



Sailing the waves of
success

2015-16

Annual Report

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



Vision

To be a leading world class trading organization, continuously diversifying and delivering excellence in all areas of its operations thereby enhancing stakeholders' value.



Annual Report 2015-16



THE STATE TRADING CORPORATION OF INDIA LIMITED

REGISTERED & CORPORATE OFFICE

(CIN :L74899DL1956GOI002674)

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

Tel # 011-23313177, Fax # 011-23701123, 23701191

Email: co@stclimited.co.in Website: www.stclimited.co.in

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR

Shri Khaleel Rahim

FUNCTIONAL DIRECTORS

Shri Rajiv Chopra

Shri Sanjeev Kumar Sharma

Shri Prasanta Kumar Das

Shri Sanjeev Kumar Gupta

PART-TIME OFFICIAL DIRECTORS

(GOVERNMENT NOMINEES)

Shri Ajay Kumar Bhalla

Shri Jitender Kumar Dadoo

PART-TIME NON-OFFICIAL DIRECTORS

(INDEPENDENT DIRECTORS)

Dr. N. Sundaradevan

Shri Sunil Trivedi

Dr. K. Rangarajan

Shri Arvind Gupta

COMPANY SECRETARY

Ms. Ritu Arora

REGISTRAR & SHARE TRANSFER AGENT

MCS Share Transfer Agent Limited

F-65, 1st Floor,

Okhla Industrial Area, Phase – I

New Delhi – 110020

Tel# 011-41406150

E-mail: admin@mcsregistrars.com

STATUTORY AUDITORS

M/s P Jain & Company

Chartered Accountants

210, Arunachal Bhawan,

19, Barakhamba Road,

New Delhi 110 001

BANKERS

State Bank of India

Bank of Baroda

Canara Bank

Indian Bank

State Bank of Patiala

UCO Bank

Vijaya Bank

HDFC

Indusind Bank

Allahabad Bank

Bank of India

IDBI

Indian Overseas Bank

Syndicate Bank

Union Bank of India

Axis Bank

ICICI

SECRETARIAL AUDITORS

M/s Chandrasekaran Associates

Company Secretaries

11-F, Pocket –IV,

Mayur Vihar Phase –I,

Delhi 110 091



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DIRECTORS' REPORT

The Board of Directors presents the 60th Annual Report on the business and operations of the Company and its Audited Statement of Accounts for the year ended March 31, 2016 together with the Auditors' Report and Comments on the Accounts by the Comptroller and Auditor General (CAG) of India.

FINANCIAL RESULTS

The performance of the Company during the year 2015-16 vis-à-vis the previous year is summarized in the table below:

(₹ Crore)

	2015-16	2014-15
TURNOVER		
Exports	1111	1884
Imports	8735	12042
Domestic	633	471
GRAND TOTAL	10479	14397
FINANCIALS		
Profit Before Tax	23	31
Profit After Tax	18	26
Net Worth (Including revaluation reserve)	1057	1039

OPERATIONS AND BUSINESS PERFORMANCE

During the year 2015-16, the Company achieved a total turnover of ₹ 10,479 crore as against ₹ 14,397 crore achieved in the previous year. The decline in turnover was mainly due to reduction of ₹ 3882 crore in bullion imports because of lower demand attributable to large imports of dore bars into the Country. The domestic sales turnover of the Company, however, increased to ₹ 633 crore during the year 2015-16 and was the best in past six years.

The Profit Before Tax (PBT) during the year amounted to ₹ 23 crore.

DIVIDEND

The Board of Directors have not recommended any dividend for the year 2015-16 as the Company needs to conserve cash for its business operations due to rising borrowing costs and low profitability.

RESERVES

An amount of ₹ 978.92 crore was available in the Reserves and Surplus of the Company as on 1st April 2015. The Profit After Tax of ₹ 17.86 crore made during the year is being retained as surplus in the Balance Sheet. Accordingly, as on 31st March 2016, the Reserves and Surplus stood at ₹ 996.79 crore.

FOREIGN EXCHANGE EARNINGS/OUTGO

The total foreign exchange earnings of the Company by way of exports, trade margins, etc. during the year amounted to ₹ 51.13 crore while the foreign exchange outgo by way of imports and other expenses amounted to ₹ 8254.75 crore.

