

# Trafigura's Nickel Nemesis Was Already Notorious in Metal Circles

One of the world's biggest commodity traders faces more than half a billion dollars in losses from what it described as a 'systematic fraud' involving missing nickel.

[Archie Hunter](#) 11 February 2023 at 12:17 CET

When news broke that Trafigura Group faces more than half a billion dollars in losses from what it described as a "[systematic fraud](#)," the biggest surprise for many market insiders wasn't the commodity trader's [missing nickel cargoes](#). It was that one of the industry's largest players was still doing business with a man that others had long since backed away from.

Indian businessman Prateek Gupta and his companies, against whom Trafigura secured a \$625 million [freezing order](#) this week, have a checkered history in the trading world.

## [Trafigura Faces \\$577 Million Loss After Finding Nickel Fraud](#)

Merchant Gunvor Group and trade finance fund TransAsia Private Capital Ltd. lost money in earlier dealings with Gupta's companies, public filings show. Others, including banks and counterparties, became uncomfortable at times with the group's trading activities, according to several people who either worked at the group or did business with it. Last year, India's federal police announced it's investigating allegations of fraud against Gupta himself.

Ian Milne, a former commodity trade finance executive at Rabobank and HSBC Holdings Plc who worked at TransAsia for two years in 2018 to 2020 trying to recover debts from Gupta's companies, said he "had to rub my eyes a couple of times" when he saw the news this week.

"It's very well known in the market that these guys have a highly dubious reputation," Milne said in an interview. "Most people haven't dealt with them for many years."

### [Why Metals Keep Going Missing in Commodity Trading: QuickTake](#)

Trafigura's losses have shocked the commodity trading world, demonstrating that even one of the largest companies isn't able to avoid the kind of blowups and risks that have plagued the industry in recent years, and raising questions about the whole sector's risk management.

Bloomberg made multiple attempts by phone and email to reach Gupta and companies owned by, or otherwise linked to him for comment on Friday but did not receive any response.

Trafigura said that it began investigating after identifying a number of red flags.

"This was a systematic fraud perpetrated after a long and legitimate business relationship dating back to 2015 that involved misrepresentation and widespread falsification of primary and supporting documentation," a spokeswoman said. "Any fraud is an opportunity to review and tighten systems and procedures and a thorough review is underway."

### [Trafigura Tells Its Banks They Aren't Exposed to Nickel Fraud](#)

Gupta was born in 1979 into a commodity trading family. His father Vijay was a steel trader who represented Brazilian and Spanish companies importing iron and steel products into India in the 1980s and 1990s, according to a company obituary. When he died in 2009, Prateek took over the running of the family company, Mumbai-based Ushdev International Ltd., with his mother Suman as chair. At its peak in the early 2010s, the company had a market capitalization of about \$250 million.

In person, Gupta is charming and rarely flustered, say several people who've done business with him.

“He has a very laid-back style. Whatever the problem is, he’ll say it’s not really a problem, it’s all going to be solved,” said Milne, who now works for MonetaGo, which builds technology to help banks and others avoid trade-finance frauds.



Photographer: Cole Burston/Bloomberg

Over the years, Ushdev branched out into developing wind power assets, but it still focused on metal trading. Gupta added entities in Singapore, Malaysia, Dubai, the UK and Switzerland, including TMT Metals and companies under the banner of UD Trading Group.

In a [2011 interview](#) published by [Indiainfoline.com](#), he described his business as India’s third-largest metal trading company and said it had been doubling in size over the previous years.

“The metal business is back to back business,” he said. “We don’t face any kind of downside.”

For some in the industry, the Gupta companies’ trading activity raised question marks, said the people familiar with the matter. The companies

would sometimes buy and sell large volumes of metal for little apparent commercial purpose, some of the people said.

## 'Carousel Fraud'

Jonas Rey, chief executive officer of Athena Intelligence, a corporate intelligence company in Geneva that provides support to trade finance entities, said he investigated entities including TMT on behalf of several clients.

"We provided intel to multiple clients on TMT's involvement in what we called a carousel fraud," he said. "You have one cargo in the middle, you create 10 companies around it, and they sell the cargo to one another. One cargo gets financed 10 times. It's like a financial musical chair. Eventually everything comes crashing down."

Several companies came to regret their dealings with Gupta. Gunvor was left with exposure to Ushdev in the tens of millions of dollars when it got into financial trouble, according to company filings and people familiar with the matter. The exposure only led to a relatively small loss for Gunvor as it claimed on its insurance. Still, it was a blow that coincided with Gunvor's decision to close its metal-trading desk in 2016.

A [list of creditors](#) published when Ushdev went into [insolvency](#) in 2018 showed that Gunvor was its largest non-bank creditor with an exposure of 3 billion rupees (about \$45 million at the time).

A Gunvor spokesman declined to comment.

TransAsia is still embroiled in legal disputes with Gupta companies over alleged unpaid debts linked to its financing of trade in metals including copper. In [one instance](#) that's been made public in Singapore courts, the trade finance fund claims that Gupta's UD Trading Group Holding owes it \$63 million. UD Trading has in the past said it doesn't believe it's liable for the debt.

Last July, the Central Bureau of Investigation – India's equivalent of the FBI

– said it had opened an investigation into Prateek and Suman Gupta, as well as Ushdev, over alleged fraud after a complaint made by State Bank of India. The CBI said in a press release it had conducted searches in three locations which had led to the “recovery of incriminating documents/articles.”

For Trafigura, the saga will raise difficult questions over how it vets its business partners.

“The postmortem will probably be ruthless internally,” said Jean-Francois Lambert, a consultant and former trade finance banker. “Traders and risk management will be challenged.”

— *With assistance by Alfred Cang, Swansy Afonso, Shruti Srivastava, Joe Deaux and Mark Burton*