of Association.

It is therefore proposed to increase the Authorized Share Capital of the Company to Rs.25,00,00,000/- (Rupees Twenty Five Crores Only) divided into 2,00,00,000 (Two Crores) Equity Shares of Rs.10/- (Rupees Ten Only) each and 5,00,000 (Five Lacs) Preference Shares of Rs.100/- (Rupees One Hundred Only) each while incorporating the same suitably in the Memorandum & Articles of Association of the Company.

The Board of Directors recommends the passing of resolutions as appearing in item Nos. 7, 8, & 9 of this notice.

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

Item No. 10

The members may be aware that Mr. Vineet Agarwal was re-appointed as Executive Director for a period of five years w.e.f. 1st July, 2003, as per the terms and conditions set out in the resolution passed in the AGM held on 29th Aug., 2003.

The said terms envisaged payment of salary and other usual perquisites subject to the provisions of Schedule XIII and Sections 198, 269 & 309 of the Companies Act, 1956.

Keeping in view the wide spectrum of activities being looked after by Mr. Vineet Agarwal, it is proposed to pay him commission @ 1% of the net profits of the Company, in addition to the salary and other perquisites presently being paid to him. The overall remuneration, however, payable to Mr. Vineet Agarwal will be subject to the limits as specified in Schedule XIII read with Sections 198, 269 & 309 of the Companies Act, 1956 from time to time.

Besides Mr. Vineet Agarwal himself, Mr. S.N. Agarwal and Mr. D.P. Agarwal, Directors being related to Mr. Vineet Agarwal are interested in this resolution. However, they have no pecuniary interest.

The Board of Directors recommends this resolution for your approval.

This may also be treated as an abstract of the variations in the terms and conditions of the remuneration of Mr. Vineet Agarwal pursuant to Section 302 of the Companies Act, 1956. The relevant documents regarding this matter are available for inspection upto the date of the Annual General Meeting at the Regd. Office of the Company on any working day between 11 a.m. to 1 p.m.

Item No. 11

The Members at their Annual General Meeting held on 29th Aug. 2003 approved the appointment of Mr. Chander Agarwal to hold office or place of profit with effect from 1st September, 2003 at a basic salary of Rs.20,000/- PM with liberty to the Board or any committee thereof in its absolute discretion to fix the total monthly remuneration inclusive of the allowances perquisites and benefits as per Company rules, in the range of Rs. 20,000/- to Rs. 50,000/-.

Mr. Chander Agarwal has done Bachelor of Science in Business Administration during 1996-2001 from Bryant College, Smithfield, RI with concentration in Management and Minor in Economics and Political Science. Regarding work experience, he has done Summer Intern with TCI in various departments including operations, Logistics and Marketing etc.

during the period 1998 -2001 thereby getting fair amount of exposure to the key functions in the Company .

During the period November 2001-02, he undertook internship with M/s Transfreight LLC, USA to get first hand experience of the latest in supply chain management, also called "Lean Production System."

Mr. Chander Agarwal has over the years been handling various functions like diversification projects and spearheading various strategic initiatives of the Company. However, his remuneration could not be increased commensurately since he reached the maximum salary in his grade mentioned above. Considering his experience, contribution to the Company's working, the present salary structure within the organization and in the industry in general, it is proposed that the remuneration to Mr. Chander Agarwal be increased as stated in the resolution at Item No.11.

The Board of Directors in its meeting held on 29th June, 05 has revised the terms of the appointment of Mr. Chander Agarwal subject to the consent of the members by way of special resolution passed in the general meeting and the Central Government. The "selection committee" comprising of independent directors and an outside expert from an eminent Human Relations firm has also considered the matter and forwarded its recommendations to the Board accordingly pursuant to the provisions of section 314(1B) & rules made thereunder.