HUMAN RESOURCE

Manpower

STC had 692 employees on its rolls as on 31.03.2016, which included 468 managers and 224 staff.

Recruitments

During the year, the Company recruited fifteen Assistant Managers with professional qualifications in various disciplines. In addition, lateral recruitments were made to fill two positions in the managerial cadre. The Company also appointed two persons on compassionate grounds in the staff cadre.

Industrial Relations

The Company continued to maintain harmonious industrial relations during the year. No man days were lost. As per changing dynamics, new personal policies were framed and aligned with the overall business interests of the Company.

Reservation in recruitments/promotions

The Company has been implementing the directives and guidelines issued by the Government of India from time to time with regard to recruitment/promotion of SC/ST/OBC, differently abled candidates and those from minorities.

Human Resource Development

During the year, the Company continued to lay emphasis on training and learning opportunities of its employees at various levels and dedicated 857 mandays for the purpose.

Professional training programmes were especially formulated and approved in June 2015 for enhancing knowledge on matters like international trade, trade finance and risk management through one of the reputed institutes, namely, National Institute of Banking Studies and Corporate Management (NIBSCOM). A total of 62 managers participated in these programmes which had an in-built programme evaluation system. The Company also conducted intensive training programmes especially designed for 69 non-professional managers to bridge the skill gap in areas like computer usage, office management, etc. through NTPC's Power Management Institute, Noida.

Besides above, six executives at the level of Directors/ CGMs/ GMs attended seminars/ conferences/programmes on Strategic Management and Corporate Governance during the year.

In all, the Company conducted 9 in-house dedicated training programmes covering 232 employees.

The Company also nominated 80 employees for management development programmes organised by external agencies.

OFFICIAL LANGUAGE

In compliance with the Government's Policy on Official Language, continuous efforts were made for promoting the use of Hindi in day to day official work. Hindi Diwas and Rajbhasha Week/Fortnight were organised in the Corporate Office as well as Branch Offices of the Company. During these events, employees who had done most of their work in Hindi were felicitated.

The Company was awarded the Rajbhasha Shield (First prize) by the Ministry of Commerce & Industry in view of progressive and notable use of Hindi in official work. The employees of the Company won prizes in various Hindi competitions organised by Town Official Language Implementation Committee (TOLIC).

The Committee of Parliament on Official Language inspected the work related to official language of the Company and found the same to be satisfactory. The Committee praised the efforts being made by STC.

VIGILANCE ACTIVITIES

With a view to create awareness among the employees on the ill-effects of corruption and the need for eradication of the same, Vigilance Division of the Company took a number of steps during the year. As part of Vigilance Awareness Week, it organised a talk on '**Preventive Vigilance as a tool of Good Governance**', by a senior IPS officer.

A training programme was also organised for the officials of the Company on "**Preventive Vigilance as a tool of Good Governance**".

In addition to investigation of complaints and handling departmental inquiries having vigilance angle, the Vigilance Division also maintained constant liaison with various agencies viz. CVC, CBI & MOC&I etc. for ensuring preventive vigilance and providing details/inputs to regulatory agencies as per statutory requirements.

Vigilance Division also conducted inspection of Branch Offices of the Company thereby bringing out areas for corrective/preventive action.

PERFORMANCE OF SUBSIDIARY COMPANY

STCL Ltd. (Formerly, Spices Trading Corporation Limited)

In view of extraordinary losses suffered by STCL leading to erosion of its net worth and remote possibility of its

turnaround, the Union Cabinet had, in August 2013, decided to wind up STCL. Accordingly, a winding up petition was filed by STCL before the Hon'ble High Court of Karnataka in November 2013 and the same continues to be pending due to objections by Banks.

At present, STCL has 13 employees including the Managing Director.

As a result of the above developments, no business operations were undertaken by STCL during the year.

The subsidiary company incurred a loss of ₹ 480 crore during 2015-16 mainly on account of the interest accrued on outstanding loans and had a negative net worth of ₹ 3342 crore as on 31.03.2016.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As per the requirement of Regulation 34(2) of schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a detailed Management Discussion and Analysis Report forming part of the Annual Report of the Company is placed at Annexure-I.

