



MOVING INDIA'S
GROWTH STORY.

Corporate Information

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Website: www.tcil.com

Registered Office

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Website: www.tcil.com

Corporate Identification No.

L70109TG1995PLC019116

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

Karvy Computershare Pvt. Ltd.,
Karvy Selenium Tower B, Plot number 31 & 32,
Financial District Gachibowli, Hyderabad 500 032,
Tel: +91 040 67161524
Email: rajeev.kr@karvy.com
Website: www.karvycomputershare.com

Rating & Certifications

- ISO 9001: 2008
- ICRA: A1 + short term debt/CP program
- CRISIL: AA-/Stable for Long Term Credit Facilities
 - AA-/Stable for Short Term Credit Facilities
 - A1 + for Commercial Papers
- IATA Certified

Contents

Section 1

Moving India's Growth Story
Vision & Core Values
Board of Directors
Leaders' Speak
Management Discussion and Analysis
Business Divisions
Corporate Social Responsibility
Enterprise Risk Management

Section 2

Key Financials
Board's Report
Report on Corporate Governance
Financials



Transport Corporation of India Limited

India has seen a transformation in its economy, more so from the 90's. The connect between the villages, towns to the cities and Metros became of vital importance to ensure inclusive growth and be part of the globalization movement.

India could not be left behind in this journey. TCI traversed the past 60 years by connecting the dots through movement of cargoes across the length and breadth of the country, literally everything reached everywhere through its own extensive network of 1400 branches. Mission critical situations were also supported aptly by TCI; be it war times or during natural disasters, TCI has been there for the local commerce & community at large.

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

As the new era of Fourth Industrial revolution ushers in, TCI remains committed to MOVE ALONG with it and ensure that the nation, its customers and all stakeholders continue to keep the TRUST in TCI for

MOVING INDIA'S GROWTH STORY

Vision

TCL group aims to 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.

Core Values

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

Customer Focus

Ownership

Responsiveness

Empathy



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



Vijay Sankar
Director



Urmila Agarwal
Director



M P Sarawagi
Director



Chander Agarwal
Director



Vineet Agarwal
Managing Director

Leaders's Speak

From the Desk of Vice Chairman & Managing Director



Dear Shareholders and Readers,

In the year 2016-17, TCI has once again recorded exceptional financial performance. Market share gains in all business units underline that the focus on industry-specific logistics services and tailor-made solutions met customer expectations. The continuing strong performance also confirms the competence, professionalism and commitment of employees and on behalf of the Board of Directors I would like to thank them.

The past year observed few major happenings at TCI like the demerger of the division TCI Express from its parent company TCI and its listing on the NSE and BSE, the TCI Seaway's capacity addition and business expansion through addition of a new vessel in the west coast of India, opening of wholly owned subsidiary in Bangladesh namely-TCI Bangladesh, and inauguration of its first State of the Art Cold Chain Warehouse.

The TCI Group today moves 2.5% of India's GDP by value of cargo every year and hence, the theme of "Moving India" is very apt. 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. The company was very resilient in challenges of slow industrial growth and demonetization last year and is prepared to facilitate extensive changes due to

implementation of the new Goods and Services Tax (GST) in the coming months. We also believe that we are well positioned to capture growth opportunities arising of these macro changes. We have an extensive network of company owned offices, the largest warehousing footprint in the country, a strong information technology backbone and most important of all a committed team of trained employees.

With our strong corporate governance and ethical business practices, a commitment to value creation for our stakeholders and a strong sense of social responsibilities, the TCI Group stands dedicated to protect and preserve our reputation and brand. Over the six decades of our existence, the TCI family continues to embody a culture characterized by CORE (Customer, Ownership, Responsiveness and Empathy) principles. The Management enjoys the confidence of the Board of Directors to set the right long term strategy for continuing success, thereby, further increasing company value.

Thank you for being part of our Moving India story and we hope you will accompany us on the journey onward.

D P Agarwal
Vice Chairman & Managing Director

Management Discussion and Analysis

Global Outlook

Although a modest global recovery is projected for 2017-18, the world economy has not yet emerged from the period of slow growth, characterized by weak investment, dwindling trade and flagging productivity growth.

(Source: United Nations World Economic Situation and Prospects (WESP) Report-2017).

