



# Adept at adapting

Tata Chemicals is riding out the recession, says MD **R Mukundan** in an interview with *Tata Review*, by setting strict financial goals, communicating closely with employees, consolidating operations and aligning the organisation to new growth and strategic plans

**Tata Chemicals' performance has been on the upswing for a while now. To what do you attribute this?**

Our performance reflects the general stabilisation and upswing in most economies worldwide. India in particular has been a bright spot for us through this difficult period. We were a bit concerned about the delayed monsoon but fortunately that had only a minor impact.

One of the things that we had done was to set up a structured programme through which we focused on cash generation, cost reduction, improving net working capital and containing capital expenditure. This helped us ride out the recession. We also communicated constantly with all our employees. They have been spirited in supporting organisational priorities and delivering on difficult projects, such as the closure of the Netherlands facility.

We are still not out of the woods though and we remain cautious as we believe that 2010 will be a tough year.

**How have the global operations of the company been faring? Is the worst of the slowdown over?**

Globally, our operations in the US and the UK have performed well in the circumstances. We have also improved our cost position by the timely closure of the Netherlands facility, which was proving to be a drain on us. Our main problem is in Kenya where we continue to face a

challenging situation on the market front. Our operations in Morocco were impacted in the first half but the situation has now stabilised and is improving.

As far as the global slowdown is concerned, consumer confidence is still shaky and unemployment numbers are still high. While the darkest hour may be behind us, we should continue to be watchful and cautious.

**Has the integration of Tata Chemicals' businesses with those of its acquisitions proceeded smoothly? What about people and other cultural issues? What are the challenges here?**

One of the key strategic drivers we are trying to create within Tata Chemicals is an environment for innovation and learning through diversity and teamwork. We value diversity as a strength, and this has helped us to integrate our acquisitions rather well.

I sometimes feel that the downturn has been a blessing in disguise and has actually helped us in coming closer together. During the downturn, the collaboration demonstrated across geographies has been very positive. We are now building a common set of processes and metrics which will help us align, integrate and become more competitive.

The Tata Business Excellence Model continues to play a central role in this area. The Tata Network Forums established by Tata Quality Management Services in the UK, the US and Africa are also a major help in integration.

We are looking at our global talent pool in an integrated manner. There have been senior-level movements between the countries we are in. We would like to see talent from outside work in India, even if it is for short-term assignments. We are trying to make boundaries porous so that best practices can be absorbed across



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geographies. This can only be done with constant encouragement from the leadership team and a continued effort to create an environment which fosters boundary-less behaviour.

**What's the logic behind the increasing strength and depth of the Tata Chemicals-Rallis India partnership? Will the two companies become one anytime soon?**

Tata Chemicals and Rallis were and are part of the same corporate structure. The relationship has become closer now with the completion of the process of consolidation of other Tata companies' shareholding into Tata Chemicals. The key driver of this move was the fact that Tata Chemicals was beginning to grow in the area of crop protection in its efforts to provide a holistic solution to the Indian farmer. In addition, crop protection is a specialty chemical business and growth in this area is going to benefit Tata Chemicals with a more balanced portfolio.

Will Rallis merge into Tata Chemicals? Well, we believe we have achieved our objective of being a majority shareholder in Rallis; we believe the team at Rallis has done a terrific job in turning around the business and it is our intent to support them to grow faster and stronger.

**What, in your opinion, have been the company's big achievements over the past year or so? Has it done the best it could in a tough situation?**

The focus during the year was to meet our financial goals. The board and the management of the company had set certain targets in terms of cash generation, management of debt and capital structure. We are on track to achieve these, largely due to tremendous team effort. We must acknowledge the support we have received from within the Tata group, which have played a key role in this effort. We also received excellent support from various governments during this crisis.

There are some areas where we would have liked to have performed better, including our operations in Haldia and Kenya. While Kenyan operations were largely impacted by market conditions, the issues in Haldia are both internal and external. We hope that both these situations will resolve and improve soon.

**Which are the areas where Tata Chemicals can do better? Where does it have the most catching up to do to become a global force?**

There are a few areas where we need to continue our focus — building a customer-centric organisation; fostering a better climate for innovation; enabling seamless teamwork; enhancing employee engagement; and putting in unrelenting effort in working on the sustainability agenda. And we must do all this while keeping a close eye on financial results. Ultimately, that's what matters.

We remain largely a commodity chemicals company and it remains to be seen whether we have sown enough seeds for the future, in terms of products and services, for us to be relevant in the next 10 or 20 years.

As of today, we are largely an Indian company with leadership position in a few products and global footprint in two or three products. However, we are not yet in the global top hundred chemical companies by turnover and are probably at about the top fifty by profits (EBIT). We have a long way to travel.

**Tata Chemicals has invested quite a bit on innovation. What has been the progress on this front? Are you satisfied with what has been achieved?**

Our operating teams are increasingly focused on delivering innovative solutions and offerings. We believe that the future of chemistry lies at the intersection of chemistry and physics on one hand, and chemistry and biology on the other. Hence, we have invested in an innovation centre at Pune that focuses on nanotechnology and biotechnology. We have also invested in an agritechnology centre at Aligarh.

However, the pace of incubation of innovative solutions could have been faster. Overall, we need to work on the mindsets of the leaders to nurture innovation in the company.

**Is the company going to change its strategy on global acquisitions? Are you considering more such acquisitions?**

Our focus has been and continues to be on achieving a more competitive position in all our operations. Our acquisition of Imacid, Brunner Mond and

General Chemical gave us access to low cost resources and a global competitive position. The thrust of our strategy remains the same.

**Is Tata Chemicals on track with its stated objective of changing from a chemicals and fertiliser company to one that operates across the agricultural spectrum?**

Tata Chemicals is in the business of 'providing LIFE', that is, living, industry and farm essentials. In living essentials, we are exploring avenues beyond salt and cooking soda. In industry essentials, while we are among the leaders in soda ash and bicarbonates, we are exploring other minerals and specialty chemicals. In farm essentials, in addition to our existing offering in crop nutrition, we have a presence in crop protection and seeds through Rallis. We also have service offerings in this area in terms of Tata Kisan Sansar and Rallis Kisan Kutumb. We believe all these are interesting growth avenues.

**How do you see Tata Chemicals evolving over the next five years, in terms of revenues, operations, global spread and products?**

We would like to see Tata Chemicals have a meaningful and competitive presence in the three areas of living, industry and farm essentials. We have aligned our internal target to the Tata group's target of tripling profits every five years.

Going forward, we would like to shape our business such that we have less volatility and greater identity. We would like to continue to be a competitive company, be more innovative and begin to address areas beyond food, especially in energy, environment, water and wellness.

**It's been over a year since you took over as the company's chief executive. How has the experience been thus far?**

The journey has been exciting and wonderful primarily due to a delightful set of colleagues and a vibrant team in Tata Chemicals. During this rather difficult period, we have taken another look at our direction and strategy. Hopefully, we are now aligned to execute what we have planned. ●