



दि स्टेट ट्रेडिंग कॉरपोरेशन ऑफ़ इंडिया लिमिटेड
(भारत सरकार का उद्यम)
THE STATE TRADING CORPORATION OF INDIA LTD.
(A Govt. of India Enterprise)

STC/BS&P/STEX/2017

30th May, 2017

BSE Limited Listing Dept./Dept. of Corporate Services Phiroze Jeejeebhoy Towers Dalal Street Mumbai-400001 Scrip Code: 512531	National Stock Exchange of India Limited Listing Department Exchange Plaza, Plot No. C/1, G Block Bandra- Kurla Complex, Bandra (EAST) Mumbai-400051 Scrip Code: STCINDIA-EQ
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Dear Sir/Madam,

Sub: Annual Audited Financial Results (Standalone & Consolidated) for the Quarter and Year Ended March 31, 2017

This is to inform that the Board of Directors of The State Trading Corporation of India Limited at its meeting held on today .i.e. May 30, 2017 has taken on record and approved the Annual Financial Results (Standalone & Consolidated) for the Quarter and Year ended March 31, 2017.

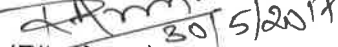
In pursuance of Regulation 33 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2017, we are enclosing herewith the following:

- Annual Audited Financial Results (Standalone & Consolidated) for the Quarter and Year ended March 31, 2017 along with the Statement of Assets and Liabilities.
- Auditors' Report on the Audited Financial Results (Standalone & Consolidated) for the Financial Year ended March 31, 2017.
- Statement on impact of Audit Qualifications for the Financial Year ended 31st March, 2017 (Standalone & Consolidated).

The Meeting of the Board of Directors commenced at 5:00 PM and concluded at 9:30 PM.

The information shall also be hosted on Company's website..

Yours Sincerely,


30/5/2017

(Ritu Arora)
Company Secretary
FCS 5270

THE STATE TRADING CORPORATION OF INDIA LTD.
STATEMENT OF STANDALONE & CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31.03.2017

CIN - L74899DL1956 901002674



(Amount in Rs. Crore)

PARTICULARS	Standalone					Consolidated	
	3 months ended	3 months ended	3 months ended	Year ended	Year ended	Year ended	Year ended
	31.03.2017 (Unaudited)	31.12.2016 (Unaudited)	31.03.2016 (Unaudited)	31.03.2017 (Audited)	31.03.2016 (Audited)	31.03.2017 (Audited)	31.03.2016 (Audited)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Income from Operations							
(a) Net Sales/Income from operations	2,797.59	2,170.81	558.54	7,752.16	10,479.16	7,752.16	10,479.16
(b) Other Operating Income	87.75	61.75	169.52	296.67	346.52	296.82	346.74
Total income from operations (net)	2,885.34	2,232.56	728.06	8,048.83	10,825.68	8,048.98	10,825.90
2. Expenses							
a) Cost of Materials consumed	-	-	0.03	0.04	0.09	0.04	0.09
b) Purchases of Stock in Trade	2,813.77	2,178.93	662.61	7,815.55	10,560.40	7,815.55	10,560.40
c) Changes in inventories of finished goods, work in progress and stock in trade	(0.18)	(18.13)	0.66	(39.25)	4.89	(39.26)	4.92
d) Employee benefits expense	24.91	26.48	23.57	103.48	101.02	104.78	102.39
e) Depreciation & amortisation expense	3.93	3.91	5.07	15.77	15.88	16.18	16.25
f) Other Expenses	12.44	8.44	(1.15)	36.44	22.44	36.98	23.02
Total expenses	2,854.87	2,199.63	690.79	7,932.03	10,704.72	7,934.27	10,707.07
3. Profit/(Loss) from operations before other income, finance costs and exceptional items (1-2)	30.47	32.93	37.27	116.80	120.96	114.71	118.83
4. Other Income	15.42	8.04	9.78	37.49	30.07	37.62	32.00
5. Profit/(Loss) from ordinary activities before finance costs and exceptional items (3+ 4)	45.89	40.97	47.05	154.29	151.03	152.33	150.83
6. Finance Costs	42.98	39.62	38.40	158.93	152.11	718.59	631.81
7. Profit/(Loss) from ordinary activities after finance costs but before exceptional items (5-6)	2.91	1.35	8.65	(4.64)	(1.08)	(566.26)	(480.98)
8. Exceptional Items							
-Provisions/Write-off (Net of write back) - Debit/(Credit)	(21.64)	194.15	(13.16)	143.73	(23.78)	144.05	(23.53)
9. Profit/(Loss) from ordinary activities before Tax (7- 8)	24.55	(192.80)	21.81	(148.37)	22.70	(710.31)	(457.45)
10. Tax expense:							
Current Tax	16.60	(0.25)	4.18	16.60	5.15	16.60	5.15
Tax relating to earlier years	(0.00)	-	-	0.57	(0.31)	1.40	(0.38)
Provision for MAT Credit Entitlement	-	-	0.97	-	-	-	-
Deferred Tax	-	-	-	-	-	-	-
11. Net Profit / (Loss) from Ordinary Activities after tax (9 -10)	7.95	(192.55)	16.66	(165.54)	17.86	(728.31)	(462.22)
12. Extraordinary Items (net of tax expense Rs. nil)	-	-	-	-	-	-	-
13. Net Profit / (Loss) for the period (11-12)	7.95	(192.55)	16.66	(165.54)	17.86	(728.31)	(462.22)
14. Paid up Equity Share Capital (Face Value Rs. 10/-)	60	60	60	60	60	60	60
15. Reserves excluding revaluation reserves as per Balance Sheet of previous accounting year				112.17	81.41	(3,230.88)	(2,781.39)
16. (i) Earning per share(EPS) (before extraordinary items)							
(of Rs.10/- each) (not Annualized) :							
(a) Basic (in Rs.)	1.33	(32.09)	2.78	(27.59)	2.98	(121.39)	(77.04)
(b) Diluted (in Rs.)	1.33	(32.09)	2.78	(27.59)	2.98	(121.39)	(77.04)
16. (ii) Earning per share(EPS) (after extraordinary items)							
(of Rs.10/- each) (not Annualized) :							
(a) Basic (in Rs.)	1.33	(32.09)	2.78	(27.59)	2.98	(121.39)	(77.04)
(b) Diluted (in Rs.)	1.33	(32.09)	2.78	(27.59)	2.98	(121.39)	(77.04)



Segment-wise Revenue, Results and Capital Employed

(Amount in Rs. Crore)

PARTICULARS	Standalone					Consolidated	
	3 months ended	3 months ended	3 months ended	Year ended	Year ended	Year ended	Year ended
	31.03.2017 (Unaudited)	31.12.2016 (Unaudited)	31.03.2016 (Unaudited)	31.03.2017 (Audited)	31.03.2016 (Audited)	31.03.2017 (Audited)	31.03.2016 (Audited)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Segment revenue (net sales from each segment)							
a) Export	324.88	380.18	10.29	788.86	1,110.47	788.86	1,110.47
b) Import	2,393.27	1,649.30	444.43	6,381.69	8,735.29	6,381.69	8,735.29
c) Domestic	79.44	141.33	103.82	581.61	633.40	581.61	633.40
Total	2,797.59	2,170.81	558.54	7,752.16	10,479.16	7,752.16	10,479.16
Less -Inter-segment revenue	-	-	-	-	-	-	-
Net sales	2,797.59	2,170.81	558.54	7,752.16	10,479.16	7,752.16	10,479.16
2. Segment results - Profit /(Loss) before tax and interest from each segment							
a) Export	7.61	8.48	1.89	19.47	15.40	19.47	15.40
b) Import	2.55	1.22	2.52	10.11	11.79	10.11	11.79
c) Domestic	0.96	1.21	1.59	5.45	5.92	5.45	5.83
Total	11.12	10.91	6.00	35.03	33.11	35.03	33.02
Less:(I) Interest	42.98	39.62	38.40	158.93	152.11	718.59	631.81
(ii) Other unallocable expenditure net off							
Unallocable income	(56.41)	164.09	(54.21)	24.47	(141.70)	26.75	(141.34)
Profit before Tax	24.55	(192.80)	21.81	(148.37)	22.70	(710.31)	(457.45)
3. Segment Assets							
a) Export	2,984.16	3,116.66	3,215.53	2,984.16	3,215.53	2,984.16	3,215.53
b) Import	102.94	328.47	336.27	102.94	336.27	102.94	336.27
c) Domestic	141.04	149.34	155.36	141.04	155.36	144.90	159.69
d) Unallocated	1,056.03	790.31	1,141.10	1,056.03	1,141.10	1,058.78	1,146.38
Total	4,284.17	4,384.78	4,848.26	4,284.17	4,848.26	4,290.78	4,857.87
4. Segment Liabilities							
a) Export	1,367.76	2,517.27	1,801.16	1,367.76	1,801.16	1,367.76	1,801.16
b) Import	241.87	341.27	206.99	241.87	206.99	241.87	206.99
c) Domestic	45.85	153.58	75.15	45.85	75.15	49.99	77.44
d) Unallocated	1,737.44	489.36	1,708.17	1,737.44	1,708.17	5,644.39	5,057.18
Total	3,392.92	3,501.48	3,791.47	3,392.92	3,791.47	7,304.01	7,142.77



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STANDALONE & CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

