



# THE STATE TRADING CORPORATION OF INDIA LTD.

Jawahar Vyapar Bhawan, Tolstoy Marg, New Delhi-110 001

## NOTICE

Notice is hereby given that the 44<sup>th</sup> Annual General Meeting of the State Trading Corporation of India Ltd., will be held at 4 PM on Friday, the 29<sup>th</sup> September, 2000 at the registered office of the Corporation at "Jawahar Vyapar Bhawan", Tolstoy Marg, New Delhi 110 001 to transact the following business :

- 1) To receive and adopt the Directors' Report and audited Balance Sheet and Profit and Loss Account of the Corporation for the year ended 31<sup>st</sup> March, 2000.
- 2) To declare that the interim dividend of 20% already paid to the shareholders be treated as the final dividend for the year.
- 3) To ratify the appointment of Shri VK Duggal as part time Director, Shri TS Sagar as Director (Marketing) and Shri PK Gupta as Director (Finance) of the Corporation.
- 4) To reappoint Shri Arvind Pandalai, who retires by rotation at the AGM, as a whole time Director of the Company on the terms & conditions approved by the President of India from time to time. Being eligible, he has offered himself for reappointment.
- 5) To reappoint Shri SB Mohapatra, who retires by rotation at the AGM, as a part-time Director of the Company on the terms & conditions approved by the President of India from time to time. Being eligible, he has offered himself for reappointment.
- 6) To reappoint Shri SD Kapoor, who retires by rotation at the AGM, as a part time Director of the Company on the terms & conditions approved by the President of India from time to time. Being eligible, he has offered himself for reappointment.

### NOTES

- a) The Explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item 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 Share Transfer Books of the Company shall remain closed from 1<sup>st</sup> to 30<sup>th</sup> September, 2000 (both days inclusive).
- d) Members are requested to bring with them copy of Annual Report and Attendance Slip at the Annual General meeting.

BY ORDER OF THE BOARD OF DIRECTORS

(N.M. SAMUEL)  
CGM & COMPANY SECRETARY

NEW DELHI  
DATED: 4.9.2000

To: - Members  
- Auditors

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

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Shri V. K. Duggal, Additional Secretary, Ministry of Commerce was appointed by the President of India as part-time Director of the Corporation w.e.f. 19th April, 2000 vide Ministry of Commerce OM No. 1/2/96/FT(ST) dated 19.4.2000. The Board of Directors at its 503<sup>rd</sup> meeting held on 27.6.2000 had also approved his appointment.

S/ Shri TS Sagar and PK Gupta were appointed by the President of India as Director (Mktg) and Director (Fin) vide Ministry of Commerce OM No. 1/3/98-FT(ST) dated 1/12/99 and OM NO. 1/6/97-FT(ST) dated 23/2/2000 and they had assumed charge w.e.f. 1.12.99 and 24.2.2000 respectively. The Board of Directors at its meetings held on 8.12.99 and 28.3.2000 had also approved these appointments.

S/Shri VK Duggal, TS Sagar and PK Gupta are interested in this item as it concerns them.





# THE STATE TRADING CORPORATION OF INDIA LIMITED

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## BOARD OF DIRECTORS

### Chairman & Managing Director

Dr S.M. Dewan

### Directors

Miss Rita Kunur

Shri I D Chaudhury

Shri Arvind Pandalai

Shri T S Sagar From 01/12/1999

Shri P K Gupta From 24/02/2000

### Ex Officio Directors

Shri S D Kapoor

Shri S B Mohapatra

Shri V K Duggal From 19/04/2000

Shri N Misra Upto 19/04/2000

### CGM & Co. Secretary

Shri N M Samuel

## DIRECTORS' REPORT

The Board of Directors has pleasure in presenting the 44th Annual Report on the working of the Corporation together with audited statement of accounts for the year ended 31st March, 2000.

### ECONOMIC ENVIRONMENT

During 1999-2000, India's GDP grew by 6% in addition to the inflation rate continuing to decline throughout the year and remaining around 3% for most of the period. The balance of payments position survived the twin shocks of the East Asian crisis and the post-Pokhran sanctions with a low current account deficit and sufficient capital inflows. This was demonstrated by the continuous rise in the foreign exchange reserves which went up from US\$ 32.5 billion at the end of the previous year to US\$ 38 billion at the end of 1999-2000.

