Mindia

FROM : NAME & LOCATION

MINDIA CHEMICALS LIMITED.

DATE February 10, 1977

cc: D. Wood ✓

SUBJECT INERTEEN 70-30

REFERENCE Telephone Discussions Thurs.Feb.10

TO Dr. A. S. Ghag
Mr. L. F. Mascarenhas
Mr. V. K. Rajpal

David Wood contacted me by telephone this morning and we covered the following aspects:

PRICE: Recognising the potential competitive situation, particularly from Russian sources, we are prepared to be competitive to the extent necessary to obtain the business. First, we must clearly reidentify the Russian prices and the quantities that they can supply in 1977 and 1978. We must also consider the impact of any price concession on the balance of our Fluids programme. If we establish that Russia is quoting sizeable quantities at 10% or even 15% below schedule, subject to St. Louis approval we may wish to meet this competition. If the discount percentage below schedule from Russia exceeds 15%, St. Louis will have to consider the overall position before deciding on any action. We must point out to Bhilai and Bokaro that with Monsanto - the world's largest producer of PCB Fluids, withdrawing from the market place, a high probability exists that the European suppliers will increase their prices and may, to some extent, be limited with regard to overall availability. The French supplier is likely to be in a tight position during 1978 and the German supplier is likely to be affected by the probability that Germany will phase out PCB Fluids within the next three years. In summary, with the Japanese out since 1972, the U.S. phasing out this year and further restrictions with complete phase out likely in Western Europe within three years, prices are likely to be higher and availability is likely to be limited.

TERMS: Recognising that our customers needs are not immediate and that the transformers concerned are not likely to be manufactured before early 1978, we can consider their proposals for extended terms. Here, we should compare the carrying cost of credit in India vis-a-vis the cost to Monsanto for any delayed payment schedule. In today's fiscal environment, the Indian rate is between 16 to 18%, and is not likely to change. If Monsanto is prepared to extend credit, we should consider a proposal whereby the customers are prepared to offset the carrying cost atleast to the extent of 10%.

AVAILABILITY: The Monsanto programme to accommodate the various grades of PCB Fluids is such that the 70-30 blending must be completed by end April or the first half of May latest. This means that unless we can have a firm commitment with all of the terms and conditions mutually agreed upon by end March, a strong probability exists that we could not accept the business.

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The purpose of the Warning Letter should again be restated to both customers. We must emphasize that a major aspect of the letter is to ensure that Monsanto has clearly pointed out the potential problem areas and that the customer has understood Monsanto's appropriate warning. We are saying that as a potential hazard exists, the utilisation of 70-30 must be confined to such controlled and contained applications as transformers and not utilised in plasticizer applications etc. where the risk of harm is greatly increased. Furthermore, when the Steel Mills are purchasing on behalf of their transformer manufacturers, it is highly desirable that both the Mills and the transformer manufacturers sign the letter, again to confirm that Monsanto has duly given the warning and that the customers have clearly understood the need for the prescribed precautions. If you find the situation where the Mills agreed in principle but require some amendment to the wording of the letter, this could be considered, subject to our transmitting by telex the revised wording to David Wood and the receipt of Monsanto's subsequent agreement.

You should be aware that Monsanto is a major Fluid supplier to Russia, partially because of the Russian limitations in capacity and partially because of their inability to produce material of the required quality. This emphasizes the fact that with our withdrawal from the PCB Fluid market, the Russian sources will be further limited.

All of the information given above should be used in the most objective manner to obtain the potential business with Bhilai and Bokaro, remembering that we must exert every effort not to destroy the existing price structure in the ongoing Fluids applications.

H. B. CHENEY

hbc:rdes

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