

ANNUAL REPORT

2011-12



Transport Corporation of India Limited

EXPRESS TECHNOLOGY WAREHOUSE FREIGHT
DISTRIBUTION TRANSIT HAULAGE
SHIP OWNER WAREHOUSING FAST
RAIL LOGISTICS
LOGISTICS FULL TRUCK LOAD
RAIL SEND TECHNOLOGY TRANSFER
TRACKING AUTOMOBILE EXPRESS
CHAIN PHARMA MOVER DISTRIBUTE
MULTIMODAL TODAY TRAIN
SUPPLY CHAIN MANAGEMENT
FAST MOVING COLD CHAIN AUTOMOBILE
KEY ACCOUNT MANAGEMENT CARGO
TRANSFER CONSULTANCY
3PL CHAIN SHIP
WAREHOUSING TRACKING
WAREHOUSING TRACKING
WOLE CHAIN TRAIN
TRANSFER CONVEYING
CARGO
DELIVERING QUALITY.
CONSISTENTLY

ANNUAL REPORT

2011-12



Transport Corporation of India Limited

EXPRESS TECHNOLOGY WAREHOUSE FREIGHT
DISTRIBUTION TRANSIT HAULAGE
SHIP OWNER WAREHOUSING FAST
RAIL LOGISTICS
LOGISTICS FULL TRUCK LOAD
RAIL SEND TECHNOLOGY TRANSFER
TRACKING AUTOMOBILE EXPRESS
CHAIN PHARMA MOVER DISTRIBUTE
MULTIMODAL TODAY TRAIN
SUPPLY CHAIN MANAGEMENT
FAST MOVING COLD CHAIN AUTOMOBILE
KEY ACCOUNT MANAGEMENT CARGO
TRANSFER CONSULTANCY
3PL CHAIN SHIP
WAREHOUSING TRACKING
WAREHOUSING TRACKING
WOLE CHAIN TRAIN
TRANSFER CONVEYING
CARGO
DELIVERING QUALITY.
CONSISTENTLY

CONTENTS

TCl: Vision & Values	01
Group Overview	02
Key Financials	03
Vice-Chairman and MD's Message	04
Board of Directors	06
Management Discussion and Analysis	08
Risk Management	19
Directors' Report	20
Report on Corporate Governance	29
Finance Section	43
AGM Notice	88

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 or with Depository through their concerned Depository Participants.



Where quality drives the way

Delivering quality is not an act; it's a habit at TCI. As India's leading logistics and supply chain solutions provider, TCI has been continuously setting new benchmarks of quality because it firmly believes that quality is the key to take a lead in business. With a revenue of INR 20 Billion (Approx. \$ 400 Million USD), expertise developed over five decades, customer-centric approach and world-class resources, TCI offers seamless multi-modal logistics solutions and moves 2.5% of India's GDP by value.

TCI is also a part of World Economic Forum's Community of Global Growth Companies (GGC). TCI's membership at GGC is a reflection of its consistent growth, its potential and its initiative to build global business and exemplary executive leadership.

The Vision to deliver high quality

TCI endeavours to be a customer-oriented, multi-technology and multi-specialist transport system in India 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.

The Values to make a qualitative difference

TCI abides by its **CORE** values: Customer Focus, Ownership, Responsiveness and Empathy - a value system that guides our business work ethics and beliefs for future growth and development.

TCL Group Overview

Lineage

- Started as a 'one man, one office, one truck' company in 1958
- Became a private limited company in 1965 and a public limited in 1974 with shares listed on National Stock Exchange and Bombay Stock Exchange

Market Position

- Today, TCL is India's leading integrated logistics and supply chain solutions provider
- Continuous and strategic diversification in value added and new areas of logistics
- Expansion into newer areas with TDL, a real estate arm of the Group TCL undertaking development of warehouses and logistics parks, among others

Pan India Network

- Strong distribution network provides access to large & growing aftermarket
- 1000+ company owned branches nationwide & 13,000 delivery locations within India.
- Transporting 2.5% by value and covering 99.45% by areas of India's GDP.

