



DIRECTORS' REPORT & ANNUAL ACCOUNTS 2000-2001

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THE STATE TRADING CORPORATION OF INDIA LTD.
Jawahar Vyapar Bhawan, Tolstoy Marg, New Delhi - 110001



THE STATE TRADING CORPORATION OF INDIA LIMITED

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR

Dr. S.M. Dewan

DIRECTORS

Dr. Arvind Pandalai

Dr. T.S. Sagar

Shri P.K. Gupta

Shri I.D. Chaudhury (Upto 20.4.2001)

Ms. Rita Kunur (Upto 22.6.2001)

EX-OFFICIO DIRECTORS

Shri S.D. Kapoor

Shri S.N. Menon (From 5.3.2001)

Shri Atul Sinha (From 16.8.2001)

Shri S.B. Mohapatra (Upto 29.9.2000)

Shri P.K. Hota (From 30.1.2001 to 5.3.2001)

Shri V.K. Duggal (Upto 16.8.2001)

COMPANY SECRETARY

Shri N.M. Samuel (Upto 25.4.2001)

Shri A.K. Gupta (From 25.4.2001)



THE STATE TRADING CORPORATION OF INDIA LTD.

Jawahar Vyapar Bhawan, Tolstoy Marg, New Delhi - 110001

N O T I C E

Notice is hereby given that the 45th Annual General Meeting of the State Trading Corporation of India Ltd., will be held at 4 PM on Thursday, the 20th December, 2001 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 and Loss Account of the Corporation for the year ended 31st March, 2001.
2. To declare dividend.
3. To ratify the appointment of Shri. S.N. Menon & Shri Atul Sinha as part-time Directors of the Company.
4. To re-appoint Shri P.K. Gupta, Director (Finance) 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 re-appointment.
5. To re-appoint Dr. T.S. Sagar, 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 re-appointment.
6. To approve remuneration of Auditors to be appointed by CAG of India under Section 619 of the Companies Act, 1956 for the financial year 2001-2002 and also to ratify Auditors' remuneration for the year 2000-2001.

SPECIAL BUSINESS

7. A. To consider and if thought fit to pass the following resolution as a special resolution:

"RESOLVED that subject to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications and re-enactment thereof for the time being in force) and provisions of other statutes, as applicable and subject to such other approvals, consents, permissions and sanctions as may be necessary from appropriate authorities, the following Articles of the Articles of Association of the Company be and are hereby altered to stand modified as under:

The following new Articles be inserted immediately after Article 8:

ARTICLE 8 (A)

Dematerialisation of Securities

- (1) Definitions : "Beneficial Owner" means a person whose name is recorded as such with a Depository.

"SEBI" means Securities and Exchange Board of India. "Depositories Act" means the Depositories Act, 1996, including modifications of re-enactment thereof made from time to time.

"Bye-Laws" means bye-laws made by a Depository under Section 26 of the Depositories Act from time to time.

"Depository" means a Depository as defined under Clause (e) of Sub-Section (1) of Section 2 of the Depositories Act, 1996.

"Member" means the duly registered holder from time to time of the shares of the Company and includes every person whose name is entered as a Beneficial Owner, in the records of the Depository.

"Participant" means a person registered as such under Section 12(1A) of the Securities and Exchange Board of India Act, 1992.

"Record" includes the records maintained in the form of books or stored in computer or in such other form as may be determined by regulations made by the SEBI in relation to the Depositories Act.

"Regulations" means the regulations made by the SEBI.

"Security" means such Security as may be specified by the SEBI. Words imparting the singular number include the plural number and vice versa.

Words indicating persons include Corporations.

Words and expressions used and not defined in the Act but defined in the Depositories Act shall have the same meanings respectively assigned to them in that Act.