Particulars	Standalone		Consolidated	
	As at 31.03.2017 (Audited)	As at 31.03.2016 (Audited)	As at 31.03.2017 (Audited)	As at 31.03.2016 (Audited)
I. EQUITY AND LIABILITIES				
(1) Shareholder's funds				
(a) Share Capital	60.00	60.00	60.00	60.00
(b) Reserves & Surplus	831.25	996.79	(3,073.23)	(2,344.90)
(c) Money received against share warrants	-	-	-	-
Sub-Total - Shareholders Funds	891.25	1,056.79	(3,013.23)	(2,284.90)
(2) Share application money pending allotment	-	-	-	-
(3) Non-Current Liabilities				
(a) Long-term borrowings	146.28	-	146.28	-
(b) Other long term liabilities	1,048.57	1,137.69	1,048.58	1,137.69
(c) Long-term provisions	108.14	103.71	108.14	103.71
Sub Total - Non Current Liabilities	1,302.99	1,241.40	1,303.00	1,241.40
(4) Current Liabilities				
(a) Short-term borrowings	1,510.80	1,439.44	2,696.06	2,624.70
(b) Trade Payables	173.20	646.77	173.36	646.97
(c) Other current liabilities	385.87	447.91	3,108.04	2,610.54
(d) Short-term provisions	20.06	15.95	23.55	19.16
Sub Total - Current Liabilities	2,089.93	2,550.07	6,001.01	5,901.37
TOTAL - EQUITY AND LIABILITIES	4,284.17	4,848.26	4,290.78	4,857.87
II. ASSETS				
(1) Non-Current Assets				
(a) Fixed Assets	932.24	945.78	936.34	950.36
(b) Non-Current investments	0.01	0.01	0.04	0.04
(c) Deferred tax assets (net)	73.01	73.01	73.01	73.01
(d) Long-term loans and advances	18.70	21.60	19.11	22.83
(e) Other non-current assets	1,006.32	1,094.14	1,006.33	1,094.14
Sub Total - Non Current Assets	2,030.28	2,134.54	2,034.83	2,140.38
(2) Current Assets				
(a) Current investments	-	-	-	-
(b) Inventories	39.70	0.42	39.70	0.42
(c) Trade receivables	2,112.49	2,640.98	2,112.60	2,641.09
(d) Cash and cash equivalents	9.21	9.60	10.85	12.97
(e) Short-term loans and advances	49.29	41.25	49.33	41.32
(f) Other current assets	43.20	21.47	43.47	21.69
Sub Total - Current Assets	2,253.89	2,713.72	2,255.95	2,717.49
TOTAL - ASSETS	4,284.17	4,848.26	4,290.78	4,857.87

Notes:

1) The financial results for the quarter & year ended 31st March, 2017 were reviewed by the Audit Committee and taken on record by the Board of Directors in its meeting held on 30th May, 2017. The audited accounts are subject to Supplementary Audit by the Comptroller and Auditor General of India under section 143(6) of the Companies Act, 2013.

2) Trade receivables and other income as on 31.03.2017 include Rs. 1,904.24 crore and Rs. 231.93 crore respectively, receivable from one of the associates with whom the conciliation agreement has been signed which is enforceable as decree and upheld by Hon'ble Supreme Court as final. The associate has made a part payment as per directives of Hon'ble Supreme Court. In view of the above, the debt has been considered good and interest accrued thereon is recognized as income.

3) The figures for the three months ended 31.03.2017 and corresponding three months ended 31.03.2016 are the balancing figure between the audited figure in respect of the full financial year and the year to date figures up to the third quarter of the respective financial years.

4) As a matter of prudence, deferred tax Assets for the year ended 31.03.2017 has not been recognized.

5) Figures of the previous period have been regrouped/ rearranged to make them comparable with those of the current period wherever necessary.

As per our report of even date
For M/s P. Jain & Company
Chartered Accountants
FRN : 000711C

(Pankaj Jain)
Partner
M. No. 097279



Place: New Delhi
Dated: 30.05.2017

By order of the Board of Directors

(Rajiv Chopra)
Director (Marketing) with additional
charge of CMD
DIN -06466326

(S K Sharma)
Director -Personnel with
Additional charge of Director
Finance
DIN - 06942536

THE STATE TRADING CORPORATION OF INDIA LTD.

EXTRACT OF STATEMENT OF STANDALONE & CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31.03.2017



(Amount in Rs. Crore)

S.NO	PARTICULARS	Standalone			Consolidated		
		3 months ended 31.03.2017 (Unaudited) (1)	3 months ended 31.03.2016 (Unaudited) (2)	Year ended 31.03.2017 (Audited) (3)	Year ended 31.03.2016 (Audited) (4)	Year ended 31.03.2017 (Audited) (5)	Year ended 31.03.2016 (Audited) (6)
1	Total income from operations (net)	2,885.34	728.06	8,048.83	10,825.68	8,048.98	10,825.90
2	Net Profit /(Loss) from Ordinary Activities after tax	7.95	16.66	(165.54)	17.86	(728.31)	(462.22)
3	Net Profit /(Loss) for the period after tax (after Extraordinary items)	7.95	16.66	(165.54)	17.86	(728.31)	(462.22)
4	Equity Share Capital	60.00	60.00	60.00	60.00	60.00	60.00
5	Reserves excluding revaluation reserves as per Balance Sheet of previous accounting year	-	-	112.17	81.41	(3,230.88)	(2,781.39)
6	Earning per share(EPS) (before extraordinary items) (of Rs.10/- each) (not Annualized) :						
	(a) Basic (in Rupees)	1.33	2.78	(27.59)	2.98	(121.39)	(77.04)
	(b) Diluted (in Rupees)	1.33	2.78	(27.59)	2.98	(121.39)	(77.04)
7	Earning per share(EPS) (after extraordinary items) (of Rs.10/- each) (not Annualized) :						
	(a) Basic (in Rupees)	1.33	2.78	(27.59)	2.98	(121.39)	(77.04)
	(b) Diluted (in Rupees)	1.33	2.78	(27.59)	2.98	(121.39)	(77.04)

Notes:

1) The financial results for the quarter & year ended 31st March, 2017 were reviewed by the Audit Committee and taken on record by the Board of Directors in its meeting held on 30th May, 2017. The audited accounts are subject to Supplementary Audit by the Comptroller and Auditor General of India under section 143(6) of the Companies Act, 2013.

2) Trade receivables and other income as on 31.03.2017 include Rs. 1,904.24 crore and Rs. 231.93 crore respectively, receivable from one of the associates with whom the conciliation agreement has been signed which is enforceable as decree and upheld by Hon'ble Supreme Court as final. The associate has made a part payment as per directives of Hon'ble Supreme Court. In view of the above, the debt has been considered good and interest accrued thereon is recognized as income.

3) The figures for the three months ended 31.03.2017 and corresponding three months ended 31.03.2016 are the balancing figure between the audited figure in respect of the full financial year and the year to date figures up to the third quarter of the respective financial years.

4) As a matter of prudence, deferred tax Assets for the year ended 31.03.2017 has not been recognized.

5) Figures of the previous period have been regrouped/ rearranged to make them comparable with those of the current period wherever necessary.

6) The above is an extract of the detailed format of Quarterly Financial Results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015. The full format of the Quarterly Financial Results are available on the stock Exchange Websites (www.nseindia.com, www.bseindia.com) and Co.'s website (www.stc.gov.in)

By order of the Board of Directors

(Rajiv Chopra)

Director (Marketing) with additional charge of CMD
DIN - 06466326

(S K Sharma)

Director -Personnel with Additional charge
of Director Finance
DIN - 06942536

Place: New Delhi
Dated: 30.05.2017

P.JAIN & COMPANY CHARTERED ACCOUNTANTS

HO- 210 ARUNACHAL BHAWAN, 2ND FLOOR, 19 BARAKHAMBHA ROAD NEW DELHI 110001
BO- 6, NAVYUG MARKET, 1ST FLOOR, GHAZIABAD 201001

INDEPENDENT AUDITOR'S REPORT

**To the Members of
The State Trading Corporation of India Limited**

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **THE STATE TRADING CORPORATION OF INDIA LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information, in which are incorporated the Returns for the year ended on that date audited by the branch auditors of Company's ten branches at Agra, Ahmedabad, Bangalore, Bhopal, Chennai, Cochin, Hyderabad, Jalandhar, Kolkata and Mumbai.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

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Basis for Qualified Opinion

- (i) Reference is invited to Note no.22.1 and 27.1, Trade receivable includes Rs. 1904.24 crore and other income includes interest of Rs. 231.93 crore booked during the current year on over dues from one of the business associates on account of goods supplied in earlier years. The dues are stated to be secured by EMD of Rs. 29.73 crore and personal guarantee of chairman of its holding company. Consequent upon Conciliation Agreement dated 15.11.2011 and further settlement agreement dated 17.05.2012 the entire dues were payable to the company by 10.11.2012. During the year, the Business Associate remitted an amount of Rs. 70.18 crore on the directions of Hon'ble Supreme Court. Considering the poor recovery, non-availability of security, dispute by party with respect to interest charged, and age of outstanding dues, interest income should not be recognized as per provisions of Accounting Standard- 9 issued by ICAI. Had the company de-recognized the interest income, net loss of current year would have been higher by Rs. 231.93 crore, reserve & surplus and trade receivable would have been lower by Rs. 231.93 crore.

