



**Directors' Report
&
Annual Accounts
2009-10**



THE STATE TRADING CORPORATION OF INDIA LIMITED

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR

Shri N.K. Mathur

FUNCTIONAL DIRECTORS

Shri N.K. Nirmal

Shri S.S. Roy Burman

Shri M.M. Sharma

Shri Khaleel Rahim

NON-EXECUTIVE DIRECTORS

(GOVERNMENT NOMINEES)

Dr. Sutanu Behuria

Shri R. Gopalan (upto 28.01.2010)

Shri P.K.Chaudhery (from 28.01.2010)

PART-TIME NON-OFFICIAL DIRECTORS

(INDEPENDENT DIRECTORS)

Dr.(Mrs.) B Kinnera Murthy

Shri Jayendra N Shah

Shri D.T. Joseph (upto 24.09.2009)

COMPANY SECRETARY

Shri A.K. Gupta

THE STATE TRADING CORPORATION OF INDIA LTD.

JAWAHAR VYAPAR BHAWAN, TOLSTOY MARG, NEW DELHI-110 001

NOTICE

Notice is hereby given that the 54th Annual General Meeting of The State Trading Corporation of India Ltd. will be held at 3 P.M on Monday, the 27th September, 2010 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 31st March, 2010, audited Profit & Loss Account for the year ended 31st March, 2010, together with the reports of the Directors and Auditors thereon.
2. To confirm payment of interim dividend and declare final dividend for the year 2009-10.
3. To appoint Director in place of Shri N.K. Nirmal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Director in place of Shri Khaleel Rahim, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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 2010-11, as may be deemed fit by the Board.”

Special Business

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution:
“RESOLVED THAT Shri P.K. Chaudhery, who was appointed as an Additional Director by the President of India and joined the Board w.e.f. 28.01.2010 be and is hereby appointed as 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.”

By Order of the Board of Directors
Sd/-
(A.K.Gupta)
Company Secretary

Registered Office:

Jawahar Vyapar Bhawan
Tolstoy Marg, New Delhi - 110001
Dated: 27th August, 2010

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 23rd September, 2010 to 27th September, 2010 (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. Members are requested to:-
 - (i) **bring their Attendance Slip and copy of Annual Report** 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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 6

Shri P.K. Chaudhery, IAS, Additional Secretary, Ministry of Commerce & Industries, has been appointed as part- time Director by the President of India vide Order No.1/2/98-FT(ST) dated 13.01.2010. In terms of Section 260 of the Companies Act, 1956, he vacates his office at the forthcoming AGM and is eligible for re-appointment. A brief resume of Shri Chaudhery 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 Chaudhery is interested in the resolution.

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

By order of the Board of Directors
Sd/-
(A.K. Gupta)
Company Secretary

**DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT IN FORTHCOMING
ANNUAL GENERAL MEETING
(in pursuance of Clause 49 of the Listing Agreement)**

Name	Shri N.K. Nirmal	Shri Khaleel Rahim	Shri P.K. Chaudhery
Date of Birth	15.09.1952	14.12.1961	08.06.1953
Date of Appointment	01.08.2006	21.11.2008	28.01.2010
Qualifications	B.Sc., C.A.I.I.B., M.B.A.	BE (Hons.) Mech. Engg.	M.Sc. (Hons.) Physics.
Expertise in specific functional areas	Shri Nirmal has vast experience of over 29 years of working in Banks and PSUs in various capacities. Prior to joining Board of STC, Mr. Nirmal had worked as Chief General Manager (Finance & Accounts) of MMTC Ltd. He has experience of working as head of various departments, Regional Office and a Foreign office of MMTC.	Shri Rahim has vast experience of over two decades in the Indian Oil Sector and has handled key positions in bulk and retail marketing operations in Hindustan Petroleum Corp. and in ONGC's subsidiary MRPL.	Shri Chaudhery, is presently holding the position of Addl. Secretary, Min. of Commerce & Industries. He has 33 years of rich experience working at various levels with Government of India. He also worked in the area of Industrial Development and IT in the State of Haryana.
Directorship held in other public companies	STCL Ltd.	Nil	MMTC Ltd
Membership/Chairmanship of committees of other companies	Nil	Nil	Nil