Section 314 (1B) of the Companies Act, 1956 (Act) read with Directors' Relatives (Office or Place of Profit) Rules, 2003 provides that, a relative of a director shall not hold office or place of profit carrying a total monthly remuneration in excess of Rs. 50,000/- unless the prior consent of the members is accorded by way of a special resolution and the approval of the Central Government is obtained. As the remuneration proposed to be paid to Mr. Chander Agarwal will exceed the said limit, approval of the Central Government will be sought pursuant to Section 314 of the Act. He will be entitled to the revised remuneration w.e.f. April 1, 2005 but only after receiving members and Central Government's approval.

Except Mr. S N Agarwal, Mr. D P Agarwal & Mr. Vineet Agarwal, being relatives of Mr. Chander Agarwal, no other Director is concerned or interested in this resolution.

The Board of Directors recommends this resolution for your approval.

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

**Place : Gurgaon
Date : 29th June, 2005**

**A.K. Bansal
Sr. VP - Finance & Secretary**

ANNEXURE

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

Mr. S.M. Datta: has had an illustrious career in his capacity as the past Chairman of Hindustan-Lever Ltd. & all Unilever Group Companies in India/ Nepal during the period 1990-96. At present, he is the Chairman/ Director on the Board of various Companies of repute. He is also a member of the Advisory Boards of CocaCola India Ltd. and Metro Cash & carry (India) Ltd., the Advisory Committee of the Army Group Insurance Fund, the Rating Committee of Credit Analysis & Research Ltd. and a Trustee of India Brand Equity Fund Trust.

He thus combines in him a vast pool of knowledge & rich experience due to his long association in different segments of industry in various capacities.

Mr. Datta has done Post-Graduation in Science & Technology from Calcutta University and is a Chartered Engineer and Fellow of the institution of Engineers [India] & Indian institute of Chemical Engineers besides being Honorary Fellow of All India Management Association.

Other Directorships

Name of Company	
Castrol India Ltd.	-Chairman
Philips India Ltd.	-Chairman
IL & FS Venture Corporation Ltd.	-Chairman
EID Parry (India) Ltd.	-Chairman
BOC India Ltd.	-Director
TIL Limited	-Director
Zodiac Clothing Company Ltd.	-Director
Peerless General Finance & Investment Co. Ltd.	-Director
Goodlass Nerolac Paints Ltd.	-Director
M. Visvesvaraya Industrial Research & Development Centre	-Director
Atul Limited	-Director
Bhoruka Power Corporation Ltd.	-Director

Committee Memberships

Name of Committee
Castrol India Ltd.
Shareholders/Investors' Grievance Committee - Chairman
IL& FS Venture Corporation Ltd.
Shareholders/Investors' Grievance Committee - Member
EID Parry (India) Ltd.
Audit Committee - Chairman
BOC India Ltd.
Shareholders/Investors' Grievance Committee - Member
Audit Committee - Chairman
TIL Limited
Audit Committee- Member

Mr. Ravi Uppal: is presently Vice Chairman, Managing Director & Country Manager, ABB India Ltd. He is also responsible for the South Asian Region besides being a member of ABB's global Group Executive Forum. Prior to this appointment, he was the Managing Director, Volvo India Limited from 1996 to 2001 where he established and developed Volvo's operations in India.

Mr. Uppal obtained his B. Tech (Elec.) Degree from the Indian Institute of Technology, Delhi in 1973 and accomplished his Post-graduation in Business Management from the Indian Institute of Management, Ahmedabad in 1975.

Mr. Ravi Uppal is actively involved in Indian industry. He is a member of the Confederation of Indian Industry (CII) National Council and also heads CII's National Committee on Industrial Policy. He is on the advisory board of CII's National Institute of Quality and has previously served as Chairman of CII, Karnataka. Mr. Ravi is also on the Board of other leading Indian companies.