Considering the overall circumstances surrounding the recoverability of outstanding dues of Rs. 1904.24 crore, we are not in a position to ascertain whether the amount is fully recoverable or not. We are informed by the management that petition for execution of decree as per Conciliation Agreements under the Arbitration and Conciliation Act, 1996 has been filed before the Hon'ble Supreme Court wherein it has been held that decree is final. The party has submitted payment proposal before the Hon'ble Apex Court which is still subjudice before the Hon'ble Apex Court. Cases U/s 138 of Negotiable Instruments Act are also filed by the company before the Hon'ble High Court Delhi. The Enforcement Directorate and CBI are also investigating into the matter about cheating and fraud done by the party. We have also been provided affirmative Board Resolution dt. 14.02.2017 and outcome dt. 30.05.2017 that all possible efforts are extended for recovery of the dues through legal process and company is assured of recovering the dues.

- (ii) Reference is invited to Note no.25.1, Rs.7.81 crore is recoverable from HHEC and inspite of various assurances HHEC has not made the payment and in its latest letter dt. 08.02.2017, HHEC has stated that Company's position is still precarious as order position has not improved and new business visualized are not forthcoming etc. and HHEC has approached its Administrative Ministry for looking into matter and to extend financial support. The Company has also not obtained any balance confirmation from HHEC. Considering the above, provision should be made for the amount recoverable from HHEC. Had the company made provision of said recoverable, net loss of current year would have been higher by Rs. 7.81 crore, reserve & surplus and claims recoverable (current assets) would have been lower by Rs. 7.81 crore.
- (iii) Mumbai branch auditor has reported that debit balances appearing in Bhopal branch pertaining to security deposit and loans & advances of Rs. 0.19 crore has not been written off due to pending approval from Corporate Office. Had the company written off these balances, net loss of current year would have been higher by Rs. 0.19 crore, reserve & surplus and deposits and loans & advances would have been lower by Rs. 0.19 crore.

Emphasis of Matters

We draw attention to the following matters in the Notes to the standalone financial statements:

- a) Reference is invited to Note no.18.1 regarding trade advance of Rs. 87.39 crore recoverable from one of parties against which the company has initiated legal actions including criminal proceedings. Pending outcome of legal steps initiated for recovery, full provision of Rs. 87.39 crore was made in earlier year. However, the company was successful in getting arbitration award of Rs 110.00 crore in its favour along with 12% interest per annum from 1st May 2006 till realization of award which has been objected by the party and hearing is pending before Hon'ble High Court, New Delhi.



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- b) Reference is invited to Note no. 19.1, regarding long term trade receivable Rs. 568.44 crore on account of export of pharma products to foreign buyers on back to back basis. As there is default in the payment against export bills by the buyers which have ultimately gone into liquidation, litigation process have been initiated by the Company as well as by Indian Associates and their bankers. A claim of Rs. 527.86 crore has been admitted by the liquidator and decree for Rs. 62.47 crore by Hon'ble High Court Mumbai. There is however corresponding credit balance of Rs. 568.44 crore under trade payables. Management does not anticipate any liability on this account.
- c) Reference is invited to Note no.19.2, regarding long term trade receivable of Rs. 787.65 crore under the Credit Linked Insurance Scheme (CLIS) for export of gold jewellery etc. against which corresponding credit balance of Rs. 342.19 crore are available, leaving net receivable of Rs. 445.46 crore. Actions against the Business Associate have been initiated. The matter is being pursued legally and company is hopeful of recovery. As a measure of abundant caution, full provision of Rs. 445.46 crore being net receivable, has been made in earlier year.
- d) Reference is invited to Note no.19.3, regarding long term trade receivables of Rs.41.92 crore on account of export of agro commodities to foreign buyers through Indian business associates against which credit balance of Rs.41.92 crore is available under trade payable. The foreign buyer defaulted in making payment and upon non-receipt of the dues from business associate, the Company has initiated necessary legal steps against business associates for recovery. Considering the legal enforceability of the agreement and corresponding credit of Rs.41.92 crore, no provision is considered necessary.
- e) Reference is invited to Note no. 19.4, regarding long term trade receivables of Rs.9.83 crore (net of provision for diminution in value of stock) recoverable from one of the business associates for goods sold in earlier years. The overdue is secured by pledge of stocks in favour of STC. Upon non-payment of overdue receivables, legal actions have been initiated against the business associate u/s 138 of Negotiable Instruments Act, 1881 and civil hearings are in progress. Another PSU company MSTC had made a claim in respect of ownership of some of the pledged stock sold by the STC to business associate. As on balance sheet date, the pledged stock has been valued at Rs. 9.83 crore by approved valuer and STC is awaiting further direction from Hon'ble Mumbai High Court.
- f) Reference is invited to Note no. 19.6, regarding long term trade receivable of Rs. 48.57 crore due from one of the Business Associates for goods sold in earlier years. The Company has filed winding up petition which has now been transferred to NCLT Kolkata. Proceedings u/s 340 of CRPC is under progress at Balasore District Court. The business associate has paid a sum of Rs. 10 crore during the year and another Rs 7 crore before the approval of financial statements. As a measure of abundant caution, provision of Rs. 41.57 crore has been made in current year.
- g) Reference is invited to Note no. 19.8, regarding long term trade receivable of Rs. 10.21 crore recoverable from MARKFED, Govt. of Maharashtra (GOM) towards supply of RBD Palmolien under PDS Scheme during the years 2010-11 and 2011-12. All amounts relating to this supply were received by the Company except the outstanding balance of Rs. 10.21 crore pending for final reconciliation at their end. Matter is being constantly taken up with MARKFED, Govt. of Maharashtra for recovery. As a matter of prudence, provision of Rs. 10.21 crore has been made in current year.
- h) Reference is invited to Note no. 19.9, regarding long term trade receivable of Rs. 122.95 crore from one of the business associate for goods sold in the earlier years which is overdue. Negotiation with a PSU for selling of the stocks, which has acquired the plant and machinery, is under progress. As a matter of prudence, full provision for Rs. 122.95 crore has been created during the current year.
- i) Reference is invited to Note no. 19.11 regarding long term trade receivables of Rs.17.28 crore recoverable from one of the business associates for goods sold in earlier years. Criminal complaints u/s 138 of Negotiable Instruments Act, 1881 and contempt application filed before Hon'ble High Court, New Delhi are under progress against the business associate. As a matter of prudence, provision for full amount of Rs.17.28 crore has been made in current year.



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- j) Reference is invited to Note no. 22.2, regarding trade receivables of Rs. 10.53 crore recoverable from one of the Business Associates for sale of coal. A provision of Rs. 3.33 crore has been made in the current year. The balance dues are secured by mortgage of free hold land. The Business Associate has undertaken to repay all dues along with interest on receipt of CDR package. The Company has filed legal and criminal case against Business Associate.
- k) Reference is invited to Note no. 22.4, regarding trade receivables of Rs. 64.23 crore for urea supplied to Department of Fertilizers (DOF). The payments have been withheld on account of quality parameters. The matter has been taken up with DOF and DOF has referred the matter to Ministry of Law for opinion. Consequently PBG of foreign suppliers amounting to Rs. 20.56 crore has been invoked. The matter is being continuously pursued with DOF for immediate settlement of the issues and release of payments. In view of above, no provision is considered necessary.
- l) Reference is invited to Note no. 45(b), regarding contingent liability of RS. 88.01 crore payable to foreign supplier as per arbitral award, for which the Company has filed appeal in the Hon'ble High Court New Delhi and simultaneously lodged the claim with Ministry of Consumer Affairs as transaction was under taken on their behalf. In view of the above, no provision is considered necessary.
- m) Reference is invited to Note no. 45(c), regarding contingent liability of Rs.74.92 crore along with interest payable to a foreign supplier on account of import of Urea in earlier years as per majority arbitration award passed in favour of foreign supplier. The company has filed an appeal against the majority arbitration award in the Hon'ble Delhi High Court. In view of above, no provision is considered necessary.
- n) Reference is invited to Note no. 47 & 48 relating to pending reconciliation/ confirmation of balances in parties accounts, claims recoverable, advances and current and other liabilities and consequential adjustment that may arise on reconciliation.

Our opinion is not modified in respect of these matters.

Qualified Opinion

In our opinion and to the best of our information, according to the explanations given to us and except for the matters described in the Basis for Qualified Opinion paragraph referred above, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017 and its loss and its cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements/information of ten branches included in the standalone financial statements of the Company whose financial statements/financial information reflect total assets of Rs. 1297.59 crore as at 31st March, 2017 and total revenues of Rs. 3747.40 crore for the year ended on that date, as considered in the standalone financial statements. The financial statements/information of these branches have been audited by the branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the report of such branch auditors and management replies to the observations of the branch auditors.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, based on our observations, reports received from branch auditors in respect of branches not visited by us, and explanations received from management, we give in the Annexure 'A' statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.



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2. As required by Section 143 (3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit except certain records/information at Mumbai branch, and balance confirmation of parties as mentioned in para no. (n) above under Emphasis of Matters.
 - (b) Except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us, however the system of maintaining stock records by branch with respect to goods kept with third party need to be ensured.
 - (c) The reports on the accounts of the branch offices of the Company audited under Section 143(8) of the Act by the branch auditors have been sent to us alongwith management replies to the observations of the branch auditors and have been properly dealt with by us in preparing this report.
 - (d) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from the branches not visited by us.
 - (e) Except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.
 - (f) The matters described in the Basis of Qualified Opinion paragraph above, in our opinion may have an adverse effect on functioning of the company
 - (g) Being a Government Company, section 164(2) of Companies Act, 2013 regarding whether any director is disqualified from being appointed as a director is not applicable to the Company in view of notification no. G.S.R.463 (E) dt. 05.06.2015.
 - (h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure 'B', and
 - (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements as referred to in Note No. 18.1, 19.1 to 19.06, 19.09, 19.11, 22.1, 22.2, 45 & 46 to the financial statements.
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.




