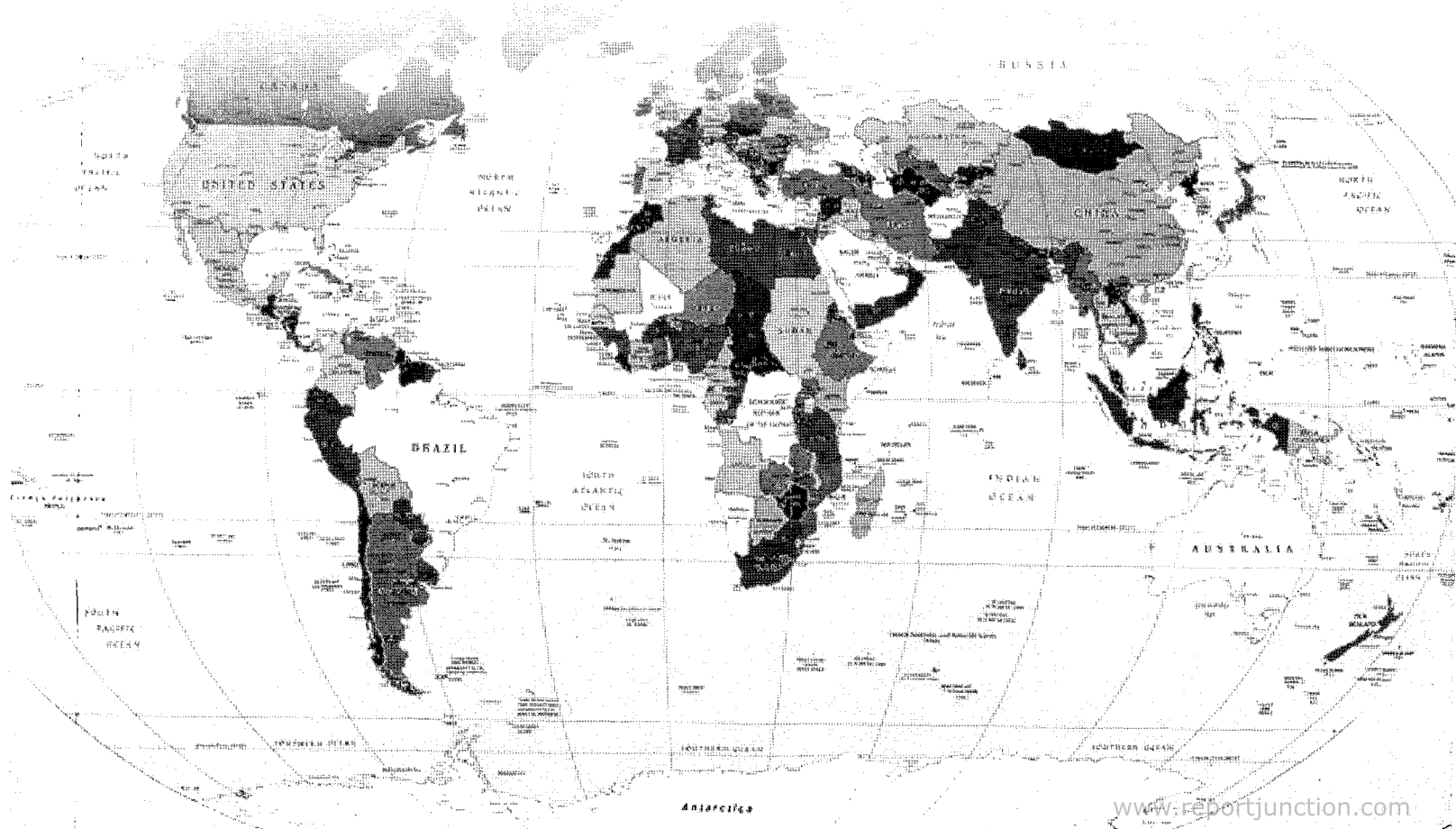




**THE STATE TRADING CORPORATION OF INDIA LIMITED**  
(A Government of India Enterprise)

*Directors' Report  
&  
Annual Accounts 2006-07*

Report  [junction.com](http://www.reportjunction.com)



## *Recognitions Earned / Awards Won*



Honourable Prime Minister of India, Dr. Manmohan Singh conferring MOU Excellence Award on Dr. Arvind Pandalai, CMD-STC.

