

Annual Report

2019-20



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

2019-20



THE STATE TRADING CORPORATION OF INDIA LIMITED

REGISTERED & CORPORATE OFFICE

(CIN: L74899DL1956GOI002674)

Jawahar Vyapar Bhawan, Tolstoy Marg, New Delhi-110001

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

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

BOARD OF DIRECTORS

CMD AND FUNCTIONAL DIRECTORS

Shri Rajiv Chopra, Director (Marketing) [Addl. Charge of CMD] (upto 31.07.2020)

Shri Sanjeev Kumar Sharma, Director (Personnel) [Addl. Charge of CMD] (from 01.08.2020)

Shri Umesh Sharma, Director (Finance), MMTC with Addl. Charge of STC (upto 31.05.2020)

Shri Kapil Kumar Gupta, Director (Finance), MMTC with Addl. Charge of STC (from 03.06.2020)

Shri N.A.N. Jeyakumar, Director (Marketing)

PART-TIME OFFICIAL DIRECTORS

(GOVERNMENT NOMINEES)

Shri Subhash Chandra Pandey, SS&FA, Dept. of Commerce (from 27.03.2018 upto 30.06.2019)

Shri Sunil Kumar, AS, Dept. of Commerce (upto 21.01.2020)

Shri Keshav Chandra, Joint Secretary, DoC (from 21.01.2020 & upto 10.02.2020)

Shri Shashank Priya, Additional Secretary & Financial Advisor, DoC (from 13.08.2019)

Shri Shyamal Mishra, Joint Secretary, DoC (from 10.02.2020)

PART-TIME NON-OFFICIAL DIRECTORS

(INDEPENDENT DIRECTORS)

Dr. N.Sundaradevan (upto 14.06.2019)

Dr.K.Rangarajan (upto 14.06.2019)

Shri Sunil H. Trivedi (upto 14.06.2019)

Shri Arvind Gupta (upto 14.06.2019)

Dr. Amitabh Rajan (upto 26.01.2020)

Shri Mohan Lal Pareek (upto 26.01.2020)

Ms. Bharathi Magdum (upto 26.01.2020)

Shri Bharatsinh Parmar (upto 26.01.2020)

STATUTORY AUDITORS

M/s. HDSG & Associates
K-61, Basement Jangpura
Extension New Delhi-110014

COMPANY SECRETARY

Shri Vipin Tripathi

SECRETARIAL AUDITORS

M/s. P.C. Jain & Co,
Company Secretaries,
2382, 1st Floor,
Sector-16 Faridabad-121002

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

BANKERS

State Bank of India	Allahabad bank
Bank of Baroda	Bank of India
Canara Bank	Indian Overseas Bank
Indian Bank	ICICI Bank
UCO Bank	Syndicate Bank
Vijaya Bank	Union Bank of India
HDFC Bank	ICBC Bank
Indusind Bank	Axis Bank
Exim Bank	IDBI Bank



CONTENTS

1	Board's Report 2019-20 along with the following Annexures:	5-10
I	Management Discussions & Analysis Report	11-14
II	Extract of Annual Return (MGT-9)	15-24
III	Annual Report on CSR Activities	25-26
IV	Report on Corporate Governance	27-45
V	Compliance Certificate on Corporate Governance	46
VI	Secretarial Auditors' Report	47-50
2.	Highlights: Ten Years at a Glance	51
3.	Standalone Financial Results	52
	• Independent Auditors' Report	53-66
	• Accounts for the year 2019-20	67-118
	• Management's Replies to Statutory Auditor's Report	119-127
	• CAG Comments	128-129
4.	Statement Pursuant to Section 129(3) of the Companies Act., 2013 related to subsidiary Company and Joint Ventures	130
5.	Consolidated Financial Results	131
	• Independent Auditors' Report	132-141
	• Accounts for the year 2019-20	142-198
	• Management's Replies to Statutory Auditor's Report	199-210
	• CAG Comments	211-212
6.	Green Initiative in Corporate Governance: Go Paperless	213

BOARD'S REPORTS

The Board of Directors presents the 64th Annual Report on the business and operations of the Company and its Audited Statement of Accounts for the year ended March 31, 2020 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 2019-20 vis-à-vis the previous year is summarized in the table below:

(₹ in Crore)

