

50
YEARS

TCI
LEADERS IN LOGISTICS

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LEADERS IN LOGISTICS

Annual Report 2008-09

Transport Corporation of India Limited

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Contents	02 Corporate identity	03 Business divisions and service		
04 Key financials	05 Our achievements, 2008-09	06 Vice-Chairman and MD's review	08 Our strengths	
09 Board of Directors	10 Management Discussion and Analysis	12 Divisional overview	19 Finance review	21 Risk management
22 Directors' Report	30 Report on Corporate Governance	41 Auditors' Report	44 Balance Sheet	
45 Profit and Loss Account	46 Schedules to Accounts	64 Cash Flow Statement	65 Balance Sheet Abstract	
66 Statement under Section 212	67 Statement under Section 212(1) & (8)	68 Consolidated Accounts		

Disclaimer

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities, laws and regulations. The Company cautions that such statements involve risks and uncertainties and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

TCI STANDS FOR TRUST.

Through its multi-modal logistic service (road, rail, sea and air).

Through the integration of freight forwarding, warehousing, 3PL and courier services.

Through its end-to-end logistic solutions.

The result: TCI is India's leading integrated logistics solution provider with a growing global presence.

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→ Vision

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

→ Values

TCI's value system is represented by the acronym CORE standing for Customer Focus, Ownership, Responsibility and Empathy and it is these that have been the driving force behind the growth.

→ Lineage

- › TCI has a business legacy of 50 years
- › Founded by Mr P. D. Agarwal in 1958
- › Evolved into the present form in 1995

→ Presence

- › Headquartered in Gurgaon (Haryana) near New Delhi
- › Pan-India presence with 1,200 branches
- › International presence through subsidiaries / joint ventures in Singapore, Hong Kong, Indonesia, Thailand, China, Germany, Mauritius and The Netherlands
- › Shares listed on the National Stock Exchange and the Bombay Stock Exchange
- › Moves 2.5% of India's GDP by value and extends across 99.45% of India's GDP of region coverage.

→ Assets

- › 1,200 fully computerised offices
- › 6,500 employees and 20,000 strong outsourced team in India and abroad
- › Five cargo ships
- › Operating/managing 7,000 trucks and trailers
- › 7.8 million sq. ft of warehousing space

