

GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE & INDUSTRY  
(DEPARTMENT OF COMMERCE)  
DIRECTORATE-GENERAL OF ANTI DUMPING & ALLIED DUTIES

NOTIFICATION

New Delhi, the 12<sup>th</sup> January 2007

PRELIMINARY FINDINGS

Subject: Anti-dumping investigations concerning imports of Flat base Steel Wheels  
originating in/exported from China PR.

**No. 14/8/2005-DGAD** - Having regard to the Customs Tariff Act, 1975 as amended in 1995 and the Customs Tariff (Identification, Assessment and Collection of Anti Dumping Duty on Dumped Articles and for Determination of Injury) Rules (hereinafter also referred as Rules), 1995, thereof;

A. PROCEDURE:

1. The procedure described below has been followed:-

(i) On 31<sup>st</sup> May 2006, the Designated Authority (hereinafter referred to as Authority), under the above Rules, announced vide a public notice (initiation notification) published in the Gazette of India, the initiation of an anti dumping investigation with regard to imports of Flat base Steel Wheels (hereinafter referred to as subject product/good) originating in or exported from China PR (hereinafter also referred to as subject country). The anti- dumping investigation was initiated following a joint application filed by M/s. Kalyani Lemmerz Ltd, Pune and Wheels India Ltd, Chennai (the applicants) on behalf of the domestic industry representing a major proportion of the domestic production of the said product. The application contained evidence of dumping of the said product and of material injury resulting thereof, which was considered sufficient to justify the initiation of the anti-dumping investigations concerning imports of the subject goods originating in or exported from the subject country in accordance with the sub-rule 6(1) of the Rules to determine the existence, degree and effect of the alleged dumping and to recommend the amount of anti-dumping duty which, if levied, would be adequate to remove the injury to the domestic industry.

(ii) As per sub-rule (5) of Rule 5 supra, the Authority notified the Embassy of subject country in India about the receipt of fully documented application from the applicant before proceeding to initiate the investigation;

(iii) In accordance with sub rule (2) of the rule 6 supra, the Authority forwarded copy of the said public notice to the known exporting producers, importers, industry associations, embassy of the country concerned and to the applicants and gave them an opportunity to make their views known in writing.

(iv) As per sub-rule (3) of Rule 6 supra, the Authority provided a copy of the application to all the known exporters and the Embassy of subject country in India, together with a questionnaire for according market economy treatment. While for the purpose of initiation, the normal value was considered based on the constructed cost of production of the subject product in China PR, the Authority informed the known exporters / producers of the subject goods from the subject country that it proposed to examine the claim of the applicants in the light of para (7) & (8) of Annexure-1 of the Anti-Dumping Rules as amended. The known exporters were requested to furnish necessary information/ sufficient evidence as mentioned in sub-paragraph (3) of paragraph 8 to enable the Authority to consider grant of market economy treatment to cooperating exporters / producers who could demonstrate that they satisfied the criteria stipulated in the said paragraph.

(v) According to sub-rule (4) of Rule 6 supra, the Authority provided a copy of the relevant questionnaire to all the known exporters and the Embassy of subject country in India and other interested parties.

(vi) The Embassy of subject country in New Delhi were also informed about the initiation of investigation and requested to advise the exporters/producers from their country to respond to the questionnaire within the prescribed time

(vii) The Authority sent questionnaires, to elicit relevant information, to the following known exporters from the subject country.

- a) Zhengxing Wheel Group Co Ltd, North Circle Road, State Highway 319, Zhangzhou City, China
- b) Zhejiang Eastern Top Group Corporation, 85, Jiangshe Road, Jiaojiang Taizhou Zhejiang China.
- c) Zhejiang Jingu Automobile Components Manufacturing Co., Ltd., 28 Fengshou Road, Fuyang City, Zhejiang Province, China

Only one exporter/producer responded to the exporter's questionnaire in a substantial manner and notice of initiation.

(viii) A copy of initiation notification along with the importers' questionnaire was also sent to the various importers listed in the application.

- a) Tata Motors Ltd. 24, Homy Modi Street, Hutatma Chowk, Fort Mumbai.
- b) Eicher Motors Ltd, 79-80, Satkar Building, Nehru Place, New Delhi – 19.

However, response in the form and manner of importers' questionnaire has been received only from one importer.

(ix) A copy of initiation notification was also sent to the industrial users of the subject product, listed in the application.

- a) Volvo India Pvt. Ltd, Yalachahally, Tavarekere Post, Hosakote, Bangalore.
- b) Ashok Leyland Ltd, 19, Rajaji Salai, Chennai.
- c) Swaraj Mazda Ltd, Village Asron, District Nawanshahar, Punjab.
- d) Mahindra & Mahindra Ltd., Automotive Sector, Road No. 13, Worli, Mumbai.

(x) Request was made to the Directorate General of Commercial Intelligence and Statistics (DGCI&S) to arrange details of imports of subject goods for the past three years and the period of investigations.