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- iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation, we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management –Note no. 23.1.
3. As required by C&AG of India through directions issued under Section 143(5) of the Act, we give a report in the attached Annexure 'C'.

Place : New Delhi
Date : 30th May, 2017

For P. Jain & Company
Chartered Accountants
Firm Regn. No.000711C


(Pankaj Jain)
Partner
M. No. 097279



ANNEXURE 'A' TO INDEPENDENT AUDITOR'S REPORT

Re: The State Trading Corporation of India Limited

Referred to in Paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets except that absence of proper tagging at Mumbai Branch, proper records not maintained at Agra branch and updation of fixed asset register at Corporate Office.
- (b) The fixed assets were physically verified by the management during the year. We have been informed that no material discrepancies were noticed on such physical verification wherever done, except at Mumbai branch where the management is in process of reconciling the discrepancies noticed on such physical verification and at Corporate Office where certain assets having book value of Rs. 8.72 crore pending for verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company except for immovable properties referred to in Annexure- E whose title deeds are not held in the company's name.
2. As explained to us, verification of inventories undertaken by the Company through surveyor from time to time. In respect of the goods in the custody of third parties, certificate is obtained from the Clearing & Handling Agents or the warehousing corporation or from the concerned parties.
3. As informed to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, clauses (iii)(a), (b) & (c) of paragraph 3 of the Order are not applicable to the Company.
4. According to the information and explanations given to us, the Company has not given any loans, or made any investments or provided any guarantees or security to the parties covered under sections 185 and 186 of the Act. Accordingly, paragraph 3 (iv) of the Order is not applicable to the Company.
5. The Company has not accepted any deposits from the public during the year and consequently, the directives issued by Reserve Bank of India, the provisions of sections 73 to 76 of the Act and rules framed there under are not applicable to the Company. However certain old amount are outstanding in advances from customers/credit balance in customer account which as explained to us is immaterial and is subject to reconciliation and adjustment, if any.
6. As informed by the management, the Central Government has not prescribed the maintenance of cost records under section 148 (1) of the Act for the Company.
7. (a) According to the records of the Company, undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues have been generally regularly deposited with the appropriate authorities. There were no undisputed amounts payables in respect of the aforesaid dues which were outstanding as at 31st March, 2017 for a period of over six months from the date they became payable except Rs. 0.01 crore professional tax payable at Mumbai branch.



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- (b) According to the information and explanations given to us, there are following disputed statutory dues aggregating Rs. 1.73 crore on account of Income tax, Rs. 771.57 crore on account of Sales tax/VAT and Rs. 49.49 crore on account of Service tax which have not been deposited.

Name of the statute	Nature of dues	Amount (Rs. in Crore)	Period to which the amount relates	Forum where dispute is pending
Income Tax				
Income Tax Act	Income Tax	1.73	2008-09	DCIT, Delhi
Sales Tax				
TNGST/AST/CST (Chennai Branch)	Sales Tax (incl. penalty)	0.83	1974-75, 1975-76, 1985-86 to 1987-88, 1989-90 & 1991-92	Hon'ble Madras High Court
Central Sales Tax Act (Chennai Branch)	Central Sales Tax	0.01	1987-88	Appellate Tribunal
Central Sales Tax Act (Bengaluru Branch)	Central Sales Tax	0.08	2014-15	Asstt. Commissioner Commercial Tax
Bihar Sales Tax Act (Kolkata Branch)	Sales Tax	0.01	1989-90	Sales Tax Appellate Tribunal
Central Sales Tax Act (Kolkata Branch)	Central Sales Tax	0.07	1981-82	Assessing Officer
Orrisa Sales Tax Act (Kolkata Branch)	Sales Tax	0.01	1988-89	Commissioner (Appeals), Orrissa
Central Sales Tax Act (Kolkata Branch)	Central Sales Tax	0.02	1993-94 to 1995-96	Hon'ble Assam High Court
Central Sales Tax Act (Kolkata Branch)	Central Sales Tax	0.23	2003-04	Joint Commissioner, Sales Tax
Delhi VAT Act	Sales Tax	0.02	2010-11	VAT Officer
Delhi VAT Act	Sales Tax	2.33	2008-09	VAT Officer
Maharashtra Sales Tax Act (Mumbai Branch)	BST (Sales Tax)	0.69	1992-93 & 1996-97	Maharashtra Sales Tax Tribunal
Maharashtra Sales Tax Act (Mumbai Branch)	BST /CST/ MVAT	*476.75	1993-94, 2000-01, 2003-04, 2004-05, 2006-07 & 2009-10 to 2011-12	Joint Commissioner, Sales Tax
Maharashtra Sales Tax Act (Mumbai Branch)	CST/WCT	*290.52	2008-09 & 2012-13	Deputy Commissioner, Sales Tax

* including Rs. 720.18 crore against which stay order has been received

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Name of the statute	Nature of dues	Amount (Rs. in Crore)	Period to which the amount relates	Forum where dispute is pending
Service Tax				
Finance Act, 1994 (Kolkata Branch)	Service Tax	7.29	2005-06 & 2006-07	CESTAT*
Finance Act, 1994	Service Tax	7.96	2007-08 to 2013-14	Commissioner Service Tax
Finance Act, 1994	Service Tax	3.54	2014-15	Principal Commissioner Service Tax
Finance Act, 1994 (Mumbai Branch)	Service Tax	16.54	01.10.2004 to 31.03.2011	Service Tax Appellate Tribunal Mumbai
Finance Act, 1994 (Mumbai Branch)	Service Tax	0.13	01.04.2011 to 31.03.2012	Service Tax Appellate Authority Mumbai
Finance Act, 1994 (Mumbai Branch)	Service Tax	**14.03	01.04.2012 to 31.03.2014	Service Tax Assessing Authority Mumbai

* Appeal to be filed

** Show cause notice received

8. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowing to banks except default at Mumbai branch as mentioned below. The Company does not have any loans or borrowing from any financial institution or government or dues to debenture holders during the year.

Name of the bank/financial institution	Amount of instalment/ interest due (Rs. In Crore)	Due date	Date of payment	Delay (days)
Exim Bank (Instalment)	10.00	01.04.2016	03.04.2016	2
Exim Bank (Instalment)	10.00	01.07.2016	02.07.2016	1
Exim Bank (Interest)	1.51	02.05.2016	03.05.2016	1
Exim Bank (Interest)	1.48	01.06.2016	07.06.2016	6
Exim Bank (Interest)	1.44	01.08.2016	02.08.2016	1
Exim Bank (Interest)	1.33	01.11.2016	04.11.2016	3

9. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) except renewal of term loan of Rs. 156.28 crore for working capital from Exim Bank during the year.
10. According to the information and explanations given to us, no material fraud by the company or on the Company by its officers or employees has been noticed or reported during the course of our audit except a case of conspiracy, cheating, fraud and misappropriation of stocks during the year 2004 to 2016 by a business associate having outstanding balance of Rs. 1904.24 crore under overseas trade. It was informed that criminal complaint was lodged with Central Bureau of Investigation, New Delhi on 14.03.2017 and the matter is under investigation.
11. In our opinion and according to the information and explanations given to us, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
12. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3 (xii) of the Order is not applicable to the Company.



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13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are generally in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
14. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
15. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3 (xv) of the Order is not applicable to the Company.
16. The Company is not required to be registered under section 45-1A of the Reserve Bank of India Act, 1934

For P. Jain & Company
Chartered Accountants
Firm Regn. No.000711C


(Pankaj Jain)
Partner

M. No. 097279



Place : New Delhi
Date : 30th May, 2017

Annexure-‘B’ to the Independent Auditors’ Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of **The State Trading Corporation of India Limited** (“the Company”) as on 31st March, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance

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with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting (IFCFR)

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Basis for Qualified Opinion

- (i) Following design gap are noticed in IFCFR such as lawyer's certificate not taken in litigation cases, monitoring and record keeping of pledged/owned inventory not maintained, manual invoicing and absence of track record for invoicing, ageing analysis and reconciliation with vendors not reviewed, no policy for credit evaluation and customer acceptance, manual calculations for leaves, no HR Software, acknowledgement by the user not taken for receipt of fixed assets of required specification, compliance calendar not documented, , absence of review mechanism, job responsibilities not defined, rules and regulations not authenticated by authorized signatory, IT policy not documented, disaster management plan not documented, no data backup for divisions other than corporate accounts, data backup of accounting records not maintained for branches.
- (ii) With respect to Mumbai branch of the Company, the branch auditor has reported certain material weaknesses in internal financial control over financial reporting such as inadequate- IT & general controls, internal control system with regards to pledged inventory, customer acceptance & credit evaluation, internal audit coverage, large financial exposure in litigated matters & pending statutory litigation involving tax demands, financial reporting system, delay in booking of expenses and compliance with statutory dues etc.
- (iii) With respect to Cochin branch of the company, the branch auditor has reported that payment to caradmom planters during the period upto 08.11.2016 was made by way of bearer cheques which is against the principal of effective internal financial control.
- (iv) Reference is invited to Note no. 47 & 48 relating to pending reconciliation/confirmation of balances in parties accounts, claims recoverable, advances and current and other liabilities and consequential adjustment that may arise on reconciliation.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Qualified Opinion

In our opinion, the Company has, except for effects of the material weaknesses described above on achievement of the objectives of the control criteria, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to ten branches at Agra, Ahmedabad, Bangalore, Bhopal, Chennai, Cochin, Hyderabad, Jalandhar, Kolkata and Mumbai is based on the corresponding reports of the auditors of such branches and management replies to the observations of the branch auditors.