Other Directorships

Name of Company
Asea Brown Boveri Ltd
- Vice Chairman & Managing Director
ABB Holdings (South Asia) Ltd.
- Director
ABB Corporate Research Ltd.- Director
Bhoruka Power Corporation Ltd.
- Director

Committee Memberships

Name of Committee
Asea Brown Boveri Ltd.
Share Transfer & Investors'/ Shareholders' Grievance Committee - Member

Mr.Vineet Agarwal: is with the Company since last over 9 years. He has done Graduation in Economics and Industrial Management from USA. An IT savvy person with tremendous business acumen, Mr. Agarwal has been instrumental in successfully positioning the Company as the market leader more particularly as a Total Logistics Solutions Provider offering customize solutions.

Mr. Agarwal is also actively associated with CII, FICCI, PHDCCI and AIMA in different capacities thereby taking the cause of Industry at appropriate forums.

Other Directorships

Name of Company
Transsystem Logistics International Ltd.
- Chairman
Tanscorp International Ltd. - Director

Committee Memberships

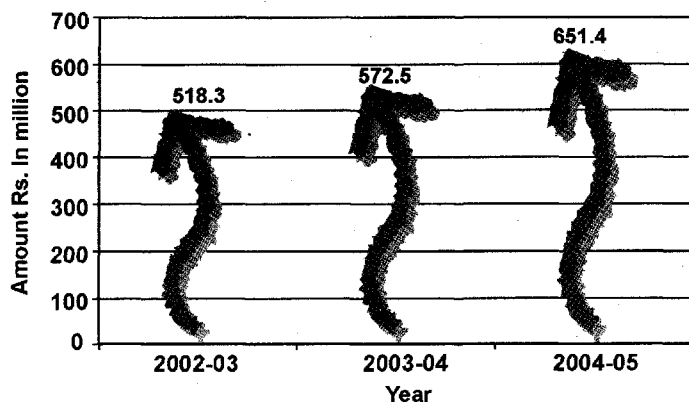
Name of Committee
Transcorp International Limited
Shareholders/Investors Grievance Committee - Member
Audit Committee - Member
Transport Corporation of India Ltd.
Shareholders/Investors Grievance Committee - Member

Key Financials

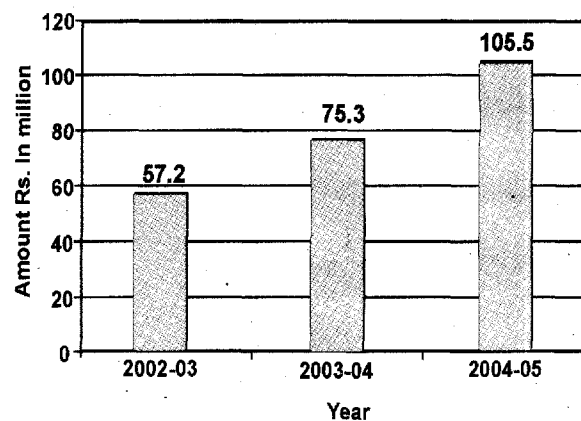
(In Rs. million)

