

Date: November 18, 2010  
Edition: Mumbai  
Clip 1 of 2

# TCI sees global logistics biz breakeven by next fiscal-end

*Transport Corporation of India (TCI) is the largest player in the Indian logistics space. Vineet Agarwal, executive director, TCI, speaks to Amritha Pillay on growth in the logistics segment, the company's growth plans and sector-wise performance. Excerpts from the interview:*

## What is your current outlook on the Indian logistics sector?

A good growth has been witnessed in almost all sectors and for the next five to ten years there would be a constant growth. The thumb rule in logistics is that at whatever rate the country's economy or GDP grows, logistics grows at typically one-and-a-half times of that. But surely there is an impact of fuel; if fuel prices increase this growth rate could be a little lower. This sector is growing in two aspects—pure transportation because there is demand and second from a need to outsource logistics related operations.

## What are TCI's growth target rates?

We intend to grow at least at 20% compounded annual growth rate for the next four to five years.

## How has the segment-wise performance been for TCI?

In the regular freight cargo segment, our growth rate has been around 12% for the first six months. Our express cargo division grew



## Q&A

Vineet Agarwal

This sector is growing in two aspects—pure transportation because there is demand and from a need to outsource logistics related operations. If fuel prices rise, the rate could be a little lower.

gins could be higher. We recently entered rail cargo, over dimensional cargo (bulky cargo) for a similar reason. Thus, the growth rate in this segment would be a moderate GDP linked growth.

## When do you expect to break even in the global logistics business?

We expect to break even mostly by the end of the next financial year. The segment is doing well, the volumes have picked up in the last few months. Obviously, the freight rates are still to pick up. At the moment, we are looking at certain new locations, but until the company is able to completely establish itself in this sector, we would not like to announce these locations as active.

## Tell us about the new entity TCI Developers Ltd, the real estate arm?

Some of our more than 200 properties, which were being used for company purposes, cannot be developed as per logistics requirements. Thus, we decided to utilise these parcels for the best use—commercial or residential. The idea to demerge these was not purely to develop these commercial or residential places. Once we list the company we will start the process to develop these properties for the best use. In the long term, we will also use this company for developing middle infrastructure or connecting infrastructure like multi-modal logistics parks.

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Clip 2 of 2

around 25% with an improvement in profitability and the supply chain solutions business grew around 75%. The growth in our shipping business has been quite moderate or flat, this is due to lack of new fleet addition and certain amount of dry docking. Growth in our global segment is also improving rapidly. As a company we grew at about 24%. Going forward we expect all of these segments to do well at least for the next couple of quarters. For the full year, we have a guidance of 15% to 20% revenue growth. Clearly, I am bullish on the supply chain solutions segment because the demand for these services is growing quite rapidly.

**But isn't this segment heavily dependent on the auto sector? Till when do you expect good business in supply chain management segment to continue?**

Yes, a lot of our growth in the supply chain segment is due to the auto sector and we do feel this growth story in auto will continue at least for

the next 18 to 20 months. Secondly, we have a pipeline of clients coming in from the non-auto segments such as retail, FMCG and telecom, and business from this segment is also growing. Thus, our dependency on the auto sector will continue to go down in the next two quarters. At the moment, 75% of our clients for supply chain are from the auto sector. There is no specific target to reduce dependency, but going forward we would like to bring it to around 50%.

**Your growth rate in the freight cargo segment has been moderate. Any specific reason for it?**

This growth has been moderate because we do not intend to do all kind business that is available in the market; we have been selective. Due to the presence of a large number of unorganised players, there is huge competition in this segment, thus margins are already under pressure. What we are thus looking at is creating value additions, where mar-

trucks terminals and large warehousing facilities. This could mark our entry into logistics infrastructure. But, we are clear that we are not getting into the pure space development segment and hence do not intend to buy any additional property for commercial or residential space development sake.

**You plan to raise around ₹75 crore shortly. What are your expansion plans?**

We have already invested around ₹50 crore in the first six months, this was mainly used for replacement of our trucking fleet, an additional ₹50 crore is expected to be utilised for purchase of a new ship. Purchase of new trucks is planned, but that will depend on various factors. We are looking at raising another ₹75 crore in the next few weeks, which is a board approved plan. This ₹75 crore would be used to part fund our expansion plans and for certain merger and acquisition related activities that we are looking at in the domestic space.