



annual report 2014-15

synergy in logistics

Transport Corporation of India Limited

Vision Core Values

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.

We believe that a brand is a living entity and it should be reflected in its behavior. Our behavior will be governed by a set of values communicated by the acronym CORE.

Customer Focus
Ownership
Responsiveness
Empathy

Awards & Recognition

Best Supply Chain & Logistics Express/
 Courier (Presented by CII, 2015)



Global Marketing Excellence Awards
 for Best in House Magazine (Presented
 by World Marketing Congress, 2014)



Lifetime Achievement Award to
 Mr. D P Agarwal, Vice Chairman & Managing
 Director, Transport Corporation of India Ltd.
 (Presented by Mahindra Transport Excellence
 Awards, 2015)

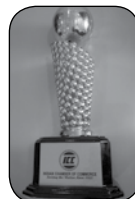
Global Marketing Excellence Award
 (Presented by World Marketing
 Congress, 2014)



Retail Excellence for Effective Retail through
 Supply Chain (Presented by Asia Retail
 Congress, Consecutively from 2011 to 2015)



Manufacturing Supply Chain Service
 provider of the Year (Presented by FSC &
 Kamikaze B2B Media, 2015)



Best Warehouse Management of the Year TCI
 Supply Chain Solution (Presented by Indian
 Chamber of Commerce, 2014)



TCI e-presence



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The seamless interaction between systems, people, processes and customers at the Transport Corporation of India Ltd. touches milestones far greater than isolated achievements of each of these individual entities, resulting in sustained and cumulative growth.

The Logistics business is a challenging one – varied customers, variety of cargo, multiple locations, multi-modal and seamless network through local and global touch-points.

Success is achieved when these processes flow in synergy, creating a rhythmic movement. They flow united through digital and physical spaces to form a vibrant colourful symphony.

A customer-centric approach, optimized resources, state-of-art technology and professional management collude to create value for TCI's stakeholders.

From a “One Man, One Truck, One Office” set-up, to becoming one of India's leading end-to-end integrated supply chain and Logistics Solutions Provider (LSP), is no mean feat to achieve; all that has been made possible by creating...

...Synergy in Logistics!

Contents

Synergy in Logistics	3	Enterprise Risk Management	17
Corporate Information	4	Key Financials	18
From the Top Desk	6	Directors Report	20
Management Discussion and Analysis	7	Report on Corporate Governance	45
Business Verticals	10	Finance Section	55
Corporate Social Responsibility	16	AGM Notice	104

Corporate Information

Board of Directors



S M Datta
Chairman



D P Agarwal
*Vice Chairman &
Managing Director*



**O Swaminatha
Reddy**
Director



S N Agarwal
Director



K S Mehta
Director



**Ashish Bharat
Ram**
Director



Urmila Agarwal
Director



M P Sarawagi
Director



Vineet Agarwal
Managing Director



Chander Agarwal
Joint Managing Director

Joint Ventures

Transsystem Logistics International Pvt. Ltd.

A joint venture between TCI and Mitsui & Co. Ltd., TLI is the lead logistics partner for Toyota Kirloskar Motors Ltd. in India.

TCI-CONCOR Multimodal Solutions Pvt. Ltd.

A joint venture with CONCOR for bulk multi-modal logistics solutions by rail and road.

TCI Transportation Company Nigeria Ltd.

A joint venture between Indorama Eleme Petrochemicals Ltd. and TCI.

Other Information

Group CFO

Mr. Ashish Tiwari

Company Secretary & Compliance Officer

Ms. Archana Pandey

Statutory Auditors

R S Agarwala & Co.
Chartered Accountants

Bankers

State Bank of India
HDFC Bank Ltd.
HSBC (Hongkong & Shanghai
Banking Corporation Ltd.)
ICICI Bank Ltd.
DBS Bank Ltd.

Registrar & Share Transfer Agent

M/s Bigshare Services Pvt Ltd.
E-2/3, Ansa Industrial Estate,
Saki Vihar Road, Sakinaka,
Andheri (E), Mumbai 400 072.
Tel: 022-40430200
Fax: 022-2847 5207

Rating & Certifications

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

Corporate Identification No.

