



# **MEMORANDUM OF UNDERSTANDING**

**2013-14**

**BETWEEN**

**THE STATE TRADING CORPORATION OF INDIA LIMITED**

**AND**

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

## **MEMORANDUM OF UNDERSTANDING: 2013-14**

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 2013-14.

### **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 and increasing the trade margin.

## **PART - II**

### **2. PERFORMANCE EVALUATION PARAMETERS AND TARGETS**

The performance targets of STC for the year 2013-14 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	
<b>1. Static Financial Parameters</b>								
1.1	Gross Margin/Turnover	%	0.10	0.80	0.76	0.72	0.68	0.64
1.2	Turnover/Manpower	` Crores	0.12	28.86	27.49	26.11	24.74	23.36
1.3	Gross Margin	` Crores	0.08	187	178	169	160	151
1.4	Gross Sales							
	(i) Gross Sales	` Crores	0.01	24675	23500	22325	21150	19975
	(ii) Export of Wheat	` Crores	0.01	625	550	522	495	468
	(iii) Import of Fertilizers	` Crores	0.01	4500	4000	3800	3600	3400
	(iv) Import of Coal	` Crores	0.01	5250	5000	4750	4500	4250
1.5	PBDIT(Gross Margin)/Manpower	` Lakhs per Head	0.07	21.87	20.82	19.77	18.71	17.66
1.6	Added Value/Turnover	%	0.09	-0.126	-0.133	-0.140	-0.146	-0.153
			<b>0.50</b>					
<b>2. Dynamic Parameters</b>								
2.1	Research & Development							
	(i) A study to formulate 5 - year strategy for major lines of business	Date	0.04	By Dec.'13	By Jan.'14	By Feb.'14	By Mar.'14	After Mar.'14
	(ii) Formulation of R&D Perspective Plan	Date	0.01	By Dec.'13	By Jan.'14	By Feb.'14	By Mar.'14	After Mar.'14
2.2	CSR and Sustainable Development							
	(i) Providing Community Health facilities in a notified backward district	` Lakh	0.02	36.75	35	33.25	31.5	29.75
	(ii) Rehabilitation of physically challenged BPL persons in J&K - No. of beneficiary	No.	0.02	210	200	190	180	170
	(iii) Preparation of a long-term CSR & Sustainability Plan	Date	0.03	By Dec.'13	By Jan.'14	By Feb.'14	By Mar.'14	After Mar.'14
	(iv) Undertaking Rain Water Harvesting in STC Colony	Date	0.01	By Dec.'13	By Jan.'14	By Feb.'14	By Mar.'14	After Mar.'14
2.3	Human Resource Management							
	(i) Training in functional areas to executives	No.	0.03	55	50	45	40	35
	(ii) Top management Training to functional Directors/CGMs	No.	0.02	5	4	3	2	1
			<b>0.18</b>					
<b>3. Sector Specific Parameters</b>								
3.1	Increase in business with state governments/entities	` Crores	0.05	21	20	19	18	17
3.2	Capacity building in the area of online trading through commodity exchanges for middle & junior level management	No.	0.05	6	5	4	3	2
3.3	Online trading through commodity exchanges	` Crores	0.05	84	80	76	72	68
			<b>0.15</b>					

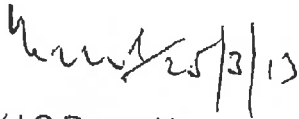
Criteria	Unit	Weight	Graded values on 5-point scale					
			1	2	3	4	5	
			Excellent	Very Good	Good	Fair	Poor	
<b>4. Enterprise Specific Parameters</b>								
4.1	Reduction in sundry debtors of more than one year as on 31.03.2013	%	0.08	20%	18%	16%	14%	12%
4.2	Cash Profit : Net worth	%	0.05	11.45	10.90	10.36	9.81	9.26
4.3	Trading Profit : Net worth	%	0.04	16.81	16.01	15.21	14.41	13.61
			<b>0.17</b>					
	<b>Grand Total :</b>		<b>1.00</b>					
<b>Note :</b>								
1) Negative marks will be awarded for non- compliance of Corporate Governance and the MoU score will be increased in accordance with DPE OM 18(8)/2005-GM, Dated 22nd June 2011.								
2) The Corporation will submit a Certificate regarding Implementation of Guidelines issued by DPE as per OM No. DPE/14(38)/10-Fin dated 28th June 2011 and also a certificate from the auditors/ chartered accountant in practice. Non- compliance of DPE Guidelines determined on the basis of certificate submitted will be awarded upto 1 negative mark at the discretion of Task Force at the time of MoU Evaluation i.e. the MoU score may be increased by 0.04.								

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.



