

**GOVERNMENT OF INDIA
STEEL
LOK SABHA**

UNSTARRED QUESTION NO:2729
ANSWERED ON:26.08.2013
EXPORT OF MSTC LIMITED
Patel Shri Bal Kumar

Will the Minister of STEEL be pleased to state:

- (a) whether the MSTC Limited had entered into any business contract with exporters/associates for export of gems and gold in the recent past;
- (b) if so, the details thereof along with the total profit/loss incurred in such business contracts;
- (c) whether the company had carried out due diligence in selecting and identifying the associates and the foreign buyers and if so, the details thereof and if not, the reasons therefor;
- (d) whether adequate measures had been taken by the company to safeguard its financial interests from the associated risks involved in the said business before making any advance payments to the exporters; and
- (e) if so, the details thereof and if not, the reasons therefor along with the concrete steps taken/being taken by the Government to recover the losses incurred, if any, in such business?

Answer

THE MINISTER OF STEEL (SHRI BENI PRASAD VERMA)

(a)&(b): MSTC exported plain gold jewellery during 2007-08 and 2008-09 through Business Associates based in India, to foreign buyers in UAE and other countries. In the financial year 2007-08 exports worth Rs.260.63 crore were made and the same were fully realized. However, for exports worth Rs.638.20 crore made during 2008-09 to Overseas Buyers, export proceeds of only Rs.39.57 crore have been realized.

(c)&(d): Due diligence was carried out by the MSTC and Export Credit and Guarantee Corporation of India Limited (ECGC) and the business associates were selected based on their past business record and credit worthiness. In the arrangement only 80% of invoice value was advanced by the MSTC and 20% stake was on the Associates. The Insurance policies with ECGC and ICICI – Lombard was also taken to indemnify the MSTC to the extent of default in payment.

(e) For recovery of outstanding amount the MSTC has since initiated arbitration proceedings against the six Associate Suppliers. Claims against the ECGC have been filed in the National Consumer Dispute Redressal Commission for refusing to entertain the insurance claims. MSTC has also filed cases against foreign buyers in UAE and Singapore courts. Besides, the Government has referred the matter to Central Bureau of Investigation and Enforcement Directorate for taking appropriate action.