Also, during the year, the Corporation earned more recognitions and awards in view of continuously improving performance and expanding business operations. These included :-

- Merit Certificate for Excellent performance in terms of MOU : 2005-06.
- No. 1 rank consecutively for the second year as per Super 100 companies study by Business India.
- 3<sup>rd</sup> rank among trading companies of the country according to a Survey of India's Top 500 companies by Dun & Bradstreet.
- 17<sup>th</sup> rank among 207 PSUs by the Department of Public Enterprises.





## Mission

To emerge as one of the largest global trading companies with international standards of excellence nurturing a blend of quality, business ethics and proactive enthusiasm to enhance stakeholders' value.

## Corporate Objectives

- To develop core competencies in select areas of exports and exploit the market opportunities in these areas to the best advantage of the Corporation.
- To continuously undertake horizontal and vertical diversifications thereby enabling sustained growth of business.
- To make best use of the financial strength of the Corporation in expanding its business.
- To lay emphasis on quality of services to customers so as to develop long-term business relationship with buyers and suppliers in and outside the country.
- To undertake market intervention operation as and when advised by the Government of India.
- To create new infrastructure and make optimum utilisation of infrastructure available with the Corporation.
- To strive to pay adequate returns to the stakeholders.
- To fulfil Corporation's social responsibility by following ethical business practices and reinforcing commitment to customers, employees, partners and communities.
- To undertake on a continuous basis training/re-training of existing manpower and induct professionally qualified young talent so as to create a cadre of highly professional and motivated managers.
- To ensure an efficient and streamlined system of operations, with minimum transaction costs.
- To act as a facilitator to small & medium exporters and importers.



## **THE STATE TRADING CORPORATION OF INDIA LIMITED**

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### **BOARD OF DIRECTORS**

#### **CHAIRMAN-CUM-MANAGING DIRECTOR**

Dr. Arvind Pandalai

#### **FUNCTIONAL DIRECTORS**

Shri Rana Som

Shri N.K. Mathur

Shri N.K. Nirmal

Shri S.S. Roy Burman (From 01.05.2007)

Shri S.R. Bharati (Upto 30.04.2007)

Shri K.K. Sood (Upto 30.11.2006)

#### **NON-EXECUTIVE DIRECTORS**

##### **(GOVERNMENT NOMINEES)**

Dr. Sutanu Behuria (From 21.05.2007)

Shri R Gopalan (From 08.06.2007)

Smt. Asha Swrup (upto 21.05.2007)

Dr. Christy L. Fernandez (upto 08.06.2007)

#### **COMPANY SECRETARY**

Shri A.K. Gupta

## **NOTICE**

Notice is hereby given that the 51<sup>st</sup> Annual General Meeting of The State Trading Corporation of India Ltd. will be held at 4.30 P.m. on Wednesday, the 26th September, 2007 at the Registered Office of the Corporation at Jawahar Vyapar Bhawan, Tolstoy Marg, New Delhi-110001 to transact the following business :

### **Ordinary Business**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2007, audited Profit & Loss Account for the year ended 31<sup>st</sup> March, 2007, together with the reports of the Directors and Auditors thereon.
2. To confirm payment of interim dividend and declare final dividend for the year 2006-07.
3. To appoint a Director in place of Shri N.K. Mathur, who retires by rotation and being eligible, offers himself for re-appointment.
4. To authorize Board of Directors of the company to fix remuneration of the Statutory Auditors of the company in terms of the provisions of Section 224 (8) (aa) of the Companies Act, 1956 and to pass the following resolution, with or without modification(s), as an Ordinary Resolution :  
 "RESOLVED THAT the Board of Directors of the company be and is hereby authorized to decide and fix the remuneration of the Statutory/Branch Auditors of the Company for the financial year 2007-08, as may be deemed fit by the Board."

### **Special Business**

To consider, and if thought fit, to pass with or without modification(s), the following resolution(s):