EXTRACT OF THE ANNUAL RETURN

As required under Section 134(3)(a) of the Companies Act, 2013, an extract of the Annual Return pursuant to Section 92(3) of the Act is annexed to this Report at Annexure-II.

ANTI SEXUAL HARASSMENT POLICY

The Company has laid down an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee has been set up to redress complaints received in this regard. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

No sexual harassment complaints were received during the year 2015-16.

RIGHT TO INFORMATION

In order to promote transparency and accountability, an appropriate mechanism has been put in place in the Company to provide information to citizens under the provisions of Right to Information (RTI) Act, 2005. For this purpose, the Company has, in line with the RTI Act, nominated Central Public Information Officers at all its Divisions at New Delhi and at Branch Offices across the country. For the convenience of public, a coordinating CPIO has also been nominated. First Appellate Authority has also been nominated for considering the appeals of information seekers against the orders of Public Information Officers.

DEPOSITS

The Company has not accepted any deposits from Public. Therefore, the requirement of Chapter V of the Companies Act, 2013 is not applicable to it.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

During the year, the Company has not provided/given any loans, guarantees or made any investment as specified under section 186 of the Companies Act, 2013.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES REFERRED TO IN SUB-SECTION (1) OF SECTION 188 IN THE PRESCRIBED FORM

The Company has not entered into any contracts or arrangements with related parties as referred to in sub-section (1) of section 188 of the Companies Act, 2013.

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABILITY

In line with the Corporate Social Responsibility (CSR) Policy of the Company and the provisions of the Companies Act 2013, STC executed CSR projects during the year 2015-16 in the areas of health and sanitation, special education for differently-abled people and promotion of art/culture/heritage. The projects were taken up after due deliberations by the Board level CSR Committee. All the three projects were commenced in the year 2014-15 and continued in the year 2015-16. The project on promotion of art/culture/heritage is still continuing. An annual report on Company's CSR activities in prescribed format as per the Companies (Corporate Social Responsibility Policy) Rules, 2014 is placed at Annexure III.

PUBLIC PROCUREMENT POLICY

In pursuance of the Public Procurement Policy for Micro & Small Enterprises (MSEs) Order, 2012 (dated 23rd March 2012) notified by Ministry of Micro, Small and Medium Enterprises, the Company had set an annual target of making a minimum 20 percent of its annual procurement of goods and services from MSEs, including 4 percent from MSEs owned by SC or ST entrepreneurs.

During the year 2015-16, the Company made procurements worth ₹ 2.06 crore from MSEs, which accounted for 11.6 percent of total value of annual procurement made by STC of goods produced and services rendered by MSEs. Efforts are on to increase procurement from MSEs in the current year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

The information required to be disclosed in accordance with the Companies (Accounts) Rules, 2015 is 'nil' as the Company is mainly engaged in trading activities.

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 issued by The Institute of Chartered

Accountants of India (ICAI) and provisions of the Companies Act, 2013.

INTERNAL FINANCIAL CONTROLS

The Company has in place well-established internal financial controls. The Company has a well-defined Delegation of Powers (DOP), which lays down the financial powers available to various levels of Company's executives. The DOP helps facilitate faster and prudent commercial decision-making by executives at various levels.

The Company has an Internal Audit Division, supported by an outside professional Chartered Accountant firm, which conducts internal audit of Company's corporate office as well as branches and suggests various preventive and corrective steps. The audit observations are periodically reviewed by the Management Audit Committee and the Audit Committee of the Board of Directors and necessary directions are issued wherever required.

NUMBER OF MEETINGS OF THE BOARD

During the financial year 2015-16, six meetings of the Board of Directors were held and the interval between any two Board meetings did not exceed 120 days.

DECLARATIONS GIVEN BY INDEPENDENT DIRECTORS

There were no Part-time Non-official Directors (Independent Directors) on the Board of the Company on the date of the first Board meeting held during the financial year 2015-16. The term of the two Independent Directors, who were on the Board as on 01.04.2015, expired on 17.04.2015 and no Independent Director was nominated on the Board by the Government thereafter till the end of the financial year 2015-16.

POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION ETC.

STC being a Government company, the terms and conditions of appointment and remuneration of its whole-time functional Directors are determined by the Government through the Ministry of Commerce and Industry, the administrative ministry of the company. The non-executive part-time official Directors (Government nominees) do not draw any remuneration or sitting fee. The non-executive part-time non-official (Independent) Directors are paid a sitting fee for each Board/ Committee meeting attended by them at the rate approved by the Board from time to time.

The eligibility criterion for appointment of Independent Directors is laid down by the Department of Public Enterprises of the Govt of India. The positive attributes expected to be exhibited by the Independent Directors are conveyed to them on their appointment and a declaration in the appropriate performa is obtained from them every year to confirm that they continue to qualify as Independent Director.

ANNUAL EVALUATION OF THE PERFORMANCE OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

The Company, being a Government Company, is exempted from the requirements in this regard in terms of notification dated 05.06.2015 issued by the Ministry of Corporate Affairs, Government of India.

RISK MANAGEMENT POLICY

A Risk Management Framework has been put in place to add objectivity to the process of risk assessment while taking a decision on accepting or rejecting a trade proposal. The Risk Management Framework measures the risk involved in a business proposal in the form of a total risk score which is weighed vis-à-vis available risk mitigation measures.

Further, the Company has implemented an Anti-Fraud Policy in order to enforce controls and to aid in prevention and detection of frauds in the Company. The Policy intends to promote consistent legal and ethical organizational behaviour by assigning responsibility for the development of controls, and providing guidelines for reporting and conduct of investigations of suspected fraudulent behaviour.

HEDGING

The Company does not take exposure in volatile commodities. Generally, it makes purchases only against confirmed orders backed by appropriate margin money.

Guidelines are in place requiring forward foreign exchange cover to be taken in respect of transactions involving STC funds.

CORPORATE GOVERNANCE

The Company believes that Corporate Governance is at the root of the shareholders' value creation.

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Guidelines on Corporate Governance for CPSEs issued by the Department of Public Enterprises (DPE), Govt of India, a Report on Corporate Governance for the year 2015-16 forming part of this report is placed at Annexure-IV. The Company has complied with the conditions of Corporate Governance as stated in the above referred Regulations and DPE guidelines on Corporate Governance for CPSEs with a few exceptions regarding appointment of woman director and number of independent directors, which are mentioned in the Report. Compliance certificate from the practicing Company Secretary in this regard and Management replies thereto, forming part of this Report, are placed at Annexure -V.

The Company has got its Secretarial Audit for the financial year ended 31st March, 2016 conducted by practicing Company Secretaries M/s Chandrasekaran Associates and their report alongwith Management replies to the observations made by Secretarial Auditors, forming part of

this Annual Report, is placed at Annexure -VI.

In line with the best practices, your Company has made available all information of interest to its investors on the Company's corporate website, namely, **www.stclimited.co.in**.

The Company has also put in place various policies such as:

- Whistle Blower Policy
- Web Archival Policy
- Policy on Preservation of Documents
- Policy on Materiality of Related Party Transactions and dealings with Related Party Transactions
- Policy for determination of materiality of events and information and their disclosures.
- Policy for determining material subsidiaries.

All the policies are also available on STC's website.

The independent meeting of Independent Directors of the company could not be held during 2015-16 because of there being no Independent Director on the Board of the Company from 18.04.2015 to 31.03.2016.

STATUTORY AUDITORS

M/s P. Jain & Company, Chartered Accountants were appointed as Statutory Auditors of the company for the financial year 2015-16 by the Comptroller & Auditor General of India (C&AG). Their report, along with replies of the Management, is attached and forms part of this report.

COMMENTS OF C&AG

The comments of C&AG under Section 143(6) of the Companies Act, 2013 on the accounts of the Corporation for the year 2015-16 and replies of the management thereto are attached and form part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 134(5) of the Companies Act, 2013, in relation to Directors' Responsibility Statement, it is hereby confirmed that:

- (a) in the preparation of the annual accounts for the year ended 31st March, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) the directors 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 and loss of the company for the year under review;
- (c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records