- (2) Company to recognize interest in dematerialised Securities under Depositories Act: Either the Company or the investor may exercise an option to issue, deal in, hold the Securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or re-enactment thereof.
- (3) Dematerialisation of Securities: Notwithstanding anything to the contrary or inconsistent contained in these Articles, the Company shall be entitled to dematerialise its existing Securities, rematerialise its Securities held in the depositories and / or offer its fresh Securities in a dematerialised form pursuant to the Depositories Act and the rules framed thereunder, if any.
- (4) Options to receive Security Certificates or hold Securities with Depository: Every person subscribing to or holding Securities of the Company shall have the option to receive Security Certificates or to hold the Securities with a Depository. If a person opts to hold his Security with a Depository, the Company shall intimate such Depository the details of allotment of the Security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the Security.
- (5) Securities in Depositories to be in fungible form: All Securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Section 153, 153(A), 153(B), 187(B), 187(C) and 372 of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.
- (6)(a) Rights of Depositories and Beneficial Owners: Notwithstanding anything to the contrary contained in the Act on these Articles, a Depository shall be deemed to be the registered

owner for the purposes of effecting transfer of ownership of security on behalf of the Beneficial Owner.

- (6)(b) Save as otherwise provided in (a), the Depository as the registered owner of the Securities shall not have any voting rights in respect of the Securities held by it.
- (6)(c) Every person holding Securities of the company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a member of the Company. The Beneficial Owner of Securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his Securities, which are held by a Depository.
- (7) Beneficial Owner deemed as absolute owner: Except as ordered by a Court of competent jurisdiction or as required by law, the company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has expressed or implied notice thereof, but the Board shall at their sole discretion have the right to register any share in the joint names of any two or more persons or the survivor or survivors of them.
- (8) Depository to furnish information: Every Depository shall furnish to the company information about the transfer of Securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the company in that behalf.
- (9) Cancellation of Certificates upon surrender by a person: Upon receipt of the Certificate of Securities on surrender by a person, who has entered into an agreement with the Depository through a Participant, the Company shall cancel such Certificate and substitute in its records the name of Depository as the registered owner in respect of the same Securities and shall also inform the Depository accordingly.
- (10) Option to opt out in respect of any Security: If a Beneficial Owner seeks to opt out of a Depository in respect of any Security the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall, within thirty days of the receipt of intimation from the Depository and on fulfilment of such conditions and on payment of such fees as may be prescribed, issue the Certificate of Securities to the Beneficial Owner or the Transferee as the case may be.
- (11) Service of Documents: Notwithstanding anything contained in the Act or these Articles to the contrary, where Securities are held in a Depository, the records of the Beneficial Ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or disc.
- (12) Provisions of Articles to apply to shares held in Depository: Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository in the same manner as they apply to shares held in physical form subject to provisions of the Depository Act.
- (13) Allotment of Securities dealt with a Depository: Notwithstanding anything in the Act or these Articles, where Securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such Securities.

- (14) **Distinctive number of Securities held in a Depository:** The Shares in the capital shall be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Except in the manner herein before mentioned, no shares shall be sub-divided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished.
- (15) **Register and Index of Members:** The Company shall cause to be kept at its registered office or at such other place as may be decided, the Register and Index of Members in accordance with Sections 150 and 151 and other provisions of the Act with the details of shares held in physical and dematerialised forms in any media as may be permitted by law including any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also be deemed to be the Register & Index of Members, as the case may be, for the purpose of the Act. The Company shall have the power to keep in any state or country outside India, a Register of Members for the residents in that state or country.
- (16) **Register of Transfer:** The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share held in material form.
- (17) **Overriding effect of this Article:** Notwithstanding anything contrary to any other Articles, the provisions of this Article shall be deemed to have overriding effect.

7.B. The following new Article 23(A) be inserted after the existing Article No.23:

Article 23(A) Nomination of Share Holder :

- (i) Every holder of shares or debentures or fixed deposits of the Company may at any time nominate in the manner prescribed under the Act, a person to whom his shares or debentures or fixed deposits of the Company shall vest on the event of his death.
- (ii) Where the shares or debentures or fixed deposits of the Company are held by more than one person jointly, the joint holders may together nominate, in the manner prescribed under the Act, a person to whom all rights in the shares or debentures or fixed deposits of the Company shall vest in the event of death of all joint holders.

