

# TCI. Differentiation through SERVICES



**Transport Corporation of India Limited**  
Annual Report 2010-11

## 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.

## Appeal to Shareholders

The Ministry of Corporate Affairs ('MCA') vide its circular Nos.18/2011 dated 29.04.2011 and 17/2011 dated 21.04.2011 has notified “Green Initiative in the Corporate Governance” by allowing paperless compliances by the companies through electronic mode. Companies are now allowed to send various notices / documents/Annual Report to its shareholders via electronic mode at the registered E-mail ID of such shareholders. To support this green initiative of the Government in full measure, members are requested to register their e-mail id with the Company at designated E-mail ID of the Company i.e. [secretarial@tcil.com](mailto:secretarial@tcil.com) or with Depository through their concerned Depository Participants.

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# TCI stands for

## **Credibility.**

It is among India's most trusted and respected logistics companies.

## **Any which way.**

It provides multi-modal logistics services (road, rail, sea and air).

## **Anywhere.**

Along with an extensive pan-India network, TCI has operating offices in six countries and provides solutions across 200 countries.

## **One stop.**

It is India's leading integrated logistics and supply chain solutions provider with a growing global presence.

## **Parentage**

- Established in 1958 by the late Mr. P. D. Agarwal
- Started by a individual with a single office and a truck, now a leading integrated supply chain and logistics solutions provider
- Became a private limited company in 1965 and a public limited company in 1974 with shares listed on the National Stock Exchange and the Bombay Stock Exchange

## **Presence**

- Headquartered in Gurgaon, Delhi
- Pan-India presence with 1,000+ branches
- International operating offices in Singapore, Hong Kong, Indonesia, Thailand, China and Malaysia

## **Ratings and certifications**

- ICRA: A1 + for short-term debt/CP programme
- CRISIL: AA-/ Stable for long-term loans • AA-/ Stable for Cash Credit Limits P1 + for Bank Guarantee
- ISO 9001: 2008 • IATA Certified



Joint ventures

Transystem International Pvt. Ltd. (TLI)

TLI is a joint venture between TCI and Mitsui & Co. Ltd. which is the sole logistics partner for Toyota Kirloskar Motors Ltd. in India.

Infinite Logistics Solutions Private Ltd. (ILSPL)

A Joint Venture company with CONCOR for bulk multi-modal logistics solutions by rail and road.

TCI Ann Sofie Scan ApS

This is a joint venture between TCI and Scan Trans Denmark, running a single ship based out of Denmark.

Awards and accolades

- TCI is part of the World Economic Forum’s Community of Global Growth companies
- TCI-SCS named Best Supply Chain Company by ELSCC for four consecutive years from 2007 to 2010
- Received the Annual Inc. India 500 Award Certificate of Excellence for its 329th position among India’s 500 best-performing, mid-sized enterprises

■ Received the Amity Corporate Excellence Award for Logistics Service with highest focus on quality and Safety

■ Won the Jamnalal Bajaj Council for Fair Business Practices in the services category

■ TCI awarded the Information Week EDGE award for pioneering in-house development of its Express Management System (EMS)

■ Won the Wockhardt Foundation award for Outstanding CSR in the Logistics sector

■ Received the Reid & Taylor Award for Effective Retail Through Supply Chain

Business divisions and services

**TCI Freight:** Provides total transport solutions through road and rail for cargos of any dimension or product segment.

**TCI XPS:** Provides door-to-door, time-bound express solutions through road and air for parcels and documents

**TCI Supply Chain Solutions:** Provides complete logistics solutions right from conceptualisation to execution. Core

service offerings comprise supply chain consultancy, in-bound logistics, warehousing/distribution centre management and out-bound logistics

**TCI Seaways:** Provides coastal container and bulk cargo movement across Indian waters and beyond

**TCI Global:** Provides end-to-end logistics solutions across boundaries comprising freight forwarding and customs clearance activities

**TCI Foundation:** As the Group’s social arm, TCI Foundation fulfils corporate social responsibility and works in the areas of health, disability, disaster relief assistance and environment

Associate company

**TCI Developers Ltd:** The real estate arm of Group TCI was created to look into the development of commercial properties of TCI. These properties will be developed into office complexes, residential buildings, among others depending on the best use of the property. It will also undertake the development of large modern warehouses and logistics parks, among others.

Vision

TCI should be a customer-oriented, multi-technology and multi-specialist transport system in India and international markets, with a proven commitment towards excellence across 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 esteems and abides by its CORE values, the values that accelerate the Company’s growth.