Though WTO has a clear agenda of making the international trade free, some countries had resorted to protectionist measures in the form of non-tariff barriers like more stringent standards of quality and packaging, imposition of dumping duties, provision of subsidies, environment issues, child labour, etc. In spite of this, India's exports showed a strong recovery of 13% in dollar terms. This was due to worldwide recovery of trade. The Corporation made best use of the upswing in the export environment and doubled its exports. Details are given elsewhere in this Report.

The country's imports registered an increase of about 9% over the previous year in dollar terms. This was despite an increase of over 100% in the oil prices. Wheat imports during the year declined very sharply. The Corporation's performance has to be viewed against the backdrop of much lower canalised and Government supported business now left with it as a result of continued liberalisation of foreign trade.

### PERFORMANCE HIGHLIGHTS

The Corporation's performance highlights for the year 1999-2000 are given below :

	1999-2000	1998-1999
<b>TURNOVER</b>		(Rs. Crores)
<b>EXPORTS</b>		
Non-canalised	445	220
<b>IMPORTS</b>		
Canalised/Govt. A/c	378	1450
Non-canalised	284	124
Total	662	1574
<b>DOMESTIC</b>	56	100
<b>GRAND TOTAL</b>	1163	1894
<b>FINANCIAL</b>		
Profit after tax	23	12.5
Dividend	6	6
Transfer to General		
Reserves	4	3
Net worth	462	445

### REVIEW OF PERFORMANCE

#### PROFIT / DIVIDEND

During 1999-2000, the Corporation was able to achieve a profit after tax of Rs.23 crores- an increase of 83% over the previous year's profit after tax of Rs.12.5 crores. This was possible despite an increase of over Rs.3 crores in the establishment cost due to revision of pay scales of the managers.

The Corporation has already paid interim dividend @ 20%. The Board of Directors

**COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION  
619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF THE STATE TRADING  
CORPORATION OF INDIA LIMITED FOR THE  
YEAR ENDED 31 MARCH, 2000**

<u>Comments</u>	<u>Management's Reply</u>
BALANCE SHEET APPLICATION OF FUNDS CURRENT ASSETS, LOANS & ADVANCES	
<b>1. SUNDRY DEBTORS – Rs.25.24 CRORE (SCHEDULE 7)</b>	
The above is overstated by Rs.4.45 crore due to inclusion of	
(a) Rs.2.14 crore dues for the short supplies of Oil and De-oiled cake effected by two parties, which have been declared as sick by BIFR.	(a) Against the dues of Rs.134.22 lakhs the party has supplied oil worth Rs.4.56 lakhs during 1999-2000 leaving a balance of Rs.129.66 lakhs. The claim is two years old. The position will be reviewed during 2000-2001.  An amount of Rs.84.27 lakhs is due from a party who has agreed to pay for the shortages in a phased manner from future processing bills at mutually agreeable terms of payment. The claim is 2 years old and the party is in correspondence with Bhopal Branch. The position will be reviewed during 2000-2001.
(b) Rs.1.16 crore due from a party that has defaulted and legal cases are pending against it for recovery of dues.	(b) A criminal complaint against COMARK has been filed. The investigation is still going on. COMARK requested rescheduling of payment of loan and withdrawal of criminal complaint. STC informed COMARK that criminal complaint can be withdrawn only if they furnish a Bank Guarantee ensuring payment of the outstanding amount. STC's proposal is under consideration of Board of COMARK.
(c) Rs.1.15 crore towards supplies of goods to be received from a party that has been declared as sick by BIFR. This has resulted in the overstatement of Profit by Rs.4.45 crores.	(c) Legal action has been initiated against the party for the recovery of dues. The position will be reviewed during 2000-2001.
<b>2. ADVANCES – RS 26.96 CRORE (SCHEDULE 9)</b>	
The above is overstated due to inclusion of Rs.49.90 lakhs due from a party that has not made any payment during the last two years and the Company has not taken any legal action for the recovery of the amount.	
The party has accepted Rs.74.90 lakhs as advance from STC and have already paid Rs.25.00 lakhs. The party has agreed to pay the balance in a phased manner.	
This has resulted in the overstatement of Profit	

CURRENT LIABILITIES & PROVISIONS  
CURRENT LIABILITIES

**3. SUNDRY CREDITORS – RS.131.19  
CRORE (SCHEDULE 10)**

The above is overstated due to non inclusion of Rs.48.46 lakh being the amount received by the Company from 3 suppliers in sugar import contracts cancelled on the instruction of the Govt of India and payable to the Govt.

The amount of Rs.48.46 lakhs has been correctly accounted for STC's income in the earlier years, in lieu of services rendered.

