

# Financial Chronicle

## TCI shifting focus from bulk freight

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YASSIR A PITALWALLA

Mumbai

TRANSPORT Corporation of India (TCI), which moves goods worth almost 2.5 per cent of India's GDP by value, is steadily moving away from its core business of freight handling and transportation as it attempts to make its business less cyclical and ride the growth in value-added services of India's nascent supply chain and logistics industry.

"The long-term sustainability of the commodity freight business is poor due to low margins. Our strategy therefore has been to diversify by way of value-addition rather than focus on volumes alone. We have now managed to reduce the contribution of the lower margin business to around 50 per cent of our income by offering customers products and services tailored to their requirements and riding the growth of new age industries such as retail and telecom," said Vineet Agarwal, executive director, TCI.

Icra, which has a highest safety short-term debt rating outstanding on the company, said an increasing contribution of higher margin businesses (especially express cargo and supply chain solutions) to the total revenues of the company, and the largely outsourced model of operation has enabled the company to remain asset-light, thus minimizing idle capacity during downturns.

TCI is steadily trying to wean its dependence away from bulk freight that is very closely linked with the economy in an attempt to create a hedge against downturns. "Container freight and air cargo are falling-yield markets where margins are declining," said Agarwal. TCI Group wants to leverage its extensive network of over 1,200 company-owned offices and managed warehouse space of 7.8 million sq.ft.

"The value added businesses will grow at double-digit rates for the next 10-15 years, so we need to focus on this with a professional team. Hence, we have put in place CEOs and



### Load shedding

- TCI's move is seen as an attempt to make its business less cyclical and ride the growth in VAS
- The VAS business is expected to grow at double-digit rates for the next 10-15 years
- For large customers, TCI has put in place account managers as single-point contact

CFOs for each division," said Agarwal.

The company has around five business divisions, which are run virtually as companies with decentralisation that gives the management teams the opportunity to pursue growth.

The division led approach allows the company to meet the differing service needs of different sets of customers for its express cargo business to the supply chain business. For large customers such as Hindustan Unilever (HUL), which use the services of multiple divisions, TCI has put in place account managers to service all their needs as a single-point contact.

"This structure allows us to cross-sell and up-sell services to customers. For example, we can ask a customer for whom we handle distribution of spare parts whether they would like to use our freight division services for movement of over-dimensional cargo as they set up the new manufacturing plant," said Agarwal.

He estimates that around a quarter to a third of the company's customers are common across divisions, so there is a latent opportunity to cross-sell to other customers.

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