#### **As an Ordinary Resolution(s):**

5. "RESOLVED THAT Shri S.S. Roy Burman, be and is hereby appointed as whole time Director (Marketing) of the Company, liable to retire by rotation, on such terms and conditions, remuneration and tenure as may be determined by the President of India from time to time."
6. "RESOLVED THAT Dr. Sutanu Behuria, IAS, be and is appointed as non-official part time Director of the Company, liable to retire by rotation, on such terms, conditions and tenure as may be determined by the President of India from time to time."
7. "RESOLVED THAT Shri R. Gopalan, IAS, be and is appointed as non-official part time Director of the Company, liable to retire by rotation, on such terms, conditions and tenure as may be determined by the President of India from time to time."
8. "RESOLVED THAT in accordance with the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactments thereof, for the time being in force), the present authorized share capital of the company be and is hereby increased from Rs. 30,00,00,000 (Rupees thirty crore) divided into 3,00,00,000 (three crore) Ordinary Shares of Rs.10 (Rupees ten) each to Rs. 200,00,00,000 (Rupees two hundred crore), divided into 20,00,00,000 (twenty crore) Ordinary Shares of Rs. 10 (Rupees ten) each."
9. "RESOLVED THAT in accordance with the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactments thereof, for the time being in force), the Clause V of the Memorandum of Association of the Company be and is hereby altered and substituted as follows:  
 "5. The capital of the Company is Rs. 200,00,00,000 (Rupees two hundred crore) divided into 20,00,00,000 (twenty crore) shares of Rs. 10 (Rupees ten) each."

#### **As a Special Resolution(s):**

10. "RESOLVED THAT in accordance with the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactments thereof, for the time being in force), Article 4 of the Articles of Association of the Company be altered and substituted as follows:  
 "4. The capital of the Company is Rs. 200,00,00,000 (Rupees two hundred crore) divided into 20,00,00,000 (twenty crore) shares of Rs. 10 (Rupees ten) each. Provided that the Company may alter the conditions of its Memorandum so as to increase its share capital by such amount as it thinks expedient by issuing new shares in the manner prescribed in Section 94 of the Act."
11. "RESOLVED THAT in supersession of Special Resolution No. 8 passed at the Annual General Meeting of the Company held on 19<sup>th</sup> September, 2006 and pursuant to sub-section (1) of Section 163 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof for the time being in force), the Share Transfer Records shall continue to be kept at the Registrar and Share Transfer Agent i.e. M/s MCS Ltd., W-4, Okhla Industrial Area, Phase-II, New Delhi 110020 or in any other place as notified by M/s MCS Ltd."

By Order of the Board of Directors

Sd/-

(A.K. Gupta)

Company Secretary

#### **Registered Office:**

Jawahar Vyapar Bhawan  
Tolstoy Marg, New Delhi-110001

3rd September, 2007



**NOTE FOR MEMBERS' ATTENTION**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the company. Proxy Form duly completed should be deposited at the registered office of the company not less than 48 hours before the scheduled time of the meeting. Blank proxy form is enclosed at the end of Annual Report.
2. The Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of the Special Business is annexed herewith.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Friday, the 21st September, 2007 to Wednesday, the 26th September, 2007 (both days inclusive) for the purpose of payment of dividend, if any, to be declared at this meeting.
4. The dividend, if any, in respect of Equity Shares held in electronic form will be paid on the basis of beneficiary ownership, details of which are furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the said purpose.
5. Reserve Bank of India (RBI) is providing ECS facility for payment of dividend in select cities. Members holding shares in physical form and who are desirous of availing this facility may give the details of their bank account i.e. 9-digit MICR Code, alongwith photocopy of a cheque or a blank cancelled cheque relating to the designated bank account, to the Company/R&T Agent.
6. Members are requested to notify immediately any change of address:
  - i. to their Depository Participants (DP) in respect of shares held in dematerialized form, and
  - ii. to the Company at its Registered Office or to its Registrar & Transfer Agent, M/s MCS Ltd., in respect of their physical shares, if any, quoting their folio number.
7. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956 the dividend amounts which remain unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the company are required to be transferred to the Investor Education & Protection Fund of the Central Government. After such transfer, there remains no claim of the members whatsoever on the amount. Therefore, Members who have not yet encashed their dividend warrant(s) are requested to make their claims to the company, without any delay.
8. The Annual Report of the Company for the year 2006-07 circulated to the members of the Company will also be made available on the Company's website [www.stc.gov.in](http://www.stc.gov.in) and will also be uploaded on website [www.sebidifar.nic.in](http://www.sebidifar.nic.in).
9. M/s. MCS Ltd. continue to be the Registrar and Share Transfer Agent for the Company and Shareholders are requested to make all future correspondence related to Share transfer and allied activities with this agency at the following address:  
 M/s. MCS Ltd.,  
 W-40, Okhla Industrial Area, Phase-II,  
 New Delhi-110020  
 Tel. 41406151, 41709885, 41609386 Fax : 41709881
10. Members are requested to:-
  - (i) **bring their copy of Annual Report**, Notice of AGM and Attendance Slip at the venue of the meeting.
  - (ii) Shareholders **desiring any information** as regards the accounts are requested to write to the company at an early date so as to enable the Management to keep the information ready at the meeting.
  - (iii) **Quote their Folio/DP & client id No.** in all correspondence with the Company/R&T Agent.
  - (iv) In case of **joint holders** attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
  - (v) **Corporate Members** intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
  - (vi) Note that **briefcase, bag, eatables, etc. will not be allowed** to be taken inside the venue of the meeting for security purposes.
  - (vii) Note that no **gifts/coupons** will be distributed at the Annual General Meeting.