TURNOVER	2019-20	2018-19
Exports	11	11
Imports	2536	8437
Domestic	383	445
Grand Total	2930	8893
FINANCIALS		
Profit Before Tax	(114)	(897)
Profit After Tax	(114)	(881)
Net Worth	(946)	(805)

OPERATIONS AND BUSINESS PERFORMANCE

During the year 2019-20, the Company achieved a total turnover of ₹2,930 crore as against ₹8,893 crore achieved in the previous year. The decline in turnover was mainly due to lower import of bullion as well as inability of the Company to undertake trade transactions due to non-availability of working capital. Therefore, in view of the financial crisis being faced by STC, the Company continued to refrain from undertaking trade involving STC's funds / banking limits and undertook business with central/state government departments and their entities only, where there was no involvement of STC's funds.

The Company reported a net loss (after tax) of ₹114 crore during the year 2019-20 as compared to net loss (after tax) of ₹881 crore during the year 2018-19. The net loss reported during the year was mainly due to creation of liability amounting to ₹104 crore (approx.) as a matter of abundant caution and financial prudence in respect of some lost court cases. Since the awards under reference are bad under law, therefore the same have been challenged before the higher authorities prescribed under the law.

FINANCIAL RESULTS

STC's account continued to remain NPA since Mar/Jun'18. The Lender Banks have jointly filed the case in DRT against STC for recovery of their dues, which was crystallized at ₹1906.24 crore (approx.) and the proceedings at DRT are going on. Subsequently, the dues were reviewed and further crystallized in a meeting held on 29.08.2019. One of the Lender Bank had also filed a case in NCLT which has since been withdrawn by the Bank. The company is in the process of completing One Time Settlement with the lender banks in line with the decision taken during the high level meeting held on 29.08.2019 regarding One Time Settlement of dues of STC with the banks. An amount of ₹1100 crore has already been paid to the lender banks and with transfer of identified immovable properties worth ₹300 crore (approx.) to the banks preferably through Power of Attorney (POA) process and adhering to the

provisions of Rule 309 etc. of GFR-2017, the OTS will be completed.

DIVIDEND

During the year 2019-20, STC has reported net loss of ₹114 crore and the Company has a negative net worth of ₹946 crore approx. (excluding revaluation reserves) as on 31.03.2020. The Company had earlier reported net loss of ₹881 crore during the year 2018-19. Therefore, the cumulative losses as on 31.03.2020 have increased to ₹121.51 crore from ₹8.64 crore as on 31.03.2019. Thus, the Board of Directors have not recommended any dividend for the year 2019-20.

(OTHER EQUITY) RESERVES

An amount of (-) ₹8.64 Crore (including revaluation reserve of ₹884.60 Crore) was available in the other equity of the company as on 01.04.2019. An amount of (-) ₹112.84 Crore (PAT: (-) ₹113.63 Crore and other comprehensive income: ₹0.79 Crore) has been transferred to retained earnings. Accordingly, as on 31st March, 2020, the other equity stood at (-) ₹121.51 Crore.

HUMAN RESOURCE

Manpower

STC had 334 employees on its rolls as on 31.03.2020, which included 214 managers and 120 staff.

Recruitments

The Company did not make any recruitment during the year 2019-20.

Industrial Relations

During the year 2019-20, 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 interests/financial condition of the company.

Recruitment of SC/ST/OBC/PWD

The Company has been implementing the Government of India's 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.

Human Resource Development

During the year 2019-20, due to precarious financial position of the company, no budget was allocated for Training and Development.

OFFICIAL LANGUAGE

All efforts are being made in order to ensure implementation of official language Hindi in the Company in accordance with the Official Language Policy of the Govt. of India. Mostly the employees possess minimum working knowledge of Hindi in terms of Official Languages Rules, 1976. However, necessary training is being imparted to the employees on official language through Hindi Workshops on regular basis.

Compliance of all the directions with regard to official language given by the Govt. of India from time-to-time is being ensured across the Company. With a view to promote the use of official language Hindi in day-to-day official work, the Official Language Incentive Scheme is in vogue in the Company.

In addition, "Rajbhasha Pakhwada" was celebrated in the month of September, 2019 wherein various Hindi Competitions/ Programmes were organised with a view to encourage the employees to make use of Hindi language in their day-to-day working. Training on use of Hindi on computer is being provided to the employees from time-to-time.

Thus, as a result of all these efforts, the use of Hindi in the official work is increasing progressively. The Company is regularly awarded with Official Language Shield by the Department of Commerce, Govt. of India for the progress made in the direction of implementation of the official language Hindi.