PARTICULARS	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
OPERATIONAL						
1 Total Income	7358.9	6340.7	5368.2	5244.9	4974.2	4357.3
2 Profit before interest, depreciation & tax	344.3	285.7	258.2	260.9	271.0	240.2
3 Interest (net)	54.4	53.3	73.3	91.7	102.9	104.4
4 Depreciation	137.5	113.6	93.7	92.8	85.1	61.2
5 Profit before tax	152.4	118.8	91.2	76.4	83.0	74.6
6 Tax - Current	12.4	9.8	20.5	16.6	7.5	9.5
- Deferred	34.5	33.7	13.5	9.2	-	-
7 Net profit	105.5	75.3	57.2	50.6	75.5	65.1
8 Cash profit	277.5	222.7	164.4	152.6	160.6	126.3
9 Dividend Per Share (Rs.)	2.00	1.80	1.80	1.80	1.80	1.80
10 Earning Per Share (Rs.)	10.05	7.17	5.45	4.82	7.19	8.93
FINANCIAL						
11 Gross Block	1965.8	1667.5	1490.1	1364.6	1333.3	1244.4
12 Net Block	1460.2	1272.2	1172.2	1082.5	1104.9	1087.9
13 Net worth	651.4	572.5	518.3	481.9	543.4	434.4
14 Total Debts	960.3	825.1	765.4	680.6	761.3	720.9
15 Avg. Capital Employed	1671.4	1473.3	1332.2	1284.8	1230.0	1128.7
16 Return on net worth	16.20%	13.15%	11.04%	10.50%	13.89%	14.99%
17 Return on Capital Employed	12.37%	11.68%	12.35%	13.08%	15.11%	15.86%
18 Debt Equity ratio (Times)	1.47	1.44	1.48	1.41	1.40	1.66
19 Interest Cover (Times)	6.33	5.36	8.52	2.85	2.63	2.30
20 Book Value per share (Rs.)	62.04	54.52	49.36	45.9	51.75	59.59
21 Share Capital	105.0	105.0	105.0	105.0	105.0	72.9

Net Worth



Net Profit



MANAGEMENT DISCUSSION AND ANALYSIS

Business and Economic Perspective

The Indian Economy recorded reasonable growth of 6.5% in the year under review. All sectors, agriculture, industry and services showed strong resilience despite an average monsoons and high crude prices. Record capital expenditure increases indicated a future investment into capacity augmentation and modernization in the manufacturing sector. The foreign exchange reserves grew to USD 141 Billion (ending March 2005), one of the highest growth amongst all world economies.

Global Logistics Industry

The Global contract logistics market is estimated at approximately USD 750 Billion and is growing at 5-6% annually (source: ING Bank). It is extremely fragmented with the top 7 companies controlling less than 11% market share. There is a visible trend in the industry to consolidate as users are demanding more and more comprehensive and single window solutions.

Contract logistics services are typically provided by Lead Logistics providers (LLP) who offer the maximum range of services, including the regular warehousing, transportation and freight management. LLPs offer these either through their own capabilities or by outsourcing to other focused service providers. In India, the contract logistics market is growing steadily as more and more companies look to outsource their non core activities. Indian industry roughly spends 13% of the GDP on logistics costs compared to a global benchmark of 10-11%.

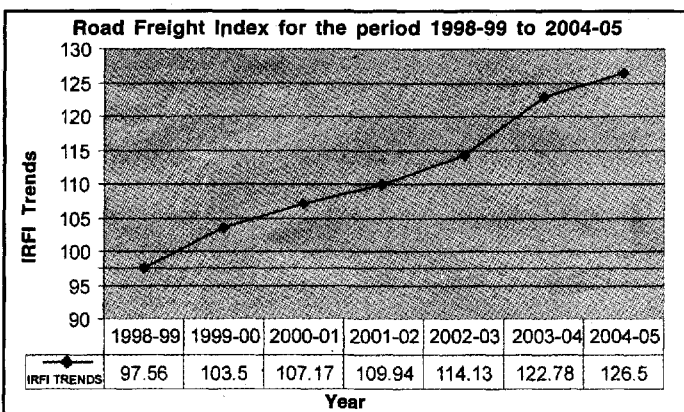
Trends in Indian Transportation and Logistics industry

In the last financial year, the transformation of the economy could be felt by some of the structural changes. The lack of clarity and doubts over the impending implementation of Value added tax (VAT) from April 1st, 2005 impacted the last quarter of many companies especially in the pharmaceutical and consumer goods sectors. The long term impact of VAT in rationalization of the taxation structure would benefit companies to convert their state warehouses into larger regional warehouses and subsequently lower inventories and deliver to their customers faster.

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 was estimated to be completed by 2007. Implementation problems and bureaucratic impediments have delayed the project completion to 2009.

The Indian Road freight transport sector, roughly estimated at US\$10 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.