**Annexure to the Notice**

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

**ITEM NO. 5**

Shri S.S. Roy Burman has been appointed as whole time Director (Marketing) by the President of India vide Order No. A-12022/7/2006-E.IV dated 09.04.2007. In terms of Section 260 of the Companies Act, 1956, he vacates his office at the forthcoming AGM and is eligible for reappointment. A brief resume of Shri Burman is given in the Annexure. The Company has received necessary letter of consent from him under Section 264(1) of the Companies Act, 1956.

None of the Directors, other than Shri Burman is interested in the resolution.

**ITEM NO. 6**

Dr. Sutanu Behuria, IAS, has been appointed as non-official part-time Director by the President of India vide Order F No. 1/296-FT(ST) dated 21.05.2007. In terms of Section 260 of the Companies Act, 1956, he vacates his office at the forthcoming AGM and is eligible for reappointment as Director. A brief resume of Dr. Behuria is given in the Annexure. The Company has received necessary letter of consent from him under Section 264(1) of the Companies Act, 1956.

None of the Directors, other than Dr. Behuria, IAS, is interested in the resolution.

**ITEM NO. 7**

Shri R. Gopalan, IAS, has been appointed as non-official part-time Director by the President of India vide Order F No. 1/2/96-FT(ST) dated 08.06.2007. In terms of Section 260 of the Companies Act, 1956, he vacates his office at the forthcoming AGM and is eligible for reappointment as Director. A brief resume of Shri R Gopalan is given in the Annexure. The Company has received necessary letter of consent from him under Section 264(1) of the Companies Act, 1956.

None of the Directors, other than Shri Gopalan is interested in the resolution.

**ITEM NO. 8,9 & 10**

In the recent years, there has been a phenomenal change in the trading pattern of STC. Earlier, suppliers used to offer their products to STC for export without any advance payment and import customers used to tender full advance payment to the STC for their import requirements. Such practices are no more applicable. To be able to survive in a highly competitive trading environment, STC is expected to offer better services and is required to invest its own funds in all trading operations, whether exports, imports or domestic trading. The Corporation tries to meet its higher working capital requirement by utilizing the reserves and by borrowing from Banks. The low equity base, to some extent, restricts STC's borrowing capacity. Also STC has plans to venture into many new areas to exploit the available opportunities into mining, food processing, brand marketing, bio fuels, etc. which will require significant investments. In fact, many global tenders require the responding companies to have a certain minimum equity base and low equity base of STC results in loss of opportunity in such cases. In view of the above, it is proposed to increase authorized share capital of the company from present level of Rs. 30 crore to Rs. 200 crore.

Consequent to the increase in the authorized capital of the Company as above it is necessary to amend Clause V of the Memorandum of Association of the Company and Article 4 of the Articles of Association of the Company.

None of the Directors is interested in the Resolution. A copy of Memorandum and Articles of Association of the Company, along with the proposed changes, is available for inspection at the Company's Registered Office at 10<sup>th</sup> Floor, Jawahar Vyapar Bhawan, Tolstoy Marg, New Delhi 110001 between 11.00A.M. and 1.00 P.M. on any working day.

**ITEM NO. 11**

At the last AGM, shareholders had approved appointment of M/s Intime Spectrum Registry Ltd.,(ISRL) in place of M/s. MCS Ltd.(MCS) as STC's Registrar and Share Transfer Agents in view of MCS selling their registry business to ISRL. MCS informed that their sale arrangement with ISRL subsequently could not be implemented and they continue to run the registry business. Based on above, Board decided to continue with MCS as STC's Registrar and Share Transfer Agents. All its registers, indexes, returns and copies of certificates and documents etc. will also continue to be kept and maintained by M/s MCS Ltd., at the earlier address viz. M/s. MCS Ltd.,W-40, Okhla Industrial Area, Phase-II, New Delhi-110020.