As per the report, the world economy expanded by just 2.2 percent in the year 2016 and this is the slowest growth rate since 2009's Great Recession. Further, it is projected that World Gross Product (WGP) will grow by 2.7 percent in the year 2017 and 2.9 percent in 2018.

Indian Economy

In the year 2017-18, India will remain the fastest growing G20 economy with the projected annual growth of 7.5 %. Private consumption will experience support with the hike in public wages and pensions and richer agricultural production with the return of normal rainfall. Private investments will recover gradually with excess capacity in some sectors diminishing, infrastructure projects mature, corporate deleverage, banks clean their loan portfolios, and with the implementation of GST.

Indian Scenario of Logistics Industry

The transport and logistics sector are fundamental to the development of a country. Indian logistics market is expected to grow at a CAGR of 12.17% by 2020 driven by the growth in the manufacturing, retail, FMCG and e-commerce sectors. India spends around 14.4% of its GDP on logistics and transportation as compared to less than 8% spent by the other developing countries. The key drivers of this growth are infrastructure investment associated with ports, airports, and other logistics development plans, domestic demand growth and increasing trade.

Development of transportation and logistics-related infrastructure such as dedicated freight corridors, logistics parks, free trade warehousing zones, and container freight stations are expected to improve efficiency. Government reform initiatives, promotion of manufacturing and trade, improving investment climate are expected to transform the industry and drive growth between 2017 and 2020.

India Logistics issues and Challenges

- Roads are the main source of transportation. Despite major developments in road development in India in the last decade, India's investment to develop roads are still insufficient.
- Worldwide experience says that effective use of rail logistics can be more cost effective, reliable and timely. However, in India, Rail infrastructure is ignored and is underdeveloped.
- The development of ports also suffers from a similar story. The rise of the public-private partnership in infrastructure has not helped much and thus the transportation and network costs of doing business in India leads to disadvantage for the Indian firms.

Along with this, massive administrative costs that includes insurance and government taxes and the inefficient clearing process from control agencies and customs, is all adding up to make logistics a costly affair in India.



Emerging Trends for growth of Logistics & Transportation in India

Demonetization and impact on the Indian logistics Industry

The logistics industry is a dynamic component in the country's growth wheel which has also recently witnessed the effect of demonetisation followed by remonetisation (issue of new currency notes). This sudden shift has significantly disrupted the overall business operations of logistics, automobile, FMCG, pharmaceuticals and agriculture sectors. Though this move by the government gave a temporary jolt but, in the long run, there will be an increment in the overall business coming in from the international players.