- C: Customer focus
- O: Ownership
- R: Responsiveness
- E: Empathy

The organisation makes sure that all its work, ethics and beliefs revolve around these CORE values. Since customer needs are pivotal and constantly expanding, TCI has been innovating its services.

## BOARD OF DIRECTORS



**Mr S M Datta**

Chairman



**Mr D P Agarwal**

Vice Chairman & Managing Director

**Mr O Swaminatha Reddy**

Director



**Mr S N Agarwal**

Director

**Mr R Raghavan**

Director



**Mr K S Mehta**

Director

**Mr Vineet Agarwal**

Executive Director



**Mr Chander Agarwal**

Executive Director

**Mr K Prabhakar**

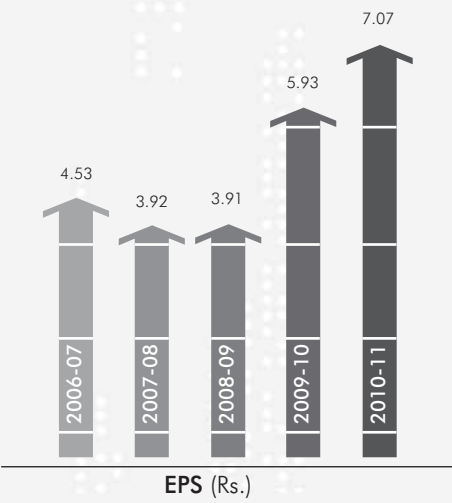
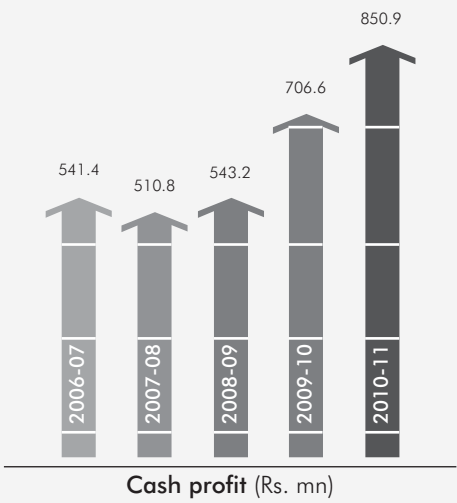
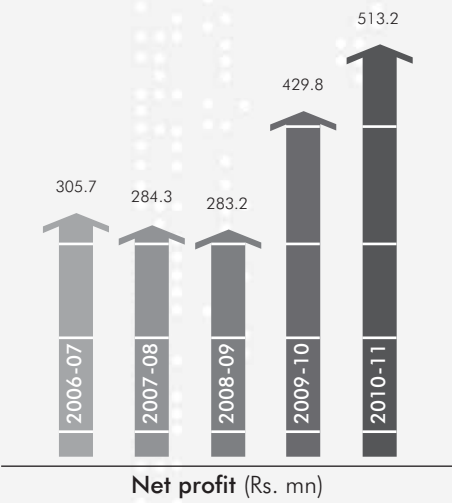
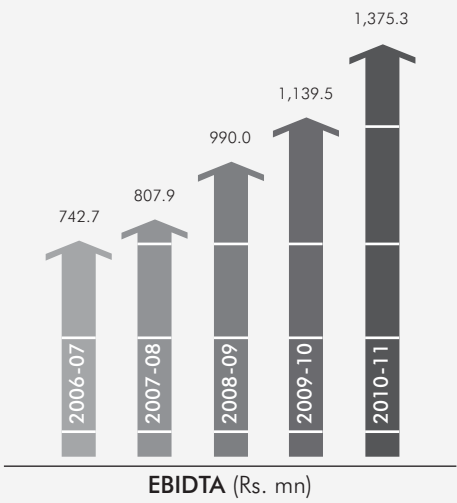
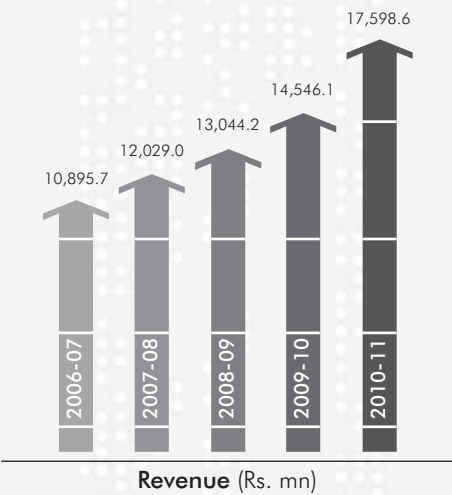
Director

