

Annual Report 2016-17



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
2016-17**



THE STATE TRADING CORPORATION OF INDIA LIMITED

CIN L74899DL1956GOI002674

Registered Office: Jawahar Vyapar Bhawan, Tolstoy Marg, New Delhi-110001

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E-Mail: cs@stclimited.co.in, Website: www.stclimited.co.in

BOARD OF DIRECTORS

CMD AND FUNCTIONAL DIRECTORS

Shri Rajiv Chopra, Director (Marketing) [Addl. charge of CMD w.e.f. 28.11.2016]

Shri Sanjeev Kumar Sharma, Director (Personnel) [Addl. charge of Director (Finance) w.e.f. 31.10.2016]

Shri G. Ravichandran, Director (Finance) (upto 24.08.2016)

Shri Prasanta Kumar Das, Director (Marketing)

Shri Sanjeev Kumar Gupta, Director (Marketing) (from 27.04.2016 upto 13.07.2017)

PART-TIME OFFICIAL DIRECTORS

(GOVERNMENT NOMINEES)

Shri Ajay Kumar Bhalla (upto 02.11.2016)

Shri Jitendra Kumar Dadoo

Dr. Inderjit Singh (from 10.11.2016)

PART-TIME NON-OFFICIAL DIRECTORS

(INDEPENDENT DIRECTORS)

Dr. N. Sundaradevan (from 03.08.2016)

Dr. K Rangarajan (from 03.08.2016)

Shri Sunil Trivedi (from 03.08.2016)

Shri Arvind Gupta (from 03.08.2016)

Dr. Amitabh Rajan (from 14.02.2017)

Shri Mohan Lal Pareek (from 14.02.2017)

Ms. Bharathi Magdum (from 24.03.2017)

Shri Bharatsinh P. Parmar (from 31.03.2017)

COMPANY SECRETARY

Ms. Ritu Arora

REGISTRAR & SHARE TRANSFER AGENT

MCS Shares 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-110013

BANKERS

State Bank of India

Bank of Baroda

Canara Bank

Indian Bank

UCO Bank

Vijaya Bank

HDFC Bank

Indusind Bank

Allahabad Bank

Bank of India

Indian Overseas Bank

ICICI Bank

Syndicate Bank

Union Bank of India

ICBC Bank

SECRETARIAL AUDITORS

M/s Chandrasekaran Associates

Company Secretaries

11-F, Pocket-IV,

Mayur Vihar Phase-I

Delhi-110091



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DIRECTORS' REPORT

The Board of Directors presents the 61st Annual Report on the business and operations of the Company and its Audited Statement of Accounts for the year ended March 31, 2017 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 2016-17 vis-à-vis the previous year is summarized in the table below:

(₹ Crore)

	2016-17	2015-16
TURNOVER		
Exports	789	1111
Imports	6382	8735
Domestic	581	633
TOTAL	7752	10479
FINANCIALS		
Profit Before Tax	(-)148	23
Profit After Tax	(-)166	18
Net Worth (Including revaluation reserve)	891	1057

OPERATIONS AND BUSINESS PERFORMANCE

During the year 2016-17, the Company achieved a total turnover of ₹7,752 crore as against ₹10,479 crore achieved in the previous year. The decline in turnover was attributable mainly to (i) non-renewal of contract for export of steel plates/coils to Iran (ii) lower allocation for import of urea by the GOI and (iii) reduced import of gold. The domestic sales of ₹581 crore achieved by the Company was the second best in past seven years.

The Company reported a net loss of ₹166 crore during the year 2016-17 due to provisions and write-offs (net of write-back) of ₹144 crore made in respect of doubtful debts.

DIVIDEND

The Board of Directors have not recommended any dividend for the year 2016-17 in view of loss of ₹166 crore suffered by the Company.

