



MEMORANDUM OF UNDERSTANDING

2012-13

BETWEEN

THE STATE TRADING CORPORATION OF INDIA LIMITED

AND

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

MEMORANDUM OF UNDERSTANDING: 2012-13

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 2012-13.

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 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 help project STC's views on need to maintain the existing policy as regards number of canalizing agencies for import of urea.

PART - II

2. PERFORMANCE EVALUATION PARAMETERS AND TARGETS

The performance targets of STC for the year 2012-13 and the performance in the previous five years are at Annexure – I.

The performance of the STC will be reviewed at the end of the year using the criteria, weights and targets as given in the performance assessment matrix.

PERFORMANCE ASSESSMENT MATRIX

Criteria	Unit	Weight	Graded values on 5-point scale					
			1	2	3	4	5	
			Excellent	Very Good	Good	Fair	Poor	
1. Static Financial Parameters								
1.1	Gross Margin/Turnover	%	0.10	0.73	0.73	0.73	0.73	0.73
1.2	Turnover/Manpower	₹ Crores	0.12	33.58	31.98	30.38	28.78	27.18
1.3	Gross Margin	₹ Crores	0.08	210.00	200.00	190.48	181.41	172.77
1.4	Gross Sales	₹ Crores	0.04	28875.00	27500.00	26190.48	24943.31	23755.53
1.5	PBDIT(Gross Margin)/Manpower	₹ Lakhs per Head	0.07	24.42	23.26	22.10	20.93	19.77
1.6	Added Value/Turnover	%	0.09	-0.104	-0.110	-0.116	-0.121	-0.127
			0.50					
2. Dynamic Parameters								
2.1	Research & Development		0.05	----- As per Annexure - III -----				
2.2	Sustainable Development		0.05	----- As per Annexure - IV -----				
2.3	Corporate Social Responsibility							
	(i) Rehabilitation of physically challenged BPL persons in J&K through NGO (Mahavir Viklang Samiti, Jaipur)	Expenses in Rs lakhs	0.02	13	12	11	10	9
	(ii) Vocational training programme for slum women in Delhi	Expenses in Rs lakhs	0.01	3	2.5	2	1.5	1
	(iii) Participation in setting up Autism Centre in Haryana through NGO (National Centre for Autism)	Expenses in Rs lakhs	0.01	2	1.5	1	0.5	Nil
	(iii) Training on CSR	Expenses in Rs lakhs	0.005	2	1.5	1	0.5	Nil
	(v) Carrying out baseline survey / impact study for one major project	Date	0.005	31.01.13	15.02.13	28.02.13	15.03.13	31.03.13
			0.05					
2.4	Corporate Governance							
	(i) Timely submission of Public Enterprises Survey Data to DPE	Date	0.01	15.09.12	1.10.12	15.10.12	31.10.12	After 31.10.12
	(ii) Overall score in terms of DPE OM dated 22.06.2011	Score	0.04	85% and above	75%-84%	60%-74%	50%-59%	Below 50%
			0.05					
2.5	Human Resource Management		0.05	----- As per Annexure - V -----				
2.6	Growth in Business							
	(i) Turnover from non-bullion business	₹ Crores	0.03	8400	8000	7600	7200	6800
	(ii) Turnover from import of coal / hydrocarbons	₹ Crores	0.02	3150	3000	2850	2700	2550
	(iii) Turnover from import of pulses	₹ Crores	0.02	170	150	130	110	90
	(iv) Brand Marketing in tea and edible oils	₹ Crores	0.02	10.5	10	9.5	9	8.5
			0.09					