L70109TGI995PLC019116

Highlights 2014-15

8.7%

Business
Growth

GST
Ready

Modern
Warehouses

Standalone Net
Profit up by

22.5%

E-com

8 Fulfilment Centres
with delivery capacity
of 1 Lac orders/day

10.5
mn. sq.ft.

Warehousing
Space

Multi-
modal

Expansion by adding
Container Ship and
growth in Rail Cargo

Corporate & Registered Office

Corporate Office

TCI House, 69, Institutional Area,
Sector 32, Gurgaon 122207

Tel: 0124-238 1603-07 Fax: 0124-238 1611

E-mail: archana.pandey@tcil.com, secretarial@tcil.com

Website: www.tcil.com

Registered Office

Flat Nos. 306 & 307, I-8-201 to 203, 3rd Floor, Ashoka
Bhoopal Chambers, SP Road, Secunderabad 500003

Tel: 040-278 40104 Fax: 040-278 40163

E-mail: archana.pandey@tcil.com, secretarial@tcil.com

Website: www.tcil.com



From the Top Desk...

Dear Shareholders,

The TCI Group, with revenues of over ₹ 2800 crore, is India's leading integrated supply chain and logistics solutions provider. Our approach to creating value and realizing cost-effective growth can be summed up in three words: global, sustainable and pioneering. In an environment where businesses, customers and competition are dynamic and constantly redefined, we maintain our competitive edge through the value-added services we offer.

We have an extensive network of Company owned offices, 10.5 Mn Sq.ft. of warehousing space with GST preparedness and a strong team of trained employees. Along with the customer-centric approach, world class resources, State-of-Art technology and professional management, at the helm is strong corporate governance, a commitment to value creation for our stakeholders and a strong sense of social responsibilities.

I am happy to share with you that your Company's business growth this year was recorded at 8.7% as compared to 3.9% last year. TCI's recent alignment to Omni-channel strategies, which gives the consumer a single view of the retail business through different conduits like mobile, online or physical stores, new process initiatives and requisite work culture essentials of ERM, ensure enterprise-wide application of risk management philosophy and approaches. TCI group through its XPS and SCS divisions is serving the complete e-commerce chain covering fulfillment centers, supplier coordination, order processing, B2B & B2C deliveries and reverse logistics.

Growth on the warehousing and 3PL business besides the recovery in the auto industry has ensured an improvement in the Supply Chain division, which offers inbound and outbound logistics services.

In the Seaways division, a new container ship was added in the year 2014-15 with a DWT of 10,545, on the West coast of India in March, 2015. The West coast market will be further serviced by an addition of one more container ship in FY 2015-16.

The implementation of the GST policy will benefit us by elimination of all forms of complicated taxes such as Octroi, LBT, CST and replace it with the rationalised tax structure. It will enhance our warehousing, hub & spoke model and E-commerce business.

The proposed capital expenditure of ₹ 275 crore would be to build future assets to create capacity and capture market growth. The receivables position is also expected to improve due to increased liquidity in the system.

Our Company's achievements in the past business year have further strengthened the groundwork for profitable growth and enhanced our future capability. We firmly believe that the best and most effective way to create pioneering innovations is with a pioneering business culture, a culture we have been meticulously inculcating for a few years now. In doing so, we have been encouraging our employees and managers to network more intensively with each other. Together, these factors make us resourceful and competent.

For the coming year, we will be focusing on our express, supply chain and multimodal logistics businesses on servicing high growth verticals like chemical, pharmaceuticals, retail, cold chain and auto. We expect some stability in business growth, though cost pressures will continue.

It is your trust that drives us!

We look forward to continue our successful path together with you.

D P AGARWAL

Vice Chairman & Managing Director

Management Discussion and Analysis

Global Outlook

The global economy continued to expand during 2014 at a moderate and uneven pace. Growth of World Gross Product (WGP) was marginally better than the growth in 2013. The global economy is expected to strengthen, with WGP projected to grow by 3.1 in 2015. Six years after the global financial crisis, Gross Domestic Product (GDP) growth for a majority of the world economies has shifted to a noticeably lower path compared to pre-crisis levels.