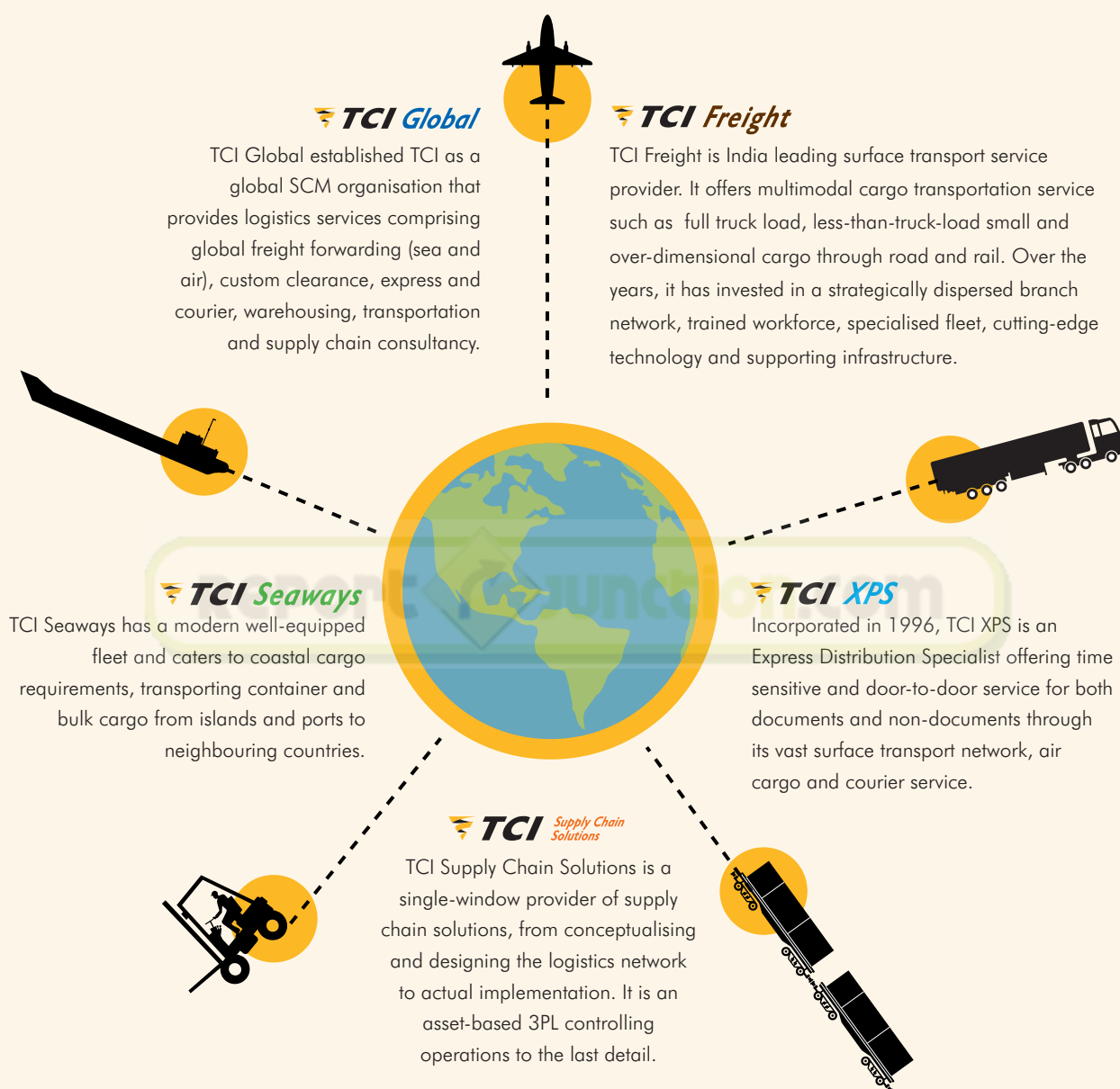
→ Collaborations/Joint ventures

- › Transsystem Logistics Pvt. Ltd, a JV between TCI and Mitsui & Co. (the sole logistics provider to Toyota Kirloskar Motors Ltd for supply chain solutions)
- › 50:50 JV with Scan-Trans, Denmark (for shipping)

→ Awards and accolades

- › Received the Express Logistics and Supply Chain Conclave Award for "Best 3PL of the Year for two consecutive years, 2007 & 2008
- › Received Supply Chain Excellence Award 2007 from CII for Excellence in Supply Chain Design, Re-engineering and Delivering value to customers
- › Received Pegasus Silver Corporate Social Responsibility Award 2007
- › Received the Best IT Implementation Award 2007 from PC Quest (Cyber Media)

BUSINESS DIVISIONS AND SERVICE



	Freight	Express	Seaways	Supply chain	Global
Industry scenario	Mature, fragmented, low entry barriers, low cost	Growth, niche, high entry barriers, cost efficiency	Growth, high entry barriers, low cost	Nascent, knowledge based, very high barriers, single-window	Providing one-stop solution, investment in technology, consolidation through M&A
Industry growth	5-10%	15-20%	10-15%	20-30%	7.5-10%
TCI growth pattern	10-15%	20-25%	20-25%	25-40%	20-25%

KEY FINANCIALS

(Rs in million)

	PARTICULARS	2008-09	2007-08	2006-07	2005-06	2004-05
	OPERATIONAL					
1	Total Income	13,044.2	12,029.0	10,895.7	9,139.8	7,358.9
2	Profit before interest, depreciation and tax and exceptional item	990.0	807.9	742.7	627.5	344.3
3	Interest (net)	240.8	168.3	103.4	71.3	54.4
4	Depreciation	259.8	207.8	199.1	185.2	137.5
5	Profit before tax & exceptional item	489.4	431.8	440.2	371.0	152.4
6	Exceptional Item	40.0				
7	Profit before tax	449.4	431.8	440.2	371.0	152.4
8	Taxes					
	- Current	147.2	109.9	82.3	46.2	12.4
	- Deferred	0.2	18.7	36.6	43.6	34.5
	- FBT	18.6	18.5	15.6	12.9	
	- Taxes for earlier years	0.2	0.4		0.2	2.6
9	Net profit	283.2	284.3	305.7	268.1	102.9
10	Cash profit	543.2	510.8	541.4	496.9	274.9
11	Dividend per share (Rs)*	0.60	0.60	0.60	2.50	2.00
12	Earning per share*	3.91	3.92	4.53	19.78	10.05
	FINANCIAL					
13	Gross block	4,132.3	3,901.3	3,551.8	2,608.8	1,965.8
14	Net block	2,982.8	2,875.9	2,659.9	1,874.3	1,460.2
15	Net worth	2,714.0	2,484.3	1,326.5	1,067.8	651.4
16	Total debt	2,329.0	2,290.3	2,185.8	1,130.7	960.3
17	Average capital employed	5,189.5	4,417.0	3,101.2	2,110.9	1,671.4
18	Return on net worth	10.43%	11.44%	23.04%	25.13%	16.20%
19	Return on capital employed	14.07%	13.58%	17.53%	20.96%	12.37%
20	Debt-equity ratio (times)	0.86	0.92	1.65	1.06	1.47
21	Interest cover (times)	4.11	4.80	7.18	8.80	6.33
22	Book value per share (Rs)*	37.43	34.27	19.65	79.08	62.04
23	Share capital	145.01	145.01	135.01	135.01	105.00