Place : New Delhi
Date : 30th May, 2017

For P. Jain & Company
Chartered Accountants
(Firm Regn. No. 000711C)


(Pankaj Jain)
Partner

M. No. 097279



Annexure-‘C’ to the Independent Auditors’ Report

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of The State Trading Corporation of India Limited (Standalone) for the year 2016-17 issued by the Comptroller & Auditor General of India under Section 143(5) of the Companies Act, 2013.

Sl. No.	Area Examined	Observation/Finding
1	Whether the company has clear title/lease deeds for freehold and leasehold land for which title/lease deeds are not available.	Refer Annexure ‘D’ below.
2	Whether here are any cases of waiver/write off of debts/loans/interest etc., if yes, the reasons there for and amount involved.	Rs 0.81 crore written off as these were old cases, remote possibility of recovery, necessary approval have been taken from the competent authority.
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift/grant from the Government or other authorities.	As reported by Mumbai branch auditor, no stock records are maintained by the branch for stock lying with third party. Records are maintained at the godown by the custodian.

Annexure ‘D’

S. No.	Location of Property	Property Description	Document Found	Area
1	New Delhi	Land & Building at Jawahar Vyapar Bhawan, Tolstoy Marg (Office Building)	Agreement for lease	2.559 Acre
2	New Delhi	STC /MMTC Housing Colony, Aurbindo Marg	Agreement (true copy)	Not yet bifurcated between STC, MMTC & HHEC
3	Mumbai	6 no. flats at Sai Darshan Apartment, Santacruz (W)	Confirmation Deed	3984 Sq. ft.
4	New Delhi	8 no. flats at AGVC Complex	Execution of Lease Deed pending	14424 Sq. ft.
5	Mumbai	Flat-13, Las Palmas, Malbar Hill	Share certificate in name of the Company but original agreement not available	2311 Sq. ft.
6	Mumbai	2 Flats- 1001 & 1103, Wallace Apt., Grant Road	Share certificate in name of the Company but original agreement not available	2560 Sq. ft.

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7	Mumbai	Flat-7, Shyam Sadan, Khar	Share certificate in name of the Company but original agreement not available	750 Sq. ft.
8	Mumbai	3 Flats-5A, 9A and 10B, Mandar Apartments, Ville Parle (E)	Share certificate in name of the Company but original agreement not available	2350 Sq. ft.

Annexure 'E' to the Independent Auditors' Report
Title deeds of properties not held in the name of the Company

S. No.	Location of Property	Property Description	Audit Observation	Area	Gross Block after revaluation (Rs. in crore)
1	New Delhi	(i) Land & Building at Jawahar Vyapar Bhawan, Tolstoy Marg (Office Building) (ii) STC /MMTC Housing Colony, Aurbindo Marg	Process of issuance of sub divided lease deeds in the name of company and its co-owners pending.	2.559 Acre	548.33 (land) 185.91 (Building)
2	New Delhi	8 no. flats at AGVC Complex	Execution of Lease Deed pending.	14424 Sq. ft.	28.42
3	Mumbai	6 no. flats at Sai Darshan Apartment, Santacruz (W)	Registration of conveyance deeds pending	3984 Sq. ft.	33.19
4	Mumbai	Flat-13, Las Palmas, Malbar Hill	Share certificate in name of the Company but original agreement not available	2311 Sq. ft.	15.97
5	Mumbai	2 Flats- 1001 & 1103, Wallace Apt., Grant Road	Share certificate in name of the Company but original agreement not available	2560 Sq. ft.	10.06
6	Mumbai	Flat-7, Shyam Sadan, Khar	Share certificate in name of the Company but original agreement not available	750 Sq. ft.	2.21
7	Mumbai	3 Flats-5A, 9A and 10B, Mandar Apartments, Ville Parle (E)	Share certificate in name of the Company but original agreement not available	2350 Sq. ft.	4.94



P.JAIN & COMPANY CHARTERED ACCOUNTANTS

HO- 210 ARUNACHAL BHAWAN, 2ND FLOOR, 19 BARAKHAMBA ROAD NEW DELHI 110001
BO- 6, NAVYUG MARKET, 1ST FLOOR, GHAZIABAD 201001

Compliance Certificate

We have conducted the audit of Standalone financial statements of The State Trading Corporation of India Ltd. for the year ended March 31, 2017 in accordance with the directions/sub-directions issued by the Comptroller and Auditor General of India under section 143(5) of the Companies Act, 2013 and certify that to the best of knowledge and belief we have complied with all the directions/sub-directions issued to us.

Place : New Delhi
Date : 30.05.2017

For P. Jain & Company
Chartered Accountants
Firm Regn. No. 000711C


(Pankaj Jain)
Partner
M. No. 097279



P.JAIN & COMPANY CHARTERED ACCOUNTANTS

HO- 210 ARUNACHAL BHAWAN, 2ND FLOOR, 19 BARAKHAMBA ROAD NEW DELHI 110001
BO- 6, NAVYUG MARKET, 1ST FLOOR, GHAZIABAD 201001

INDEPENDENT AUDITOR'S REPORT

To the Members of
The State Trading Corporation of India Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **THE STATE TRADING CORPORATION OF INDIA LIMITED** ("the Holding Company") and its subsidiary (collectively referred as "the Group"), which comprise the consolidated Balance Sheet as at 31st March, 2017, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Financial Statements

The Holding Company's Board of Directors is responsible for preparation of these consolidated financial statements in terms of requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. The respective Board of Directors of Companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the directors of the Holding Company as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the other matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Basis for Qualified Opinion

- (i) Reference is invited to Note no.22.1 and 27.1, Trade receivable includes Rs. 1904.24 crore and other income includes interest of Rs. 231.93 crore booked during the current year on over dues from one of the business associates on account of goods supplied in earlier years. The dues are stated to be secured by EMD of Rs. 29.73 crore and personal guarantee of chairman of its holding company. Consequent upon Conciliation Agreement dated 15.11.2011 and further settlement agreement dated 17.05.2012 the entire dues were payable to the company by 10.11.2012. During the year, the Business Associate remitted an amount of Rs. 70.18 crore on the directions of Hon'ble Supreme Court. Considering the poor recovery, non-availability of security, dispute by party with respect to interest charged, and age of outstanding dues, interest income should not be recognized as per provisions of Accounting Standard- 9 issued by ICAI. Had the company de-recognized the interest income, net loss of current year would have been higher by Rs. 231.93 crore, reserve & surplus and trade receivable would have been lower by Rs. 231.93 crore.

Considering the overall circumstances surrounding the recoverability of outstanding dues of Rs. 1904.24 crore, we are not in a position to ascertain whether the amount is fully recoverable or not. We are informed by the management that petition for execution of decree as per Conciliation Agreements under the Arbitration and Conciliation Act, 1996 has been filed before the Hon'ble Supreme Court wherein it has been held that decree is final. The party has submitted payment proposal before the Hon'ble Apex Court which is still subjudice before the Hon'ble Apex Court. Cases U/s 138 of Negotiable Instruments Act are also filed by the company before the Hon'ble High Court Delhi. The Enforcement Directorate and CBI are also investigating into the matter about cheating and fraud done by the party. We have also been provided affirmative Board Resolution dt. 14.02.2017 and outcome dt. 30.05.2017 that all possible efforts are extended for recovery of the dues through legal process and company is assured of recovering the dues.

- (ii) Reference is invited to Note no.25.1, Rs.7.81 crore is recoverable from HHEC and inspite of various assurances HHEC has not made the payment and in its latest letter dt. 08.02.2017, HHEC has stated that Company's position is still precarious as order position has not improved and new business visualized are not forthcoming etc. and HHEC has approached its Administrative Ministry for looking into matter and to extend financial support. The Company has also not obtained any balance confirmation from HHEC. Considering the above, provision should be made for the amount recoverable from HHEC. Had the company made provision of said recoverable, net loss of current year would have been higher by Rs. 7.81 crore, reserve & surplus and claims recoverable (current assets) would have been lower by Rs. 7.81 crore.
- (iii) Mumbai branch auditor has reported that debit balances appearing in Bhopal branch pertaining to security deposit and loans & advances of Rs. 0.19 crore has not been written off due to pending approval from Corporate Office. Had the company written off these balances, net loss of current year would have been higher by Rs. 0.19 crore, reserve & surplus and deposits and loans & advances would have been lower by Rs. 0.19 crore.

Emphasis of Matters

We draw attention to the following matters in the Notes to the consolidated financial statements:

- a) Reference is invited to Note no.18.1 regarding trade advance of Rs. 87.39 crore recoverable from one of parties against which the company has initiated legal actions including criminal proceedings. Pending outcome of legal steps initiated for recovery, full provision of Rs. 87.39 crore was made in earlier year. However, the company was successful in getting arbitration award of Rs 110.00 crore in its favour along with 12% interest per annum from 1st May 2006 till realization of award which has been objected by the party and hearing is pending before Hon'ble High Court, New Delhi.