7.C. The following new Article 67(A) be inserted after the present Article No.67:

Passing of Resolution by Postal Ballot: Subject to the provisions of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 including any amendments thereof, every Member shall have the right to vote through postal ballot on resolutions pertaining to any business which is permitted to be passed through postal ballot under the said rules, as per the procedure laid down thereunder.

- 8.** To consider and if thought fit to pass the following Resolution, which will be proposed as a Special Resolution, relating to delisting of the Equity Shares of the Company at the two Stock Exchanges:

"RESOLVED that the Equity Shares of the Company be delisted from Kolkata and Chennai Stock Exchanges in accordance with the relevant laws, rules, regulations and guidelines (including any statutory modification(s) or re-enactments thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and

sanctions as may be necessary and compliant with such conditions and modifications as may be necessary for this purpose.

NOTES:

- a. The Explanatory statements pursuant to Section 173 of the Companies' Act, 1956, in respect of items 3,6,7 and 8 are enclosed.
- 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.
- c. The Register of Members and Share Transfer Books of the Company shall remain closed from 18th December to 21st December, 2001 (both days inclusive).
- d. Members are requested to bring with them copy of Annual Report and Attendance Slip at the Annual General Meeting.
- e. Proxy Form and Admission Slip are attached at the end of Annual Report.

By Order of the Board of Directors

sd/-
(A.K. GUPTA)
COMPANY SECRETARY

NEW DELHI
DATED: 26th November, 2001

TO - Members
- Auditors

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EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

FOR ITEM NO.3

Shri S.N. Menon, Additional Secretary & Financial Advisor, Ministry of Commerce & Industry was appointed by the President of India as part-time Director of the Corporation w.e.f. 5th March, 2001 vide Ministry of Commerce & Industry OM: No.1/2/96-FT(ST) dated 5.3.2001. The Board of Directors at its 509th meeting held on 30.4.2001 had also approved his appointment.

Shri Atul Sinha, Additional Secretary, Ministry of Commerce & Industry was appointed by the President of India as part-time Director vide Ministry of Commerce & Industry OM: No.1/2/96-FT(ST) dated 16.06.2001. The Board of Directors at its 511th meeting held on 29.10.2001 had also approved his appointment.

S/Shri S.N. Menon and Atul Sinha are interested in this item as it concerns them.

FOR ITEM NO. 6

Under Section 619 of the Companies Act, the Statutory Auditors of the Corporation are appointed by CAG/Company Law Board. Due to amendment in Section 224(a), the remuneration of the Auditors has to be fixed by the Company in The Annual General Meeting and Board of Directors in its meeting dated 4.10.2000 fixed the Audit Fee (inclusive of Branches) as Rs.2,72,200 and Tax Audit Fee of Rs. 1,08,800. Shareholders are requested to ratify Audit Fee provision for 2000-2001 and also approve the proposed Audit Fee along with Tax Audit Fee amounting to Rs.2,72,200 and Rs.1,08,800 only respectively.

FOR ITEM NO. 7

Trading in the shares of the Company has been made compulsory in dematerialised form and Company has entered into a Tripartite Agreement with National Securities Depository Limited, Central Depository Services (I) Limited and M/s MCS Limited (as Share and Transfer Agents). Also the Companies Act, 1956 has undergone various changes providing, inter-alia, nomination facilities to shareholders as well as passing of resolution by postal ballots. Accordingly, the Articles of Association of the Company need to be amended as proposed in the resolution to be in line with the recent changes in Companies Act, 1956 and the Depositories Act, 1996.

Any amendment to the Articles of Association of the Company require approval of shareholders by way of special resolution.