This has resulted in the overstatement of profit by Rs.48.46 lakhs.

SIGNIFICANT ACCOUNTING POLICIES

**4 ACCOUNTING POLICY NO.8 & NOTE  
NO.11(B)**

The above Accounting Policy is defective as, for the purpose of valuation of the goods handled by the Company on behalf of the Government, the policy allows comparison of cost and net realisable value by disregarding a constituent of the realisable value receivable by the Company from the Government in respect of the goods sold to the parties nominated by the Government with corresponding increase in the Claims Recoverable from the Government. This has resulted in an understatement of 'closing stock' and overstatement of 'Claims Recoverable from the Government' each by Rs 26.45 crore.

The closing stock of Rubber and RBD Palmolein handled on Govt account have been correctly valued as per Revised Accounting Policy relating to valuation of closing stock which is in line with Accounting Standard No.2 ( Revised) issued by the Institute of Chartered Accountants of India, according to which stock in trade have to be valued at cost or net realisable value whichever is lower. However, the comment has no effect on the profits of the Corporation.

Sd/-  
(MALASHRI PRASAD)  
Principal Director of Commercial Audit  
& Ex-officio Member, Audit Board-I  
New Delhi.  
Dated:04.9.2000  
Place: New Delhi.

For and on behalf of the Board of Directors

Sd/-  
(Dr. S. M. DEWAN)  
CHAIRMAN & MANAGING DIRECTOR  
New Delhi.  
Dated: 04.9.2000

**REVIEW OF ACCOUNTS OF THE STATE TRADING CORPORATION OF INDIA LIMITED FOR THE YEAR ENDED 31 MARCH 2000 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA.**

Note: Review of Accounts has been prepared without taking into account the comments under Section 619 (4) of the Companies Act, 1956 and qualifications contained in the Statutory Auditor's Report.

**1. FINANCIAL POSITION**

The table below summarises the financial position of the Company for the last three years

		(Rupees in crore)		
		1997-98	1998-99	1999-2000
<b>LIABILITIES</b>				
a)	Paid up Capital			
	i) Government	27.31	27.31	27.31
	ii) Others	2.69	2.69	2.69
b)	Reserves & Surplus			
	i) Free Reserves & Surplus	405.55	411.84	428.31
	ii) Capital Reserve	1.00	1.00	1.00
	iii) Share Premium Account	-	-	-
	iv) Other Committed Reserves	2.97	2.60	2.32
c)	Borrowings			
	i) From Government of India	-	-	-
	ii) From Financial Institutions	-	-	-
	iii) Foreign Currency Loans	-	-	-
	iv) Cash Credits	-	27.30	48.00
	v) Others	557.33	202.21	-
	vi) Interest accrued & due	-	-	-
d)	i) Current Liabilities & Provisions	187.66	189.02	185.69
	ii) Provision for Gratuity	-	-	-
	<b>Total</b>	<b>1184.51</b>	<b>863.97</b>	<b>695.32</b>
<b>ASSETS</b>				
e)	Gross Block	45.56	45.91	47.12
f)	Less: Depreciation	15.97	17.39	18.96
g)	Net Block	29.59	28.52	28.16
h)	Capital Work-in-Progress	-	1.31	4.63
i)	Investments	178.88	141.66	144.49
j)	Current Assets, Loans & Advances	976.04	692.48	518.04
k)	Miscellaneous Expenditure not written off	-	-	-
l)	Accumulated Loss	-	-	-
	<b>Total</b>	<b>1184.51</b>	<b>863.97</b>	<b>695.32</b>

m)	Working Capital [j-d(i)-c(vi)]	788.38	503.46	332.35
n)	Capital Employed [g-m]	817.97	531.98	360.51
o)	Percentage of Working Capital to Capital Employed	96.38	94.64	92.19
p)	Net Worth [a+b(i)+b(iii)-k-l]	435.55	441.84	458.31
q)	Net Worth per Rupee of Paid up Capital (in Rs.)	14.52	14.73	15.28

## 2. SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs. 195.72 crore were generated and utilised during the year as given below:

		(Rupees in crore)	
<b>I</b>	<b>Sources of Funds</b>		
	a) Funds from Operations:-		
	Profit After Tax	22.91	
	Add: Depreciation	1.66	
	Less: Loss on sale of Fixed Assets (net)	0.03	24.54
	b) Decrease in Working Capital		171.11
	c) Sale proceeds of Fixed Assets		0.07
	<b>Total Funds Generated</b>		<b>195.72</b>
<b>II</b>	<b>Utilisation of Funds</b>		
	a) Repayment of Borrowings		181.51
	b) Addition to Fixed Assets and Capital Work in Progress		4.72
	c) Addition to Investments		2.83
	d) Payment of Dividend		6.66
	<b>Total Utilisation of Funds</b>		<b>195.72</b>

