

DIRECTORS' REPORT



CMD & other members of Board of Directors, along with the officials of MOC & STC at STC's 55th AGM.

*I*t gives me pleasure to present, on behalf of the Board of Directors, the 55th Annual Report on the working of the Corporation and Audited Statement of Accounts for the year ended 31st March 2011, together with the Auditors' Report and Comments on the Accounts by the Comptroller and Auditor General of India (C & AG).



CMD-STC, Shri N.K. Mathur addressing shareholders at AGM.

FINANCIAL RESULTS

The overall performance of the Corporation vis-à-vis the previous year is summarized in the table given below:

	₹ Crores	
	2010-11	2009-10
TURNOVER		
Exports	492	1504
Imports	18938	19049
Domestic	555	956
GRAND TOTAL	19985	21509
FINANCIAL		
Trading Profit	178	145
Interest Income (Net)	18	138
Profit Before Tax (PBT)	80	171
Profit After Tax (PAT)	56	107
DIVIDEND	18	28.5
Net Worth	679	644

OPERATIONS AND BUSINESS PERFORMANCE

The Corporation achieved a turnover of the order of ₹ 20,000 crore during 2010-11 with a trading profit of ₹ 178 crore. The achievement is all the more significant as the same has been achieved despite a number of factors beyond the control of the Corporation adversely hampering trade.

The Profit Before Tax (PBT) during the year amounted to ₹ 80 crore.

DIVIDEND

The Board of Directors have recommended declaration of dividend @ ₹ 3 per share (30% of equity capital) amounting to ₹ 18 crore for the year 2010-11.

DIRECTORS' REPORT



CMD-STC consulting Hon'ble Minister of Commerce & Industry, Shri Anand Sharma regarding some new ventures to be initiated by STC.

RESERVES

An amount of ₹ 584 crore was available in the Reserves and Surplus of your Company as on 1st April 2010. Your Directors have proposed that out of available profits for the year 2010-11, after payment of dividend and tax thereon, an amount of ₹ 6 crore be transferred to General Reserves of the Company, ₹ 19.18 crore be transferred to Export/Import Contingency Reserve and balance profit of ₹ 10.33 crore be carried forward as retained profits. Accordingly, as on 31st March 2011, the Reserves and Surplus stood at ₹ 619 crore.

FOREIGN EXCHANGE EARNINGS/OUTGO

The total foreign exchange earnings of the Corporation by way of exports, trade margins, etc. during the year amounted to ₹ 386 crore while the foreign exchange outgo by way of imports and other expenses amounted to ₹ 19516 crore.

RECOGNITIONS EARNED/AWARDS WON

During the year, the Corporation earned a number of recognitions and awards. These included:

- ▶ 14th rank in terms of net sales among 206 PSUs as per Public Enterprises Survey : 2009-10 brought out by the Department of Public Enterprises.



CMD receiving Rajbhasha Shield from Shri Jyotiraditya Madhavrao Scindia, Hon'ble Minister of State for Commerce & Industry.

DIRECTORS' REPORT

- ▶ 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 1st prize under the category of agencies supplying gold to exporters against replenishment during 2009-10 from the Gems & Jewellery Export Promotion Council in October 2010.
- ▶ Won award for Gentle Giant Miniratna - I (Largest Non-Manufacturing Company) at the Third DSIJ PSU Awards 2011 ceremony held at New Delhi.
- ▶ Won Greentech HR Excellence Award 2010 from Greentech Foundation, New Delhi for outstanding achievement in innovation in employee retention strategies.
- ▶ Won Asia's Best Employer Brand Award 2010 for Talent Management.



Shri Rahul Khullar, Secretary of Commerce & Shri N.K. Mathur, CMD-STC exchanging copies of MoU: 2011-12, signed between MOC & STC.

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 spices and other agricultural products.



CMD-STC, Shri N.K. Mathur receiving the Gentle Giants Award (largest Non-manufacturing Company), from Shri Sushilkumar Shinde, Hon'ble Union Minister of Power.



DIRECTORS' REPORT



Members of MoU Taskforce alongwith STC & Government Officials on the occasion of STC's MoU negotiation meeting.