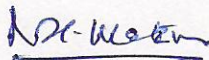
Criteria	Unit	Weight	Graded values on 5-point scale					
			1	2	3	4	5	
			Excellent	Very Good	Good	Fair	Poor	
3. Sector Specific Parameters								
3.1 (a) To recover/write-off outstanding debts as pointed out by Statutory Auditors in respect of :								
(i) M/s Jhagadia Copper	% of total outstanding	0.02	40%	30%	20%	10%	Nil	
(ii) M/s GSHL / GSPI (Philippines)	% of total outstanding	0.03	40%	30%	20%	10%	Nil	
(iii) M/s Exim Bank Post-Shipment Credit Scheme	% of total outstanding	0.02	40%	30%	20%	10%	Nil	
(b) Provision in respect of investment of STC in STCL	Date	0.02	01.02.13	15.02.13	28.02.13	15.03.13	31.03.13	
		0.09						
4. Enterprise Specific Parameters								
4.1 Overheads to Turnover	%	0.02	0.48	0.51	0.54	0.57	0.6	
4.2 Conduct customer feedback survey facilitated by an external agency in non-bullion business	Date	0.02	30.11.12	31.12.12	31.01.13	28.02.13	31.03.13	
		0.04						
5 Compliance of DPE Guidelines								
5.1 Submission of Proposal for Issue of Bonus shares to Board	Date	0.01	30.11.12	31.12.12	31.01.13	28.02.13	31.03.13	
5.2 Adhering to DPE Guidelines on reservations in appointments		0.01	Fully	Partly	---- Not Followed----			
5.3 Adhering to DPE Guidelines on posting of Deputationists		0.005	Fully	Partly	---- Not Followed----			
5.4 Submission of Annual Report on compliance of DPE Guidelines	Date	0.005	30.06.12	31.08.12	30.09.12	31.10.12	Later	
		0.03						
Grand Total :		1.00						

PART- III

3. MONITORING

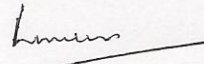
The Board of Directors of STC shall review the performance in terms of this MOU every quarter.

For the State Trading Corporation
of India Ltd.



(N.K. Mathur)
Chairman & Managing Director

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



(Rahul Khullar)
Secretary

Date : 26th March 2012
Place : New Delhi

LIST OF ANNEXURES

1. Targets for 2012-13 and performance during the last five years	Annex. - I
2. Performance vis-a-vis MOU Targets during 2007-08 to 2011-12 and Targets : 2011-13	Annex. - II
3. Template for Research & Development (R&D)	Annex. - III
4. Template for Sustainable Development (SD)	Annex. - IV
5. Template for Human Resource Management (HRM)	Annex. - V
6. Means of Verification for Non-financial Parameters included in the MOU	Annex. - VI
7. Self Declaration / Certification by CPSE	Annex. - VII