None of the Directors is interested in the Resolution.

Your Directors commend the above resolutions for approval of the shareholders.

By Order of the Board of Directors

Sd/-

(A.K. Gupta)

Company Secretary

**Registered Office:**

Jawahar Vyapar Bhawan  
Tolstoy Marg, New Delhi-110001

3rd September, 2007

**BRIEF RESUME OF THE DIRECTORS SEEKING RE-ELECTION AND ALSO OF DIRECTORS  
APPOINTED SINCE LAST ANNUAL GENERAL MEETING**

**Directors seeking re-election at the 51<sup>st</sup> AGM**

Name	<b>Shri N.K. Mathur</b>
Date of Birth & Age	27.11.1952/ 54 Years
Date of Appointment	26.07.2005
Qualifications	B.Tech (Mech.Engg.), Dip. in Business Management
Expertise In specific functional areas	Shri Mathur has vast and rich experience of around 31 years in international trade, project management, joint ventures and commodity trading. Prior to joining STC, he served in various capacities with Engineers India Ltd, Neelanchal Ispat Ltd. and MMTC Ltd.
Directorship held in other companies	NIL
Memberships/chairmanship of Committees across all public companies	Member, Audit committee of The State Trading Corporation of India Ltd.

**(Contd...)**





**DIRECTORS APPOINTED SINCE LAST ANNUAL GENERAL MEETING HELD ON 19.09.2006**

Name	Shri S.S. Roy Burman	Dr. Sutanu Behuria	Shri R. Gopalan
Date of Birth & Age	15.02.1960/ 47 Years	02.07.1954/53 Years	20.04.1952/55 Years
Date of Appointment	01.05.2007	21.05.2007	08.06.2007
Qualifications	B. Tech.(Engg.), MBA	Ph.D. (Economics)	M.P.A. (Pub. Admn & Management.), M.A. (Economics), B.Sc. (Chemistry)
Expertise In specific functional areas	Shri Burman has vast and rich experience of 25 years in international trade with core competency in dealing with industrial projects/ raw material, engineering items. Prior to joining STC, he served PEC Ltd., for over 25 years.	Dr. Behuria, IAS, is presently holding the position of Addl. Secretary & Financial Advisor, Min. of Commerce & Industry. He has 31 years of rich experience working at senior positions at various levels with Government of India. He also acted as Principal Secretary (Finance Planning, Economics & Statistics), Government of Himachal Pradesh among other assignments.	Shri Gopalan, IAS, is presently holding the position of Addl. Secretary, Min. of Commerce & Industry. He has 31 years of rich experience working at senior positions at various levels with Government of India. He also acted as CMD, Tamil Nadu Industrial Development Corpn. Ltd., Tamil Nadu Newsprints & Papers Ltd., MD of Tamil Nadu Agro Industries Corpn. Ltd; GM, Tamil Nadu Dairy Development Federation Ltd.
Directorship held in other Companies/Statutory Bodies	Nil	<ul style="list-style-type: none"> <li>-MMTC Ltd.</li> <li>-National Textile Corp. Ltd.</li> <li>-Indian Trade Promotion Organisation</li> <li>-Karnatka Trade Promotion Organisation</li> <li>-West Bengal Trade Promotion Organisation</li> <li>-National Jute Manufacture Corporation Ltd.</li> <li>-Jute Corporation of India Ltd.</li> <li>-National Institute of Fashion Technology</li> <li>-Indian Institute of Foreign Trade</li> </ul>	MMTC Ltd.
Memberships/Chairmanship of Committees across all Public Companies	Nil	Chairman Audit Committee: <ul style="list-style-type: none"> <li>-The State Trading Corporation of India Ltd.</li> <li>-MMTC Ltd.</li> <li>-Indian Institute of Foreign Trade</li> </ul>	Member Audit Committee: <ul style="list-style-type: none"> <li>-The State Trading Corporation of India Ltd.</li> <li>-MMTC Ltd.</li> </ul>

# DIRECTORS' REPORT

(ALSO INCORPORATING MANAGEMENT DISCUSSION & ANALYSIS REPORT)