In view of lack of funds or banking limits, its activities during 2010-11 remained confined mainly to issuing NOC in respect of onion exports and undertaking cardamom auctions.

Annual Accounts of STCL for 2010-11 are yet to be finalised.

As per the accounts for 2009-10, STCL has a negative net worth of ₹ 1342 crore, due to provisions made towards recoveries outstanding from its business associates in merchanting trade transactions undertaken during 2007-08 and earlier.



Supply of 60 Nos. of ambulances to Benin under India's Overseas Humanitarian Programme.

PERSONNEL

The Corporation had a manpower of 864 as on 31.03.2011. This included 536 managers and 328 staff.

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

Industrial Relations

During the year, the Corporation continued to maintain cordial and harmonious industrial relations. No man-days were lost. Mutual trust and understanding between the Management and employees was maintained through regular consultations held with the representatives of employees. This helped in arriving at amicable resolution of personnel issues in line with the company's goals and objectives. During the year, the Corporation introduced some new welfare schemes and modified certain rules and policies for achieving overall productivity.

DIRECTORS' REPORT



STC delegation at International Fertilizer Industry Association's 79th Annual Conference at Montreal, Canada.

Human Resource Development

The Corporation appreciates that Human Resource Development is vital for the growth and economic development both at micro and macro levels and therefore the Corporation continuously strives to provide maximum opportunities to its employees by way of training and field exposures enabling them to achieve organizational as well as individual goals. During the year, about 620 employees were imparted training in 20 in-house training programmes organized by the Corporation while 66 employees were nominated to various external seminars/ conferences. The areas of training covered functional, technical as well as behavioural aspects such as International Trade, Tax Laws, Finance, Computer Operations, Corporate Governance, Vigilance, Attitude Building, Stress Free Living and Work Life Balance. For the first time, the Corporation organized specially customized Management Development programmes on 'International Trade and Finance' in association with

Administrative Staff College of India (ASCI) for the benefit of senior and middle level managers. STC is conscious of the need to nurture the talents of young executives so as to help them face the challenges in the future. Under a comprehensive and custom-built induction programme organized by STC at IIFT, New Delhi, all the new Probationary officers who joined the Corporation during the year were given exposure to the intricacies of International Trade. The young executives were also given an opportunity to represent STC at the National level game competitions.

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, 3 SC, 1 ST, 3 OBC and 1 physically challenged (PH) candidates were recruited.



DIRECTORS' REPORT

OFFICIAL LANGUAGE

The Corporation makes best efforts to implement the Official Language Policy of the Govt. of India and promotes use of Hindi in its day to day working in line with the directions of the Ministry of Home Affairs. During the year, meetings of the Departmental Official Language Implementation Committee and Hindi Workshops were organized from time to time. On the occasion of Hindi Divas, awards were given to selected employees / divisions at Corporate Office and Branches for outstanding work in Official Language.

In appreciation of the progress of Official Language work in the Corporation, Ministry of Commerce has felicitated it with 1st prize many a time. In this series, STC was awarded Rajbhasha Shield by the Hon'ble President of India for outstanding work in Official Language during 2009-10. The Official Language related work at STC's Corporate Office and Branches is

examined by the Parliamentary Committee on Official Language from time to time. The Third Sub-Committee of the Parliamentary Committee on Official Language inspected STC's Corporate Office last year and appreciated the performance of its Official Language related work. STC always endeavours to propagate and increase the use of Official Language under the Official Language Policy of the Govt. of India.

VIGILANCE ACTIVITIES

The Vigilance Division of the Corporation 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 25th October to 1st November 2010. As part of observance of the week, a seminar on



Visit to the facilities of Airbus, S.A.S. at Toulouse, France.

DIRECTORS' REPORT



The delegation headed by Minister for Agriculture of Saskatchewan Province, Canada with N.K. Mathur CMD-STC and Khaleel Rahim, Director (Marketing).

