



# **MEMORANDUM OF UNDERSTANDING**

**2015-16**

**BETWEEN**

**THE STATE TRADING CORPORATION OF INDIA LIMITED**

**AND**

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

# MEMORANDUM OF UNDERSTANDING: 2015-16

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 2015-16.

## PART – I

### 1. VISION, MISSION & OBJECTIVES

#### 1.1 VISION

To be a leading world class trading organisation, continuously diversifying and delivering excellence in all areas of its operations thereby enhancing stakeholders' value.

#### 1.2 MISSION

To consistently take advantage of upcoming business opportunities and trends with proactive enterprising spirit thereby delivering substantial year on year growth and contribute to enhancing India's share in world trade.

#### 1.3 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.

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

- DOC to take timely action on filling up the vacant positions of Functional and Independent Directors on STC Board.
- 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.
- DOC to assist STC in its nomination as a nodal agency on behalf of all public sector organizations for trade with Russia.
- DOC to assist STC in its nomination as a nodal agency for Defence Offsets.

## **PART - II**

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

The performance targets of STC for the year 2015-16 and projections for the years 2016-17 and 2017-18 are given in Annexure – I along with performance in the previous five years.

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

**PERFORMANCE ASSESSMENT MATRIX (2015-16)**

Criteria	Unit	Weight	Graded values on 5-point scale				
			5	4	3	2	1
			Excellent	Very Good	Good	Fair	Poor
<b>1. Static Financial Parameters</b>							
<b>1.1 Growth / Size /Activity</b>							
a) Sales Turnover	₹ Crores	18	15500	15000	14250	13538	12861
b) Gross Operating Margin	₹ Crores	3	105	104	99	94	89
<b>1.2 Profitability</b>							
PAT / Net Worth	%	8	15.23	14.64	13.91	13.21	12.55
<b>1.3 Costs and Output Efficiency</b>							
PAT/No. of Employees (as on 31.03.2015)	₹ Lakhs	5	3.47	3.33	3.16	3.01	2.86
<b>1.4 Efficiency of Assets Use</b>							
Recovery from outstanding debts as on 31.3.2015 (more than one year)	%	12	20%	15%	10%	5%	Nil
<b>1.5 Liquidity/Leverage</b>							
Current Ratio	Times	4	1.00	1.06	1.17	1.27	1.38
<b>Sub-Total (1)</b>		<b>50</b>					
<b>2. Dynamic/Non-Financial Parameters</b>							
<b>2.1 Initiatives for Growth</b>							
a) Exports	₹ Crores	5	2200	2000	1900	1805	1715
b) Turnover from New Products	₹ Crores	8	220	200	180	160	140
c) Turnover from New Markets	₹ Crores	7	110	100	90	80	70
<b>2.2 Productivity and Internal Processes</b>							
a) Introduction of Benchmarking to compare performance (with sister CPSEs) based on an analytical study	Date	4	By 30.06.15	By 31.08.15	By 31.10.15	By 31.12.15	After 31.12.15
b) Review of Trading Procedures (DOP)	Date	4	By 31.12.15	By 31.01.16	By 29.02.16	By 31.03.16	After 31.03.16
c) Strengthening of Internal Audit Function	Date	4	By 31.12.15	By 31.01.16	By 29.02.16	By 31.03.16	After 31.03.16
<b>2.3 Technology, Quality, Innovative Practices</b>							
Implementation of E-procurement	Date	5	By 31.12.15	By 31.01.16	By 29.02.16	By 31.03.16	After 31.03.16
<b>2.4 Human Resource Management</b>							
a) Programmes on international Trade/Finance/Risk Management/Fraud Management etc.	No. of Executives	3	55	50	45	40	35
b) Intensive training to non-professional managers to bridge the skill gap in areas like computer usage, office management, etc.	No. of Executives	3	55	50	45	40	35
c) Programmes on Strategic Management/ Corporate Governance for Directors/CGMs/GMs	No. of Executives	2	6	5	4	3	2
<b>3. Sector / Enterprise Specific Parameters</b>							
3.1 Increase in volume of business with state governments	₹ Crores	5	250	200	190	181	171
<b>Sub-Total (2+3)</b>		<b>50</b>					
<b>Total (1+2+3)</b>		<b>100</b>					

**Note :**

Negative marking for CG rating, Non compliance to DPE guidelines, Entry of MoSPI & survey data, Non compliance to MSME guidelines as per companies Act.