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- b) Reference is invited to Note no. 19.1, regarding long term trade receivable Rs. 568.44 crore on account of export of pharma products to foreign buyers on back to back basis. As there is default in the payment against export bills by the buyers which have ultimately gone into liquidation, litigation process have been initiated by the Company as well as by Indian Associates and their bankers. A claim of Rs. 527.86 crore has been admitted by the liquidator and decree for Rs. 62.47 crore by Hon'ble High Court Mumbai. There is however corresponding credit balance of Rs. 568.44 crore under trade payables. Management does not anticipate any liability on this account.
- c) Reference is invited to Note no.19.2, regarding long term trade receivable of Rs. 787.65 crore under the Credit Linked Insurance Scheme (CLIS) for export of gold jewellery etc. against which corresponding credit balance of Rs. 342.19 crore are available, leaving net receivable of Rs. 445.46 crore. Actions against the Business Associate have been initiated. The matter is being pursued legally and company is hopeful of recovery. As a measure of abundant caution, full provision of Rs. 445.46 crore being net receivable, has been made in earlier year.
- d) Reference is invited to Note no.19.3, regarding long term trade receivables of Rs.41.92 crore on account of export of agro commodities to foreign buyers through Indian business associates against which credit balance of Rs.41.92 crore is available under trade payable. The foreign buyer defaulted in making payment and upon non-receipt of the dues from business associate, the Company has initiated necessary legal steps against business associates for recovery. Considering the legal enforceability of the agreement and corresponding credit of Rs.41.92 crore, no provision is considered necessary.
- e) Reference is invited to Note no. 19.4, regarding long term trade receivables of Rs.9.83 crore (net of provision for diminution in value of stock) recoverable from one of the business associates for goods sold in earlier years. The overdue is secured by pledge of stocks in favour of STC. Upon non-payment of overdue receivables, legal actions have been initiated against the business associate u/s 138 of Negotiable Instruments Act, 1881 and civil hearings are in progress. Another PSU company MSTC had made a claim in respect of ownership of some of the pledged stock sold by the STC to business associate. As on balance sheet date, the pledged stock has been valued at Rs. 9.83 crore by approved valuer and STC is awaiting further direction from Hon'ble Mumbai High Court.
- f) Reference is invited to Note no. 19.6, regarding long term trade receivable of Rs. 48.57 crore due from one of the Business Associates for goods sold in earlier years. The Company has filed winding up petition which has now been transferred to NCLT Kolkata. Proceedings u/s 340 of CRPC is under progress at Balasore District Court. The business associate has paid a sum of Rs. 10 crore during the year and another Rs 7 crore before the approval of financial statements. As a measure of abundant caution, provision of Rs. 41.57 crore has been made in current year.
- g) Reference is invited to Note no. 19.8, regarding long term trade receivable of Rs. 10.21 crore recoverable from MARKFED, Govt. of Maharashtra (GOM) towards supply of RBD Palmolien under PDS Scheme during the years 2010-11 and 2011-12. All amounts relating to this supply were received by the Company except the outstanding balance of Rs. 10.21 crore pending for final reconciliation at their end. Matter is being constantly taken up with MARKFED, Govt. of Maharashtra for recovery. As a matter of prudence, provision of Rs. 10.21 crore has been made in current year.
- h) Reference is invited to Note no. 19.9, regarding long term trade receivable of Rs. 122.95 crore from one of the business associate for goods sold in the earlier years which is overdue. Negotiation with a PSU for selling of the stocks, which has acquired the plant and machinery, is under progress. As a matter of prudence, full provision for Rs. 122.95 crore has been created during the current year.

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- i) Reference is invited to Note no. 19.11 regarding long term trade receivables of Rs.17.28 crore recoverable from one of the business associates for goods sold in earlier years. Criminal complaints u/s 138 of Negotiable Instruments Act, 1881 and contempt application filed before Hon'ble High Court, New Delhi are under progress against the business associate. As a matter of prudence, provision for full amount of Rs.17.28 crore has been made in current year.
- j) Reference is invited to Note no. 22.2, regarding trade receivables of Rs. 10.53 crore recoverable from one of the Business Associates for sale of coal. A provision of Rs. 3.33 crore has been made in the current year. The balance dues are secured by mortgage of free hold land. The Business Associate has undertaken to repay all dues along with interest on receipt of CDR package. The Company has filed legal and criminal case against Business Associate.
- k) Reference is invited to Note no. 22.4, regarding trade receivables of Rs. 64.23 crore for urea supplied to Department of Fertilizers (DOF). The payments have been withheld on account of quality parameters. The matter has been taken up with DOF and DOF has referred the matter to Ministry of Law for opinion. Consequently PBG of foreign suppliers amounting to Rs. 20.56 crore has been invoked. The matter is being continuously pursued with DOF for immediate settlement of the issues and release of payments. In view of above, no provision is considered necessary.
- l) Reference is invited to Note no. 45(b), regarding contingent liability of Rs. 88.01 crore payable to foreign supplier as per arbitral award, for which the Company has filed appeal in the Hon'ble High Court New Delhi and simultaneously lodged the claim with Ministry of Consumer Affairs as transaction was under taken on their behalf. In view of the above, no provision is considered necessary.
- m) Reference is invited to Note no. 45(c), regarding contingent liability of Rs.74.92 crore along with interest payable to a foreign supplier on account of import of Urea in earlier years as per majority arbitration award passed in favour of foreign supplier. The company has filed an appeal against the majority arbitration award in the Hon'ble Delhi High Court. In view of above, no provision is considered necessary.
- n) Reference is invited to Note no. 47 & 48 relating to pending reconciliation/ confirmation of balances in parties accounts, claims recoverable, advances and current and other liabilities and consequential adjustment that may arise on reconciliation.
- o) Reference is invited to Note no. 62.iii.a of the notes to consolidated financial statement which states that, the accounts of the subsidiary Company are prepared based on the assumption that the Company is not going concern due to following reasons :
- i) The Shareholders of the subsidiary Company in their Extraordinary General Meeting held on 12.09.2013 had approved winding up of the Company under 433 (a) of the Companies Act, 1956.
 - ii) Department of Commerce, Ministry of Commerce and Industry vide its letter dated 26.08.2013 had conveyed approval of the Union Cabinet for winding up of the subsidiary Company and to offer voluntary Separation Scheme (VSS) to the Employees.
 - iii) Subsidiary Company had filed winding up petition before the Hon'ble High Court of Karnataka on 26.11.2013.
- Accordingly, the Subsidiary Company has drawn the accounts on liquidation basis i.e. assets have been revalued on realizable basis, whereas the liabilities towards the bank have been stated at book value, in view of legal cases initiated by the banks against the Subsidiary Company for recovery of their dues and all other liabilities at their settlement value.
- p) Reference is invited to Note no. 10.5 of the Notes to consolidated financial statements which states that, interest payable of Rs. 2723.60 crore on the principal amount due to the banks is arrived on the basis of the interest rates disclosed in the Debit Recovery Tribunal application filed by banks. Interest provision of Rs. 559.59 crore have been made by the subsidiary company for the current financial year. However no confirmation is received from the banks for interest payable.

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- q) Reference is invited to Note no. 60 of Notes to consolidated financial statements which states that in cases where the Subsidiary Company has made provision for Doubtful Debts, no further interest/addition margin of profit is recognized after they have been classified as doubtful debts. Any amount received from these parties after being classified as doubtful debts is being credited to their accounts and necessary entry for withdrawal of provisions are made. Only after the full receipt of the balance outstanding as per books, the interest/additional margin of profit will be recognized on cash basis.
- r) Reference is invited to Note no. 32.2 of Notes to consolidated financial statements which states that, the interest rates considered for computation of interest on short term borrowings related to devolved LC's are based on the claims of the consortium of banks with the Debt Recovery Tribunal (DRT)
- s) Reference is invited to Note no. 45(e)(vi, vii & viii) where it is mentioned that the Subsidiary Company has made provision for payment of interest as per the claim made by the consortium banks in the DRT up to 20.07.2011 and further interest are provided at the rates mentioned in the DRT application by the banks. Excess interest/ penal interest/ liquidated damages claimed by the banks as shown in their balance confirmation certificate amounting to Rs. 165.84 crore (included in Note 45.I.A) has been shown under contingent liability. However, the contingent liability as shown in Notes consists only of those banks who have given their balance confirmation certificate.
- t) Reference is invited to Note no. 8.4 of Notes to consolidated financial statements which states that, the total liability to banks along with interest amounting to Rs. 3908.85 crore is payable to consortium of seven banks and UCO Bank in respect of devolved LCs/Packing credits since 2008-09. Confirmation of outstanding interest has not been received from the banks. The Subsidiary Company has considered interest payable as claimed at the rates disclosed in their DRT application filed by UCO Bank and consortium of other Banks. Cash credit/short term loan is as per the DRT (Debt Recovery Tribunal) application filed by consortium of seven banks and UCO Bank on 20.07.2011. The above loan has been classified as NPA by consortium banks and UCO Bank. The Subsidiary Company has created pari-passu charge on current assets in favour of the banks and also surrendered the documents of immovable property situated at Chhindwara (3.239 hectares), Byadgi (5 Acres), Siddapura (2.20 acres) and Madikeri (0.50 acres) in favour of the Bankers. In view of the immovable properties of STCL given as security, an estimated amount of Rs. 1.83 crore out of the total advances can be considered as secured. The consortium of bank and UCO Bank have filed cases separately against the company with the DRT, wherein with regard to UCO Bank recovery case, DRT has passed an order dt. 29.09.2015 for recovery of Rs. 148.18 crore. However, the Subsidiary Company has challenged DRT order at DRAT Chennai. The banker have also issued notice u/s 13(2) of Securitization and Reconstruction of Financial Assets and enforcement of Security Interest Act, 2002. Further based on the above, the bankers have issued two Possession Notices one on 26.10.2011 on Factory Land and Building located at Byadagi and another on 17.11.2011 on Factory Land and Building located at Chhindwara, Madhya Pradesh.
- u) Reference is invited to Note no. 16.1 of the Notes to consolidated financial statements with respect to investment in Shares of NSS Satpura Agro Development Corporation Ltd., which states as follows :

The Joint Venture Company has incurred losses and its cumulative losses is Rs. 0.30 crore up to 31st March, 2013 and details of subsequent period are not available, the company has written off Rs. 0.07 crore towards permanent diminution in its investment value up to earlier years. The audited financial statements of NSS Satpura are not available for the subsequent periods. The Subsidiary Company's Board approved in its 142nd Board Meeting held on 24.10.2013 for withdrawal from the Joint Venture Company NSSADCL.

