Economic Times

Investment in High-margin Business Helps

Date: 31/12/2013 | Edition: Mumbai | Page: 13 | Source: Bureau | Clip size (cm): W: 17 H: 14

TRANSPORT CORPORATION OF INDIA

Investment in High-margin Businesses Helps

Delhi-based Transport Corporation of India (TCI) is one of the few logistics companies whose profit has not fallen in the past few quarters despite a difficult macro-economic environment. As a result, the company's stock has outperformed its rivals over the past several months.

CHART *of the day*

TCI operates primarily in three segments -- freight, express distribution and supply-chain solutions. One of the main reasons for the company remaining less affected by the economic slowdown is its healthy investment in high-margin businesses like supply chain and express distribution. Higher fuel expenses and the slowdown have hurt TCI's operating margin and revenue in the freight segment, the biggest contributor to its revenues. However, its lower profit in the freight segment was nearly offset by higher contribution from other segments.

Going ahead, given the increasing focus on high-margin supply chain and express divisions, the company may see healthy expansion in earnings when economic growth picks up.

Contribution to Total Revenues

Decreasing cotributuion from transport segment

Segment	h1FY14	FY13	FY12	FY11	FY10	FY09	FY08
Transport	38.6	36.5	39.6	43.1	47.6	50.8	52.3
XPS	29.6	25.5	24.9	24.4	25.3	25.4	25.7
Supply Chain Solutions	25.4	31.2	29.3	25.6	19.3	14.8	14.5
TCI Seaways	5.8	4.5	4.7	3.9	4.2	6.0	5.0
Wind Power	0.6	0.3	0.4	0.3	0.5	0.5	0.7

SOURCE: ETIG DATABASE

0.73 Debt-to-equity ratio as of September 2013

17.6% Return on equity in FY13

100% increase in capital employed in supply chain segment over the past two years

—Suraj Sowkar

India Media Monitor

Economic Times

TRANSPORT CORPORATION OF INDIA

Date: 31/12/2013 | Edition: Chandigarh | Page: 8 | Source: Bureau | Clip size (cm): W: 17 H: 13

Clip: 1 of 1

TRANSPORT CORPORATION OF INDIA

Investment in High-Margin Businesses Supporting TCI

Delhi-based Transport Corporation of India is one of the few logistics firms whose profit has not fallen in the past few quarters despite a difficult macro-economic environment. As a result, the stock has outperformed its rivals over the past several months.

TCI operates primarily in three segments -freight, express distribution and supply-chain solutions. One of the main reasons for the company remaining less affected by the economic slowdown is its healthy investment in high-margin businesses like supply chain and express distribution. Higher fuel expenses and the slowdown have hurt TCI's operating margin and revenue in the freight segment, the biggest contributor to its revenue. However, its lower profit in the freight segment was nearly offset by higher contribution from other segments.

Going ahead, given the increasing focus on high-margin supply chain and express divisions, the company may see healthy expansion in earnings when economic growth picks up.

CHART *of the day*

Contribution to Total Revenues

Decreasing cotributuion from transport segment

Segment	h1FY14	FY13	FY12	FY11	FY10	FY09	FY08
Transport	38.6	36.5	39.6	43.1	47.6	50.8	52.3
XPS	29.6	25.5	24.9	24.4	25.3	25.4	25.7
Supply Chain Solutions	25.4	31.2	29.3	25.6	19.3	14.8	14.5
TCI Seaways	5.8	4.5	4.7	3.9	4.2	6.0	5.0
Wind Power	0.6	0.3	0.4	0.3	0.5	0.5	0.7

SOURCE: ETIG DATABASE

TCI vs ET Logistics

0.73 Debt-to-equity ratio as of September 2013

17.6% Return on equity in FY13

100% increase in capital employed in supply chain segment over the past two years

India Media Monitor

Economic Times

Invest in high-margin business helps

Date: 31/12/2013 | Edition: Delhi | Page: 12 | Source: Bureau | Clip size (cm): W: 25 H: 15

Clip: 1 of 1

borrowers could be linked to tier-I capital — comprising equity and reserves — rather than total capital, which includes some category of bonds.

Among large banks, State Bank of India had to take special approval from RBI since it has crossed the exposure limits for large corporates such as Indian Oil Corporation and Bharat Heavy Electricals for the year 2012-13. However, if RBI were to reduce the exposure limits — on how much a bank can lend to a single company or a conglomerate — many more banks are likely to have breached the limits.

Some lenient practices during the boom period to promote investments may have created risks in the system that may blow up in the face of banks and their depositors. When economic conditions worsen, the risks get amplified.

RBI has called a review of exposure norms after the International Monetary Fund and World Bank conducted a study, the Financial Stability Assessment Programme (FSAP), during 2011-12 which assessed India to be materially non-compliant with Basel Core Principle 10 related to 'large exposure limits'.

The report said the large exposure limits of 40% — which can exceptionally be brought to 50% for infrastructure exposure — for a group borrower is significantly higher than the large exposure limit of 25% that are considered good international practice.

RBI has said high exposure norms — where a bank can lend more to a single company or group — were evolved in the context of the country's growth and development requirements, but agreed they are on the higher side of international standards.

The Basel Committee report on 'Supervisory Framework for Measuring and Controlling Large Exposures' proposed the threshold defining large exposure should be set at 5% of a bank's eligible capital base and that the large exposure limit can be fixed at 25% of the common equity tier-I against the current practice of linking it to total capital.

TRANSPORT CORPORATION OF INDIA

Investment in High-margin Businesses Helps

Delhi-based Transport Corporation of India (TCI) is one of the few logistics companies whose profit has not fallen in the past few quarters despite a difficult macro-economic environment. As a result, the company's stock has outperformed its rivals over the past several months.

CHART *of the day*

TCI operates primarily in three segments -- freight, express distribution and supply-chain solutions. One of the main reasons for the company remaining less affected by the economic slowdown is its healthy investment in high-margin businesses like supply chain and express distribution. Higher fuel expenses and the slowdown have hurt TCI's operating margin and revenue in the freight segment, the biggest contributor to its revenues. However, its lower profit in the freight segment was nearly offset by higher contribution from other segments.

Going ahead, given the increasing focus on high-margin supply chain and express divisions, the company may see healthy expansion in earnings when economic growth picks up.

TCI vs ET Logistics

Contribution to Total Revenues

Decreasing cotributuion from transport segment

Segment	h1FY14	FY13	FY12	FY11	FY10	FY09	FY08
Transport	38.6	36.5	39.6	43.1	47.6	50.8	52.3
XPS	29.6	25.5	24.9	24.4	25.3	25.4	25.7
Supply Chain Solutions	25.4	31.2	29.3	25.6	19.3	14.8	14.5
TCI Seaways	5.8	4.5	4.7	3.9	4.2	6.0	5.0
Wind Power	0.6	0.3	0.4	0.3	0.5	0.5	0.7

SOURCE: ETIG DATABASE

0.73 Debt-to-equity ratio as of September 2013

17.6% Return on equity in FY13

100% increase in capital employed in supply chain segment over the past two years

—Suraj Sowkar