PERFORMANCE TARGETS

Rs. Crores
(US \$ million in brackets)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2011-12	2012-13
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	MOU Target	Estimates	MOU Target
TURNOVER TARGETS									
<u>Exports</u>	<u>1095</u> (247)	<u>2927</u> (647)	<u>4002</u> (944)	<u>2132</u> (464)	<u>1504</u> (318)	<u>492</u> (108)	<u>700</u> (152)	<u>350</u> (74)	<u>500</u> (106)
<u>Imports</u>	<u>5493</u> (1241)	<u>10692</u> (2363)	<u>10773</u> (2676)	<u>16316</u> (3547)	<u>19049</u> (4027)	<u>18938</u> (4157)	<u>21300</u> (4630)	<u>26000</u> (5532)	<u>26800</u> (5064)
<u>Domestic</u>	<u>537</u> (121)	<u>716</u> (158)	<u>999</u> (248)	<u>1338</u> (291)	<u>956</u> (202)	<u>555</u> (122)	<u>500</u> (109)	<u>150</u> (32)	<u>200</u> (43)
Grand Total	<u>7125</u> (1609)	<u>14335</u> (3168)	<u>15774</u> (3918)	<u>19786</u> (4302)	<u>21509</u> (4547)	<u>19985</u> (4387)	<u>22500</u> (4891)	<u>26500</u> (5638)	<u>27500</u> (5213)
Rs. Per US \$	44.27	45.25	40.26	45.99	47.30	45.56	46.00	47.00	47.00
FINANCIAL TARGETS									
<u>Income</u>									
Trading profit	99.56	167.42	194.25	113.06	144.55	177.87	165.00	81.00	95.00
Misc. Income	57.47	35.91	31.48	32.18	41.97	56.45	35.00	37.00	39.00
Interest Income	47.00	118.74	134.55	282.72	258.10	195.96	175.00	230.00	211.00
Total	<u>204.03</u>	<u>322.07</u>	<u>360.28</u>	<u>427.96</u>	<u>444.62</u>	<u>430.28</u>	<u>375.00</u>	<u>348.00</u>	<u>345.00</u>
<u>Costs</u>									
Overheads	62.28	98.08	100.21	149.31	131.73	145.52	135.00	135.00	140.00
Interest expenditure	15.68	51.34	61.42	98.42	120.40	177.53	143.00	155.00	156.00
Depreciation	1.47	1.78	2.18	2.38	2.46	3.06	3.00	3.00	3.00
Provisions & Write-Offs	67.91	48.15	19.96	32.98	19.10	24.54	5.00	35.00	5.00
Total	<u>147.34</u>	<u>199.35</u>	<u>183.77</u>	<u>283.09</u>	<u>273.69</u>	<u>350.65</u>	<u>286.00</u>	<u>328.00</u>	<u>304.00</u>
Gross Margin (PBDIT)	75.95	176.67	239.32	254.85	296.02	257.04	235.00	178.00	200.00
Gross Profit (PBIT)	74.48	174.89	237.14	252.47	293.56	253.97	232.00	175.00	197.00
PBT	56.69	122.72	176.51	144.87	170.93	79.63	89.00	20.00	41.00
Net Profit	38.95	88.28	124.45	78.51	106.95	56.44	63.00	3.00	26.00
Dividend	15.00	18.00	28.50	28.50	28.50	18.00	28.50	6.00	6.00
Gross Block	49.54	53.60	61.93	62.16	89.15	89.79	89.60	89.16	89.16
Networth	365.14	433.77	524.89	570.29	643.94	679.46	687.36	676.45	683.45
Capital Employed	274.42	343.05	434.16	567.26	640.91	2225.52	3184.33 *	2222.52	2300.00
Added Value	59.48	156.09	213.27	220.81	257.57	34.49	-83.43	-44.25	-30.00
Total Employment (No.)	928	913	906	898	890	864	900	860	860
<u>Ratios</u>									
Gross Margin/Turnover(%)	1.07	1.23	1.24	1.29	1.38	1.29	1.04	0.67	0.73
Turnover : Manpower	7.68	15.70	17.41	22.03	24.17	23.13	25.00	30.81	31.98
Gross Margin(PBDIT)/Manpower	0.082	0.193	0.264	0.28	0.33	0.30	0.26	0.21	0.23
Added Value/Turnover (%)	0.83	1.09	1.35	1.12	1.20	0.17	-0.37	-0.17	-0.11
Overheads : Turnover (%)	0.87	0.68	0.64	0.75	0.61	0.73	0.60	0.51	0.51
Net Profit/Networth(%)	10.67	20.35	23.71	13.77	16.61	8.31	9.17	0.44	3.80
Gross Profit/Capital Employed(%)	27.14	50.98	54.62	44.51	45.80	11.41	7.29	7.87	8.57
Overheads : Trading Profit	0.63	0.59	0.52	1.32	0.91	0.82	0.82	1.67	1.47

* : Computed as per latest DPE definition.

Annexure - II

STC : PERFORMANCE VIS-À-VIS MOU TARGETS DURING 2007-08 TO 2011-12 AND TARGETS : 2012-13

<u>Financial Parameters</u>		2007-08		2008-09		2009-10		2010-11		2011-12		2012-13	
		<u>MOU Target</u>	<u>Actuals</u>	<u>MOU Target</u>	<u>Actuals</u>	<u>MOU Target</u>	<u>Actuals</u>	<u>MOU Target</u>	<u>Actuals</u>	<u>MOU Target</u>	<u>Estimates</u>	<u>Projections</u>	
A.	Gross Sales (Turnover)	Rs Crores	10000	15774	16700	19786	17000	21509	21000	19985	22500	26500	27500
B.	Gross Margin (PBDIT)	Rs Crores	82.00	239.32	147.00	254.85	166.00	296.02	256.00	257.04	235.00	178.00	200.00
C.	Gross Margin (PBDIT) /Turnover - (B/A)	Ratio (%)	0.82	1.52	0.88	1.29	0.98	1.38	1.22	1.29	1.04	0.67	0.73
D.	Manpower	No.	928	906	913	898	914	890	900	864	900	860	860
E.	Turnover/Manpower - (A/D)	Rs Crores	10.78	17.41	18.29	22.03	18.60	24.17	23.33	23.13	25.00	30.81	31.98
F.	PBDIT (Gross Margin)/ Manpower - (B/D)	Rs Lakhs per Head	8.84	26.42	16.10	28.38	18.16	33.26	28.44	29.75	26.11	20.7	23.26
G.	Capital Employed *	Rs Crores	324.28	434.16	435.65	567.26	490.62	640.91	2933.94	2225.5	3184.33	2222.52	2300
H.	Added Value (G*0.10-B) #	Rs Crores	62.54	213.27	120.86	220.81	136.56	257.57	-37.39	34.49	-83.43	-44.25	-30
I.	Added Value/Turnover (H/A)	Ratio (%)	0.63	1.35	0.72	1.12	0.80	1.20	-0.18	0.17	-0.37	-0.17	-0.11

* : Does not include loans & advances upto the year 2009-10.