**Mr M P Sarawagi**

Director

(Names are in accordance from left to right,  
top to bottom)

# PERFORMANCE



Corporate

- The Company demerged its real estate and warehousing division into TCI Developers Limited (TDL), the newly-created real estate arm of TCI Group, which got listed on the country’s premier exchanges on 19 April, 2011.
- TCI entered into a 51:49 joint venture with CONCOR called Infinite Logistics Solutions Private Limited on 13 October, 2010. The JV combines the rail and road strengths of CONCOR and TCI respectively in the area of container movement.
- TCI also became the first Indian logistics company to present a

standalone report on sustainability and CSR, titled ‘Towards Sustainability’, showcasing various social responsibility initiatives undertaken and the organisation’s performance in the year 2009-10.

Operations

- Increased warehousing space from 8.5 mn sq. ft in 2009-10 to 9.1 mn sq. ft
- Increased fleet size to 1,250 trucks, with an additional of 160 trucks
- The Group traverses 970 mn kms annually

Marketing

- Reinforced its industry position as India’s largest logistics player with a 15 per cent market share (organised)
- Undertook customer-centric initiatives to increase customer outreach like customer meets, round table forums and schemes like Money Back guarantee
- Set up customer care centres at all regional offices to facilitate responses in the local language
- Undertook an advertising campaign in major business dailies



OUR BIG NUMBERS

99.45

Percent of India’s GDP covered by TCI

2.5

Percent of India’s GDP by value moved by TCI

970

mn kms - Traversed annually

1,000+

Fully computerised branch offices across India

5,000+

Strong team in India and abroad

20,000

Outsourced workforce

6

Owned cargo ships

7,000

Trucks and trailers carrying TCI shipments

9.1

Mn sq. ft of warehousing space



**“Our continuous focus on qualitative and value-added services, coupled with our commitment to customer focus and enhancing stakeholder value, has contributed to our quantum growth.”**

**Mr. D. P. Agarwal**, *Vice-Chairman and MD*, reviews the performance of the Company in 2010-11 and the road ahead.

**T**ODAY, WE ARE INDIA'S LEADING INTEGRATED LOGISTICS AND SUPPLY CHAIN SOLUTIONS PROVIDER AND THIS TRANSFORMATION WAS REFLECTED IN OUR 2010-11 PERFORMANCE:

- Revenues grew 21% to Rs. 17,598.55 million
- PBT grew by 18.36% to Rs 800.48 million
- Profit grew by 19.41% to Rs. 513.2 million

This positive and above-industry-average transition was derived from our ability to look ahead at every juncture, resulting in an early mover advantage across our businesses. More than a decade ago, we perceived an evolving external customer environment and a growing need to outsource logistics solutions to specialised service providers.

TCI looked and thought ahead. The Company commissioned two divisions providing differentiated solutions - supply chain solutions and express logistics.

■ The SCS division provides inbound/outbound logistics and supply chain solutions right from conceptualisation to implementation.

■ The XPS division provides express door-to-door services for time-sensitive and high-value documents and parcels.

The results of our proactive understanding of industry dynamics were reflected during the year under review. The combined revenues of the two businesses was 48.43 per cent in 2010-11.

TCI has continuously introduced new and innovative services from multi-modal transportation (road, rail, air, sea) to





express delivery solutions, from freight forwarding and customs clearances to warehouse management services.

TCI's strength lies in providing value-added services and complete supply chain solutions to suit the unique needs of our customers.

## The industry picture

We were optimistic when we commissioned these two businesses a decade ago; we are even more optimistic today for the following reasons:

**One,** India's annual logistics cost is estimated at about 12 per cent of its GDP or USD 150 billion (assuming India's GDP is USD 1.4 trillion). Most numbers in India underperform developed market benchmarks. In the logistics business, the scenario is reversed, with logistics costs in developed nations only 8-10 per cent of their GDP.

**Two,** India's logistics industry has a 1-1.5 multiplier with its GDP, which augurs well for the industry considering that India's GDP growth is projected at 8 per cent-plus for the foreseeable future, the second highest in the world.

**Three,** logistics opportunities are not only expected to increase but also expected to become more efficient, following the commissioning of 3,287 kms of the eastern and western dedicated freight corridors in India in five years as well as the government's thrust on infrastructure with the allocation of USD 1 trillion as per the twelfth five year plan.

**Four,** the implementation of the Goods and Services Tax will enhance systemic transparency, counter the incidence of

cascading taxes and help consolidate the warehousing segment through larger premises at fewer locations, leading to more hub and spoke movements.