In the last few years, the increase in fuel prices has put immense pressure on the transport sector. Fuel and fuel products like lubricants now account for close to 50% of operating costs for a vehicle. Other costs like the prices of tyres, commercial vehicles, road toll taxes, wages and management costs have all gone up substantially. Over a period of 6 years from 1999-2000 till 2004-05, the weighted average prices of diesel has gone by 132%. 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 26% indicating a discount of 33% over real freight rates.



Mission and Business Strategy

TCI Group's mission is to be a Rs. 20 Billion organization by 2010 by providing integrated supply chain solutions of global quality standards.

TCI's range of services encompasses the entire gamut of supply and demand chain services from the point of origin to the final end customer. TCI has been continuously introducing new and innovative services. From multi-modal transportation (road, rail, air, sea) to express distribution services, from freight forwarding and customs clearances to warehouse management services, each of the services are linked under a single Customer Relationship Management system for maximum benefit to clients.

The Company's strategy is to cross sell its broad range of services, deliver to any corner of the world through specialized and trained professional teams to create value for our customers.

Financial / Operational Performance

Since the inception of the company in 1958, Transport Corporation of India Ltd. (TCI) has been spearheading the growth and development of the logistics industry. The company has been focused in providing customized services to its clients across the length and breadth of the country. With over 1000 company owned offices, more than 4 million sq. ft. of owned and managed warehousing space, TCI Group now manages cargo worth more than Rs. 350 billion every year, equivalent to 1% of India's GDP.

The Company's strong ethical and transparent value system, customer orientation and adaptation to international quality standards have reaffirmed its leadership position.

Total Income



Transport Division

Rs. millions

	2004-05	2003-04	Change (%)
Revenues	4489.1	4171.2	7.6
PBIT	68.7	60.4	13.75

The Transport Division recorded a moderate increase in its revenues in the year ending March 31, 2005 and a higher increase in profits. The Division competes in a highly fragmented and un-organized sector with low yields and high volumes. It is also subject to the movements in freight rates based on demand and supply across various routes. Over the coming years, this Division should improve its margins with increase in volumes.

XPS Division

Rs. million

	2004-05	2003-04	Change (%)
Revenues	1700.6	1398.5	21.6
PBIT	134.0	111.6	20.07

The XPS Division continued its blistering pace of growth in revenues and profits. XPS now offers a complete range of express services from packages to courier documents by air or surface, international freight forwarding and customs clearance to critical time sensitive cold chain services. With increased investments in the year under review

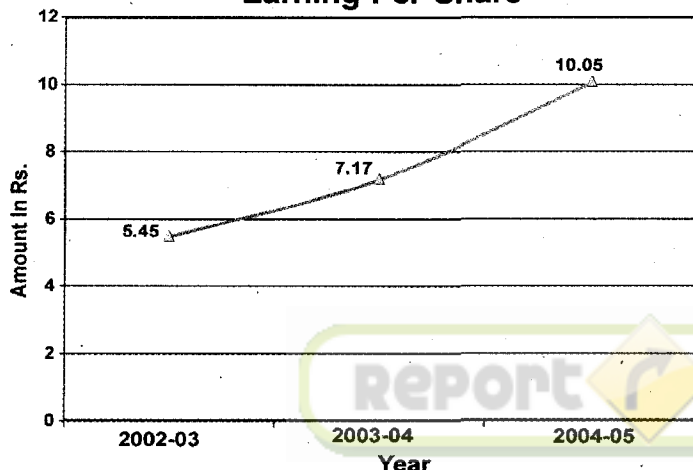
and the forthcoming financial year, the Division should continue its growth path.

Supply Chain Solutions Division

TCI Supply Chain Solutions has been growing rapidly in the last few years with increase in outsourcing by companies looking to re-align their supply chains. This Division provides solutions based on detailed consultation and studies of companies logistics processes and facilities. The solutions encompass complete transport management, warehousing and C&F management, order processing, inventory management services and other value added services.