* Shares of Rs 10 each had been sub-divided into shares of Rs 2 w.e.f. 12th December 2006 and therefore these figures are not comparable with the figures for the years prior to FY 2006-07

OUR ACHIEVEMENTS, 2008-09

Absolute numbers

Revenue
Rs 12,979.50 mn

Growth
8.30%

CAGR of four years
15.24%

EBIDTA
Rs 989.96 mn

Growth
22.53%

CAGR of four years
30.14%

Profit after tax
Rs 283.19 mn

CAGR of four years
28%



Margins

EBIDTA
7.59%

Basis growth
87 basis points
(2007-08 - 6.72%)

PBT
3.77%

Basis growth
18 basis points
(2007-08 - 3.59%)

ROCE
14.06%

Basis growth
47 basis points
(2007-08 - 13.59%)



› Completed 50 years in business in 2007-08

› Reinforced its brand through its 'Leaders in Logistics' positioning

› All divisions adopted the 'TCI' prefix to distinguish the marque



› Installed advanced vehicle tracking system; networked all branches through ERP

› Increased warehousing space from 7.5 million sq.ft in 2007-08 to 7.8 million sq.ft

› Expanded its footprint from three countries in 2007-08 to eight countries



Eagle vision

“CORPORATE BRAND AND PROVIDING CUSTOMER CONVENIENCE HELPED US REINFORCE OUR LEADERSHIP IN INDIA’S LOGISTICS INDUSTRY.”

Mr D. P. Agarwal, Vice-Chairman and MD, reviews the performance of the Company in 2008-09 and the road ahead.

Were you pleased with the performance of the Company in 2008-09?

I was a satisfied man for an important reason. We countered peak oil prices, serious global slowdown, demand destruction, reduction in realisations and an extended receivables cycle through two overriding initiatives: We integrated our transportation modes – freight, express cargo, seaways, supply chain solutions and freight forwarding – to provide a unified single-stop solutions service and consolidated our services under the TCI marque for the benefit of our stakeholders. The result was that our revenue growth was 200 bps higher than the country’s GDP growth and we reported a 22.53% increase in our EBIDTA in 2008-09.

What were the business achievements that made this growth a reality?

I was pleased with the following achievements:

- ▶ We reported positive growth and enhanced profitability across all our divisions as we rationalised costs, optimised people productivity and operationally aligned all branches. For instance, our TCI XPS, TCI SCS (supply chain solutions) and TCI Seaways services sustained PBIT margins of 6.92%, 6.19% and 14.33% respectively and continued to grow.
- ▶ We won new brand-enhancing customer accounts.
- ▶ Our SCS division parked unviable trucks, reducing costs associated with drivers, fuel, permits and insurance, with the objective of using them during a demand upturn.
- ▶ Our TCI Global division performed as per expectations through eight global offices.
- ▶ Our rebranding and repositioning enhanced our multi-service visibility, faithfully capturing our positioning as value-added logistics providers in and beyond India.

The result was that in a year when margins declined for most sectors, our EBIDTA margin increased 87 basis points to 7.59% in 2008-09.

What is the fundamental reality of the marketplace that made this growth a reality?

There are two realities that are taking shape. One, evident and hidden cost of capital is rising; two, an increasing number of companies prefer to outsource their supply chain solutions so that they may focus on their core competencies. For instance, the automobile industry sources components from across the world, converges them just in time and subsequently delivers cars and spare parts to dealers and OEMs across the country. This means that they would need a partner with critical real-time information to transport the right product to the right place at the right time.

There is another important reality at play. The costs of land and rent are rising. The result is that even as companies need to keep inventories, they need to do so at low costs. So when GST (Goods and Services Tax) comes to India in a year, it will be possible for multiple warehouses to be consolidated. Following this if you now have 10 warehouses in North India, you might end up with only one servicing all national locations.