## 3. WORKING RESULTS

The working results of the Company for the last three years are given below:

		(Rupees in crore)		
		1997-98	1998-99	1999-2000
1.	Sales	2867.01	1893.89	1162.59
2.	Non Operating Income			
	a) Dividend Income	18.05	26.73	13.10
	b) Interest earned on S.T. Deposits	14.16	20.28	16.78
	c) Profit on sale of investments	-	21.56	-
	d) Rent Receipts	5.66	8.34	8.42
	<b>Total</b>	<b>37.87</b>	<b>76.91</b>	<b>38.30</b>
3.	Trading Margin from transactions from Government Account	15.61	15.31	45.87
4.	Profit/(Loss) before tax and Prior Period Adjustments	(2.41)	14.03	23.96

5.	Prior Period Adjustments	(0.52)	0.15	0.05
6.	Profit before tax	(2.93)	13.88	23.91
7.	Profit/(Loss) before tax but excluding Non Operating Income and Trade Margin from Government account	(56.41)	(78.34)	(60.26)
8.	Tax Provisions	5.49	1.37	0.99
9.	Profit after Tax	2.56	12.51	22.91
10.	Dividend Paid/Proposed dividend	9.00	6.00	6.00
11.	Tax on proposed dividend	0.90	0.60	0.72

Analysis of the above reveals that the Company is incurring substantial losses in successive years of operation and is able to show profits only because of its non operating income and trading margins earned through dealing in commodities on behalf of the Government of India.

#### 4. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the Company at the end of the last three years are as under:

		(In percentage)		
		1997-98	1998-99	1999-2000
A.	<b>Liquidity Ratio</b>	520.11	366.35	278.98
Current Ratio (Current Assets to Current Liabilities & Provisions and interest accrued and due but excluding Provision for Gratuity) $j / [d(i)+c(vi)]$				
B.	<b>Debt Equity Ratio</b>	No long term debts		
Long term Debts to Net Worth [i.e., c(i) to (v) / p]				
C.	<b>Profitability Ratios</b>			
a)	Profit before tax to:			
(i)	Sales	(0.10)	0.73	2.06
(ii)	Capital Employed	(0.36)	2.61	6.63
(iii)	Net Worth	(0.67)	3.14	5.22
b)	Profit after tax to:			
(i)	Net Worth	0.59	2.83	5.00
(ii)	Paid up Capital	8.57	41.70	76.37
b)	Earning per share (in Rs.) share of Rupees 10/-each:	0.85	4.14	7.64
D.	<b>Fixed Assets turnover Ratio</b>	96.89:1	66.41:1	41.29:1
(Sales to Fixed Assets)				
E.	<b>Sales to Net Worth</b>	6.58:1	4.29:1	2.54:1

## 5. INVENTORY

Inventory levels at the end of the year vis-à-vis Sales during the last three years ended 31 March 2000 are given below:

		(Rupees in crore)		
		1997-98	1998-99	1999-2000
(i)	Sales	2867.01	1893.89	1162.59
(ii)	Stock in trade	169.87	193.26	99.92
(iii)	Percentage of (i) to (ii)	5.92	10.20	8.59

## 6 SUNDRY DEBTORS

a) The following table depicts the position of Sundry Debtors vis-à-vis Sales during the last three years ended 31 March 2000 are given below:

As at the end of	Sundry Debtors		Total	Sales	Percentage of total Sundry Debtors to Sales
	Considered Good	Considered Doubtful			
	(Rupees in crore)				
1997-98	539.34	9.57	548.91	2867.01	19.15
1998-99	39.17	9.94	49.11	1893.89	2.59
1999-2000	25.24	9.95	35.19	1162.59	3.03

(b) The age-wise analysis of the total Sundry Debtors as on 31 March 2000 is as under:

Sundry Debtors Outstanding for		Amount (Rupees in crore)
i)	Less than one year	12.14
ii)	One year but less than two years	2.38
iii)	Two years and more but less than three years	2.07
iv)	Three years and above	18.60
<b>Total</b>		<b>35.19</b>

Sd/-  
Principal Director of Commercial Audit  
& ex-officio Member Audit Board-I  
New Delhi

Date : September 4, 2000  
Place : New Delhi