- 'Preventive Vigilance' was organized in the Corporate Office during which a presentation on 'Risk Management in the context of International Trade' was made by the CVO. An interactive session on 'System Improvement in STC to Minimize Risks' was also conducted with the senior officials of STC. Besides, various programmes relating to vigilance awareness and anti-corruption were also organized at the Branch Offices.
- In-house training programme was organized

on 'Vigilance Role and Mechanism' for Probationary Officers.

- Complaints received from various agencies / sources were duly investigated.
- Departmental inquiries having 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.



CMD-STC discussing with the trade delegation from Thailand.



DIRECTORS' REPORT



STC Stall at Election Technology Open Day held at Nairobi, Kenya.

- 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.

CORPORATE SOCIAL RESPONSIBILITY

During the year, your Corporation undertook a number of CSR activities in fulfilment of its obligations in terms of the guidelines on Corporate Social Responsibility (CSR) notified by the Department of Public Enterprises, as per details in Management Discussion & Analysis Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

The information required to be disclosed in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is 'nil' as the company is mainly engaged in trading activities.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of clause 49(IV) (F) of the Listing Agreement with the Stock Exchanges and Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs) issued by the Department of Public Enterprises, Govt. of India, a Management Discussion and Analysis Report is placed at Annexure - II which forms part of the Annual Report of the Company.

DIRECTORS' REPORT

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.

CORPORATE GOVERNANCE

Your Company remains committed and dedicated to adoption of best corporate governance practices, aiming at greater transparency, accountability, performance orientation, honesty and integrity.

In terms of Clause 49 of the Listing Agreement and Guidelines on Corporate Governance for CPSEs issued by the Department of Public Enterprises in May 2010, a report on Corporate Governance for the year 2010-11, supported by a certificate from the Company's Auditors confirming compliance of conditions, forms part of this report (Annexure - III).

STC complies with the requirements stipulated under DPE guidelines for Corporate Governance for CPSEs and clause 49 of the



Installation of Trout Feed Mill plant, Imported by STC for Directorate of Fisheries, Govt. of Jammu & Kashmir.

Listing Agreement with Stock Exchanges except the Clause 49 (1A) of the listing agreement and para 3.1.4 of the DPE guidelines for Corporate Governance, regarding number of Independent Directors on Board. Action in this regard is being taken by the Ministry of Commerce & Industry and the process of appointment of requisite number of Independent Directors is already on.



The new building of STC Chennai Branch is coming up at Guindy Industrial Estate, Chennai.



M.M.Sharma Director (Personnel) receiving the H.R. Leadership Award at the Asia Pacific HRM Congress – 2011 in Bangalore.

DIRECTORS' REPORT



CMD along with other Directors, CVO & CGM at the launch of E-auction of Imported Pulses by STC through National Spot Exchange Ltd.

AUDITORS

M/s Chandiook and Guliani, Chartered Accountants were appointed as Statutory Auditors for the financial year 2010-11 by the Comptroller & Auditor General of India (C&AG). Their report, along with replies of the Management, is attached as addendum 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 2010-11 are attached and form part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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



A discussion is on with Shri Veera Shunmugha Moni, IAS, Managing Director of Tamil Nadu Civil Supplies Corporation Ltd. In the presence of Khaleel Rahim, Director (Mtdg.)

DIRECTORS' REPORT



Shri M.M. Sharma, Director (Personnel) with the awardees at STC's Long Service Award Distribution Ceremony.

and fair view of the state of affairs of the company as at 31st March, 2011 and of the profit or loss of the company for the year ended on that date;

- ▶ The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance

with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

- ▶ The Directors have prepared the annual accounts of the Company on a 'going concern' basis.



Shri M.M. Sharma, Director (Personnel) at the Inaugural day of Tree Plantation activity In Bangalore, Initiated by STC, under Sustainable Development Programme. Many saplings were planted on that occasion to make the world more green.



DIRECTORS' REPORT



Under CSR, STC has donated delivery vans to ISKCON Food Relief Fund for carrying mid-day meal for poor children.



N.K.Mathur, CMD – STC flagging off the delivery vans.



CMD, Directors and CVO with the members of STC CSR Committee.



