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ANNUAL REPORT

1997-98

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THE STATE TRADING CORPORATION OF INDIA LIMITED



C O N T E N T S

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BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR

Shri S.M. Dewan (From 6.10.1997)

Shri B.K. Chaturvedi (Upto 6.10.1997)

DIRECTORS

Miss Rita Kunur

Shri I.D. Chaudhury

Shri Arvind Pandalai (From 17.09.97)

Shri Deepak Prashad (Upto 27.01.98)

Shri Gopal Chaturvedi (Upto 11.01.98)

EX-OFFICIO DIRECTORS

Shri D.P. Bagchi

Shri N. Misra

CGM & COMPANY SECRETARY

Shri N.M. Samuel,

Registered Office:

**"JAWAHAR VYAPAR BHAWAN"
TOLSTOY MARG
NEW DELHI - 110 001.**

Statutory Auditors:

**B.R. MAHESHWARI & CO.
CHARTERED ACCOUNTANTS,
NEW DELHI.**

Bankers:

**STATE BANK OF INDIA
BANK OF INDIA
STATE BANK OF HYDERABAD**

NOTICE

Notice is hereby given that the 42nd Annual General Meeting of the State Trading Corporation of India Ltd. will be held at 4 PM on Wednesday, the 30th September, 1998 at the registered office of the Corporation at 'Jawahar Vyapar Bhawan', Tolstoy Marg, New Delhi - 110001 to transact the following business:-

- 1) To receive and adopt the Directors' Report and audited balance Sheet and Profit & Loss Account of the Corporation for the year ended 31st March, 1998.
- 2) To declare dividend.
- 3) To ratify the appointment of Shri S.M. Dewan as Chairman & Managing Director of the company by the President of India vide Ministry of Commerce OM No. 1/8/97-FT(ST) dated 6/10/1997 on the terms & conditions approved by the President of India from time to time.
- 4) To reappoint Shri Arvind Pandalai, who will be retiring by rotation at the AGM, and, being eligible and having offered himself for reappointment, as a whole time Director of the Company on the terms & conditions approved by the President of India from time to time.
- 5) To reappoint Shri N. Misra, who will be retiring by rotation at the AGM, and, being eligible and having offered himself for reappointment, as a part-time Director of the Company.

NOTES:

- (a) The Explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item No. 3 is annexed.
- (b) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member (proxy form is enclosed).
- (c) The Register of Members and Transfer Books of the Company will be closed from 16th to 30th September, 1998 (both days inclusive).
- (d) Members are requested to bring with them copy of Annual Report & Attendance Slip at the Annual General Meeting

By Order of the Board of Directors



(N.M. SAMUEL)

CGM & COMPANY SECRETARY

NEW DELHI.
DATED: 18/8/98

To:- – Members
 – Auditors

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO. 3

Shri S.M. Dewan was appointed by the President of India as Chairman & Managing Director of the Corporation vide Ministry of Commerce OM No. 1/8/97-FT(ST) dated 6/10/97 for a period of 5 years vice Shri B.K. Chaturvedi with effect from 6th October, 1997. He will be governed by the terms & conditions approved by the President of India from time to time. The Board of Directors at its 484th meeting held on 7.10.97 had also approved his appointment as Chairman & Managing Director.

Shri Dewan is interested in this Resolution as it concerns him.



DIRECTORS' REPORT

The Board of Directors have pleasure in presenting the 42nd Annual Report on the working of the Corporation together with audited statement of accounts for the year ended 31st March, 1998.

PERFORMANCE HIGHLIGHTS

The Corporation's performance highlights for the year 1997-98 are given below :

| | 1997-98 | 1996-97 |
|----------------------|-------------|--------------|
| TURNOVER | | (Rs. Crores) |
| EXPORTS | | |
| Non-canalised | 339 | 513 |
| IMPORTS | | |
| Canalised/Govt. A/c | 1693 | 1743 |
| Non-canalised | 658 | 153 |
| Total | 2351 | 1896 |
| Domestic | 177 | 116 |
| Grand Total | 2867 | 2525 |
| Profit after tax | 3 | 38 |
| Dividend | 9 | - |
| Transfer to reserves | 3 | 8 |
| Net worth | 440 | 447 |

REVIEW OF PERFORMANCE

TURNOVER

The turnover of the Corporation at Rs. 2867 crores was up by 14% over the previous year and was the highest achieved in any one year in the last decade.

PROFIT/DIVIDEND

Profit after tax for the year was Rs. 3 crores compared to Rs. 38 crores in the previous year. This was mainly due to drop in trading profits arising from certain adverse market conditions and increase in overheads.

The Corporation paid an interim dividend of 30% for 1997-98. The Board recommends that the interim dividend of 30% already paid for the year be approved as final dividend for the year.

EXPORTS

During the year, the Corporation was able to increase its exports in items like coffee, consumer goods and textiles & garments. The total exports, however, amounted to Rs. 339 crores compared to Rs. 513 crores in the previous year. The decline was due to adverse market conditions in respect of extractions and some other agricultural commodities which were exported in much larger quantities in the previous year.

IMPORTS

The Corporation's import turnover during the year increased by about 25% from Rs. 1896 crores in the previous year to Rs. 2351 crores contributed by higher imports of wheat and gold/silver. During the year, import turnover on STC's own account amounted to Rs. 658 crores - the highest ever achieved by the Corporation.

There was, however, a decline in the import turnover on Govt. account from Rs. 1743 crores during 1996-97 to Rs. 1693 crores during the year due to lower import sales of edible oils and urea.