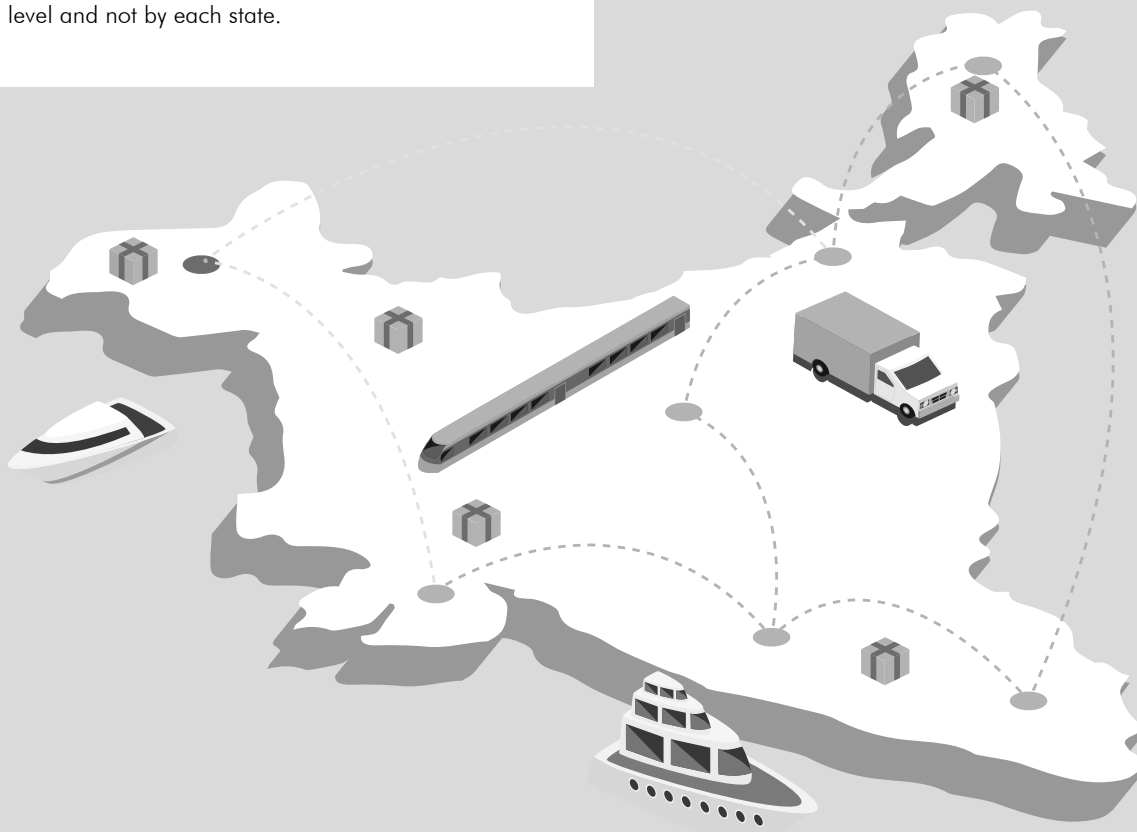
A part of the logistics industry is heavily dependent on COD (Cash on Delivery) mode of payment has plunged. It is only imperative that small to large vendors embrace this paradigm shift and reduce dependency on cash transactions. Demonetization, leading to digital ways of making payments, will erode the illicit ways of functioning in the sector. Digitization is a new reality which is critical to transforming India going forward. It will help to bring better regulation and governance in the industry.

Implementation of GST

Implementation of GST in the logistics industry will diminish logistics costs up to 10-15 percent over a period of 3- 4 years. With GST, there will be efficient cross—state transportation and rationalization of paper work for road transporters. This will reduce operations costs as taxation will be done at a national level and not by each state.

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, will boost overall 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 Indian warehousing and trucking more or less at par with the western world and Far East.

Add to it, GST will bring everyone into the tax ambit, it will reduce the share of the unorganized sector in warehousing. Prices charged by the organized players will come down and reduce the price advantage that the unorganized players currently enjoy. Thus, GST will level the playing field and create an equitable development of the industry across India.



Massive Investment in Infrastructure
Government's new initiative on the projects like Dedicated Freight Corridors (DFC), 'Sagar Mala' and 'Bharat Mala' would further enable seamless multimodal logistics services.

Dedicated Freight Corridors:

The Upcoming game-changers: With the implementation of them will see a major boost in implementation of ICDs/CFS. Freight transportation by railways will also get a boost. Due to higher cargo containerization, operationalization of two Dedicated Freight Corridors (DFCs), and setting up of multi-modal logistics parks across the country and along the DFCs, the share of railways in carrying domestic freight could increase, strengthening the prospects of multi-modal transportation in India. The eastern (Ludhiana to Dankuni) and western (Dadri to JNPT) DFCs will cover almost 3,300 route kms, run longer and heavier trains, accommodate faster speeds up to 100 kmph, guarantee transit time and reduce unit transportation costs. In the near future, road transportation will still dominate rail transportation in terms of passenger and freight. However, as already mentioned, because of increased cargo containerization and the operational commencement of DFCs, the share of railways in carrying freight will increase marginally at the cost of a road share.

The Bharat Mala Project- Connecting India like Never Before

It will connect eastern and western India through 7,000 Km of National Highways. It will allow goods to move comfortably across the country and help reduce the cost of passenger and freight travel. The project will improve road connectivity not just in coastal and border areas, but in backward areas as well. Apart from providing connectivity to the ports under the Sagar Mala project, this project will provide seamless connectivity along the borders with Nepal, Bangladesh, China, Pakistan and Bhutan, which is crucial for strategic reasons.