VIGILANCE ACTIVITIES

The Vigilance administration in any organization is an integral function like any other function of the Management and ensures functioning of other segments in an efficient manner. It comprises of preventive and punitive anti-corruption measures, including detecting irregularities, analyzing and finding out reasons for irregularities and making effective system improvements. The vigilance plays an important role in ensuring transparency, fair play, objectivity and ethics in the day-to-day functioning of the Company.

Efforts were made to expedite timely completion of investigations and disciplinary proceedings as per CVC's instructions. Based on the observations and systematic deficiencies noticed on conclusion of the various preliminary enquiries/ investigations, instructions/ guidelines for systemic improvement in various areas were issued during the year.

During the year, surprise inspections were carried out at the Corporate Office of the Company to check whether the implementation of the instructions and guidelines issued from time to time are being adhered to. Surprise inspection was also conducted by the CVO, STC at Chennai Branch of the Company

During the year, CVO attended training programme at CBI Academy, Ghaziabad and ISTM, New Delhi. In addition, JGM (Vigilance) also attended an In-service Vigilance Training Course at ISTM, New Delhi.

The Company observed Vigilance Awareness Week 2019 from 28th October 2019 to 2nd November 2019 on the theme "Integrity – A way of life (ईमानदारी – एक जीवन शैली)". During this period, the Company conducted various in-house activities such as Essay Writing, Debate Competition, Quiz Competition on Vigilance matters to enhance the awareness level among officers/staff of the Company. A lecture/interactive workshop on 'Prevention of Corruption (Amendment) Act 2018 was also organized for the officials/executives of the Company on 1st November 2019. The employees and citizen were encouraged to take E-pledge/Integrity Pledge to fight corruption.

With a view to sensitize employees about the critical aspects to be kept in view and to disseminate information about new developments in the area of procurement, trade and vigilance, an in-house e-newsletter "NAI

DISHA" containing articles on vigilance, ethics, CVC circulars and various circulars issued by the company from time to time was circulated through e-mail to all the employees of the Company.

During the year 2019-20, Vigilance clearances have been given to 397 employees for various purposes such as promotion, foreign visit, retirement, VRS, etc. Out of 31 complaints received during the year, 28 complaints were disposed off. Further, 7 disciplinary proceedings cases have been disposed off during the year and action on remaining 10 cases is in progress as on 31.03.2020. In addition, sanction for prosecution accorded in respect of four retired officials of the company and three appeal/review petitions have been disposed off. A total no. of 81 files of Annual Property Returns (i.e. 24% approx.) have been scrutinized during the year (20% as per DPE guidelines).

PERFORMANCE OF SUBSIDIARY COMPANY

STCL Limited (Formerly, Spices Trading Company 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 and the same continues to be pending due to objections raised by Banks and 9 employees.

At present, STCL has 11 employees. As a result of the above development, no business operations were undertaken by STCL during the year.

The company incurred a loss of 0.47 crore during 2019-20 mainly on account of the establishment expenses and had a negative net worth of ₹4565 crore as on 31.03.2020.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As per the requirement of Regulation 34(2) (e) and 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 given as Annexure-II. The same is also available on the website of the Company: www.stclimited.co.in.

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 2019-20.

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 did not accept any public deposits during the year under review. Therefore, the requirements of Chapter V of the Companies Act, 2013 are not applicable to it.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

During the year, the Company did not provide/give 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 did not enter into any contracts or arrangements with related parties as referred to in sub-section (1) of section 188 of the Companies Act, 2013, during the year under review.

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABILITY

The Companies Act 2013 enables provisions for creating funds for CSR & Sustainability. It states that every company having net worth of Rupees Five Hundred crore or more, or turnover of Rupees One Thousand crore or more or a net profit of Rupees Five crore or more during any financial year shall ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years. In an eventuality of negative Net Worth in a particular financial year, the Company shall not be mandated to earmark specific funds for CSR and Sustainability activities.

As per Section 135 of the Companies Act, 2013, the Company is not mandated to allocate CSR budget for the year 2019-20 due to average net loss of last three preceding financial years. However, an amount of Rs. 1.40 lakh (including ₹0.75/- allocated for Emergency Need and ₹0.65 lakh accrued from completed project) was carried forward from previous years. The amount has been utilised towards contribution to PM CARES Fund as eligible CSR activity under item no. (viii) of the Schedule VII of Companies Act, 2013.