Best-in-Class Operations

- Fleet of 7,000 trucks/trailers
- 9.25 Mn sq. ft of warehousing space
- Skilled work force of more than 5,000 with 20,000 outsourced positions

Strong IT Forte

- In-house ERP: EDI Capable
- Web based Track and Trace through GPS

Joint Ventures

- Transystem International Pvt. Ltd. (TLI): A joint venture between TCL 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

Ratings and Certifications

- ICRA: A1+ for short term debt / CP programme
- CRISIL: AA-/stable for long terms.
AA-/stable for cash credit limits
P1+ for bank guarantee.
- ISO 9001:2008
- IATA certified

Key Financial Ratios (Standalone)

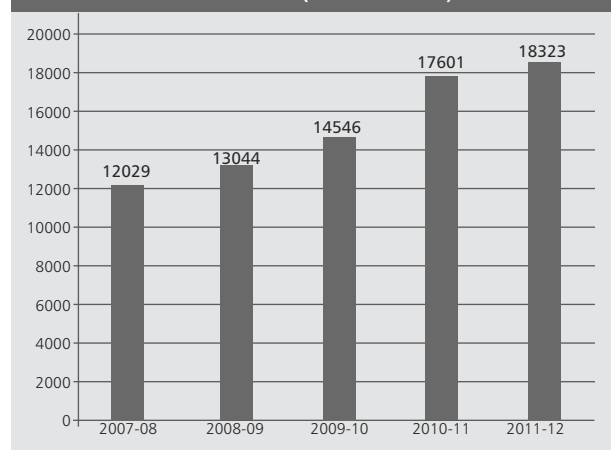
(Rs. In Mn)

Particulars	2011-12	2010-11	2009-10	2008-09	2007-08
Total Income	18323.0	17601.4	14546.1	13044.2	12029.0
EBIDTA	1488.7	1378.1	1139.5	990.0	807.9
Finance Cost	332.8	257.0	195.6	240.8	168.3
Depreciation & Amortisation	378.6	320.6	267.6	259.8	207.8
Profit before Tax & Exceptional Items	777.2	800.5	676.3	489.4	431.8
Exceptional Item	40.0	0.0	29.2	40.0	0.0
Taxes					
Current	212.0	224.4	203.4	147.2	109.9
Deffered	8.2	17.0	9.2	0.2	18.7
FBT	0.0	0.0	0.0	18.6	18.5
Taxes for earlier years	-1.5	45.8	-4.7	0.2	0.4
Net profit	518.4	513.2	429.8	283.2	284.3
Cash profit	905.2	850.9	706.6	543.2	510.8
Dividend per share (In Rs.)	1.0	0.9	0.8	0.6	0.6
EPS (In Rs.)	7.1	7.1	5.9	3.9	3.9

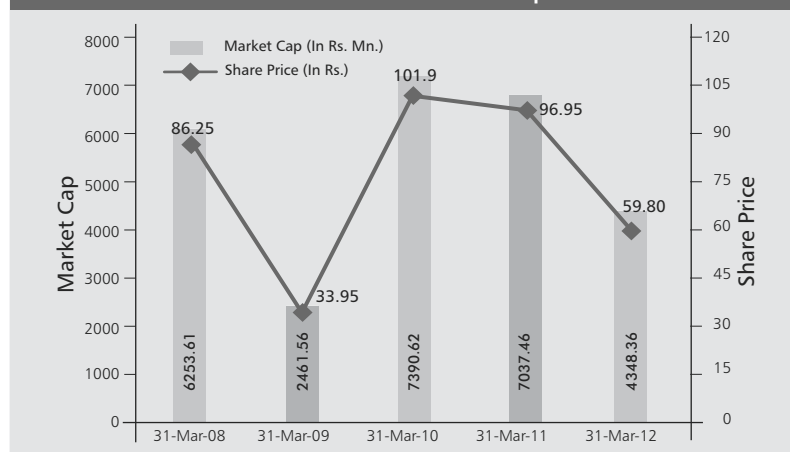
FINANCIALS

Gross Block	5706.7	4997.5	4417.8	4132.3	3901.3
Net Block	3800.4	3301.1	3092.9	2982.8	2875.9
Net Worth	3459.8	3008.5	3084.6	2714.0	2484.3
Total Debts	3220.3	3011.3	2716.3	2329.0	2290.3
Avg Capital Employed	6663.3	6211.1	5710.7	5189.5	4417.0
Return on Net Worth	14.98%	17.06%	13.93%	10.43%	11.44%
Return on capital employed	16.66%	17.03%	14.76%	14.07%	13.58%
Debt Equity Ratio (times)	0.9	1.0	0.9	0.9	0.9
Interest cover (times)	4.5	5.4	5.8	4.1	4.8
Book value per share (in Rs.)	47.6	41.4	42.5	37.4	34.3
Share capital	145.4	145.2	145.1	145.0	145.0

Revenue (Rs. in mn.)



Share Prices and Market Capitalization



VCMD's Message



Dear Shareholders,

As India's leading integrated logistics and supply chain solutions provider, we have been crossing major milestones on the road to success since the beginning. Over the years, with a professionally-managed team of experts, technologically advanced operations, qualitative and value-added services and a commitment to customer satisfaction, we have witnessed a quantum growth in our business. Today, we enjoy the status of being leaders in logistics.