The reality is that none of these emerging requirements can be serviced through a legacy mindset or infrastructure, making it imperative to bring in new generation service providers like TCI.

So how has the Company evolved as a result?

Previously, we transported low-value commodity cargo from point A to B. Gradually, we climbed the value chain (TCI XPS and TCI SCS) and currently, this is how our services pan out: when a retail major client intends to move goods by bulk, it can use our normal freight division; if it needs to move marketing collateral with speed it can use XPS; if it needs warehousing services it can opt for SCS. For such multi-service clients, we assign a dedicated account executive responsible for the seamless service connection from one division to another, enhancing our recall and client retention.

Ten years ago, about 100% of our business was trucking under the freight division marked by low margins. So we reduced our dependence on trucking and grew valued-added services; this segment now accounts for about 52% of our revenues with the balance being shared between express, supply chain, shipping and freight forwarding solutions.

How is the Company geared to address the slowdown?

We expect the Indian economy to revive in 2009 or early 2010. As a Company committed to enhancing value, we will attempt to graduate to high-margin revenue segments. For example, in TCI Freight we will focus on over dimensional cargo, project cargo from institutional customers, rail cargo and less-than-truckload; in TCI XPS, we will focus on higher margin air cargo and courier

genres; in TCI SCS, we will focus on warehousing and the cold chain; as an organisation, we will integrate diverse warehousing needs. In TCI Global, we will provide a seamless solution amongst all countries with a focus on India. The division holds the necessary licenses to provide global end-to-end logistic solutions across six Indian ports for custom clearance in addition to alliances being tied up with agents in 170 countries.

How does the wind power and real estate divisions fit into the Company's scheme of things?

The tax shield was the main reason behind our foray into windmills. In our real estate division, we will focus on converting some of the available lands which are now within city limits. These land parcels can be developed into independent revenue sharing units. So over the next few years, we could see a number of TCI properties being developed, which will enhance value in the hands of our shareholders.

What is the outlook for the Company across the foreseeable future?

At TCI, we expect to capitalise on opportunities through the following initiatives:

- Acquire key clients on a retainer basis
- Address the growing opportunities coming out of large infrastructure sectors (power transmission equipment, bridges and roads)
- Integrate all our brands under the TCI umbrella

How we have enhanced our profitability

- Addition of new clients
- Higher revenues per customer
- Increase in value-added non-cargo business
- Optimised resources with detailed planning and diligence

Our people retention initiatives

- Transferring people across divisions to accelerate career growth

- Enhancing global exposure for employees through nomination in international conferences and overseas deputation
- Training employees in international and Indian locations
- Enhancing motivation through ESOPs and performance incentive/ bonus

Strengthening our infrastructure, 2008-09

- We added one super hub centre for express services in Bangalore
- We embarked on the construction of a large logistics warehouse in Pune
- We constructed offices and warehouses in small Tier II and Tier III cities
- We added two environment friendly CNG trucks to our transportation fleet

OUR STRENGTHS

Brand

Our TCI brand stands for 'service'. The result is complete customer trust.

Complementary

The integration of our various divisions enhances multi-divisional hedging; a slowdown in trucking is countered by the stable performance of other divisions.

Cross-sell

Each division acts as a business development manager for others, enhancing cross-marketing.

Infrastructure

TCI brings to its customers the cumulative value of its infrastructure comprising IT systems, offices, branches, depots, fleets, land and warehouses.

Rich experience

We possess five decades of rich experience in transport and logistics management. The result: our revenues grew 15.24% on CAGR for the last four years.

Solution

We don't just move goods; we provide an end-to-end solution. We started with freight and cargo transportation graduating to express distribution, shipping and supply chain management.

Relationships

We thrive on enduring relationships – with customers (institutional and retail), franchisees, manufacturers (truck and equipment) and local communities.

Brand enhancing clients

We service brand-enhancing clients like Bajaj Auto, Hindustan Unilever, Amul, Motorola, Procter and Gamble, Food Corporation of India, Dr Reddy's, Nokia, Punj Lloyd and BOC, among others.

Multi-competence Governance

We customise and construct vehicle structures, offer customers real-time tracking through an integrated system of GPS vehicle tracking system, online tracking and a call centre.

We stand for transparency that is founded on a sense of governance, enhancing stakeholder confidence.

Integrated business model

Our hub-and-spoke distribution – 37 transhipments hubs, 1,200 owned branches and 800 franchisees – makes it possible to transport the largest material across the widest footprint in the shortest time.