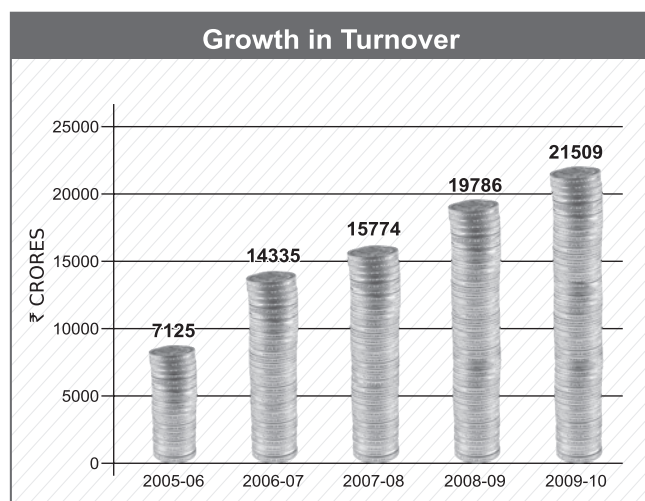
DIRECTORS' REPORT

The Board of Directors has pleasure in presenting the 54th Annual Report on the working of the Corporation together with the audited statements of accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

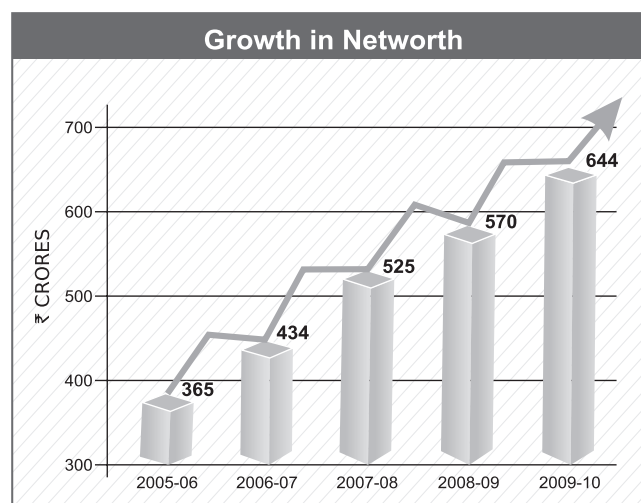
During the year 2009-10, the overall performance of the Corporation recorded significant improvement vis-à-vis the previous year as may be seen from the table given below:

	2009-10	2008-09
(₹Crores)		
TURNOVER		
Exports	1504	2132
Imports	19049	16316
Domestic	956	1338
GRAND TOTAL	21509	19786
FINANCIAL		
Trading Profit	145	113
Profit Before Tax (PBT)	171	145
Profit After Tax (PAT)	107	79
DIVIDEND	28.5	28.5
Net Worth	644	570



OPERATIONS AND BUSINESS PERFORMANCE

During 2009-10, your company achieved the highest ever turnover of ₹21509 crore in spite of the continued adverse impacts of global economic slowdown on country's foreign trade. The growth was mainly attributable to higher imports of items such as bullion, hydrocarbons, minerals & metals, petrochemicals, etc.



During the period under review, STC also registered a 36% increase in the net profit earned over the previous year.

DIVIDEND

The Corporation has already paid an interim dividend for the year 2009-10 @25% of its paid-up equity capital of ₹60 crore as per the decision of the Board of Directors in its meeting held on 28.01.2010. The Board recommends an additional dividend @ ₹2.25 per share or 22.5% of paid-up equity capital thereby taking the total dividend payment for the year 2009-10 to 47.5%.

FOREIGN EXCHANGE EARNINGS/OUTGO

The total foreign exchange earnings of the Corporation by way of exports, trade margins, etc. during the year amounted to ₹1494 crore while the foreign exchange outgo

by way of imports and other expenses amounted to ₹17585 crore.