Since we believe that quality plays an indelible role in building a company, we have made quality our never-ending mission. We strive to achieve quality in all our business processes, services, manpower and facilities. Quality has been the cornerstone of our success which has stood us in good stead for the last 5 decades.

The year gone by has been a difficult one for the entire industry. The overall micro as well as macro environment where we operate in was challenging. Though the country has the second largest network of roads (4.24 million km after US's 6.43 million km), the second largest rail network (63,000 km), 128 airports, 13 major ports and 187 non-major ports, this infrastructure is not sufficient to deliver optimum quality. The industry has attracted only limited private investments, that too more recently following privatization. As a result, the Indian logistics industry accounts for a mere 2 per cent (USD 100 billion) of the USD 5,000 billion global logistics industry. Further, owing to general inefficiencies, logistics is a high-cost activity in India (13% of GDP compared to 8-9% of GDP in the US).

Delays in the implementation of regulatory changes like financing the maintenance of transport infrastructure, managing urban congestion, supply chain disruption on account of poor rural connectivity, coupled with high interest rates are some of the many issues which have been affecting the whole industry adversely. The urgent needs of the hour are to strengthen the competitive and regulatory environment, grant an industry status to the segment, focus on infrastructure development and create a skilled workforce pool for the logistics business.

While looking at the brighter side, I am sure things will change with the government's 12th Five Year Plan of USD 1 trillion of investment in infrastructure development and a strong commitment towards providing conducive regulations, rationalization of tax structures and proposed introduction of GST. All these are promises of a favourable environment, in which the sector can flourish.

Despite all the challenges, we managed to achieve a modest improvement in our results over that of last year. All our business divisions operated and responded optimistically. We took many measures to sustain our past performance. We continued to provide unique and customised solutions to our clients. We did not compromise on quality deliverables and as a result we managed to add many new businesses to our kitty.

Each division has taken initiatives to improve operational efficiencies and provide our clients with quality deliverables. Introduction of All Purpose Vehicle Carrier (APVC), state-of-the-art warehousing facilities, an extensive domestic network of offices, global expansion, advanced IT capabilities, strategic JVs and expansions into newer markets are some of the many initiatives taken by us to further strengthen our position as leaders in the industry.

Information Technology represent the corporate backbone helping converge all group operations on a single platform, while enhancing business intelligence and customer relationship management. We are poised to invest Rs. 50 crore on Information Technology in the next five years. All these initiatives are results of our continuous endeavour to provide best-in-class customer centric services.

We firmly believe in thought leadership and continuously seek solutions from all stakeholders to better the state of the sector. In our endeavour to achieve thought leadership, TCI in association with IIM-Calcutta, released the second edition of the Joint Study Report on the 'Operational Efficiency of National Highways for Freight Transportation in India'.

On the CSR front, we have ensured that the work towards making a meaningful difference in people's life should never stop. Our vocational training centre in Jhamhar near Ranchi, has seen two batches of women completing their training in handloom weaving and we are pleased to learn that it has started contributing to their income. As a part of our intervention on disaster relief, we started construction of houses for the victims affected by the cloudbursts in Ladakh's Leh area. The new houses have been built and handed over to the victims.

TCI Jaipur Foot and Rehabilitation Center in Patna has now been equipped with a mobile workshop which can cater to about 100 patients at any point of time. It is a big relief for people residing in remote areas and who are unable to come to our main centre can still avail of the treatment.

Looking forward:

With all the ingredients of success; dedicated people, world-class infrastructure, innovative systems and right business strategies in place, we at TCI are poised to meet the demands of a growing industry and deliver consistent results for which we are known for.

At TCI, we aim to capitalize on growing national opportunities by venturing into new business segments and growing our existing segments. As the Supply Chain Solutions (TCI SCS), Express Division (TCI XPS) and Freight divisions continue to drive revenues, we will further strengthen their core competencies in the coming years. Forging ahead, we believe that high GDP growth, implementation of GST and infrastructure investments by the government will give a new boost to the logistics sector.

I am grateful to my fellow Directors on the Board and the members of the Management Committee for their support. I would also like to extend a special thanks to each and every shareholder of TCI, whose trust and confidence have been the motivating force in all our endeavours. I thank all our customers and business associates in India and abroad for their unstinted loyalty and steadfast patronage of our services. Finally, a word of thanks to more than 5000 employees of TCI who are making these successes happen. I am extremely proud of their high level of commitment to the company and their outstanding performance over this period and have full confidence in their ability to deliver even greater success going forward.