CMD-STC addressing the gathering at the inauguration day of a camp, organized in the premises of Mahavir Viklang Sahayata Samiti, Jaipur as a part of Corporate Social Responsibility (CSR) initiative for rehabilitation of physically challenged below poverty line (BPL) persons. M. M. Sharma Director (P) is also seen in the picture (centre).



CMD cutting the cake at the Celebration of STC's 55th Foundation Day.

BOARD OF DIRECTORS

During the year, Shri Saurabh Chandra, Additional Secretary & Financial Adviser, Ministry of Commerce was appointed as Part-time Official Director on the Board of STC vice Dr. Sutanu Behuria w.e.f. 10.11.2010. Subsequently, Dr. Rajan Katoch, Additional Secretary & Financial Adviser, Ministry of Commerce, was appointed as Part-time Official

Director on the Board of STC vice Shri Saurabh Chandra w. e. f. 15.12.2010. Your Directors place on record their deep appreciation for the valuable contributions made by Shri Sutanu Behuria and Shri Saurabh Chandra during their tenures.

Dr. Rajan Katoch, who was appointed as Additional Director after the last AGM, holds office up to the ensuing AGM. Also, three new

DIRECTORS' REPORT



Vaccination for prevention of Cervical Cancer for EWS girl children in Village Chauhan Patti, New Delhi under STC's CSR activities.



On the Celebration of Republic Day of India, Shri S. S. Roy Burman, Director (Mktg.) watering the newly planted sapling in STC Housing Colony.

independent Directors, namely, Sh. Proshanto Banerjee, Prof. R.H. Dholakia and Sh. Naresh Dayal have been appointed as additional Directors on the Board w.e.f. 24.06.2011. They will hold office upto the ensuing AGM.

Pursuant to the provisions of Section 255 and 256 of the Companies Act, 1956 and in terms of provisions of article 89 (2) of the Articles of Association of the Corporation, Shri S.S. Roy Burman and Shri M.M. Sharma would retire by rotation at the ensuing Annual General Meeting (AGM) and being eligible, have offered themselves for re-appointment.

Brief resumes of all Directors seeking Appointment/ Re-Appointment, as stipulated under Clause 49 of the Listing Agreement with the stock exchanges are given in the Annexure to notice convening the 55th Annual General Meeting of the Company, and form part of the Annual Report.

CODE OF CONDUCT

Pursuant to clause 49 (1) (d) of the Listing Agreement signed with the Stock exchanges and Guidelines on Corporate Governance for CPSEs issued by the Department of Public Enterprises,



Smt. Devki, Director (Rajbhasha), Ministry of Commerce, Shri N.K. Nirma, Director (Finance) & Shri M.M. Sharma, Director (Personnel) at the opening day of Hindi Pakhwara.



DIRECTORS' REPORT



Shri N.K. Mathur, CMD-STC addressing at the seminar, organised on the occasion of Vigilance Awareness Week.

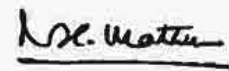
a detailed Code of Conduct for Board Members and Senior Management Personnel has been laid down and hosted on the website of the Company. All Board Members and Senior Management Personnel, to whom the said Code is applicable, have affirmed compliance of the same for the year ended 31st March 2011.

ACKNOWLEDGEMENTS

The Board of Directors places on record its appreciation of the continued patronage and the confidence posed by business associates and customers during the year. The Board is grateful for the continued guidance and support received from the Ministry of Commerce & Industry, Ministry of Food, Consumer affairs & Public Distribution, Ministry of Chemicals and Fertilizers, different State Governments, various Govt. Departments and Agencies, Banks and Financial Institutions, Railways, Ports, Legal Advisers, Consultants and Shareholders. The Board also acknowledges with thanks the suggestions received from Comptroller & Auditor General of India, Statutory Auditors and Internal Auditors.

Last but not the least, the Board also acknowledges the unstinting efforts and contribution made by the employees at all levels without which it would not have been possible for your company to achieve such high volumes of business on a sustained basis.

For and on behalf of Board of Directors



(N.K. MATHUR)
Chairman & Managing Director

New Delhi
Date : 02 August, 2011