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WORLD ECONOMIC OVERVIEW

In the year 2010-11, the global economy continued to expand unevenly, with emerging

economies growing at a faster pace than the advanced economies. World real GDP growth was a robust 5.1 percent in 2010 as against a negative 0.5 percent in the previous year.

Growth resumed in many advanced countries as a result of governments' stimulus spending aimed at counterbalancing the worst global recession in decades, although their growth rate still remains below trend. Major advanced economies experienced modest economic growth of 3 percent in 2010. However, most of these economies remained burdened by unemployment, weak demand and spiraling debt, and are still struggling with reforms in the financial and labour markets, among other challenges. While USA grew at 2.9 percent during 2010, EU Zone registered a growth of 1.8 percent. The recovery in Europe got a boost by strong export growth of capital goods from this region.

On the other hand, the emerging and developing nations remained the engine of

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growth in the world economy registering an economic growth of 7.4 percent in 2010. Fuelled by healthy exports and domestic demand, Asia experienced rapid economic growth of 7.1 percent in 2010 led by China and India. Sub Saharan Africa also resumed a fast and sustainable growth. However, the rising food and commodity prices pose a threat to the social and economic environment of these regions.

The prospects for sustained global growth strengthened during this past year as uncertainties over private domestic demand in advanced economies have reduced.

Meanwhile, the growth was again disrupted by the turmoil in Middle East and North Africa and the earthquake-related tragedy in Japan in mid-March 2011. Though the early and decisive actions by the Japanese government helped contain the initial damage from the Tohoku earthquake and Tsunami and had relatively limited negative impact on Japanese production, its aftermath continues to cast a shadow over the region and the world. The socio political tensions in the Middle East and North Africa have added pressure to the oil prices which, in turn, could disrupt global growth and affect Asian exports.

During the year, world trade grew by 12.4 percent in terms of volume. Commodity prices returned to high levels owing to stronger than anticipated global demand, especially from emerging Asia. Oil prices rose up from $83 a barrel in April 2010 to over $100 a barrel in May 2011. OPEC's lower than expected output and the unrest in the Middle East and North Africa since January 2011 contributed to the oil price rise.

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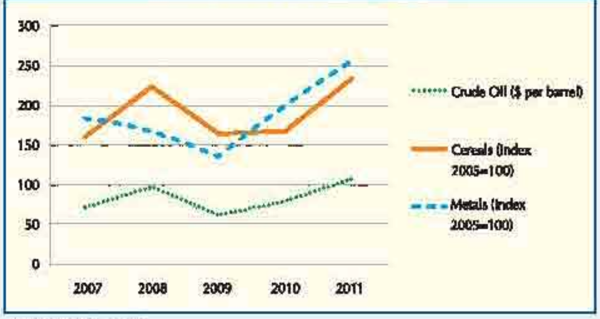
PRICE INDEX 2007-2011



SOURCE : IMF

(Cereals include wheat, maize, rice, barley; Metals include Copper, Aluminum, Iron Ore, Tin, Nickel, Zinc, Lead, and Uranium)

The rising commodity prices and disruptions in oil supply could pose new risks to global economic recovery and world trade. However, the gradual improvement in financial markets, buoyant activity in many emerging and developing economies and growing confidence in advanced economies point to good economic prospects for 2011-12.

OVERVIEW OF INDIAN ECONOMY

The Indian economy registered a robust growth during 2010-11, with GDP at factor cost touching 8.5 per cent as against 8.0 per cent during 2009-10.

The much improved performance of the agriculture sector in 2010-11 contributed

significantly to the robust GDP growth. Agriculture and allied activities sector witnessed a growth of 6.6 per cent as compared to a drought induced meager growth of 0.4 per cent in the previous year. Foodgrain production reached a new record with both Kharif and Rabi crops turning out to be good.