RESERVES

An amount of ₹996.79 crore was available in the Reserves and Surplus of the Company as on 1st April 2016. During the year 2016-17, write-off / provisions (net of write-back) of ₹143.73 crore were made in the accounts as a matter of prudence as against (-) ₹23.78 crore (net of write-back) in the previous year. This resulted in a net loss of ₹165.54 crore to the Company thereby bringing down the Reserves & Surplus to ₹831.25 crore as at the end of the financial year.

FOREIGN EXCHANGE EARNINGS/OUTGO

The total foreign exchange earnings of the Company by way of exports, trade margins, etc. during the year amounted to ₹742.90 crore while the foreign exchange outgo by way of imports and other expenses amounted to ₹6042.56 crore.

HUMAN RESOURCE

Manpower

STC had 671 employees on its rolls as on 31.03.2017, which included 464 managers and 207 staff.

Recruitments

During the year, the Company recruited thirty four Assistant Managers with professional qualifications in various disciplines such as finance, marketing, personnel & administration and law. In addition, lateral recruitments were made to fill four senior positions in the managerial cadre.

Industrial Relations

During the year 2016-17, the company continued to maintain harmonious industrial relations. No man days were lost. Personnel policies and welfare schemes were suitably improved/amended so as to bring them in line with the overall business interest of the company.

Recruitment of SC/ST/OBC/PWD

The Company has been implementing the Government of India directives and guidelines for SC/ST/OBC/PWD issued from time to time with regard to recruitment of SC/ST/OBC and differently abled candidates. During the year, 3 candidates belonging to PWD were recruited at the level of Assistant Managers.

Human Resource Development

With a view to harness employees potential, help them in their career progression and enhance employee productivity, 29 Management Development Programmes (MDPs) were conducted during the year on domain specific areas and behavioural/managerial skill development in which a total of 73 executives participated. Training programmes for women executives on leadership development and sexual harassment of women at workplace were also organised with a view to develop their managerial skills and sensitise them on legal issues. Dedicated In-house training programmes were conducted on Vigilance and implementation of Reservation Policy, wherein a total of 119 executives participated. Nominations were also made towards 7 training programmes on implementation & awareness of Official Language (Rajbhasha).

In all, 200 employees were imparted training during the year in domain specific areas and behavioural/managerial skill development wherein 495 man-days were dedicated.

OFFICIAL LANGUAGE

All efforts were made to promote the use of Hindi in day to day official work so as to ensure compliance of Official Language Policy of Govt. of India and the guidelines issued in this regard

from time to time. Hindi workshops were organised at regular intervals for imparting training to the employees on various aspects related to Official Language. Also, Hindi Diwas and Rajbhasha Week / Fortnight were organized across the Company. Employees doing exemplary work in Hindi were felicitated on these occasions. As a result, STC was awarded with "Rajbhasha Shield" (1st Prize) for the year 2015-16 by Ministry of Commerce for the progress made in implementation of Official Language.

VIGILANCE ACTIVITIES

With a view to ensure transparency, fair play and objectivity in the functioning of the Company, Vigilance Division of the Company followed a multi-pronged strategy by stressing on punitive, preventive and participative vigilance measures to check corruption.

Steps were taken to expedite timely completion of investigations and disciplinary proceedings as per CVC instructions. Measures were also taken for systemic improvement, particularly in the area of record management. Vigilance team inspected Branch offices at Jalandhar and Chennai. Three CTE type inspections were conducted to check the implementation of instructions and guidelines issued by the Company from time to time and identify the areas requiring improvement.

The Company observed Vigilance Awareness Week, 2016 from 31st October to 5th November, 2016. The theme of the Vigilance Awareness Week was "Public Participation in Promoting Integrity and Eradicating Corruption". The Company and all the employees signed Integrity Pledge to enlist support and commitment for upholding the highest standard of ethical conduct, honesty and integrity. Outreach activities focussing on inculcating greater awareness on corruption and anti-corruption measures were also held in colleges and schools.