Industry Outlook

The transport and logistics sector are fundamental to the development of a country. In India, since the 1990s, the transportation infrastructure has undergone a significant change. While in the 90s, the demand for transport grew at an annual rate of 10%, in the last decade, the demand in the transport and logistics industry grew along with the accelerating Indian GDP. This growth increased the demand for practically all transport services.

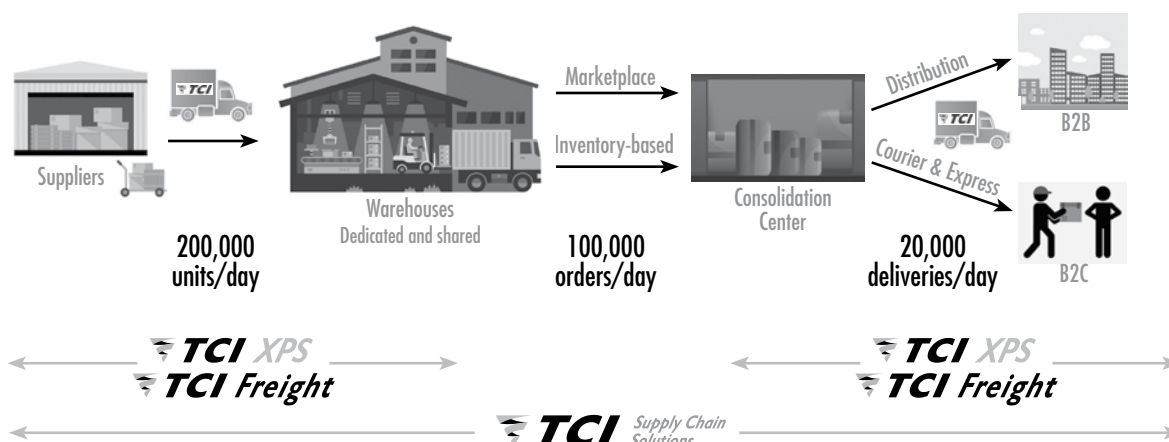
India's Logistics sector is poised for accelerated growth, led by GDP revival, infrastructure ramp-up (railways/roads/ports), e-commerce and Omni channel retail penetration, impending GST implementation and other initiatives like "Make in India".

The opportunities have grown across the spectrum – transportation, storage, distribution and integrated/allied services. Integrated multimodal operators are expected to receive a boost with the development of dedicated rail freight corridors. GST implementation and e-commerce promise to alter the landscape for warehousing and 3PL services.

Omni Channel and E-commerce Trends

The current booming trends in e-commerce and Omni channel retailing have completely changed the conventional retail logistics and have resulted in a significant rise in the volume of freight traffic moved. This large volume of traffic has opened up new growth opportunities in all facets of logistics including transportation, warehousing, freight forwarding, express cargo delivery, container services, shipping services, etc. The alignment of Omni channel would require optimizing inventory and shipping processes to get products to customers as quickly as possible, identify the best operating model and develop an operating model that is capable of exploiting the similarities in order profiles and define order routing, order fulfillment locations and other key elements of the Omni channel fulfillment process.

TCI: Serving the Complete e-commerce chain



GST Preparedness

Implementation of GST (Goods & Services Tax) will be a game-changing event for businesses in general and organized logistics players. It would provide a boost to warehousing, supply chain management and 3PL business. It will enable the creation of the common market and permit free and unimpeded movement of goods & services across the country. The anticipated benefits for LSPs (Logistics Service Providers) being consolidation of its network, larger warehouses, larger tonnage trucks, thus overall better efficiencies. This would mean that modern technologies like automatic storage and retrieval, material handling equipment, RFID, etc. will replace typically labour intensive activities, reducing errors in the supply chain and therefore cost. This will make warehousing and trucking in India more or less at par with the Western world and Far East.

Add to it, as a result of reduced tax liability, GST will reduce the share of the unorganized sector in warehousing.

Supply Chain Outlook

The manufacturing industry is getting commoditized by the day, especially with Omni channel strategies being adopted by them to approach the customers, supply chain management has become more than a differentiator, a 'lifeline' for survival.