During 2010-11, the industrial sector grew in line with the last year at a rate of 8.2 percent as against 8 percent last year amid fears of a slowdown. Growth in both the mining and manufacturing sectors was particularly weak

with the Index of Industrial Production falling from 9.9 percent in 2009-10 to 5.8 in 2010-11 for mining and from 11 percent in 2009-10 to 8.3 percent in 2010-11 for manufacturing. Manufacturing sector registered lower growth due to a slowdown in growth of almost all the sectors except consumer goods which recorded a growth of 7.5 percent as against 6.2 percent in the 2009-10. Capital goods segment registered negative growth during 2010-11. Performance of the coal sector was a reason for worry. The growth in services sector also came down from 10.1 percent in 2009-10 to 9.6 per cent during 2010-11.

According to UNCTAD, India has been ranked second in global foreign direct investments.

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However, during the year, FDI flows into India totaled US$ 23 billion, well below US$ 37.76 billion in the previous year. One of the main reasons of decline was the environment sensitive policies pursued with regard to the mining sector and integrated township projects.

During the year, exports grew by 37.5 percent and touched an all time high of US$ 251 billion as against US$ 179 billion in 2009-10. However, the growth was partly due to a smaller base resulting from decline in exports experienced during 2009-10. The CAGR over last three years amounted to 14.7 percent compared to 25.0 percent during the preceding three years. The better export performance was contributed by sectors such as engineering products, oil, gems and jewellery, textiles and pharmaceuticals. Imports also showed a healthy growth of 21.2 percent and totaled US$ 381 billion. Thus the total trade figure of India reached almost US$ 630 billion, which is about half the size of India's GDP of US$ 1.2 trillion.

The Current Account Deficit is forecast to remain elevated at around 2.7 per cent of GDP in 2011-12 with a much stronger domestic and import demand. Exports during 2011-12 are forecast to be in the tune of US$ 330 billion while imports are estimated to be around US$ 484 billion.

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The overall year-on-year WPI inflation stood at 8.98 per cent in March, 2011, which was a significant decline from the peak of 11.00 per cent recorded in April, 2010.

Total foreign exchange reserves of India as on 31st March, 2011 stood at US $ 305 billion, making it the seventh largest holder of foreign exchange reserves in the world after China, Japan, EU, Russia, Saudi Arabia and Taiwan.

However, a major concern in the domestic economy has been the inflation which stood at 9.4 percent. During the year, food inflation was high for cereals, sugar, pulses, vegetables, fruits, milk, eggs, meat and fish etc. Even in the non-food articles group, strong inflationary pressures were felt from fibres such as cotton, jute and silk. Mineral prices also went up due to higher global costs of copper and other base metals. Hardening of the international crude oil prices and petrol price decontrol introduced by the government led to a steep increase in petrol prices. Coal prices are also increasing fast and adding to overall inflationary pressures.

A host of other factors like high interest rate scenario, high input prices and muted investment activity along with the heightened uncertainties in the international economic scenario are likely to limit the GDP growth in the first half of the coming year. However, with

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moderating inflation, anticipated improvement in domestic demand conditions and expected return of normalcy in the global landscape, domestic economic activity is expected to improve in the second half of the current year.

OPPORTUNITIES & THREATS

Global economy is gradually recovering from the worst economic meltdown experienced in 2008. The high economic growth exhibited by the emerging and developing nations in 2010 has posed before them the challenge of the present boom-like conditions developing into overheating over the coming year. Escalation of political tensions in Middle East and North Africa is likely to have a perceptible adverse impact on world trade in 2011. The aftermath of Tohoku Earthquake and Tsunami in Japan will also have its adverse effects on economic performance the world over. Oil, food, metals, and raw material prices have risen rapidly in 2010 and the upward pressure is expected to persist in 2011.

Thus, global growth is likely to moderate from 5.1 percent in 2010 to 4.3 percent in 2011 and 4.5 percent in 2012. Growth is projected to decelerate to 2.2 percent in advanced economies due to withdrawal of fiscal stimulus and high oil and other commodity prices. Growth in emerging and developing economies is also expected to decelerate to 6.6 percent on account of monetary tightening and rising commodity prices.

