

GOVERNMENT OF INDIA
MINISTRY OF STEEL

RAJYA SABHA
UNSTARRED QUESTION NO.435
FOR ANSWER ON 15/03/2012

SCAM IN MSTC

435. SHRI RAMDAS AGARWAL:

Will the Minister of STEEL be pleased to state:

- (a) whether it is a fact that Mineral State Trading Corporation Limited (MSTC), a public sector company, set up for trading in iron scrap, has been caught in ₹ 611 crore scam as it ventured into gem and gold jewellery exports at the behest of dubious associates;
- (b) if so, the details of Report of Comptroller and Auditor General of India (CAG) in this regard; and
- (c) the concrete steps taken by Government to recover loss from the defaulted companies whom advance of 80 per cent of the value of exports in advance etc. has already been paid by MSTC?

ANSWER

THE MINISTER OF STEEL

(SHRI BENI PRASAD VERMA)

(a) There is no Public Sector Company called Mineral State Trading Corporation Limited (MSTC). However, MSTC Ltd. (erstwhile Metal Scrap Trading Corporation Limited) is a Public Sector Undertaking under the administrative control of Ministry of Steel. Under clause 10 of the Memorandum of Association of the MSTC Ltd., the company has been established to act inter-alia as selling or purchasing and/or handling agents and function as facilitator in all types of precious metals, stones, components of infrastructure such as land, building etc. It is reported that around ₹ 600 crores is outstanding against export of Gold Jewellery made by the MSTC Ltd. during the years 2007-08 and 2008-09.

(b) The Comptroller and Auditor General of India (C&AG) in his report has recommended inter-alia that the company should exercise due diligence in selecting associates/foreign buyers, take adequate measures to safeguard its financial interest before making any advance payments, take proper insurance coverage for such transactions etc.

(c) In order to recover the outstanding dues, MSTC Ltd. has already launched arbitration proceedings against the six Associate Suppliers. The Company has filed cases against the ECGC in the National Consumer Dispute Redressal Commission for refusing to entertain the insurance claims. The matter has also been referred to the CBI for detailed investigation. Recovery claims have also been filed against foreign buyers in UAE and Singapore for default of payments.