## 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.



(Khaleel Rahim)  
Chairman & Managing Director

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



(Rajeev Kher)  
Secretary

Date: 31<sup>st</sup> March 2015  
New Delhi

## PERFORMANCE TARGETS

₹ Crores

	2010-11	2011-12	2012-13	2013-14	2014-15		2015-16	2016-17	2017-18
	Actuals	Actuals	Actuals	Actuals	Target	Estimates	MOU Target	Projections	Projections
<b>TURNOVER TARGETS</b>									
Exports	492	344	1563	1781	2740	1550	2000	2250	2500
Imports	18938	29961	17015	13546	16640	11000	12500	15150	17800
Domestic	555	139	120	47	620	450	500	600	700
<b>Grand Total</b>	<b>19985</b>	<b>30444</b>	<b>18698</b>	<b>15374</b>	<b>20000</b>	<b>13000</b>	<b>15000</b>	<b>18000</b>	<b>21000</b>
<b>FINANCIAL TARGETS</b>									
<b>Income</b>									
Gross Operating Margin	177.87	89.73	118.53	182.84	125.00	104.00	104.00	106.00	114.00
Misc. Income	56.45	36.95	22.77	26.63	27.50	30.00	38.00	38.00	42.00
Interest Income	195.96	273.04	236.13	182.28	154.00	208.00	148.00	102.00	74.00
<b>Total</b>	<b>430.28</b>	<b>399.72</b>	<b>377.43</b>	<b>391.75</b>	<b>306.50</b>	<b>342.00</b>	<b>290.00</b>	<b>246.00</b>	<b>230.00</b>
<b>Costs</b>									
Overheads	145.52	126.28	134.04	159.87	142.50	145.50	150.00	160.00	165.00
Interest expenditure	177.53	203.47	166.25	154.41	148.00	150.00	125.00	68.00	45.00
Depreciation	3.06	3.07	3.58	4.36	3.75	4.50	5.00	5.00	5.00
Provisions & Write-Offs/write-back	27.72	45.93	59.72	565.49	-	19.00	-	-	-
Prior Period adjustments	-3.18	3.17	-0.58	-	-	-	-	-	-
<b>Total</b>	<b>350.65</b>	<b>381.92</b>	<b>363.01</b>	<b>884.13</b>	<b>294.25</b>	<b>319.00</b>	<b>280.00</b>	<b>233.00</b>	<b>215.00</b>
PBT	79.63	17.80	14.42	-492.38	12.25	23.00	10.00	13.00	15.00
PAT	56.44	16.47	17.95	-492.20	12.25	17.00	10.00	9.00	10.50
Dividend / Dividend Tax	18.00	13.95	12.00	-	7.02	14.00	3.50	3.50	3.50
Networth	679.46	681.98	589.93	97.73	421.16	100.73	107.23	112.73	119.73
Current Assets	6992.34	4755.53	2880.81	2088.88	2400.00	2575.00	2700.00	2500.00	2600.00
Current Liabilities	4889.08	4583.49	2659.73	1961.23	2150.00	2395.00	2550.00	2350.00	2450.00
Total Employment (No.)	864	844	830	795	810	750	750	750	750
<b>Ratios</b>									
Turnover : Manpower	23.13	36.07	22.53	19.34	24.69	17.33	20.00	24.00	28.00
PAT: Manpower (₹Lakhs per Head)	6.53	1.95	2.16	-61.91	1.51	2.27	3.33	1.20	1.40
Overheads : Turnover (%)	0.73	0.41	0.72	1.04	0.71	1.12	1.00	0.89	0.79
PAT/Networth(%)	8.31	2.42	3.04	-503.63	2.91	16.88	14.64	7.98	8.77
Current Ratio (Times)	1.43	1.04	1.08	1.07	1.12	1.08	1.06	1.06	1.06