Sagar Mala Project- Revolutionising logistics in India through port led development

It intends to achieve the broad objectives of enhancing the capacity of major and non-major ports and modernizing them to make them efficient. This will enable them to become drivers of port- led economic development, optimizing the use of existing and future transport assets, developing new transport lines/

linkages (including roads, rail, inland waterways and coastal route), setting up logistics hubs and establishing industries and manufacturing centers to be served by ports in Exim and domestic trade.

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.



Coastal Shipping

The need of the hour demands growth in Coastal Shipping and relatively dramatic because the country's ports are already in a position to handle the expected increase in cargo. After 2019, the planned introduction of India's dedicated freight rail corridor should boost that mode of transportation, and roads as a share of the modal mix are expected to fall 15 percentage points by 2025, to 43%.

The shift to coastal shipping should help improve the financial performance of port and logistics companies, too.



Chemical Logistics – the booming Industry

India is emerging as one of the most important global locations for the chemical industry, with continuous growth in the demand of chemicals. The Indian chemical market is one of the fastest growing in the world, with an annual growth rate of approximately 12%. By 2050, India is expected to become the second-largest individual market after China, cornering 20 per cent of the global chemical sales.

Consequently, India's large coastline, land area and the largest rail network provide an immense opportunity to logistics and warehousing companies. Since, Chemical is a complex industry- products range from solids to liquids to gases and nature from Inert to Hazmat. The complexity of handling, storage and transportation is compounded with the fragmentation of the industry and lack of domestic standards.

SAARC - Moving commerce to New Horizons

The SAARC economic union: while SAARC's key aims are to promote peace, trade and development among its members, one of its major goals is to create a South Asian Economic Union by 2020. Establishment of the SAARC Preferential Trading Arrangement (SAPTA) in December 1995 and the South Asia Free Trade Agreement (SAFTA) framework in January 2006 have made the association more dynamic and further stimulated intra-regional trade and integration.

Currently, the SAPTA covers over 5,000 commodities for tariff concessions within member countries. The exports between member countries under the SAFTA have been witnessing a marked upward trend since the launching of the Trade Liberation Program (TLP). As of 2013, the total value of intra-SAARC exports (in terms of freight on board) by member countries under the SAFTA, has reached about US \$3 billion.

However, the intra-SAARC trade flows under the SAFTA are still far below the potential of the member countries. Efforts are in place to increase the quantum of regional trade within member countries by expanding the list of free trade goods. Being the largest economy within the SAARC countries, India and its trade with the rest of the member countries plays a pivotal role in enhancing the overall South Asian regional trade.

Technology and Innovation – The Way Ahead

Through the adoption of advanced technologies such as wireless networking, track-and-trace systems,

RFID tags, IoT, Big Data, AGV's , etc. the transport and logistics sector is bound to achieve significant productivity gains. It will completely transform the business of storage through more efficient warehouse management systems and changing the nature of transport through vehicle and load optimisation and systems that reconcile loads with invoices.

In the year 2016, the Logistics and Transportation Industry has witnessed some interesting transformation and trends. The ever increasing demands, new consumption patterns, digital age of commerce and global trade treaties has impacted warehousing and transportation formats. The "first mile" facilities are expanding with e-Commerce boom and the "last mile" facilities are becoming highly localized to support quick deliveries to consumers.

Future Prospects

The logistics firms are moving from a traditional setup to the integration of IT and technology to their operations to reduce the costs incurred as well as to meet the service demands. The growth of the Indian logistics sector depends upon its soft infrastructure like education, training and policy framework as much as the hard infrastructure.

To support India's fast-paced economy growth of logistics industry is very essential. ***It is estimated that the Indian logistics industry will continue to show robust growth of 10-15% annually, leading the pace of growth of the economy at large.***

The global economic outlook, indeed that of India is expected to significantly improve as India begins to tackle the economic downturn. With a new government, many policies are expected to be implemented which will give a fresh impetus to India's growth engine particularly in the corporate and SME sector which in turn will expand demand for the logistics sector.

With the implementation of GST, logistics companies, which are currently forced to set up many small warehouses across multiple cities can set up just a few, big warehouses region wise and can follow the hub-and-spoke model for freight movement from the warehouses to the different manufacturing plants, wholesale outlets, retail outlets and the various POS. This growth is backed by the boom in the e-commerce sector and expansionary policies of the FMCG firms.

