

Viewing cable 05MUMBAI2418, MTAG: SANCTIONED INDIAN FIRM SEEKS TERMS FOR PENALTY

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PP RUEHBI RUEHCI RUEHDE
DE RUEHBI #2418/01 3631114
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P R 291114Z DEC 05
FM AMCONSUL MUMBAI
TO RUEHC/SECSTATE WASHDC PRIORITY 2500
INFO RUEHBI/AMCONSUL MUMBAI 7151
RUEHNE/AMEMBASSY NEW DELHI 4148
RUEHBJ/AMEMBASSY BEIJING 0042
RUEHKL/AMEMBASSY KUALA LUMPUR 0011
RUEHCI/AMCONSUL CALCUTTA 0867
RUEHCG/AMCONSUL CHENNAI 0937
RUEHDE/AMCONSUL DUBAI 0008
RUEHIT/AMCONSUL ISTANBUL 0001
RHEHNSC/NSC WASHDC
RHMFISS/CDR USPACOM HONOLULU HI
RUEHGV/USMISSION GENEVA 0078
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RHMFISS/HQ USSOCOM MACDILL AFB FL
RHMFISS/HQ USCENCOM MACDILL AFB FL
RUEKJCS/SECDEF WASHINGTON DC
RUEKJCS/JOINT STAFF WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 MUMBAI 002418

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TAGS: [PARM](#) [PREL](#) [ETTC](#) [KSCA](#) [MTCRE](#) [IN IR](#)
SUBJECT: MTAG: SANCTIONED INDIAN FIRM SEEKS TERMS FOR PENALTY
REVERSAL

REF: NEW DELHI 9758

CLASSIFIED BY: William Klein, Pol/Econ Chief, Consulate General
Mumbai, State.
REASON: 1.4 (b), (d)

Summary and Action Request

¶2. (C) The vice chairman of an Indian company sanctioned under the Iran Non-Proliferation Act (reftel) approached Consulate Mumbai on December 28 and said his company would do whatever was necessary to get the USG decision reversed as quickly as possible. Mohit Chuganee of Mumbai-based Sabero Organics acknowledged that his company sold a chemical substance classified as dual use under the Chemical Weapons Convention (CWC) to an Iranian company. However, it did so with the full knowledge of the GOI and in full compliance with the CWC, Chuganee claimed. Following guidance from the GOI, Sabero stopped doing business with Iran after the media approached the company about the sale. Post asks Washington for guidance on how to respond to Sabero's overture. End Summary and Action Request.

Sabero Organics "absolutely floored" by News of Sanctions

¶3. (C) Mohit Chuganee, vice chairman and director of Mumbai-based Sabero Organics, called Pol/Econ chief on December 28 after hearing press reports that his firm was among the two Indian firms sanctioned under the INPA (reftel). Chuganee said he was "absolutely floored," as the reports were the first he had heard of the sanctions. He said the decision could deliver a severe blow to the reputation of the company, and asked what the firm could do to get them lifted as quickly as possible.

Chuganee Describes Transaction That He Believes Led to Sanctions

¶4. (C) Chuganee offered his version of how his company got sanctioned. He acknowledged that Sabero sold a certain chemical to Iran several years ago. Chuganee said Sabero was aware that the substance was classified as dual-use under the Chemical Weapons Convention (CWC). Sabero followed all procedures required by the CWC, he claimed. It filed the appropriate reports with the GOI nodal agency, the Ministry of Chemicals and Fertilizers, and has kept a complete audit trail on the transaction. Sabero asked whether it needed a license to export the product, to which the Ministry said no. Chuganee said a UN agency tasked with auditing CWC members' compliance inspected the company about two years ago and concluded that Sabero had engaged in the transaction with the full knowledge of the GOI.

¶5. (C) Chuganee said Sabero sold the product to an Iranian company which used it to make fertilizers. Sabero received an end-use certificate from the company. It filed the certificate with the Ministry of Chemicals and Fertilizers as well as with the MEA. Chuganee acknowledged that his company could not know the exact relationship between the Iranian company and the Iranian government, or whether the Iranian government might be able to weigh in with the company to divert the use of the chemical.

¶6. (C) Some time after the sale, the GOI again approached Sabero following a media inquiry about commercial deals with Iran,

Chuganee said. Sabero was able to fully document the transaction and convince the GOI that it, the GOI, had always been fully informed of Sabero's sale to the Iranian company. Sabero then asked the GOI for guidance on future business with Iran, Chuganee said. The GOI advised the company to refrain from dealing with Iran, to which Sabero agreed.

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Background on Sabero Organics

¶7. (C) Mohit Chuganee and his father, Hero Chuganee, are the prime owners of Sabero, a publicly listed company which had a turnover of about \$30 million during the last Indian fiscal year. The company specializes in organic chemicals. Reportedly, it is the third largest manufacturer worldwide of mancozeb, a popular fungicide, and claims to have a 40 percent world market share in trimethyl phosphite, an intermediary used in producing insecticide. The company reportedly supplies large U.S. chemical companies in India such as Dow Chemical and Monsanto. India's capital markets regulator suspended trading in the shares in 2002 for failure to comply with listing regulations, but lifted the suspension four months later after the company came into compliance. Hero Chuganee is a well-known businessman in Mumbai and is noticeably active in the IndoAmerican Chamber of Commerce. Mohit Chuganee is U.S.-educated, has business experience in the U.S., and is reported to be an American citizen.

Second Indian Company Denies Shipping to Iran

¶8. (SBU) Sandhya Organics, the other Mumbai-based Indian company sanctioned under the INPA, has not approached the USG mission in India. The local media quoted the company's management on December 29 as denying that any shipment ever went out to Iran.

Action Request

¶9. (C) Chuganee stressed that Sabero had stopped doing business with Iran and said his company would do whatever is necessary, including providing assurances to the USG, to get the sanctions lifted as quickly as possible. Post seeks Washington guidance on how to respond to Sabero's overture. Embassy New Delhi, which cleared this cable, recommends a positive reply to this overture, building on the precedent of INPA sanctions being rescinded against a Spanish company that agreed to desist from future trade with Iran and to disclose all past transactions. Aside from the advantages this approach would offer to managing the GOI reaction to the INPA sanctions decision, a Sabero offer of transparency could be helpful to learning more about Iranian procurement networks in India at a time when Tehran appears to be targeting India as a source of dual-use materials. End Action Request.

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