



**MEMORANDUM OF UNDERSTANDING**

**2010-11**

**BETWEEN**

**THE STATE TRADING CORPORATION OF INDIA LIMITED**

**AND**

**MINISTRY OF COMMERCE & INDUSTRY  
DEPTT. OF COMMERCE  
GOVERNMENT OF INDIA  
NEW DELHI**

## MEMORANDUM OF UNDERSTANDING: 2010-11

Between

**THE STATE TRADING CORPORATION OF INDIA LTD.**

and

**DEPARTMENT OF COMMERCE**

This Memorandum of Understanding (MOU) is entered into between the State Trading Corporation of India Ltd. (briefly stated as STC or the Corporation) and the Ministry of Commerce & Industry, Deptt. of Commerce, Government of India (briefly stated as DOC) for the year 2010-11.

### PART – I

#### 1. MISSION & OBJECTIVES

##### 1.1 MISSION

To emerge as one of the largest global trading companies with international standards of excellence nurturing a blend of quality, business ethics and proactive enthusiasm to enhance stakeholders' value.



## **1.2 CORPORATE OBJECTIVES**

- To develop core competencies in selected areas of exports and exploit the market opportunities in these areas to the best advantage of the Corporation.
- To continuously undertake horizontal and vertical diversifications thereby enabling sustained growth of business.
- To make best use of the financial strength of the Corporation in expanding its business.
- To lay emphasis on quality of services to customers so as to develop long-term business relationship with buyers and suppliers in and outside the country.
- To undertake market intervention operation as and when advised by the Government of India.
- To create new infrastructure and make optimum utilisation of infrastructure available with the Corporation.
- To strive to pay adequate returns to the stakeholders.
- To fulfil Corporation's social responsibility by following ethical business practices and reinforcing commitment to customers, employees, partners and communities.
- To undertake on a continuous basis training/re-training of existing manpower and induct professionally qualified young talent so as to create a cadre of highly professional and motivated managers.
- To ensure an efficient and streamlined system of operations, with minimum transaction costs.
- To act as a facilitator to small and medium exporters and importers.

## **1.3 COMMITMENTS/ASSISTANCE FROM THE GOVERNMENT**

- DOC to assist STC in reimbursement of actual losses incurred on import of pulses on Govt. account.
- DOC to assist STC in fulfilling the requirements of listing agreements with Stock Exchanges.



**PART II**

**2. PERFORMANCE EVALUATION PARAMETERS AND TARGETS**

The performance targets of STC for the year 2010-11 and the performance in the previous five years are at Annexure.

The performance of the STC will be reviewed at the end of the year using the criteria, weights and targets as given below :

Criteria	Unit	Weight	Budget Estimates 2009-10 (MOU)	Budget Estimates 2010-11 (MOU)	Graded values on 5-point scale				
					1	2	3	4	5
					Excellent	Very Good	Good	Fair	Poor
<b>I. Static Financial Parameters</b>									
(i) Gross Margin/Turnover	Ratio(%)	0.10	0.98	1.22	1.28	1.22	1.16	1.10	1.04
(ii) Turnover/Manpower	Rs. Crores	0.12	18.60	23.33	24.50	23.33	22.17	21.00	19.83
(iii) Gross Margin	Rs. Crores	0.08	166	256	269	256	231.42	207.90	185.64
(iv) Gross Sales	Rs. Crores	0.04	17000	21000	22050	21000	19950	18900	17850
(v) PBDIT(Gross Margin)/Manpower	Rs. Lakhs per Head	0.07	18.16	28.44	29.86	28.44	25.71	23.10	20.63
(vi) Added Value/Turnover	Ratio(%)	0.09	0.80	-0.18	-0.17	-0.18	-0.19	-0.20	-0.21
<b>Total</b>			<b>0.50</b>						
<b>II. Dynamic Parameters</b>									
<b>(i) Research &amp; Development</b>									
(a) Market Research study on hedging of products - appointment of consultant	Months	0.03		Nov.'10	Oct.'10	Nov.'10	Dec.'10	Jan.'11	Feb.'11
(b) Developing offset monitoring software	Months	0.02		Dec.'10	Nov.'10	Dec.'10	Jan.'11	Feb.'11	Mar.'11
<b>(ii) Sustainable Development</b>									
(a) Expenditure on tree Plantation	Budget in Rs. Lakhs	0.03		4.5	5	4.5	4	3.5	3
(b) Expenditure on solar lighting in 2 villages	Budget in Rs. Lakhs	0.02		9	10	9	8	7	6
<b>(iii) Corporate Social Responsibility</b>									
- Expenditure on CSR activities as per DPE guidelines and approved by Board	Budget in Rs. Lakhs	0.05		27	30	27	24	21	18
<b>(iv) Quality</b>									
- Reduction in overdue debtors (other than cases in litigation)	%	0.03		40	50	40	30	20	10
(v) Training to executives of at least 5 days by external agency	No.	0.04		55	60	55	50	45	40
(vi) Award of tender based on Board decision on implementation of IT Plan	Months	0.04		Nov.'10	Oct.'10	Nov.'10	Dec.'10	Jan.'11	Feb.'11
(vii) STC's own exports	Rs. Crores	0.03	20	25	28	25	22	19	16
(viii) Exports from SMEs (Excluding steel & jewellery)	Rs. Crores	0.04	35	50	55	50	45	40	35
<b>Total</b>			<b>0.33</b>						
<b>III. Sector Specific Parameters</b>									
(i) Diversification into new products	Rs. Crores	0.05		100	110	100	90	80	70
(ii) Diversification into new markets	Rs. Crores	0.05		100	110	100	90	80	70
<b>Total</b>				<b>0.10</b>					
<b>IV. Enterprise Specific Parameters</b>									
(i) Overheads to Trading profit	Ratio	0.02	0.69	0.85	0.81	0.85	0.89	0.93	0.97
(ii) Preparation of Operation Manual	Months	0.05		Nov.'10	Oct.'10	Nov.'10	Dec.'10	Jan.'11	Feb.'11
<b>Total</b>			<b>0.07</b>						
<b>Total :</b>			<b>1.00</b>						