This Division has been managing several unique and complex logistics contracts including vendor managed inventory (VMI) for an automobile company, cross docking and stock buffering for a Fast-moving consumer goods company, delivering telecom units to more than 5000 sites across the country for several telecom companies amongst others.

Earning Per Share



Investments

Transsystem Logistics International Pvt. Ltd.

TCI's joint venture with Mitsui & Co. of Japan was established as Transsystem Logistics International Pvt. Ltd. (TLI) in 1999 to provide complete automobile logistics services to Toyota Kirloskar Motors (TKM) in India. The Company has invested Rs. 39.2 million and has seen tremendous returns in terms of implementation and learning of global logistics systems here in India.

TLI has been consistently providing high quality services to TKM to comply with their famed Just-in-time (JIT) production system. TLI has set new standards in India for logistics productivity and efficiency.

Wind Power Generation

During the year under review, the Company has successfully commissioned another Wind power project with a capacity of 2.5 MW in the state of Rajasthan. This brings company's total installed capacity to 5 MW. The power generation and returns on the project are as per expectations.

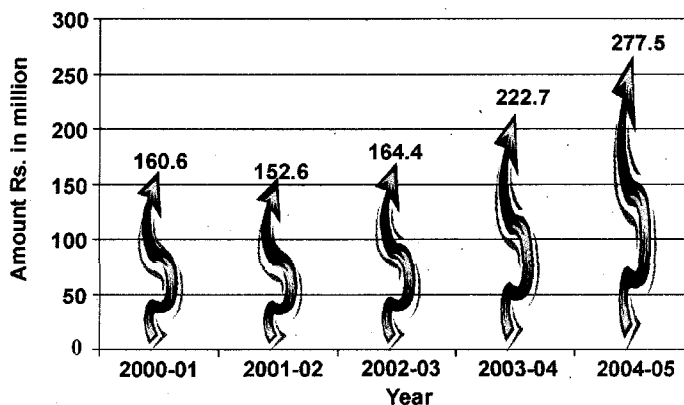
TCI Seaways

TCI's strategic investment into TCI Seaways is to provide the coastal reach to TCI & XPS customers from the Indian mainland. The company services both the domestic and international waters through its four ships.

Internal Management Controls and their adequacy

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and transactions are authorized, recorded and reported correctly. Your company's well established internal audit process continuously monitors the adequacy and effectiveness of the internal control environment across the various

Cash Profit



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's continued investments into Information Technology provide a competitive edge over its competition. All major offices are linked in a closed user group network of leased lines supported by a VSAT backbone. The latest front end tools are employed for providing instant customer support. A strong and robust yet scalable back end serves as a foundation for the systems. TCI has one of the largest installed bases of Global positioning systems (GPS) on its trucks in the country. Linkages to the tracking systems provide customers with real time visibility of their cargo at anytime from anywhere. The Company has charted an aggressive strategy to introduce the latest and customer friendly interfaces.

Human Resource Management

Human Resources are essential to any service organization like TCI. A source of competitive advantage, TCI has constituted strong policies for the continuous growth and progress of its employees. The Company has instituted individual performance management systems to encourage meritocracy and innovative thinking. Competence mapping and need gap analysis have resulted in focused and responsive training programs for the benefit of the individual and the company.

TCI believes in investing in people development for the future and has established several best practices to further the company's leadership.

Risks and Concerns

The Company is potentially exposed to any significant fluctuations in the state of the Indian economy. The significant dominance of the unorganized sector with prevalent unethical practices makes the operating environment challenging. TCI's strong fundamental ethical practices and robust systems and processes will help the company defy these threats.

Outlook

TCI's vision to be the customer's choice for all their supply chain needs is based on its guiding principles of trust, reliability and quality. The Company will continue to focus on providing superior service and operational excellence for greater customer delight.