Two training programmes on 'Vigilance Administration' and 'Vigilance Clearance' were organised for executives of the Company. As part of the Knowledge Management efforts, a quarterly e-newsletter "NAI DISHA" was launched to create awareness about the rules and procedures prescribed by the Company and instructions issued by CVC and Government of India from time to time.

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 ₹563 crore during 2016-17 mainly on account of the interest accrued on outstanding loans and had a negative net worth of ₹3904 crore as on 31.03.2017.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As per the requirement of Regulation 34(2) of schedule V of the SEBI (Listing Obligation and Disclosure Requirements) Regulation 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.

During the year, one complaint of sexual harassment was received and the findings of the same have been submitted to the Management.

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

As per DPE guidelines & provisions of Companies Act, 2013, the budgetary allocation of CSR is based on the profitability of the company. In the year 2015-16, the Company earned profit of ₹23 crore, but due to average net loss of ₹146 crore for the last three years; the Company was not mandated to allocate CSR Funds for the financial year 2016-17.

An amount of ₹22.47 lakh was carried forward during 2016-17 from previous financial year 2015-16, out of which, an amount of ₹7 lakh was spent on ongoing project "Conservation of Jai Prakash Yantra at Jantar Mantar, New Delhi". Further, an amount of ₹0.56 lakh was spent towards completion cost of Construction of Toilet Complex undertaken by Sulabh International, Delhi.

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 notified by Ministry of Micro, Small and Medium Enterprises vide their Order dated 23rd March 2012, 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 2016-17, the Company made procurement worth ₹1.61 crore from MSEs, which accounted for 30.55 percent of total value of annual procurement made by STC of goods produced and services rendered by MSEs. Out of this, procurement from SC/ST entrepreneur was Nil as against a sub-target of 4% and the same was due to either no SC/ST entrepreneur participating in the tender process or no SC/ST entrepreneur being declared successful in the tender process. During the year 2017-18 also, the Company shall strive to achieve the annual procurement target of 20 percent of goods and services produced/rendered by MSEs, including 4 percent from MSEs owned by SC or ST entrepreneur.

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 2016-17, 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

All the Part-time Non-official Directors (Independent Directors) have affirmed that they meet the criteria of Independence as provided in Section 149(6) of the Companies Act, 2013 for the financial year ending 31.03.2017

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 part-time non-official (Independent) Directors are paid sitting fee for each Board/ Committee meeting attended by them at the rate as per provisions of the Companies Act, 2013 and as 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

In line with the exemption provided in the Companies Act, 2013 to the Government Companies regarding evaluation of Board and its Directors, many CPSEs requested to the Department of Public Enterprises to seek exemption in the matter on the same ground from Securities and Exchange Board of India (SEBI). Upon request and representations as received from CPSEs, the Department of Public Enterprises has written to Department of

Economic Affairs and Securities and Exchange Board of India to align the SEBI (LODR) Regulations, 2015 with the Companies Act, 2013 based on the exemptions under Companies Act, 2013 provided to the Government Companies.

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 2016-17 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. 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, 2017 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 separate meeting of Independent Directors was held on 08.03.2017 at the registered office of the Company.

STATUTORY AUDITORS

M/s P. Jain & Company, Chartered Accountants were appointed as Statutory Auditors of the company for the financial year 2016-17 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 Company for the year 2016-17 are yet to be received. Hence, the comments of CAG and replies of the management thereto will be attached separately in Directors' Report as an Addendum thereto.

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, 2017, 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 in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors have prepared the annual accounts on a going concern basis for the year ended 31st March, 2017;
- (e) the directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and operating effectively;
- (f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

BOARD OF DIRECTORS

Appointment

Since the last Annual General Meeting, pursuant to Office Order dated 02.11.2016 issued by the Government of India, Ministry of Commerce & Industry, Department of Commerce, Dr. Inderjit Singh, Additional Secretary, Department of Commerce, Ministry of Commerce & Industry, was appointed