RECOGNITIONS EARNED/AWARDS WON

During the year, the Corporation earned more recognitions and awards. These included :

- 2nd rank among trading companies of the country according to a Survey by Dun & Bradstreet.
- 2nd rank in terms of sales to assets ratio among super 100 companies by Business India (Dec.13, 2009).
- 14th rank in terms of net sales among 204 PSUs as per Public Enterprises Survey : 2008-09 brought out by Department of Public Enterprises.
- 22nd rank in terms of net sales among top 500 companies by The Financial Express (Feb.'2010).
- 25th rank in terms of net sales among top 1000 companies by Business Standard (Feb.'2010).
- Won Asia's Best Employer Brand Award 2010 for Talent Management.

PERFORMANCE OF SUBSIDIARY COMPANY

STCL Ltd. (Formerly Spices Trading Corporation Limited)

STCL, the wholly owned subsidiary of STC based at Bangalore, is involved in import, export and domestic trading of a varied range of products, both agricultural as well as non-agricultural.

Annual accounts of STCL for the year 2009-10 have not yet been finalized.

As per the accounts for 2008-09, STCL has a negative net worth of ₹899.34 crore, due to recoveries outstanding from its business associates.

PERSONNEL

The Corporation had a manpower of 890 as on 31.03.2010. This included 539 managers and 351 staff.

During the year, the Corporation recruited 17 Probationary Officers with MBA/CA qualifications directly from the Professional Institutes/Universities.

Industrial Relations

The industrial relations scenario remained harmonious, positive and constructive. No 'man days' were lost on account of any industrial conflict. Trust and confidence level between the Management and employees remained high and almost all employees related issues in the Company were resolved through mutual dialogue and information sharing. During the year, the Corporation modified certain rules, systems & procedures dealing with employee relations, succession planning, etc with a view to achieving overall improvement in discipline, productivity and growth.

Human Resource Development

Realizing that HRD is the elixir of any business enterprise, it has been the Corporation's endeavor to integrate learning in the various processes and develop capabilities to be able to face stiff competition in view of the changing global trading environment. The Corporation remained consistently involved in motivating the employees and creating better work environment through various training and development programmes. Orientation programmes were organized for new Probationary Officers. The skill needs of the employees were identified and trainings were organized to improve skill sets to suit new business models. 73% employees were covered under various training programmes ranging from International Trade, Managerial effectiveness to Personal Development, Vigilance Awareness, Stress Management and many other related areas of organizational importance. An employee engagement and Psychological Contract survey was carried out and its findings were analyzed to design suitable strategies to fill the gap.

Recruitment of SC/ST/OBC and physically challenged persons

The Corporation has been implementing the policies and guidelines issued by the Government of India from time to time with regard to recruitment of SC/ST/OBC and

physically challenged candidates. During the year, 4 SC/ ST and 4 OBC candidates were recruited.

OFFICIAL LANGUAGE

In compliance with Governments' Policy on Official Language, vigorous efforts were made for propagating and increasing the progressive use of Hindi in official work. Acknowledging its commitment, STC has been honoured and bestowed upon with the second prize – Indira Gandhi Shield for the year 2007-08 by the Home Ministry, Government of India. The Shield was presented by the Hon'ble President of India during the year 2009-10.

STC has been regularly conducting workshops for propagating Hindi and encouraging employees to use Hindi in their daily official work. Every year "Hindi Diwas" & "Rajbhasha week / Fortnight" are organized in Corporate office as well as in Branch offices. Parliamentary Committee on Official Language, during its inspection of our various offices, has also appreciated STC's efforts in propagating use of Hindi in official work.

VIGILANCE ACTIVITIES

The Vigilance Division of the Corporation has performed the following Vigilance functions during the year:-

- With a view to creating greater awareness, amongst employees, of the need for eradication of corruption and maintenance of high standards of integrity, Vigilance Awareness Week was observed in STC's Corporate Office and Branch Offices from 3rd to 7th November, 2009. As a part of the observance of the week, a seminar on 'Need for Transparency in Public Life' was organized in the Corporate Office. Besides, various programmes relating to vigilance awareness and anti-corruption were also organized by the Branch Offices.
- In-house training programmes were organized on 'Vigilance Awareness & Disciplinary Proceeding'.
- Complaints received from various agencies / sources were duly investigated.