Indian economy is projected to grow at about 8.2 percent in 2011-12. Inflation is expected to remain at an elevated level in the first half of the

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year due to expected passthrough of increase in international petroleum prices to domestic prices and continued pass-through of high input prices into manufactured products.

As domestic prices adjust further to international commodity prices, inflation gap is likely to close slowly. Fresh pressures from commodity prices do make 2011-12 a challenging year for inflation management. RBI's anti-inflationary stance in the months ahead to bring down the persistent high inflation poses risk to sustaining India's high growth.

However, due to stabilization of global economic growth, recovery of India's key export markets and gradual diversification into new markets, country's exports are expected to grow substantially during 2011-12. Imports are also expected to increase substantially on account of sustained improvement in economic activity as well as anticipated high commodity prices. However, the uncertainty caused by the international developments may pose a

challenge in sustaining the growth of exports in future. Further, slow growth rate of 5.1 percent in manufacturing sector as observed for the quarter ended March 2011 may eventually result in downward revision of all projected growth rates.

Buoyed by a 37.5 per cent surge in overseas shipments in the last fiscal, the Government of India has set a target of more than doubling India's merchandise exports from US $ 251 billion in 2010-11 to US $500 billion over the next three years i.e. by 2013-14.

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As a marketing strategy, STC will focus on opening up new vistas in markets like Asia (including ASEAN), Africa and Latin America, retaining presence and market share in already developed markets and moving up the value chain in providing products in the already developed markets.

STC will try to make best use of the opportunity to increase its exports as well as imports thereby also improving its sales turnover and profitability.

STC's PERFORMANCE

The Corporation achieved a turnover of the order of ₹ 20,000 crore during 2010-11 with an improved trading profit of ₹ 178 crore. The Profit Before Tax (PBT) during the year amounted to ₹ 80 crore.

The performance during the year vis-a-vis the previous year is summarized 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

TURNOVER

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.

During the year, the Corporation explored a number of new areas of business and effected increases in business of many existing areas of trade.

SEGMENT-WISE PERFORMANCE

Exports

During the year, the Corporation laid thrust in developing diverse areas of export such as iron ore, maize, castor oil, etc. The Corporation successfully expanded iron ore business and effected shipments worth ₹ 140 crore as against only ₹ 46 crore in the previous year. The Corporation also undertook ₹ 69 crore worth of maize exports and ₹ 92 crore worth of castor oil exports. Iron & steel items also contributed an export turnover of ₹ 148 crore.

During the year, the Corporation initiated exports of a number of new items like molasses (₹ 31 crore) to Amsterdam & South Korea, transport & construction vehicles to Benin and sesame seeds to Vietnam.

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The overall exports during the year under amounted to ₹ 492 crore.

Imports

The Corporation's Import turnover at ₹ 18938 crore was almost at the same level as in the previous year. Major items of imports are as under:

Bullion

Over the years, STC has emerged as one of the major importers of bullion in the country. Import sales of bullion reached an all time high of ₹ 14964 crore. During the year, the Corporation not only enlisted many fresh buyers but also expanded the supply base by finalizing arrangements with new foreign suppliers. The Corporation provided efficient services to its associates by way of deliveries, remittances, settlement of dues and maintained close coordination with Indian Buyers, Foreign Suppliers and Banks.

The Corporation proposes to further increase this business in the coming year. Steps have already been initiated for setting up a bullion dealing room at STC Corporate Office for meeting the requirement of overseas suppliers and for providing prompt service to customers.

Hydro-carbons

The Corporation was successful in securing order for supply of 12 million MT of imported steam coal valued at over ₹ 8000 crore to NTPC for its various power plants spread across the country. The order will be fully implemented during 2011-12.