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- v) Reference is invited to Note no. 45(e)(xi) which states that, subsequent to filing of arbitration petitions of M/s Shiva Shankar Minerals Private Limited against STCL and on completion of arbitration process Rs. 6.07 crore including legal fees of Rs. 0.27 crore was awarded in favour of M/s Shiva Shankar Minerals Private Limited. STCL has filed an appeal against the arbitration award which is pending before the City Civil Court, Bangalore.
- w) Reference is invited to Note no. 24.2 which states that the Subsidiary Company has engaged the services of Govt. and Bank Registered Valuer to value the properties of business associates Future Metal Pvt. Ltd. and Indo Asia Infrastructure Pvt. Ltd. for which injunction on sale of above assets has been obtained from the court. While going through the Valuation Report, it was found that there is difference in village-wise land holdings valued in 2012 and 2016 and the valuation has decreased from Rs. 548.45 crore to Rs. 400.28 crore. No satisfactory explanation has been furnished to us.

Our opinion is not modified in respect of these matters.

Qualified Opinion

In our opinion and to the best of our information, according to the explanations given to us and except for the matters described in the Basis for Qualified Opinion paragraph referred above, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017 and its loss and its cash flows for the year ended on that date.

Other Matters

We did not audit the financial statements of one subsidiary included in the consolidated financial results, whose financial statements reflect total assets of Rs. 10.79 crore as at March 31, 2017, total revenues of Rs. 0.34 crore for the year ended March 31, 2017, cash flows amounting to (-) Rs. 0.02 Crore, and total loss after tax of Rs. 562.77 crore for the year ended March 31, 2017, as considered in the consolidated financial results. These financial statements have been audited by other auditor whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of sub section (3) and (11) of section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the report of other auditor on such audited financial statements of the subsidiary.

Our opinion on the consolidated financial statements and our report on other legal and regulatory requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the report of the other auditor and the financial statements certified by the Management.

Attention is drawn to note no. 16.1 regarding non consolidation of financial statements of Joint Ventures namely NSS Satpura Agro Development Co. Limited, and associates Richfield Aquatech Ltd, Blue Maritech Ltd, National Tannery Company Ltd, Indopirin Gloves Ltd due to non-availability of financial statements for the year 2016-17. However, as regards M/s Sealac Agro Ventures Limited no details were provided and disclosed in consolidated financial statements.



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Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, we report to the extent applicable that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements except
 - (i) certain records/information at Mumbai branch of Holding Company and
 - (ii) balance confirmation of parties as mentioned in para no. (n) above under Emphasis of Matters.
 - (b) Except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, in our opinion proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of other auditor, however the system of maintaining stock records by branch of Holding Company with respect to goods kept with third party need to be ensured.
 - (c) The consolidated Balance Sheet, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - (d) Except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.
 - (e) The matters described in the Basis of Qualified Opinion paragraph above, in our opinion may have an adverse effect on functioning of the Group.
 - (f) Being a Government Company, section 164(2) of Companies Act, 2013 regarding whether any director is disqualified from being appointed as a director is not applicable to the Company in view of notification no. G.S.R.463 (E) dt. 05.06.2015.
 - (g) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in Annexure 'A', and
 - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group refer Note No. 8.4, 18.1, 19.1 to 19.06, 19.09, 19.11, 22.1, 22.2, 24.2, 45, 46, 59 to the consolidated financial statements.
 - ii. The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.



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- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Group.
- iv. The Group has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation, we report that the disclosures are in accordance with books of account maintained by the Group and as produced to us by the Management –Note no. 23.1.

Place : New Delhi
Date : 30.05.2017

For P. Jain & Company
Chartered Accountants
Firm Regn. No.000711C


(Parkaj Jain)
Partner
M. No. 097279



ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE STATE TRADING CORPORATION OF INDIA LIMITED

Report on the Internal Financial Controls under Clause (I) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of THE STATE TRADING CORPORATION OF INDIA LIMITED (hereinafter referred to as "the Holding Company") as of that date. We did not audit the financial statements of one Subsidiary, which have been audited by the other Auditor.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary company which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining and understanding of internal financial controls over financial reporting assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditor in terms of their report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

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Meaning of Internal Financial Controls Over Financial Reporting (IFCFR)

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Basis for Qualified Opinion

- A. With respect to holding company, following material weaknesses have been identified as at 31st March, 2017.
- (i) Following design gap are noticed in IFCFR such as lawyer's certificate not taken in litigation cases, monitoring and record keeping of pledged/owned inventory not maintained, manual invoicing and absence of track record for invoicing, ageing analysis and reconciliation with vendors not reviewed, no policy for credit evaluation and customer acceptance, manual calculations for leaves, no HR Software, acknowledgement by the user not taken for receipt of fixed assets of required specification, compliance calendar not documented, , absence of review mechanism, job responsibilities not defined, rules and regulations not authenticated by authorized signatory, IT policy not documented, disaster management plan not documented, no data backup for divisions other than corporate accounts, data backup of accounting records not maintained for branches.
 - (ii) With respect to Mumbai branch of the holding company, the branch auditor has reported certain material weaknesses in internal financial control over financial reporting such as inadequate- IT & general controls, internal control system with regards to pledged inventory, customer acceptance & credit evaluation, internal audit coverage, large financial exposure in litigated matters & pending statutory litigation involving tax demands, financial reporting system, delay in booking of expenses and compliance with statutory dues etc.
 - (iii) With respect to Cochin branch of the holding company, the branch auditor has reported that payment to caradmom planters during the period upto 08.11.2016 was made by way of bearer cheques which is against the principal of effective internal financial control.

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(iv) Reference is invited to Note no. 47 & 48 relating to pending reconciliation/ confirmation of balances in parties accounts, claims recoverable, advances and current and other liabilities and consequential adjustment that may arise on reconciliation.

B. With respect to subsidiary company following material weaknesses have been identified as at 31st March, 2017

- 1) The subsidiary Company did not have appropriate internal control with respect to reconciliation of Trade Receivables, Trade Payables, other Creditors and Business Associates, which could result in the material misstatement in books of accounts.
- 2) The lease rent of steam sterilization unit located in Chhindwara, Madhya Pradesh was not collected during the period of lease i.e. 1st November, 2013 till the lease was terminated as on 31st January 2015. The subsidiary Company has not exercised its right to terminate the lease despite rent remaining unpaid throughout the lease period. The subsidiary Company has not filed any suit against the lessee for recovery of its dues.
- 3) Attention is drawn to Note no. 24.2 which states that the Subsidiary Company has engaged the services of Govt. and Bank Registered Valuer to value the properties of business associates Future Metal Pvt. Ltd. and Indo Asia Infrastructure Pvt. Ltd. for which injunction on sale of above assets has been obtained from the court. While going through the Valuation Report, it was found that there is difference in village-wise land holdings valued in 2012 and 2016 and the valuation has decreased from Rs. 548.45 crore to Rs. 400.28 crore. No satisfactory explanation has been furnished to us.
- 4) Attention is drawn to note no. 18.3, where it is mentioned that the subsidiary Company is in the process of liquidating the stocks through tender process since the past few years, the same has not been liquidated till date.
- 5) The subsidiary Company has rent advance to the tune of Rs. 4.18 crore with holding company, given towards occupation of earlier premises taken from holding company which has been terminated.
- 6) The Board of Directors of subsidiary Company had delegated certain powers to the Managing Director vide 107th Board Resolution dated 27th January, 2006, however, no review of the same has been made subsequently till date.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Qualified Opinion

In our opinion, the Holding Company and its one subsidiary company which are entities incorporated in India, have, except for effects of the material weaknesses described above on achievement of the objectives of the control criteria, the Holding Company and its one subsidiary company has maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.



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Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to one subsidiary company, which is the company incorporated in India, is based on the corresponding report of the auditor of subsidiary company incorporated in India.