VUCA (Volatility, Uncertainty, Complexity and Ambiguity) management for companies has become the norm. This has led to increase in outsourcing of logistics, warehousing, IT sourcing, vendor management and customs, to create value for the companies, predict and prepare for VUCA for their customers. IT integration and vendor management are two new areas for which companies are tying up with 3PL and Supply Chain solution providers. "Synergizing with 3PLs and LSPs" by outsourcing across the value chain to service the ever discerning customer and consumer is the recognized fact by all companies and brands.

Indian Scenario

India is one of the largest economies in the world and a major emerging market that has a young population, rising investment rates, large domestic demand and globally competitive firm. Even though, the unexpected global crisis has taken its toll on the economy, it is predicted that India will become the third largest economy by the year 2025 after China and the USA and has awakened the interest of significant investors. The logistics sector in India has today become a key performance indicator of the economy. One of the primary reasons is years of high growth in the Indian economy. According to the World Bank's Logistic Performance Index (LPI), India is ranked 39th among 150 countries of the world.

Multimodal Logistics

Multimodal transport refers to the seamless transport of cargo from one point to another via more than one mode of transport typically using ISO containers. Multimodal Logistics can be viewed as "the chain that interconnects different links or modes of transport – air, sea, and land into one complete process that ensures an efficient and cost-effective door-to-door movement of cargo under the responsibility of a single transport operator, known as a Multimodal Transport Operator (MTO), on one transport document". Multimodal logistics serves to interconnect different modes of transport – road, rail, air, water – and therefore improve efficiency and speed of cargo movement. Government's new initiative on the projects like Dedicated Freight Corridor (DFC), 'Sagarmala' and 'Bharatmala' would further enable seamless multimodal logistics services.

Multimodal logistics is designed to cut transit times, decongest congested modes and reduce logistics cost. Estimates indicate that Multimodal logistics can potentially reduce costs by 10-25%. Long hauls would yield these savings. Multimodal logistics has tremendous potential to increase supply chain efficiencies. The right policy incentives from the government and interests from the private sector should together go a long way to spur growth in this sector. Rather than just road operators, incentives for users and service providers for adopting multi-modal modes should be encouraged.

Road Freight

Road transport has been a dominant segment in India's transportation sector and is considered one of the most preferred modes. It accounts for over 60% of freight traffic movement. Easy availability, customized service, door-to-door delivery and cost saving continue to work in favour of the sector. Transport through road network also acts as a feeder to other modes of freight transport – Railways, Air and Sea.

Key facts:

1. The trucking industry in India is highly unorganized and fragmented.
2. It is estimated that 20% of the industry is organized.
3. In terms of ownership, 74% are small fleet operators with fleet of 1-5 trucks each.
4. Only 10% are large players with over 20 trucks each.

Rail Freight

Cargo is transported predominantly by road and rail in India. Whereas road transport is controlled by private players, rail

transport is handled by the central government. Rail is preferred because of containerization facility and ease in transporting ship-containers and wooden crates. Despite having one of the world's largest rail networks and recent privatization of the container rail industry, road transportation continues to grow and gain share from rail, albeit at a slower pace.

Key facts:

1. The freight contributes about 65% to the Indian Railway's total revenue.
2. Total freight loading was 1053.54 MT in FY 2013-14.
3. However the rail share in freight traffic has fallen from 88% in the 1950s to about 35% in favor of the road sector due to the former's inherent disadvantages.

Sea/Coastal Shipping

In India the importance of maritime transport can be gauged from the fact that Indian ports together handle about 95% of India's total trade in terms of volume and 70% in terms of value. Indian ports' traffic increased at a CAGR of around 10% in the last 2 decades and has crossed the 1,000 MT capacity mark. However, in the last 2-3 years, the segment faced a tough economic environment on account of the global slowdown, tardy creation of infrastructure and lack of an enabling policy environment.

Key facts:

1. During the last 5 years, traffic at Indian ports grew at a CAGR of around 6%, while capacity increased at a CAGR of 10%.
2. In FY 2013-14, traffic at Indian ports stood at 972.63 MT.
3. The capacity of all major ports as on March 31, 2014 was 800.52 MT against cargo traffic of 555.54 MT handled in FY 2013-14.

