

TATA CHEMICALS LIMITED

TELEGRAMS: 'TATAKEM'
 TELEX: 11-6427 (TACH IN)
 11-2618 (TATA IN)
 11-2731 (TATA IN)

Registered Office:
 BOMBAY HOUSE
 24 HOMI MODY STREET
 BOMBAY 400 001

PHONE: 204 9131

REF. No. _____

FAX

Chairman and
 Managing Director's Office

31 October 1991

Dear Mr. Minocha :

Reading your report entitled "Tata Fertiliser Project facing uncertainty", appearing in Indian Express of 30 October 1991, I feel called upon to write to you, not to complain nor to criticise nor to condemn but to counsel, if I may.

2. Some ad verbatim quotes in your report suggest that you were either furnished some material by vested interests or you had acquired access to some disjointed documents that you have quoted from. In either case, you seem to have picked out, out of context and on a selective basis, some bits and pieces from these documents, juxtaposed them and added some "mirch masala" to make a sensational story. This might be very clever journalism but, I submit, it is not helpful, and is indeed detrimental, to the larger national interest inasmuch as it wrongfully shifts the emphasis from the realities which have blocked, and are blocking, the implementation of these projects.

3. Unfortunately, I donot have the time or the energy or even the inclination to controvert large parts of the report which are grossly erroneous. I would, however, like you to ponder how come that, no matter at what point of time the three gas-based Fertiliser Projects in the Private Sector were issued Letters of Intent, all of them could make progress only upto a certain degree, marginally varying in each case, and have been stalled for so long? I would also like you to ponder why would any serious Entrepreneur "drag his feet" and suffer huge escalations in costs which are so painful to all concerned? You would do a real service to the country if you were to identify and highlight the reasons, without necessarily blaming anyone, which impeded the progress of these projects and brought them to a standstill, inflicting a potential foreign exchange loss of as much as US\$ 35 million per month on the country.

4. Merely by way of an illustration, I would like to deal with one situation, picked up at random, from your report, namely, TCL's "demand" for allocation of foreign exchange amounting to US\$ 26.4 million. I shall narrate to you the factual position only for your information and education but not for publication.

* The project investment cost, as appraised and approved by IDBI and the Government in September 1988, had a foreign exchange component of US\$ 166 million.

* The Department of Fertilisers recommended a Bulk Import Licence for a value of Rs. 195 crores in May 1990.

- * Upon a review in June 1990, the foreign exchange cost had escalated to US\$ 197 million (and certainly to an even higher figure in today's context).
- * Deeply concerned about the country's worsening BoP position, we urgently addressed ourselves to reducing the foreign exchange component of the investment cost, placing much greater reliance on indigenous suppliers and, to the pleasant surprise of every one concerned, brought down our foreign exchange requirement to US\$ 26.4 million (equivalent to Rs. 50 crores then) - a fact which was highly appreciated by the Department of Economic Affairs (DEA).
- * The DEA confidentially requested us to raise this amount in commercial loan on the basis of our reputation.
- * Not too long ago, we used to have a bee-line of foreign bankers knocking at our doors and offering project financing. On this occasion, however, when we approached them for a meagre amount of US\$ 26.4 million only, we were told that Tatas were great, Tata Chemicals was amongst the most successful Companies in the country, the Tata Fertiliser Project was unique in many respects and risk free but "their (bank) managements" could not accept the country risk. I donot mind telling you that as a proud Indian, I felt deeply hurt and insulted hearing this.
- * Our meagre foreign exchange requirements were too fragmented and spread out over several suppliers/countries - a situation which, even the IDBI accepted, did not lend itself for availing the suppliers' credit.
- * Under these circumstances, and appreciative of our effort to drastically bring down our foreign exchange requirements, the DEA recommended to IDBI that we should be granted a foreign exchange loan of US\$ 26.4 million.
- * The IDBI Board approved this loan and we were handed a Draft Loan Agreement which was approved by our Board of Directors.
- * However, the foreign exchange position had so worsened that this foreign exchange Loan Agreement could not be signed and executed because IDBI took the plea that they did not have any foreign exchange to disburse. This was part of the tragic situation on the foreign exchange front the country was in and of which all are too well and painfully aware.
- * We are still waiting but are now more hopeful that RBI will shortly release the necessary forex funds and put IDBI in a position to sign and execute the Loan Agreement with us.

TATA CHEMICALS LIMITED

3
PAGE NO.....

* And I might tell you, for your information, that we shall perhaps further save on the foreign exchange expenditure and not spend the entire amount of US\$ 26.4 million. In the light of these facts, Mr. Minocha, can you see the wrong that this part of your story has done?

D. I could quote several similar instances but, as I said, it is not my purpose to complain or criticise but only to counsel you, if I may, that a responsible and well-regarded journalist like you, address the critical national problems, such as the growth of the Fertiliser Industry, in a more helpful manner focusing the country's attention, in a constructive manner, on the real problems of which we have become helpless victims and which are causing the country so heavily. In such an endeavour on your part, if we can be of any help, we shall be glad to join hands with you but it is certainly not our wish to join in or contribute to any public controversy which might cause embarrassment to either our Government or to our suppliers of equipment and technology with all of whom we wish to maintain a healthy relationship in the interest of the speedy and successful implementation of the Project.

With my kind regards,

Yours sincerely,

D. S. Seth

(D. S. Seth)
Chairman & Managing Director

Mr. Naresh Minocha,
ENS Economic Bureau,
NEW DELHI.

cc: Mr. Prabhu Chawla,
Executive Editor,
Indian Express,
New Delhi.