FOR ITEM NO. 8

Presently, the equity shares of the Company are listed on the Stock Exchanges at Delhi, Mumbai, Kolkata, and Chennai, it is observed that no trading had ever taken place at Kolkata and Chennai Stock Exchanges and as such Board of Directors at their meeting held on 31st July, 2001 have, therefore, decided to get the shares of the Company de-listed from the above mentioned two Stock Exchanges in accordance with the applicable laws, rules, regulations and guidelines. As required under the existing agreement entered into by the Company with the Stock Exchanges, shareholders' approval for the proposal is sought by way of a Special Resolution for de-listing of the shares of the Company from the said two Stock Exchanges.

Your Directors recommend for passing these resolutions as contained in Item No. 7 and 8 as Special Resolutions.

None of the Directors of the Company is interested in the above resolutions except Item No. 3 as stated therein.

Circular to the Shareholders

Dear Shareholder(s),

We are happy to inform you that STC has entered into a Tripartite Agreement with the Depositories namely National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) vide ISIN No. INE655A 01013 and M/s. MCS Ltd. as Share & Transfer Agents. You are hereby requested to demat your shares (if not already done) to facilitate trading.

In case you need any additional information in this matter, please feel free to contact at:

Board, Secretariat & Parliament Section
State Trading Corporation of India Ltd.
Jawahar Vyapar Bhawan, Tolstoy Marg
New Delhi-110 001
(Phone : 3313177 & 3701100)



DIRECTORS' REPORT

The Board of Directors has pleasure in presenting the 45th Annual Report on the working of the Corporation together with audited statements of accounts for the year ended 31st March, 2001.

ECONOMIC ENVIRONMENT

The economic development of the country continued unabated during 2000-01, the 10th year of the country's economic reforms. Though the GDP growth rate at 6.0% was marginally lower than the previous year's rate of 6.4%, exports surged by 19.8% as against an average growth of 2.8% in the preceding two years. Imports were maintained at the previous year's level of US\$ 50 billion despite a hike in the value of petroleum imports from US\$ 9.6 billion to US\$ 15.7 billion. The earthquake, which struck Gujarat on 26th January, 2001, not only caused extensive loss of life and property but also affected exports that were to take place from various Gujarat ports during the last two months of the financial year. The overall foreign exchange reserves of the country increased from US\$ 38.1 billion at the end of the previous year to US\$ 42.3 billion at the end of 2000-01. As regards WTO, India removed quantitative restrictions on the last batch of 714 items w.e.f. 1st April, 2001. However, most of the developed countries are yet to reduce subsidies on their agricultural produce as envisaged by WTO. If and when this is done, exports of agricultural items from developing countries including India are likely to become very competitive internationally.

The turnover of the Corporation during the current year was marginally lower than the previous year because of reduction in the business handled by the Corporation on Government account. Details in this respect are provided in the following paragraphs.

PERFORMANCE HIGHLIGHTS

The Corporation's performance highlights for the year 2000-2001 are summarised below:

	(Rs. Crores)	
	1999-2000	2000-2001
TURNOVER		
EXPORTS	445	463
IMPORTS		
Govt. Account	378	63
STC Account	284	362
TOTAL	662	425
DOMESTIC	56	152
GRAND TOTAL	1163	1040
FINANCIAL		
Profit After Tax	23	3
Dividend	6	6
Transfer to General reserves	4.25	0.22
Net worth	462	447

REVIEW OF PERFORMANCE

TURNOVER

During the year, the turnover of the Corporation from competitive trading amounted to Rs 978 crore as compared to Rs. 786 crore in the previous year - an increase of about 25%. However, the total turnover at Rs. 1040 crore declined marginally when compared to Rs. 1163 crore in the previous year. The turnover during the year would have been much higher but for a number of factors beyond the control of the Corporation e.g. earthquake in Gujarat in the month of January, 2001 affecting castor oil and wheat exports in the last two months of the financial year.

EXPORTS

Total exports during the year at Rs. 463 crore were marginally higher than the previous year's export turnover of Rs. 445 crore. This was despite a reduction in the counter trade exports from Rs. 162 crore during 1999-2000 to only Rs. 28 crore this year due to counter trade obligations coming towards an end. Excluding counter trade, exports increased by 55% from Rs. 283 crore to Rs. 436 crore.