: Capital recovery factor taken @6% upto the year 2009-10.

TEMPLATE FOR RESEARCH & DEVELOPMENT (R&D)

Table 1 Mandatory Parameter – Total R&D Expenditure as a percentage of PAT									
(1)	(2)	Unit	Weightage	Performance Target					Achievement
				Excellent	Very Good	Good	Fair	Poor	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Total R&D Expenditure as % of PAT	Expenses as % of Net Profit	2.5	0.50%	0.45%	0.40%	0.35%	0.30%	

Total Score for this Table	2.5
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Score allotted by the Task Force	
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Table 2 Projects chosen by CPSE									
(1)	(2)	(3)	(4)	Target Value					
				(5)	(6)	(7)	(8)	(9)	(10)
S.N.	Projects Chosen	Performance Indicator	Weightage	Excellent	V.Good	Good	Fair	Poor	Actual
2.1	Identification of investment opportunity in Kenya/Malawi/Mozambique by an external agency for cultivation of pulses	Timely completion	2.5	15.02.13	28.02.13	15.03.13	31.03.13	After 31.03.13	

Total Score for this Table	2.5
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Score allotted by the Task Force	
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Total Score on R&D	5
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Total allotted Score for both Tables	
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TEMPLATE FOR SUSTAINABLE DEVELOPMENT

Table 2

Total SD Expenditure as a percentage of PAT			
Target Value as % of PAT (on a five-point scale : Para 6.5.2 Guidelines)	Total expenditure (Current FY) (Rs Lakhs)	Profit after tax (Previous FY) (Rs Lakhs)	Actual Expenditure as % of PAT
1	2	3	4
Excellent 0.50%	Shall be furnished at the time of MOU evaluation.		
Very Good 0.45%			
Good 0.40%			
Fair 0.35%			
Poor 0.30%			
Total Score for this Table			1.0
Score allotted by the Task Force			

Table 3

Projects Chosen by CPSE							
S. No.	Schedule A/B	Project/activity	Performance Indicator	Total expenditure on Project/Activity (Rs Lakhs)	Duration S/M/L	Target Set (On a five point scale: Para 6.5.3 of Guidelines)	Target Achieved
1	2	3	4	5	6	7	8
1	A	Tree Plantation in Delhi, preferably , in association with Conservator of Forest, Delhi	Expenses as % of actual Net Profit during 2011-12	Rs 1.5 lakh	S	Excellent – 0.50% Very Good – 0.45% Good – 0.40% Fair – 0.35% Poor – 0.30%	
Total Score for this Table							2.5
Score allotted by the Task Force							

TEMPLATE FOR HUMAN RESOURCE MANAGEMENT (HRM)

Sl. No.	HRM – Performance Indicators	Measurement Unit	Weight	Target value under five point scale				
				Excellent	Very Good	Good	Average	Poor
A	Competency & Leadership Development							
	A1 Compulsory							
1	Training in Functional Areas (Trading, Finance, HR, etc.)	No. of executives	20	45	40	35	30	25
	A2 Optional							
2	Competency Mapping of Senior Executives	No. of Executives	10	20	15	10	5	Nil
B	Performance Management							
3	Review /improvement of PMS	Date	20	31.12.12	31.01.13	28.02.13	31.03.13	Later
C	Recruitment, Retention & Talent Management							
4	Recruitment from Minority Community of total fresh recruitment	%	20	11	10	9	8	7
5	Grooming & Developing Fresh Talent – Introducing Mentoring Scheme in the Organisation	Date	10	31.10.12	30.11.12	31.12.12	31.01.13	28.02.13
D	HR Branding & Excellence							
6	Review and updation of HR Policy	Date	20	31.12.12	31.01.13	28.02.13	31.03.13	Later