D P Agarwal
Vice Chairman & Managing Director

Board of Directors



Mr. S M Datta
Chairman

Mr. S M Datta has more than 52 years of experience in the engineering and technology sector. Previously, he has served as the Chairman of Hindustan Lever and all Unilever group companies in India and Nepal between 1990-1996. Mr. Datta holds the following positions namely: Director on the Boards of Castrol India, Philips Electronics India, IL&FS Investment Manager, Zodiac Clothing Company amongst others. A Chartered Engineer, Mr. Datta is also associated with various management & research institutes, both in India and abroad.



Mr. O Swaminatha Reddy
Non-Executive Independent Director

Mr. O. Swaminatha Reddy has over 59 years of experience as a financial and management consultant. He is currently the Chairman of the governing body of the Indian Institute of Economics, Hyderabad. Mr. Reddy is associated with the Boards of Sagar Cements, TCI Finance, Sagar Power, amongst others. He has also been a former member of the management committee of Federation of A. P. Chamber of Commerce & Industry.



Mr. S N Agarwal
Non-Executive Director

Mr. S N Agarwal has over 41 years of rich experience in various industries including logistics. Mr. Agarwal also serves as the Chairman of Bhoruka Gases Ltd and Bhoruka Power Corporation Ltd besides being on the Boards of Kirloskar Electric Co. Ltd and Iruppa Power Pvt Ltd. He is also a member of the governing body of IIM Bangalore. A magna cum laude graduate in management from Davenport College of Business, US, Mr. Agarwal also holds an Advance Management Program (AMP) certificate from Harvard Business School, USA.



Mr. K S Mehta
Non-Executive Independent Director

Mr. K S Mehta is a renowned Chartered Accountant in practice. He has approximately 41 years of experience in corporate finance & restructuring, project financing, business valuations and tax planning. Mr. Mehta is the board member of Kothari Industrial Mgmt Company, Blue Coast Hotels & Resorts and Radico Khaitan Ltd amongst others.



Mr. R V Raghavan
Non-Executive Independent Director

Mr. R.V. Raghavan is a professional manager, with several years of varied and senior level experience in management in India and abroad. A Chartered Accountant by background, his career, inter-alia, in Philips, Glaxo and Voltas, of which he was a main Board Director and Chairman of its publicly traded associates, Wandleside National Conductors, spans over 32 years of exposure to both finance function and general management of operations.

Mr. D P Agarwal is the Vice-Chairman and Managing Director of TCI. Mr. Agarwal has been associated with the industry for more than 47 years. He has been contributing in developing the unorganised logistics sector into an organised one. Mr. Agarwal holds Directorships in Boruka Power Corporation and Jai Bharat Maruti Ltd. Mr. Agarwal is also associated with various Chambers of Commerce including CII, FICCI & PHDCCI. He also takes active participation in many social and philanthropic activities for the common good.



Mr. D P Agarwal
VC & MD



Mr. Ashish Bharat Ram
Non-Executive Independent Director

Mr. Ashish Bharat Ram is the Managing Director of the SRF Group based out of India. He did his schooling from the Doon School following which he completed his Bachelor of Economics from University of Delhi. He subsequently worked for Toyota Motor Corporation in Japan as well as American Express Bank in India before completing his MBA from Cornell University in USA. On his return, he joined the SRF Group and worked in various functions and locations before taking over in his present assignment. Mr. Bharat Ram is a member of the Young Presidents Organization (YPO) Delhi Chapter



Mr. M P Sarawagi
Non-Executive Director

Mr. M P Sarawagi has been associated with the Company for the past 48 years. He possesses rich experience in the legal and commercial aspects of the transport industry. Mr. Sarawagi has also served/presently serves on the Boards of Boruka Finance Corporation of India, Boruka Investments, Orissa Tyres, Calcutta Goods Transport Association, All India Motor Union Congress and several other cultural associations. He is a Graduate in Law from the Calcutta University.



Mr. Vineet Agarwal
Joint Managing Director

Mr. Vineet Agarwal is the Joint Managing Director of TCI. He joined the Company in 1996 and has held various finance and management roles within the Company. He has led the Company into high growth segments like Third Party Logistics and Express Cargo Services. In addition to these responsibilities, Mr. Agarwal is also a Director with Transcorp International and Chairman of Transystem Logistics International.



Mr. Chander Agarwal
Executive Director

Mr. Chander Agarwal is the Executive Director of TCI. Diligent in nature, he has toiled his way through all levels of TCI since he joined as a management trainee. Mr. Agarwal has held various finance and management roles in other group companies / divisions like TCI Seaways, XPS etc. His hands-on experience with Transfreight USA, a 3PL specializing in 'lean logistics' for Toyota Motor vehicles, USA, has given him unmatched knowledge of the Supply Chain Management. Currently, he is spearheading Group TCI's international expansion.