प्रभाग  
DIVISION

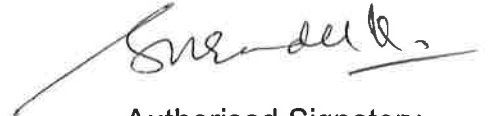


स्टेट ट्रेडिंग कार्पोरेशन ऑफ इण्डिया लिमिटेड  
(भारत सरकार का उद्यम)  
**THE STATE TRADING CORPORATION OF INDIA LTD.**  
(A Govt. of India Enterprise)

**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 2015-16. 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



<b>STC : Means of Verification for Dynamic Parameters in MOU : 2015-16</b>	
<b>Evaluation Criteria</b>	<b>Means of Verification</b>
<b>2. Dynamic/Non-Financial Parameters</b>	
<b>2.1 Initiatives for Growth</b>	
a) Exports	Annual Report : 2015-16
b) Turnover from New Products	Certified copy of statement
c) Turnover from New Markets	Certified copy of statement
<b>2.2 Productivity and Internal Processes</b>	
a) Introduction of Benchmarking to compare performance (with sister CPSEs) based on an analytical study	Certificate from the concerned Department Head
b) Review of trading procedures (DOP)	Certificate from the concerned Department Head
c) Strengthening of Internal Audit Function	Certificate from the Head of Internal Audit Department
<b>2.3 Technology, Quality, Innovative Practices</b>	
Implementation of E-procurement	Certificate from the Head of IT Department
<b>2.4 Human Resource Management</b>	
a) Programmes on international Trade/finance/Risk Management/Fraud Management etc.	Certificate from the Head, HR Department
b) Intensive training to non-professional managers to bridge the skill gap in areas like computer usage, office management, etc.	Certificate from the Head, HR Department
c) Programmes on Strategic Management/ Corporate Governance for Directors/CGMs/GMs	Certificate from the Head, HR Department
<b>3. Sector / Enterprise Specific Parameters</b>	
3.1 Increase in volume of business with state governments	Certified copy of statement

Note : All internal documents for MOU evaluation to be signed by a Functional Director of the Board.

प्रभाग  
DIVISION




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

Annexure - IV

**Self declaration for Compliance of Directives of Government & Regulators**

It is hereby certified that STC has complied all the directives of government and requirements of regulators. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per Guidelines, directives issued by the government/regulators. STC 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

जवाहर व्यापार भवन, टॉलस्टाय मार्ग, नई दिल्ली-110001, Jawahar Vyapar Bhawan, Tolstoy Marg, New Delhi-110001  
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ई-मेल / E-mail: co@stc.gov.in वेबसाइट / Website: www.stc.gov.in

“हिन्दी में प्राप्त पत्रों का स्वागत है।”

THE STATE TRADING CORPORATION OF INDIA LIMITEDCalculation of Gross Operating Margin

(₹ Crore)

	<u>Note No.</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15 Estimates</u>	<u>2015-16 Target</u>
A.	<u>Revenue from Operations</u>	26			
	Sales	26(a)	18698.50	15373.98	13000.00
	Other Operating Revenue	26(b)	343.12	74.65	8.25
	<b>Total</b>		<b>19041.62</b>	<b>15448.63</b>	<b>13008.25</b>
B.	<u>Cost of Goods Sold</u>				
	Cost of material consumed	28	0.10	0.16	0.05
	Purchases of stock in trade	29	18414.37	15214.10	12900.20
	Change in Inventories of finished goods, work in progress and stock in trade	30	500.24	42.49	0.50
	<b>Total</b>		<b>18914.71</b>	<b>15256.75</b>	<b>12900.75</b>
C.	Other Operating Expenses	34(a)	8.38	9.04	3.50
D.	Gross Operating Margin (A-B-C)		<u>118.53</u>	<u>182.84</u>	<u>104.00</u>

Note: For evaluation purposes, gross operating margin may be computed from the relevant notes of P&L Account in the published Annual Report of respective years, as shown above.