STC : Means of Verification for Dynamic Parameters in MOU : 2012-13

<u>Evaluation Criteria</u>	<u>Means of Verification</u>
2. Dynamic Parameters	
2.1 Research & Development	Documentary evidence of releasing payment.
Identification of investment opportunity in Kenya/Malawi/ Mozambique for cultivation of pulses by an external agency	Copy of Letter from Agency regarding completion.
2.2 Sustainable Development	
Tree Plantation in Delhi, preferably, in association with Conservator of Forest, Delhi	Documentary evidence of releasing payment and activity related documentation.
2.3 Corporate Social Responsibility	
(i) Rehabilitation of physically challenged BPL persons in J&K through NGO (Mahavir Viklang Samiti, Jaipur)	Documentary evidence of releasing payment and activity related documentation.
(ii) Vocational training programme for slum women in Delhi	Documentary evidence of releasing payment.
(iii) Participation in setting up Autism Centre in Haryana through NGO (National Centre for Autism)	Documentary evidence of releasing payment.
(iii) Training on CSR	Documentary evidence of releasing payment.
(v) Carrying out baseline survey / impact study	Copy of Letter from Agency regarding completion of survey / impact study.
2.4 Corporate Governance	
(i) Timely submission of Public Enterprises Survey Data to DPE	Documentary evidence relating to submission of Data to DPE.
(ii) Overall score in terms of DPE OM dated 22.06.2011	Copy of evaluation report submitted to DPE.
2.5 Human Resource Management	
<u>Competency & Leadership Development</u>	
(i) Training in Functional Areas (Trading, Finance, HR, etc.)	Self Declaration by HR Manager.
(ii) Competency Mapping of Senior Executives	Documentary evidence of payment and details of training programmes organised.
<u>Performance Management</u>	
(iii) Review /improvement of PMS	Copies of file notings.
<u>Recruitment, Retention & Talent Management</u>	
(iv) Recruitment from Minority Community of total fresh recruitment	Self Declaration by HR Manager.
(v) Grooming & Developing Fresh Talent –Introducing Mentoring Scheme in the Organisation	Self Declaration by HR Manager.
<u>HR Branding & Excellence</u>	
(vi) Review and updation of HR Policy	Copies of file notings.

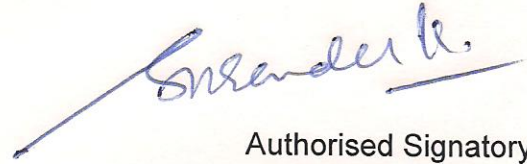
	<u>Evaluation Criteria</u>	<u>Means of Verification</u>
2.6	Growth in Business	
	(i) Turnover from non-bullion business	Copy of certified statement showing item-wise sales.
	(ii) Turnover from import of coal / hydrocarbons	Copy of certified statement showing item-wise sales.
	(iii) Turnover from import of pulses	Copy of certified statement showing item-wise sales.
	(iv) Brand Marketing in tea and edible oils	Copy of certified statement showing item-wise sales.
3.	<u>Sector Specific Parameters</u>	
3.1	(a) To recover/write-off outstanding debts as pointed out by Statutory Auditors in respect of :	
	(i) M/s Jhagadia Copper	Copy of audited Annual Accounts : 2012-13
	(ii) M/s GSHL / GSPI (Philippines)	Copy of audited Annual Accounts : 2012-13
	(iii) M/s Exim Bank Post-Shipment Credit Scheme	Copy of audited Annual Accounts : 2012-13
	(b) Provision in respect of investment of STC in STCL	Self Declaration and audited Annual Accounts : 2012-13.
4.	<u>Enterprise Specific Parameters</u>	
4.1	Overheads to Turnover	Copy of audited Annual Accounts : 2012-13
4.2	Conduct customer feedback survey facilitated by an external agency in non-bullion business	Confirmation Letter submitted by the Agency.
5	<u>Compliance of DPE Guidelines</u>	
5.1	Submission of Proposal for Issue of Bonus shares to Board	Suitable Certificate by Company Secretary.
5.2	Adhering to DPE Guidelines on reservations in appointments	Self Declaration.
5.3	Adhering to DPE Guidelines on posting of Deputationists	Self Declaration.
5.4	Submission of Annual Report on compliance of DPE Guidelines	Documentary evidence regarding timely submission.



Annexure - VII

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 2012-13. 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.


Authorised Signatory

सुरेन्द्र कुमार/Surender Kumar
मुख्य महा प्रबन्धक/Chief General Manager
स्टेट ट्रेडिंग कार्पोरेशन ऑफ इण्डिया लि०
The State Trading Corpn. of India Ltd
नई दिल्ली/New Delhi-110 001