(J S Deepak)  
Chairman & Managing Director

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



(S.R. Rao)  
Secretary

Date: 25.03.2013  
New Delhi

## Annexure - I

## PERFORMANCE TARGETS

Rs. Crores  
(US \$ million in brackets)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2012-13	2013-14
	Actuals	Actuals	Actuals	Actuals	Actuals	MOU Target	Estimates	MOU Target
<b><u>TURNOVER TARGETS</u></b>								
<u>Exports</u>	4002 (944)	2132 (464)	1504 (318)	492 (108)	344 (72)	500 (106)	1200 (226)	800 (151)
<u>Imports</u>	10773 (2676)	16316 (3547)	19049 (4027)	18938 (4157)	29961 (6259)	26800 (5064)	20000 (3774)	22500 (4245)
<u>Domestic</u>	999 (248)	1338 (291)	956 (202)	555 (122)	139 (29)	200 (43)	150 (28)	200 (38)
<b><u>Grand Total</u></b>	<b>15774</b> (3918)	<b>19786</b> (4302)	<b>21509</b> (4547)	<b>19985</b> (4387)	<b>30444</b> (6360)	<b>27500</b> (5213)	<b>21350</b> (4028)	<b>23500</b> (4434)
Rs. Per US \$	40.26	45.99	47.30	45.56	47.87	47.00	53.00	53.00
<b><u>FINANCIAL TARGETS</u></b>								
<u>Income</u>								
Trading profit	194.25	113.06	144.55	177.87	89.73	95.00	90.07	95.00
Misc. Income	31.48	32.18	41.97	56.45	36.95	39.00	21.67	22.00
Interest Income	134.55	282.72	258.10	195.96	273.04	211.00	253.45	236.00
<u>Total</u>	<u>360.28</u>	<u>427.96</u>	<u>444.62</u>	<u>430.28</u>	<u>399.72</u>	<u>345.00</u>	<u>365.19</u>	<u>353.00</u>
<u>Costs</u>								
Overheads	100.21	149.31	131.73	145.52	126.29	140.00	123.17	125.00
Interest expenditure	61.42	98.42	120.40	177.53	203.47	156.00	169.41	156.00
Depreciation	2.18	2.38	2.46	3.06	3.07	3.00	3.72	3.75
Provisions & Write-Offs	19.96	32.98	19.10	24.54	49.10	5.00	54.25	50.00
<u>Total</u>	<u>183.77</u>	<u>283.09</u>	<u>273.69</u>	<u>350.65</u>	<u>381.93</u>	<u>304.00</u>	<u>350.55</u>	<u>334.75</u>
<b>Gross Margin (PBDIT)</b>	<b>239.32</b>	<b>254.85</b>	<b>296.02</b>	<b>257.04</b>	<b>227.51</b>	<b>200.00</b>	<b>187.77</b>	<b>178.00</b>
Gross Profit (PBIT)	237.14	252.47	293.56	253.97	230.58	197.00	184.05	174.25
PBT	176.51	144.87	170.93	79.63	17.80	41.00	14.64	18.25
Net Profit	124.45	78.51	106.95	56.44	16.47	26.00	10.44	10.95
Dividend	28.50	28.50	28.50	18.00	13.95	6.00	6.98	6.98
Gross Block	61.93	62.16	89.15	89.79	90.85	89.16	101.13	112.00
Networth	524.89	570.29	643.94	679.46	681.98	683.45	589.48	593.45
Capital Employed	434.16	567.26	640.91	2225.52 *	2711.99	2300.00	2242.44	2093.15
Added Value	213.27	220.81	257.57	34.49	-43.69	-30.00	-36.47	-31.32
Total Employment (No.)	906	898	890	864	844	860	855	855
Cash Profit		92.28	102.82	76.52	53.32		68.41	64.70
<b><u>Ratios</u></b>								
Gross Margin/Turnover (%)	1.24	1.29	1.38	1.29	0.75	0.73	0.88	0.76
Turnover : Manpower	17.41	22.03	24.17	23.13	36.07	31.98	24.97	27.49
PBDIT/Manpower (Rs. Lakhs per Head)	26.42	28.38	33.26	29.75	26.96	23.26	21.96	20.82
Added Value/Turnover (%)	1.35	1.12	1.20	0.17	-0.14	-0.11	-0.17	-0.13
Overheads : Turnover (%)	0.64	0.75	0.61	0.73	0.41	0.51	0.58	0.53
Net Profit/Networth(%)	23.71	13.77	16.61	8.31	2.42	3.80	1.77	1.85
Gross Profit/Capital Employed (%)	54.62	44.51	45.80	11.41	8.50	8.57	8.21	8.32
Overheads : Trading Profit (%)	51.59	132.06	91.13	81.81	140.74	147.37	136.75	131.58
Cash Profit : Networth (%)		16.00	16.00	11.00	8.00		12.00	11.00
Trading Profit : Network (%)	37.00	20.00	22.00	26.00	13.00	14.00	15.00	16.00