Place : New Delhi
Date : 30.05.2017

For P. Jain & Company
Chartered Accountants
Firm Regn. No.000711C


(Pankaj Jain)
Partner
M. No. 097279



ANNEXURE – 1

THE STATE TRADING CORPORATION OF INDIA LIMITED
CIN : L74899DL 1956GO1002674

Statement on impact of Audit Qualification for the Financial Year ended 31st March, 2017 along with Annual Audited Financial Results – (Standalone)

Statement on impact of Audit Qualification for the Financial Year ended 31.03.2017
(See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016)

(Rs. Crore)

I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Audited Figures (as reported after adjusting for qualifications)
	1.	Turnover/total income	8086.32	7854.39
	2.	Total Expenditure	8251.86	9932.17
	3.	Net Profit/(Loss)	(165.54)	(2077.78)
	4.	Earnings Per Share	(27.59)	(346.30)
	5.	Total Assets	4284.17	2371.93
	6.	Total Liabilities	3392.92	3392.92
	7.	Net Worth	19.20	(1893.04)
	8.	Any other financial item(s) (as felt appropriate by the Management)	Also refer Emphasis of Matter paragraph in the Auditor's Report	
II.	<u>Audit Qualification (each audit qualification separately)</u> <u>Audit Qualification -1</u> a. Details of Audit Qualification		Reference is invited to Note no.22.1 and 27.1, Trade receivable includes Rs. 1904.24 crore and other income includes interest of Rs. 231.93 crore booked during the current year on over dues from one of the business associates on account of goods supplied in earlier years. The dues are stated to be secured by EMD of Rs. 29.73 crore and personal guarantee of chairman of its holding company. Consequent upon Conciliation Agreement dated 15.11.2011 and further	






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<p>b. Type of Audit Qualification : Qualified Opinion/Disclaimer of Opinion/Adverse Opinion</p> <p>c. Frequency of Qualification Whether appeared first</p>	<p>settlement agreement dated 17.05.2012 the entire dues were payable to the company by 10.11.2012. During the year, the Business Associate remitted an amount of Rs. 70.18 crore on the directions of Hon'ble Supreme Court. Considering the poor recovery, non-availability of security, dispute by party with respect to interest charged, and age of outstanding dues, interest income should not be recognized as per provisions of Accounting Standard- 9 issued by ICAI. Had the company de-recognized the interest income, net loss of current year would have been higher by Rs. 231.93 crore, reserve & surplus and trade receivable would have been lower by Rs. 231.93 crore.</p> <p>Considering the overall circumstances surrounding the recoverability of outstanding dues of Rs. 1904.24 crore, we are not in a position to ascertain whether the amount is fully recoverable or not. We are informed by the management that petition for execution of decree as per Conciliation Agreements under the Arbitration and Conciliation Act, 1996 has been filed before the Hon'ble Supreme Court wherein it has been held that decree is final. The party has submitted payment proposal before the Hon'ble Apex Court which is still subjudice before the Hon'ble Apex Court. Cases U/s 138 of Negotiable Instruments Act are also filed by the company before the Hon'ble High Court Delhi. The Enforcement Directorate and CBI are also investigating into the matter about cheating and fraud done by the party. We have also been provided affirmative Board Resolution dated 14.02.2017 and outcome dated 30.05.2017 that all possible efforts are extended for recovery of the dues through legal process and company is assured of recovering the dues.</p> <p>Qualified opinion</p> <p>Appeared first time</p>
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<p>d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's views :</p>	<p>The debit balance represents deposit with telephone authority, sales tax, MPEB and other sundry deposits. Branch is being advised to examine the details and other back up papers to justify the deposit in books of account. However, necessary actions would be taken in next financial year.</p>
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<p>III.</p>	<p><u>Signatories</u></p> <ul style="list-style-type: none"> • <u>_CMD :</u> • Director Finance : • Audit Committee Chairman : • Statutory Auditor – P. Jain Company :
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 PANKAJ JAIN
 (M.NO 097279)



ANNEXURE – 1

THE STATE TRADING CORPORATION OF INDIA LIMITED
CIN : L74899DL 1956GO1002674

Statement on impact of Audit Qualification for the Financial Year ended 31st March, 2017 along with Annual Audited Financial Results – (Consolidated)

Statement on impact of Audit Qualification for the Financial Year ended 31.03.2017
(See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016)

(Rs. Crore)

I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Audited Figures (as reported after adjusting for qualifications)
	1.	Turnover/total income	8086.60	7854.67
	2.	Total Expenditure	8814.91	10495.22
	3.	Net Profit/(Loss)	(728.31)	(2640.55)
	4.	Earnings Per Share	(121.39)	(440.09)
	5.	Total Assets	4290.78	2378.54
	6.	Total Liabilities	7304.01	7304.01
	7.	Net Worth	(3946.77)	(5859.01)
	8.	Any other financial item(s) (as felt appropriate by the Management)	Also refer Emphasis of Matter paragraph in the Auditor's Report	
II.	<u>Audit Qualification (each audit qualification separately)</u> <u>Audit Qualification -1</u> a. Details of Audit Qualification		Reference is invited to Note no.22.1 and 27.1, Trade receivable includes Rs. 1904.24 crore and other income includes interest of Rs. 231.93 crore booked during the current year on over dues from one of the business associates on account of goods supplied in earlier years. The dues are stated to be secured by EMD of Rs. 29.73 crore and personal guarantee of chairman of its holding company. Consequent upon Conciliation Agreement dated 15.11.2011 and further	



<p>b. Type of Audit Qualification : Qualified Opinion/Disclaimer of Opinion/Adverse Opinion</p> <p>c. Frequency of Qualification Whether appeared first</p>	<p>settlement agreement dated 17.05.2012 the entire dues were payable to the company by 10.11.2012. During the year, the Business Associate remitted an amount of Rs. 70.18 crore on the directions of Hon'ble Supreme Court. Considering the poor recovery, non-availability of security, dispute by party with respect to interest charged, and age of outstanding dues, interest income should not be recognized as per provisions of Accounting Standard- 9 issued by ICAI. Had the company de-recognized the interest income, net loss of current year would have been higher by Rs. 231.93 crore, reserve & surplus and trade receivable would have been lower by Rs. 231.93 crore.</p> <p>Considering the overall circumstances surrounding the recoverability of outstanding dues of Rs. 1904.24 crore, we are not in a position to ascertain whether the amount is fully recoverable or not. We are informed by the management that petition for execution of decree as per Conciliation Agreements under the Arbitration and Conciliation Act, 1996 has been filed before the Hon'ble Supreme Court wherein it has been held that decree is final. The party has submitted payment proposal before the Hon'ble Apex Court which is still subjudice before the Hon'ble Apex Court. Cases U/s 138 of Negotiable Instruments Act are also filed by the company before the Hon'ble High Court Delhi. The Enforcement Directorate and CBI are also investigating into the matter about cheating and fraud done by the party. We have also been provided affirmative Board Resolution dated 14.02.2017 and outcome dated 30.05.2017 that all possible efforts are extended for recovery of the dues through legal process and company is assured of recovering the dues.</p> <p>Qualified opinion</p> <p>Appeared first time</p>
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<p>time /Repetitive / since how long Continuing</p> <p>d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's views :</p>	<p>The Conciliation Agreement has been held as final by the Hon'ble Supreme Court. Further, the Company has also initiated suit against the associate Under Section 138 NI. The Associate has paid an amount of Rs 841.41 Crore after signing of Conciliation Agreement till May 2017 (including Rs. 70.18 crore during the financial year 2016-17). The Associate on many occasions have admitted their liability and also promise to pay to STC the entire dues. The Hon'ble Supreme Court has directed the associate to submit its repayment plan to STC. Since the matter is at very advance stage of hearing in Hon'ble Supreme Court, the debt has been considered good and interest accrued has been considered as income during the F.Y. 2016-17.</p>
<p><u>Audit Qualification – 2</u></p> <p>a. Details of Audit Qualification :</p> <p>b. Type of Audit Qualification</p>	<p>Reference is invited to Note no.25.1, Rs.7.81 crore is recoverable from HHEC and inspite of various assurances HHEC has not made the payment and in its latest letter dt. 08.02.2017, HHEC has stated that Company's position is still precarious as order position has not improved and new business visualized are not forthcoming etc. and HHEC has approached its Administrative Ministry for looking into matter and to extend financial support. The Company has also not obtained any balance confirmation from HHEC. Considering the above, provision should be made for the amount recoverable from HHEC. Had the company made provision of said recoverable, net loss of current year would have been higher by Rs. 7.81 crore, reserve & surplus and claims recoverable (current assets) would have been lower by Rs. 7.81 crore.</p> <p>Qualified opinion</p>







	<p>Qualified pinion/Disclaimer of Opinion/Adverse Opinion</p> <p>c. Frequency of Qualification Whether appeared first time /Repetitive / since how long Continuing</p> <p>d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's views :</p>	<p>Appeared first time</p> <p>The amount due from HHEC represents its share of common maintenance charges, property tax etc. charged from tenants. HHEC is a Govt. of India Undertaking and has also paid an amount of Rs. 0.46 crore during the current year. The actions have already been initiated to obtain balance confirmation from HHEC and matter is being taken up at higher level. STC is hopeful of recovering the entire dues from HHEC and therefore, no provision is considered necessary.</p>
	<p><u>Audit Qualification – 3</u></p> <p>a. Details of Audit Qualification :</p> <p>b. Type of Audit Qualification : Qualified Opinion/Disclaimer of Opinion/Adverse Opinion</p> <p>c. Frequency of Qualification . Whether appeared first time /Repetitive / since how long Continuing</p>	<p>Mumbai branch auditor has reported that debit balances appearing in Bhopal branch pertaining to security deposit and loans & advances of Rs. 0.19 crore has not been written off due to pending approval from Corporate Office. Had the company written off these balances, net loss of current year would have been higher by Rs. 0.19 crore, reserve & surplus and deposits and loans & advances would have been lower by Rs. 0.19 crore.</p> <p>Qualified opinion</p> <p>Appeared first time</p>

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<p>d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's views :</p>	<p>The debit balance represents deposit with telephone authority, sales tax, MPEB and other sundry deposits. Branch is being advised to examine the details and other back up papers to justify the deposit in books of account. However, necessary actions would be taken in next financial year.</p>
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<p>III.</p>	<p><u>Signatories</u></p> <ul style="list-style-type: none"> • _CMD • Director Finance : • Audit Committee Chairman : • Statutory Auditor – P. Jain Company :
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 30/5/17
 30.05.17

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 PANKAJ JAIN


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