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 amendment of Public Procurement Policy for Micro & Small Enterprises (MSEs) Order, 2012 implementation notified by the Ministry of Micro, Small and Medium Enterprises vide their Order dated 9.11.2018, the Company made efforts to achieve an annual target of making a minimum 25 percent of its annual procurement of goods and services from MSEs including 4 percent from MSEs owned by SC/ST entrepreneur and 3% by women entrepreneur.

During the year 2019-20, the Company made procurement worth ₹2.69 crore from MSEs, which accounted for 61.32% percent of total value of annual procurement made by STC of goods produced and services being rendered by MSEs as against 25% target specified in the guidelines. Out of this, procurement from SC/ST and women entrepreneur was ₹0.23 crore i.e 8.71% & ₹1.35 crore i.e 50.16% as against a sub-target of 4% and 3% respectively.

During the year 2020-21 also, the Company shall strive to achieve the annual procurement target of 25 percent of goods and services produced/rendered by MSEs, including 4 percent from MSEs owned by SC or ST entrepreneur and 3% by women 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 Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, comply in all material aspects with the relevant provisions of the Companies Act, 2013 and other accounting principles generally accepted in India.

The financial statements have been prepared under the historical cost convention on accrual basis except certain financial assets and liabilities which are measured at fair value of amortized cost at the end of each financial year. Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses and actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates wherever necessary are recognized prospectively.

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 decision-making by executives at various levels. During the year 2019-20, the DOP was suitably amended from time to time to match accountability with authority considering the prevailing requirements.

The Company has an Internal Audit Division, supported by an outsourced 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 2019-20, four (4) 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 DIRECTOR

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 and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the financial year ending 31.03.2020.

POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION ETC.

STC being a Government company, all members of the Board are appointed by the President of India through Administrative Ministry i.e., the Ministry of Commerce & Industry, Government of India, which, inter-alia, fixes the remuneration through their respective appointment orders/pay fixation orders.

The non-executive part-time official Directors (Government nominees) are not entitled to any remuneration or sitting fees. The part-time non-official (Independent) Directors are paid sitting fee for each Board / Committee meetings attended by them as approved by the Board from time to time as per the limits laid down in Companies Act, 2013 and the related rules.

The eligibility criterion for appointment of Independent Directors is laid down by the Department of Public Enterprises, Government of India which is as per the relevant provisions of Companies Act and the SEBI Regulations. The positive attributes expected to be exhibited by the Independent Directors are conveyed to them on their appointment and a declaration in the prescribed format is obtained from them every year to confirm that they continue to qualify as Independent Directors.

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

As per Section 134(3)(p) of the Companies Act, 2013, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors should form part of the Board's Report of every listed Company. Further, Regulation 17(10) & 25(4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Code for Independent Directors pursuant to Section 149 (8) of the Companies Act, 2013 require that performance evaluation of Independent Directors also be done.

However, the Ministry of Corporate Affairs vide its notification No. GSR 463(E) dated June 5, 2015 exempted Government Companies from certain provisions of the Companies Act, 2013, which include, inter-alia, sub section (6) of Section 149, subsections (2), (3) & (4) of Section 178 regarding appointment, performance evaluation and remuneration. As per the said notification, Section 134(3)(p) regarding performance evaluation of directors also shall not apply to Government Companies in case the directors are evaluated by the Ministry or department of the Central Government which is administratively in charge of the Company.

The appointment of Chairperson, Functional Directors, Part-time Official Directors as well as Part-time non-Official Directors (Independent Directors) on the Board of STC is made by Government of India through the Ministry of Commerce & Industry. Further, the terms and conditions of appointment as well as tenure of all directors are also decided by the Government and there is a procedure for evaluation of performance of Chairperson and Functional Directors by the Administrative Ministry. Further, the performance of the Company and Board of Directors is also evaluated by the Department of Public Enterprises vis-à-vis MOU entered into with the Government of India.

RISK MANAGEMENT POLICY

A Risk Management Framework is in place in the company 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/market condition. Generally, it makes purchases only against confirmed orders backed by appropriate margin money by way of EMD. However, no such transactions are being undertaken by the Company at present.

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), Government of India, a Report on Corporate Governance for the year 2019-20 forming part of this report is placed at Annexure-IV