**Five,** the rising per capita income along with India's retail consumption boom will demand more transshipment of cargos inside and across the country. The per capita income is expected to be at Rs. 54,527 in 2010-11 against Rs. 46,492 in 2009-10 and Rs. 40,605 in 2008-09. By 2025, India will triple its income level and will become the fifth largest consumer market, climbing from its current position at 12.

**Six,** there is a fundamentally positive trend within the country's automobile sector. For instance, domestic vehicle sales increased 26.17 per cent in 2010-11 (15,513,156 vehicles), one of the highest rates anywhere in the world. Even during the worldwide fiscal slowdown, a few years ago, India's automobile industry grew in an excess of 10 per cent, indicating the sector's fundamental robustness.

## Optimism

What makes me optimistic about TCI?

### A number of realities.

■ An increasing number of companies are outsourcing logistics to specialised service providers for a good reason - logistics (transportation, warehousing, inventory management and value-added services like packaging) represent one of the highest indirect production costs, making it imperative for companies to work with specialised service providers, who make it possible to reduce inventories and working capital outlay and strengthen overall businesses. TCI is the embodiment of this "prove-what-you-say" environment.

■ TCI is not a moribund service provider, doing business as it was conducted decades ago. The Company is alive to the evolving realities of the day and has innovated and responded to the emerging needs of customers.

■ TCI stands for an integrated solution. Even among organised Indian logistics players, few have offerings across multiple modes through a single window. As a result, we do not just promise to deliver from point A to B, we promise to enhance our customers' business productivity. The endeavour is not just to cross-sell, but also upsell

■ TCI may have been started by an entrepreneur, but the Company combines the best of family-driven solidity and insight, with managerial professionalism through individual chief operating officers managing each business segment.

## Outlook

At TCI, we expect to capitalise on growing national opportunities by venturing into new business segments and growing our existing segments, especially through the retention of key clients. Going ahead, we believe that industrial productivity, investments and GDP growth will increase, catalysing TCI's growth.

I would like to express my gratitude to our shareholders, employees, bankers, customers, suppliers, advisors and other partners. They played a motivating role in our performance in 2010-11 and we will endeavour to enhance value for our stakeholding family.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Global logistics industry

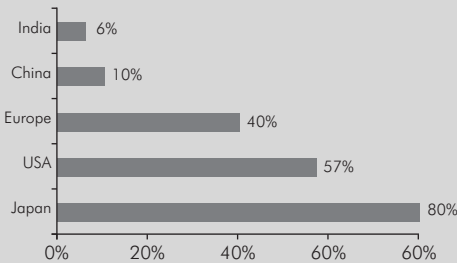
The global logistics industry is estimated at over USD 3.5 trillion. The largest market (the US) accounts for about a third of the world market.

## Indian logistics industry

Even as the Indian logistics industry was catalysed by increased domestic consumption, retail boom and increase in trade, the industry is fragmented. The annual logistics cost in India is estimated at 12 per cent of the GDP, which translates into USD 150 billion size (assuming the GDP of India to be USD 1.4 trillion).

While outsourced logistics account for 54 per cent of the total logistics spending in India, organised players account for a mere 10 per cent share. Road transportation accounts for the largest portion (60-65 per cent) of the country's logistics spending; 10-15 per cent of operators own a single vehicle and 70 per cent of operators own 5-20 trucks; in outsourced warehousing, 92 per cent of the players are unorganised.

### Percentage of logistics activity by the organised sector



Source: World Bank Report on trade logistics 2007, SPA Research

## Categories

The Indian logistic industry is divided across the following categories:

**Express cargo:** Cost and time efficiency combined with expected growth in document shipments and high-value products have created the need for a high-speed express segment using road and air network. This segment is growing at 15-20 per cent-plus a year.

**Warehousing:** Warehouses and cold chains emerged as critical components of supply chain networks in India. Considerable growth is expected in the area of airport-based warehouses, inland container depots, freight stations, custom-bonded warehouses, specialised warehouses and cold storage. As high as 92 per cent (of the overall 433 mn sq. ft.) of the Indian warehousing industry is unorganised and characterised by medium to low-quality infrastructure and services.

**3PL:** A single logistics service provider manages the entire logistics function for a company. Japan (80%) accounts for a high proportion of 3PL to the overall logistics activity compared with India (9%) according to Indiatat Database, KPMG Analysis. Global sourcing and growing competition among manufacturers have made the material movement complex, giving rise to third party logistics players. India's 3PL market is projected to witness a CAGR of around 26 per cent in 2011-2013, resulting in a revenue opportunity of nearly USD 4.6 billion by 2013.