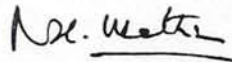
PART- III

3. MONITORING

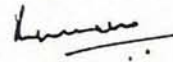
The Board of Directors of STC shall review the performance in terms of this MOU every quarter.

For the State Trading Corporation  
of India Ltd.

For the Department of Commerce,  
Ministry of Commerce & Industry,  
Government of India



(N.K. Mathur)  
Chairman & Managing Director



(Rahul Khullar)  
Secretary

12<sup>th</sup> March 2010  
New Delhi



## PERFORMANCE TARGETS

Rs. Crores  
(US \$ million in brackets)

TURNOVER TARGETS	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09	2009-10	2009-10	2010-11
	Actuals	Actuals	Actuals	Actuals	Actuals	MOU Target	Actuals	MOU Target	Estimates	MOU Target
<u>Exports</u>	1192 (260)	568 (127)	1095 (247)	2927 (647)	4002 (944)	4500 (1154)	2132 (464)	2000 (444)	1200 (252)	1320 (277)
<u>Imports</u>	6978 (1522)	8407 (1874)	5493 (1241)	10692 (2363)	10773 (2676)	11300 (2897)	16316 (3547)	13600 (3022)	15900 (3340)	18680 (3925)
<u>Domestic</u>	179 (39)	547 (122)	537 (121)	716 (158)	999 (248)	900 (231)	1338 (291)	1400 (311)	900 (189)	1000 (210)
<u>Grand Total</u>	8349 (1821)	9522 (2123)	7125 (1609)	14335 (3168)	15774 (3918)	16700 (4282)	19786 (4302)	17000 (3777)	18000 (3781)	21000 (4412)
Rs. Per US \$	45.86	44.86	44.27	45.25	40.26	39.00	45.99	45.00	47.60	47.60
<b>FINANCIAL TARGETS</b>										
<u>Income</u>										
Trading profit	53.89	62.85	99.56	167.42	194.25	145.00	113.06	144.00	115.00	131.00
Misc. Income	26.61	34.35	57.47	35.91	31.48	25.00	32.18	25.00	26.00	27.00
Interest Income	58.90	46.29	47.00	118.74	134.55	70.00	282.72	102.00	195.00	221.00
<u>Total</u>	<u>139.40</u>	<u>143.49</u>	<u>204.03</u>	<u>322.07</u>	<u>360.28</u>	<u>240.00</u>	<u>427.96</u>	<u>271.00</u>	<u>336.00</u>	<u>379.00</u>
<u>Costs</u>										
Overheads	61.33	76.46	62.28	98.08	100.21	81.00	149.31	100.00	110.00	111.00
Interest expenditure	33.75	14.45	15.68	51.34	61.42	35.00	98.42	68.00	107.00	136.00
Depreciation	7.71	1.60	1.47	1.78	2.18	2.00	2.38	2.00	3.00	3.00
Provisions & Write-Offs	10.79	13.95	67.91	48.15	19.96	12.00	32.98	5.00	10.00	12.00
<u>Total</u>	<u>113.58</u>	<u>106.46</u>	<u>147.34</u>	<u>199.35</u>	<u>183.77</u>	<u>130.00</u>	<u>283.09</u>	<u>175.00</u>	<u>230.00</u>	<u>262.00</u>
PBT	25.82	37.03	56.69	122.72	176.51	110.00	144.87	96.00	106.00	117.00
Gross Margin (PBDIT)	71.31	62.69	75.95	176.67	239.32	147.00	254.85	166.00	216.00	256.00
Gross Profit (PBIT)	60.31	51.22	74.48	174.89	237.14	145.00	252.47	164.00	213.00	253.00
Net Profit	19.74	25.03	38.95	88.28	124.45	73.50	78.51	64.00	51.00	71.00
Dividend	7.50	9.00	15.00	18.00	28.50	18.00	28.50	27.00	28.50	28.50
Gross Block	50.03	48.84	49.54	53.60	61.93	65.00	62.16	70.00	70.00	72.00
Networth	286.20	319.99	365.14	433.77	524.89	526.37	570.29	587.21	587.94	625.59
Capital Employed	195.49	229.27	274.42	343.05	434.16	435.65	567.26	490.62	584.91	2933.94 *
Added Value	59.58	48.93	59.48	156.09	213.27	120.86	220.81	136.56	180.91	-37.39
Total Employment (No.)	949	942	928	913	906	913	898	914	900	900
<u>Ratios</u>										
Gross Margin/Turnover(%)	0.85	0.66	1.07	1.23	1.24	0.88	1.29	0.98	1.2	1.22
Net Profit/Networth(%)	6.90	7.82	10.67	20.35	23.71	13.96	13.77	10.90	8.67	11.35
Gross Profit/Capital Employed(%)	30.85	22.34	27.14	50.98	54.62	33.28	44.51	33.43	36.42	8.62
Gross Margin(PBDIT)/Manpower	0.075	0.067	0.082	0.193	0.264	0.161	0.28	0.182	0.24	0.28
Added Value/Turnover (%)	0.71	0.51	0.83	1.09	1.35	0.72	1.12	0.80	1.01	-0.18
Overheads : Turnover (%)	0.73	0.80	0.87	0.68	0.64	0.49	0.75	0.59	0.61	0.53
Overheads : Trading Profit	1.14	1.22	0.63	0.59	0.52	0.56	1.32	0.69	0.96	0.85
Turnover : Manpower	8.79	10.11	7.68	15.70	17.41	18.29	22.03	18.60	20.00	23.33