- Departmental inquiries having a vigilance angle were handled.
- Constant liaison was maintained with various agencies for ensuring preventive vigilance and providing details/ inputs to regulatory agencies as per statutory requirements.
- Inspection of the Branch Offices of the Corporation was conducted thereby bringing various aspects to the attention of top management for taking corrective/preventive action.

PARTICULARS OF EMPLOYEES

A statement of the employees of the company drawing remuneration exceeding the limit laid down under provisions of section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended is placed at Annexure-I.

FINANCIAL ACCOUNTING

The Financial Statements have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) and in compliance with all applicable Accounting Standards (AS-1 to AS-29) issued by The Institute of Chartered Accountants of India (ICAI) and provisions of the Companies Act, 1956.

LISTING

The equity shares of the company remain listed with National Stock Exchange and Bombay Stock Exchange and the annual listing fee for the financial year 2009-10 has been paid to these exchanges.

CORPORATE GOVERNANCE

Your Directors reaffirm their commitment to good governance practices and adherence to all the major stipulations laid down by SEBI Corporate Governance Practices. The company believes that good corporate governance practices in the long term leads to creation of wealth for all its stakeholders.

A report on the corporate governance practices, the Auditors' certificate on compliance of mandatory requirements thereof and Management Discussion and Analysis are given as an annexure to this report.

AUDITORS

The Statutory Auditors of your Company are appointed by the Comptroller & Auditor General of India (C&AG). Their report, with corresponding replies from the Board of Directors, is attached as annexure forming part of this report.

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 the year 2009-10 along with C&AG's review of the accounts are submitted herewith.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under section 217 (2AA) of the Companies Act, 1956, your Directors hereby state and confirm that :

- in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the year;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; they have prepared the annual accounts on a going concern basis.

BOARD OF DIRECTORS

The resignation of Shri D.T. Joseph, Director was accepted by the Audit Committee and Board of Directors in the meetings held on 24.09.2009.

Shri P.K. Chaudhery, Additional Secretary, Ministry of Commerce & Industry joined the Board as non-official part time Director w.e.f. 28.01.2010 vice Shri R. Gopalan, Additional Secretary, Ministry of Commerce & Industry, as appointed by Govt. of India. Shri P.K. Chaudhery will hold office up to the ensuing Annual General Meeting and being eligible offers himself for appointment.

The Board places on record its appreciation for the commendable services and contributions made by Shri D.T. Joseph and Shri R. Gopalan towards effective discharge of the functions of the Board and its committee. The Board also welcomes Shri P.K. Chaudhery and expresses confidence that the company shall immensely benefit from his rich and varied experience.

In terms of provisions of article 79(2) of the Articles of Association, Shri N. K. Nirmal and Shri Khaleel Rahim would retire by rotation at the ensuing AGM and being eligible offer themselves for re-appointment.

The proposals regarding the appointment/ re-appointment of the aforesaid Directors are placed for your approval.

CODE OF CONDUCT

Pursuant to clause 49 (1) (d) of the Listing Agreement signed with the Stock Exchanges, a detailed Code of Conduct for Board Members and Senior Management Personnel has been laid down and all Board Members and Senior Management Personnel, to whom the said Code is applicable, have affirmed compliance of the same for the period ended 31st March 2010.

ACKNOWLEDGEMENTS

The Board of Directors is pleased to place on record their appreciation of the continued patronage and the confidence posed by business associates and customers during the year. The Board gratefully acknowledges the

continued guidance and support received from the Ministry of Commerce & Industry and various other Departments of Government of India. The Directors take this opportunity to thank the Ministry of Food, Consumer Affairs and Public Distribution, Ministry of Chemicals and Fertilizers and different State Governments for their faith in the Corporation. Your Directors place on record their sincere appreciation for the continued cooperation and help received from banks, financial institutions, auditors, legal advisors, consultants and shareholders. The Board also acknowledges the contribution and hard work put in by

the employees at all levels without which it would not have been possible for your company to achieve consistent growth in spite of global slowdown.

For and on behalf of Board of Directors

Sd/-

(N.K. MATHUR)

Chairman & Managing Director

New Delhi

Date : 18th August, 2010