Inland waterways: Outlook

Inland Waterways Transport (IWT) has immense potential for passenger as well as domestic cargo transportation. IWT is best-suited for movement of bulk cargo, over dimensional cargo and hazardous goods. IWT also offers an environment-friendly economic mode of transport compared to road and rail. India has a potential of 14,500 km of navigable waterways for commercial transportation. However, it is an under developed mode of transportation with a share of less than one percent in the total cargo handled in the country in comparison to developed countries like US, China, Germany, etc. The 'Sagarmala' Project shall, inter alia, aim to develop access to new development regions with intermodal solutions and promotion of the optimum modal split, enhanced connectivity with main economic centres and beyond through expansion of rail, inland water, coastal and road services.

Air

Over the years, an increase in the volume of merchandise trade coupled with stable GDP growth has resulted in a manifold increase in the size of the air freight segment. The demand for air cargo transportation has increased significantly also because of the shortening of product life cycle and increase in demand for express delivery.

Key facts:

1. The overall air freight traffic in FY 2013-14 stood at 2.10 MT.
2. The air freight traffic is expected to grow at 5% in next five years.

Growth Drivers

Growth of the Logistics business is directly correlated with economic activity. Empirical evidence suggests that the Indian Logistics industry grows at 1.5 to 2 times the GDP.

With the Indian economy on a revival path, we believe India's Logistics sector is poised for accelerated growth. Infrastructural bottlenecks that have stifled growth of the sector and have promoted inefficiency are being addressed.

Building of dedicated rail freight corridors, for instance, will help promote more efficient haulage of containerized cargo by rail. Logistics requirement for e-commerce will grow as exponentially as e-commerce.

Specialized needs of the burgeoning e-commerce and cold chain industry will spawn a range of opportunities for niche organized logistics players.

With an adoption of Omni channel retailing, more and more sales are driven through digital channels which will force supply chains to adopt new inventory and transportation strategies that support consumers' expectations to buy, receive and return products anywhere, as well as retailers' need to flexibly fulfill demand from Distribution Centers, stores, third-party distributors or via drop shipments.

The impending Goods and Services Tax will not only bring in never-seen-before opportunity to re-enter, rationalize and re-engineer transportation and logistics networks in India, but will also unleash a new era of developing logistics infrastructure and taking investments to the next level. Lot of consolidation of warehousing and supply chains are foreseen which are currently fragmented in almost every state.

Business Verticals

TCI has grown from a single truck plying on a single route to becoming India's leading integrated supply chain solutions provider with a Global presence. It is with the amalgamation of many diverse forces that a complete solution emerges. As services are getting more and more specialized and segmented, customized solutions are the need of the day.

TCI's range of services encompasses the entire gamut of supply 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 delivery solutions, from freight forwarding and customs clearances to warehouse management services, each of the services are linked under a single Customer Relationship Management (CRM) system for maximum benefit to clients.

Even though for operational purposes, the business verticals operate as individual entities, they come together, creating synergy to offer a broad range of end-to-end customised services to a wide range of domestic and international clients.

TCI Freight

TCI Freight, the largest division of TCI, offers total multimodal transportation solutions ranging from full truck load, less than truck load, small and Over Dimensional Cargo (ODC) through Road & Rail.

TCI XPS

TCI XPS is India's leading door-to-door Express Distribution Specialist that handles the diverse express logistics requirements both in India and Internationally.

TCI SCS

Supply Chain Solutions is a Single Window enabler of Logistics and Supply Chain solutions. It offers customized logistics solutions, warehousing, planning and information management skills to deliver a sustainable solution as a Lead Logistics Provider (LLP).

TCI Seaways

TCI Seaways division owns four ships which is a key factor for providing strong coastal shipping services. It handles both container and bulk cargo movement along the coastline of India.

TCI Global

TCI Global provides air and surface transport, inventory management and Express Logistics services at International locations like Nigeria, Brazil, Indonesia, etc.

Share of businesses to the total revenue