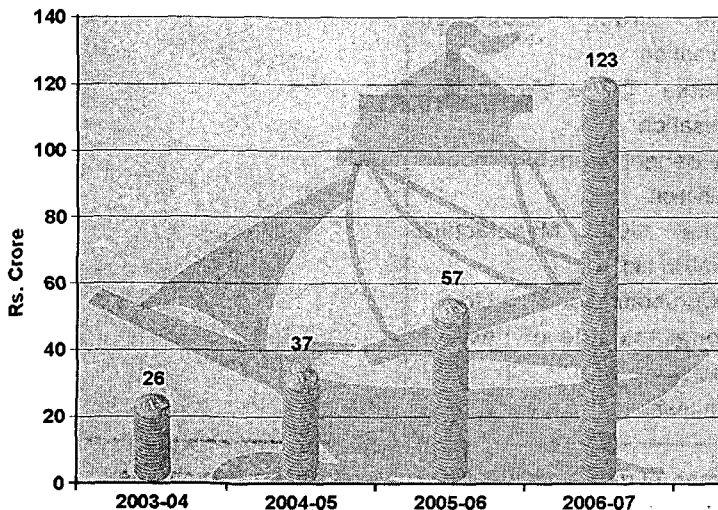
The Board of Directors has pleasure in presenting the 51<sup>st</sup> Annual Report on the working of the Corporation together with the audited statements of accounts for the year ended 31<sup>st</sup> March, 2007.

## FINANCIAL RESULTS

The Directors are pleased to report that the operations of your company created new records during 2006-07. Your company not only achieved highest ever net profit but also registered highest ever turnover. The performance during the year vis-a-vis the previous year is summarised below:

	(Rs. Crores)		
	2005-06	2006-07	% Growth
<b>TURNOVER</b>			
EXPORTS	1095	2927	(+) 167
IMPORTS	5493	10692	(+) 95
DOMESTIC	537	716	(+) 33
GRAND TOTAL	<u>7125</u>	<u>14335</u>	<u>(+) 101</u>
<b>FINANCIAL</b>			
Trading Profit	100	167	(+) 67
Profit Before Tax (PBT)	57	123	(+) 116
Profit After Tax (PAT)	39	88	(+) 126
<b>Dividend</b>	15	18	(+) 20
Net Worth	365	434	(+) 19

PROFIT BEFORE TAX



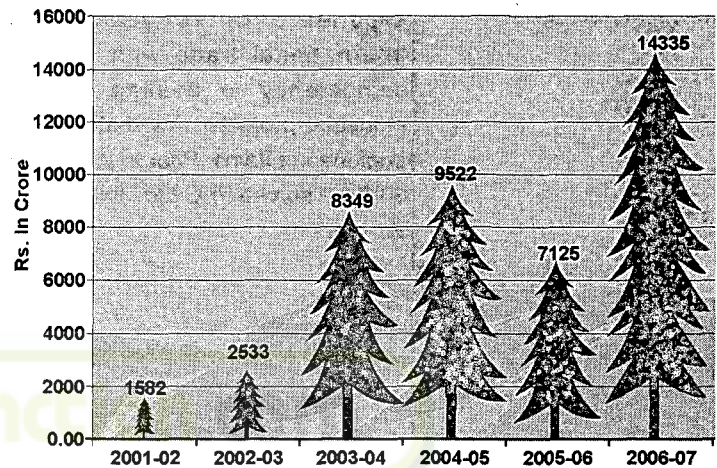
## OPERATIONS AND BUSINESS PERFORMANCE

The net profit recorded a growth of 126% over the previous year thereby surpassing the MOU target for the year by 127%. As a result, the earnings per share (EPS) of the Corporation also rose to Rs 29.43 as against Rs 12.98 in the previous year.

Total turnover reached an all time high of Rs 14335 crore reflecting a growth of over 100% compared to the previous year mainly due to expansion of overseas steel operations in Philippines, undertaking of similar operations in Bulgaria and import of wheat to meet the domestic shortages. In fact, best ever performances were recorded in all the three segments viz. exports, imports and domestic trading.

The total trading profit of your company during 2006-07 reached Rs 167 crore which was another landmark achieved during the year under review.

GROWTH IN TURNOVER



## DIVIDEND

The Corporation has already paid an interim dividend of 20% for 2006-07 on its capital as per the decision of the Board of Directors in its meeting held on 24.1.2007. In view of improved profitability, the Board recommends an additional dividend of 40%, thus taking the total dividend payment for the year 2006-07 to 60% - highest annual dividend ever paid by STC.

CONSISTENT GROWTH IN DIVIDEND PAYOUT