\* : Computed as per latest DPE definition

**Annexure - II**

**STC : PERFORMANCE VIS-À-VIS MOU TARGETS DURING 2008-09 TO 2012-13 AND TARGETS : 2013-14**

<b><u>Financial Parameters</u></b>		<b>2008-09</b>		<b>2009-10</b>		<b>2010-11</b>		<b>2011-12</b>		<b>2012-13</b>		<b>2013-14</b>	
		<b><u>MOU Target</u></b>	<b><u>Actuals</u></b>	<b><u>MOU Target</u></b>	<b><u>Actuals</u></b>	<b><u>MOU Target</u></b>	<b><u>Actuals</u></b>	<b><u>MOU Target</u></b>	<b><u>Actuals</u></b>	<b><u>MOU Target</u></b>	<b><u>Estimates</u></b>	<b><u>Projections</u></b>	
A.	Gross Sales (Turnover)	Rs Crores	16700	19786	17000	21509	21000	19985	22500	30444	27500	21350	23500
B.	Gross Margin (PBDIT)	Rs Crores	147.00	254.85	166.00	296.02	256.00	257.04	235.00	227.51	200.00	187.77	178.00
C.	Gross Margin (PBDIT) /Turnover - (B/A)	Ratio (%)	0.88	1.29	0.98	1.38	1.22	1.29	1.04	0.75	0.73	0.88	0.76
D.	Manpower	No.	913	898	914	890	900	864	900	844	860	855	855
E.	Turnover/Manpower - (A/D)	Rs Crores	18.29	22.03	18.60	24.17	23.33	23.13	25.00	31.98	31.98	24.97	27.49
F.	PBDIT (Gross Margin)/ Manpower - (B/D)	Rs Lakhs per Head	16.10	28.38	18.16	33.26	28.44	29.75	26.11	26.97	23.26	21.96	20.82
G.	Capital Employed	Rs Crores	435.65	567.26	490.62	640.91	2933.94 *	2225.52	3184.33	2711.99	2300	2242.44	2093.15
H.	Added Value # - (B-G*CRF)	Rs Crores	120.86	220.81	136.56	257.57	-37.39	34.49	-83.43	-43.69	-30	-36.47	-31.32
I.	Added Value/Turnover (H/A)	Ratio (%)	0.72	1.12	0.80	1.20	-0.18	0.17	-0.37	-0.14	-0.11	-0.17	-0.13

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

# : Calculated by taking Capital Recovery Factor (CRF) @6% for the years 2008-09 & 2009-10 and @10% thereafter.



<b><u>STC : Means of Verification for Dynamic Parameters in MOU : 2013-14</u></b>	
<b>Evaluation Criteria</b>	<b>Means of Verification</b>
<b>2. <u>Dynamic Parameters</u></b>	
2.1 <u>Research &amp; Development</u>	
(i) A study to formulate 5 - year strategy for major lines of business	Documentary evidence of receipt of Study Report
(ii) Formulation of R&D Perspective Plan	Certificate from concerned Chief General Manager
2.2 <u>CSR and Sustainable Development</u>	
(i) Providing Community Health facilities in a notified backward district	Evidence for releasing payment and other related documents
(ii) Rehabilitation of physically challenged BPL persons in J&K - No. of beneficiary	Letter from Implementing Agency and other related documentation
(iii) Preparation of a long-term CSR & Sustainability Plan	Certificate from concerned Chief General Manager
(iv) Undertaking Rain Water Harvesting in STC Colony	Documentary evidence for undertaking the project
2.3 <u>Human Resource Management</u>	
(i) Training in functional areas to executives	Annual Report 2013-14
(ii) Top management Training to functional Directors/CGMs	Annual Report 2013-14
<b>3. <u>Sector Specific Parameters</u></b>	
3.1 Increase in business with state governments / entities	Certified copy of statement
3.2 Capacity building in the area of online trading through commodity exchanges for middle & junior level management	Annual Report 2013-14
3.3 Online trading through commodity exchanges	Certified copy of statement
<b>4. <u>Enterprise Specific Parameters</u></b>	
4.1 Reduction in sundry debtors of more than one year as on 31.03.2013	Certified copy of statement
4.2 Cash Profit : Net worth	Annual Accounts : 2013-14
4.3 Trading Profit : Net worth	Annual Accounts : 2013-14

प्रभाग  
DIVISION

स्टेट ट्रेडिंग कॉर्पोरेशन ऑफ इण्डिया लिमिटेड  
(भारत सरकार का उद्यम)  
**THE STATE TRADING CORPORATION OF INDIA LTD.**  
(A Govt. of India Enterprise)

Annexure - IV

**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 2013-14. 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

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

जवाहर व्यापार भवन, टॉलस्टाय मार्ग, नई दिल्ली-110001, Jawahar Vyapar Bhawan, Tolstoy Marg, New Delhi-110001  
दूरभाष / Telephone: 23313177 फैक्स / Fax: (91) 011-23701123, 23701191  
ई-मेल / E-mail: co@stc.gov.in वेबसाइट / Website: www.stc.gov.in

“हिन्दी में प्राप्त पत्रों का स्वागत है।”