Shipments have already commenced and, during the year under review, supplies of imported coal amounting to over ₹ 670 crore were made to various power stations of NTPC. Efforts are also being made to import coal to

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meet the requirements of various State Electricity Boards and other power generation companies.

Non-Ferrous Minerals

During the year, the Corporation, for the first time, undertook imports of manganese ore amounting to ₹ 51 crore.

It shall be the endeavor of the Corporation to increase this business in the coming year and to also include more nonferrous ores to its trading basket.

Fertilizers

During the year, STC was once again asked by the Govt. of India to import urea. Accordingly, STC arranged import sale of approximately 1.5 million MT of urea worth ₹ 2208 crore as against imports of only 0.68 million MT amounting to ₹ 867 crore in the previous year.

STC plans to venture into supply of DAP/MOP/MAP/NPKs and has also got itself registered as an approved supplier of fertilizers with domestic fertilizer producer/marketing companies.

Pulses

STC continued to undertake import of pulses on Govt. directions for sale in the open market

and also procured pulses on behalf of state governments for distribution under PDS. A sale turnover of ₹ 408 crore was achieved from these operations. In addition, the Corporation also undertook import of pulses on commercial account resulting in sales worth ₹ 37 crore.

Edible Oils

In spite of extremely volatile market, STC successfully arranged imports of edible oils, both on its own account as well as for the state governments of Maharashtra, Goa, Rajasthan and U.P. for supply under PDS in 1-litre pouches. While imports on Govt. account yielded a turnover of ₹ 228 crore, imports on commercial account contributed a turnover of ₹ 289 crore. The Corporation is trying to enter into short term and long term tie-up arrangements with refiners/processors for meeting their import requirements of edible oils on a continuous basis.

Domestic Sales

During the year, the Corporation effected total domestic sales worth ₹ 555 crore. This included sale of oils, seeds and extractions amounting to ₹ 268 crore - up from ₹ 165 crore in the previous year. The Corporation also effected sales of hydrocarbons worth ₹ 117

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crore and that of pulses amounting to ₹ 83 crore. Sales of jute goods worth ₹ 47 crore were also made.

The Corporation is also in talks with some state governments for supply of tea under STC's brand. With a view to expanding tea business, it also proposes to enlist more tea processing units in future.

Profitability

During the period under review, STC earned a trading profit of ₹ 178 crore against trading profit of ₹ 145 crore in the previous year. The PBT during the year amounted to ₹ 80 crore.

Key initiatives

During the year, the Corporation took a number of initiatives to increase its business in near as well as long term. Some of the major initiatives are indicated below:

- Successfully obtained order for supply of 12 million MT of imported steam coal to NTPC for its various power plants spread across the country.
- Signed an agreement with a Government company in Egypt for exports of tea under STC's own brand. The MoU also envisages exports of other commodities like raw rubber, sesame seeds, frozen meat, frozen fish/shrimps, loose leaf tobacco, etc. to Egypt as well as other African countries.
- Joined the SEA-LAC Consortium 2010-11 for contract farming in Latin America for agricultural commodities including pulses and undertaking research & development for cultivation of pulses as a pilot project to establish suitability of soil and weather conditions for proceeding on a larger commercial scale.
- Diversified into import of manganese ore and imported over 40,000 MTs during the year.

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- Successfully undertook export of buses, ambulances and construction equipments to countries like Bhutan, Benin, etc.
- Initiated export of sesame seeds and molasses.
- Re-started operations from STC's office at Bhopal to increase business in agro commodities.
- Initiated sale of pulses through National Spot Exchange Limited.