\* : Computed as per latest DPE definition.



स्टेट ट्रेडिंग कॉर्पोरेशन ऑफ इण्डिया लिमिटेड

(भारत सरकार का उद्यम)

THE STATE TRADING CORPORATION OF INDIA LTD.

(A Govt. of India Enterprise)

प्रभाग  
DIVISION

ANNEXURE- II

Self declaration/certification by CPSE

It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2010-11. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per audited accounts as per MoU Guidelines. CPSE has no right of claim in this regard.

*Surender Kumar*  
Authorised Signatory 12/3/2010

**सुरेन्द्र कुमार/Surender Kumar**  
मुख्य महा प्रबन्धक/Chief General Manager  
स्टेट ट्रेडिंग कॉर्पोरेशन ऑफ इण्डिया लि.  
The State Trading Corpn. of India Ltd  
नई दिल्ली/New Delhi-110 001

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“हिन्दी में प्राप्त पत्रों का स्वागत है।”



**Annexure - III**

**STC : PERFORMANCE VIS-À-VIS MOU TARGETS DURING 2005-06 TO 2009-10 AND TARGETS : 2010-11**

<u>Financial Parameters</u>		2005-06		2006-07		2007-08		2008-09		2009-10		2010-11	
		MOU Target	Actuals	MOU Target	Actuals	MOU Target	Actuals	MOU Target	Actuals	MOU Target	Estimates	MOU Target	
A.	Gross Sales (Turnover)	Rs Crores	7500	7125	10000	14335	10000	15774	16700	19786	17700	18000	21000
B.	Gross Margin (PBDIT)	Rs Crores	48.79	75.95	63.5	176.67	82.00	239.32	147.00	254.85	166.00	216.00	256.00
C.	Gross Margin (PBDIT) /Turnover - (B/A)	Ratio (%)	0.65	1.07	0.64	1.23	0.82	1.52	0.88	1.29	0.98	1.20	1.22
D.	Manpower	No.	950	928	936	913	928	906	913	898	914	900	900
E.	Turnover/Manpower - (A/D)	Rs Crores	7.89	7.68	10.68	15.70	10.78	17.41	18.29	22.03	18.60	20.00	23.33
F.	PBDIT (Gross Margin)/ Manpower - (B/D)	Rs Lakhs per Head	5.14	8.18	6.78	19.35	8.84	26.42	16.10	28.38	18.16	24.00	28.44
G.	Capital Employed	Rs Crores	240.04	274.42	275.72	343.05	324.28	434.16	435.65	567.26	490.62	584.91	2933.94 *
H.	Added Value (G*0.06-B)	Rs Crores	34.39	59.48	46.96	156.09	62.54	213.27	120.86	220.81	136.56	180.91	-37.39 #
I.	Added Value/Turnover (H/A)	Ratio (%)	0.46	0.83	0.47	1.09	0.63	1.35	0.72	1.12	0.80	1.01	-0.18

\* : Computed as per latest DPE definition thereby including loans & advances.

# : Calculated by taking capital recovery factor @10%.