GOLD/SILVER

In keeping with its plans for diversification, the Corporation undertook, on a large scale, import of gold and silver and effected import sales valued at Rs. 628 crores. With a view to expanding these operations, arrangements have been finalised with Swiss Banks for import of gold on consignment basis.

WHEAT

The Corporation continued to import wheat on Govt. account. The total value of import sales of wheat, on Govt. account amounted to Rs. 1076 crores against contracts finalised in the previous year.

Again in February 1998, the Govt. authorised STC to import two million MTs of wheat against which the Corporation had contracted for 1.5 million MTs of Australian Standard White (ASW) wheat for arrival during 1998. Out of this, a quantity of 10.73 lakh MTs has arrived in India

by the first week of August '98 and the balance quantity is likely to arrive in Indian ports by September, 1998.

DOMESTIC TRADE

During the year, domestic trade turnover of the Corporation went up by 53% from Rs. 116 crores in the previous year to Rs. 177 crores. The increase was contributed by higher sales of both edible oils/cakes and pulses. As in the previous years, part of the quantities of edible oils was sold in consumer packs under STC's brand called 'Darpan'.

NATURAL RUBBER

As per Govt. instructions, the Corporation has procured 9,600 MTs of natural rubber valued at Rs. 30 crores approx. on Govt. account to check the declining domestic prices. Efforts are continuing to dispose of the stock in the domestic/export market.

Govt. has further instructed STC to procure an additional quantity of 20,000 MTs of natural rubber during 1998-99. The procurement operation for natural rubber on Govt. account is, therefore, continuing.

SUBSIDIARY

TTCL, a subsidiary of STC has been facing financial as well as industrial relation problems for quite some time. Due to non-payment of salaries for the last 15 months, their activities have come to a standstill. Consequently, their Accounts since 1996-97 have not been finalised. Hence their performance figures for only 1996-97 (estimated) are given in the summarised statement of Balance Sheet and Profit and Loss Account of STC and its subsidiary, annexed.

PERSONNEL AND INDUSTRIAL RELATIONS

The Corporation continued to maintain cordial and harmonious industrial relations with its employees.

HUMAN RESOURCE DEVELOPMENT

With a view to upgrade the job knowledge, sharpen skills of employees and improve the quality of manpower, the Corporation continued to organise HRD programmes both for managers and staff.

RECRUITMENT OF SC/ST CANDIDATES

During the year, nine SC/ST and OBC candidates were recruited against backlog/ current posts reserved for them. Efforts are continuing to wipe out the backlog of 3 posts of SC/ST in the cadre of AM (F) /Jr. Steno.

PARTICULARS OF EMPLOYEES

A statement of employees in terms of section 217 (2A) of the Companies Act, 1956 read with the relevant rules, is annexed. None of the employees mentioned therein is related to any of the Directors of the Corporation.

OFFICIAL LANGUAGE

The Corporation continued to implement the official language policy particularly using Hindi in its offices in India and abroad. During the year, the Corporation has won the first prize for doing excellent work in official language and has been awarded Rajbhasha Shield and Certificate by Nagar Rajbhasha Karyanvayan Samiti (Upkrama).

VIGILANCE ACTIVITIES

The Vigilance Division of the Corporation continued to perform the following vigilance functions:

- Creating consciousness of the vigilance requirements among the employees as part of preventive vigilance campaign and systems improvement;
- Investigation of complaints received from various agencies/sources; and
- Constant liaison with the outside agencies for ensuring preventive vigilance.

FOREIGN EXCHANGE EARNINGS/OUTGO

The total foreign exchange earnings and outgo during the year were as follows :

| | (Rs. Crores) |
|-----------------------------|----------------|
| Foreign Exchange earnings : | |
| Exports (f.o.b. value) : | 246.33 |
| Others | 5.08 |
| Total | <u>251.41</u> |
| Foreign exchange outgo : | |
| Imports (CIF value) : | 2511.39 |
| Interest | 4.85 |
| Other expenses | 15.24 |
| Total | <u>2531.48</u> |

AUDITORS' REPORT

The Report of the Statutory Auditors along with comments of Management, wherever necessary, is annexed.

COMMENTS OF C&AG

The comments of C&AG under section 619 (4) of the Companies Act, 1956 on the accounts of the Corporation for 1997-98 along with C&AG's Review of the Accounts form part of this report.

BOARD OF DIRECTORS

Shri S.M. Dewan was appointed by President of India as Chairman & Managing Director of the Corporation vide Ministry of Commerce OM No. 1/8/97-FT (ST) dated 6/10/97 for a period of 5 years and he took over charge from Shri


B.K. Chaturvedi, the then CMD of STC with effect from 6th October, 1997. A resolution will be placed before the AGM for ratification of his appointment as CMD on the terms & conditions approved by the President of India from time to time. The Board extends a hearty welcome to Shri Dewan and also places on record its appreciation for the valuable contributions of Shri B.K. Chaturvedi as CMD.

S/Sh. Gopal Chaturvedi and Deepak Prashad had ceased to be Directors w.e.f. 12th and 28th January, 1998 respectively. The Board would also like to place on record its appreciation for their respective contributions as members of the Board.

In terms of the provisions contained in Article 79 (2) of the Articles of Association regarding retirement of Directors by rotation at every AGM, Shri N. Misra, part time Director and Shri Arvind Pandalai, whole time Director shall retire at the AGM and being eligible for reappointment, offer themselves for reappointment.

The Board would also like to place on record its deep appreciation for the dedicated services put in by the Managers and Staff of the Corporation during the year.

For and on behalf of the
Board of Directors



(S.M. Dewan)
Chairman &
Managing Director

21.8.1998
New Delhi.