CORPORATE SOCIAL RESPONSIBILITY

Your Corporation is committed to fulfilling its obligations in terms of the guidelines on Corporate Social Responsibility (CSR) notified by the Department of Public Enterprises. In fact, fulfilment of CSR activities has been made a mandatory criteria in the annual MOUs signed between the Central Public Sector Enterprises with their administrative Ministries. For STC, CSR is an integral part of its business operations. Since 2007-08, the Corporation has been making domestic procurements of tea leaves directly from small farmers in Tamilnadu thereby assisting them in their socio-economic upliftment. Besides, every year, the Corporation undertakes a host of other CSR initiatives. Some such initiatives undertaken by STC during 2010-11 are given below :

- Felicitation of the winning Indian players of the Common Wealth Games 2010 at a function held at New Delhi.
- Support to Archaeological Survey of India in preservation, conservation and beautification of a historical monument in Karnataka.
- Solar lighting in villages in Himachal Pradesh.
- Tree plantation in Bangalore and Chennai.
- Co-sponsoring Nagpur International Marathon event.

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- Organising of workshop on Education of Hygiene and Cleanliness for under-privileged slum-dweller women.
- Distribution of blankets to BPL Families in H.P.
- Supply of a Van for distribution of food to the underprivileged children in Haryana.
- Promoting of art, games, sports and culture by cosponsoring various events from time to time.

INTERNAL CONTROLS AND PROCEDURES

STC has a sound system of internal controls which ensures compliance with statutory requirements, regulations and various policies and guidelines of the Corporation. Besides, Statutory Audit and Audit by the C&AG, regular and exhaustive internal audits are conducted through professional agencies in close coordination with STC's Internal Audit Division to ensure that a proper system of checks and balances is in place in the Corporation to take care that all its assets are safeguarded and protected against any possible loss and all the transactions are authorized, recorded and reported properly.

Internal Audit is conducted as per the Accounting Standards, Annual Audit Programme and Rules/policies formulated by the Corporation from time to time. The observations/recommendations made by the auditing agencies are complied timely. The quarterly financial statements as also summary of the findings of internal, external and Government audit are reported to Management Audit Committee and the Audit Committee of Directors along with a report on compliance of directions issued in the past.

The Corporation has a well-defined Delegation of Powers (DoP) in place, which lays down the powers for different managerial level to facilitate faster commercial decisions. The systems and procedures laid down by the Corporation ensure maximum transparency in all commercial deals. The Corporation has a full-fledged Vigilance Division to oversee that the guidelines of the Government and the rules/procedures of the company are strictly adhered to/implemented in all matters.

During the year, all existing trade guidelines were reviewed, consolidated and re-issued in the form of an Operation Manual.

THE WAY FORWARD

The Corporation has drawn up a Business Plan for the next three years taking into consideration its strengths, past performance and current international and domestic trade scenario. The Plan aims at achieving significant increases both in the bottom-line and top-line of the Corporation. The Corporation has identified a host of countries in the Latin America, Africa and Asia as the potential markets for developing

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business. Simultaneously, a number of thrust products have also been identified.

Strategies proposed to be pursued by the Corporation include enlargement of supply base through marketing tieups, leveraging import assistance for generating additional export opportunities, increased participation in tenders under Government of India aid/grant programmes, utilization of port based infrastructure, export of tea under own brand name, undertaking contract farming abroad, domestic trading on STC's own account in items like soya seeds, chana, mustard seeds, etc. In addition, the Corporation shall continue to lay added emphasis on developing business of existing items, such as, bullion, coal, fertilizers, ferrous & non-ferrous metals, minerals & ores, edible oils, pulses, etc.

While action for implementation of some of the plans indicated above has already been initiated, other plans are also likely to be implemented soon. Thus, the Corporation plans to double its turnover from the present level of about ₹ 20,000 crore to ₹ 40,000 crore by the end of the year 2013-14 with significant improvement in profitability.

CAUTIONARY STATEMENT

Certain statements contained in this Annual Report may constitute forward-looking statements within the meaning of applicable laws and regulations. These statements are based on management's views and assumptions at the time information was prepared and involve known and unknown risks and uncertainties that could cause actual results or performance to differ materially from those expressed or implied in such statements as discussed more fully elsewhere in this Annual Report. The Corporation expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained herein to reflect any change in the Corporation's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.