(xi) The Authority kept available non-confidential version of the evidence presented by various interested parties in the form of a public file maintained by the Authority and kept open for inspection by the interested parties;

(xii) \*\*\*\* in this notification represents information furnished by the interested parties on confidential basis and so considered by the Authority under the Rules;

(xiii) The investigation of dumping and injury covered the period from 1<sup>st</sup> January 2005 to 31<sup>st</sup> December 2005 (Also called the period of investigation or POI). The examination of trends in the context of injury analysis covered the period from 1<sup>st</sup> April 2002 to the end of POI (also called Injury period).

(xiv) The Authority sought and verified all the information it deemed necessary for the purpose of preliminary determination of dumping and resulting injury. The Authority conducted on-the-spot investigation of the domestic industry to the extent considered necessary. The cost of the production of the domestic industry was also analysed to work out the cost of production and the cost to make and sell the subject goods in India on the basis of Generally Accepted Accounting Principles based on the information furnished by the applicants to ascertain if anti dumping duty lower than dumping margin would be sufficient to remove injury to the domestic industry.

(xv) Copies of initiation notice were also sent to FICCI, CII, ASSOCHAM, Excise Law Times etc., for wider circulation.

## B. PRODUCT UNDER CONSIDERATION.

2. The product under consideration in the present investigation is Flat Base Steel Wheels (also described as Road Wheels, Disc Wheels and referred to as subject goods) of size 16” to 20” nominal diameter used in tubed tyre applications in commercial vehicles, originating in or exported from China PR. A wheel is an assembly of rim and disc with a demountable ring. The rim and disc produced in separate lines are welded together to form a wheel, which is mounted on the axles of vehicles and fitted with tyres to enable vehicle movement. Commercial vehicles classified as light, medium and heavy vehicles comprise of buses, lorries including trucks, trailers and tempos.

3. Wheels are defined under Chapter 87 of the Customs Tariff Act under the category “Vehicles other than railway or tramway rolling stock, and parts and accessories thereof”, sub-heading 870870. The product includes all variants of Steel Wheels classifiable under customs sub-heading 8708.70, but the Authority considers it appropriate to exclude wheels used in vehicles other than those listed above i.e. tractors, passenger cars, motorcycles, tanks and other armoured fighting vehicles, cycles, scooters, aircraft, earth-movers, animal-drawn vehicles, hand propelled vehicles etc., and those used in tubeless tyre applications from beyond the scope of the product under consideration. The Customs classification, however, is indicative only and is in no way binding on the scope of the present investigation.

#### C. LIKE ARTICLE.

4. The applicants have claimed that goods produced by them are like articles to the goods originating in or exported from subject country. There is no significant difference in the subject goods produced by the petitioners and those exported from subject country. With regards to the like article, the Authority notes that rule 2(d) relating to the definition of like article specifies that like article means an article that is ‘identical’ or ‘alike’ in all respects to the articles under investigation or in the absence of such an article, another article having characteristics closely resembling those of the article under investigation. In order to establish that subject goods produced by the domestic industry is a Like Article to that exported from subject country, characteristics such as technical specifications, manufacturing process, functions and uses and tariff classification have been considered by the Authority. On the basis of the examination, the Authority notes that subject goods produced by domestic industry has characteristics similar to those imported from the subject country and to those sold in the market of exporting country. In view of the above, the Authority holds that the Wheels produced by the domestic industry and those being imported from and sold in the subject country are like articles within the meaning of the rules.

#### D. DOMESTIC INDUSTRY

5. The application has been jointly filed by M/s. Kalyani Lemmerz Ltd. and Wheels India Ltd. These producers are the only two domestic producers of the subject goods and

have provided information relevant to the present investigations. They have also consented to participate in the proposed investigation. Since the applicants constitute 100% of domestic production, the requirement of standing under Rule 5 of the Rules supra is fully met.

E. DUMPING.

6. Under Section 9A (c) I of the Customs Tariff Act 1975,

“Normal value in relation to an article means:

“The comparable price, in the ordinary course of trade, for the like article when meant for consumption in the exporting country or territory as determined in accordance with the rules made under sub-section (6); **or**

“When there are no sales of the like article in the ordinary course of trade in the domestic market of the exporting country or territory, or when because of the particular market situation or low volume of the sales in the domestic market of the exporting country or territory, such sales do not permit a proper comparison, the normal value shall be either:-

“a) Comparable representative price of the like article when exported from the exporting country or territory to an appropriate third country as determined in accordance with the rules made under sub-section (6); **or**

“b) The cost of production of the said article in the country of origin along with reasonable addition for administrative, selling and general costs, and for profits, as determined in accordance with the rules made under sub-section (6)”;

“Provided that in the case of import of the article from a country other than the country of origin and where the article has been merely transhipped through the country of export or such article is not produced in the country of export or there is no comparable price in the country of export, the normal value shall be determined with reference to its price in the country of origin.”

7. The Authority sent questionnaires to all the known exporters for the purpose of determination of normal value in accordance with Section 9A(1)(c). Zhengxing Wheel Group Co Ltd, Zhangzhou City, China responded to the Authority.

8. The applicants had identified wheel size, centre bore dia, pitch centre dia, bolt holes, stud-hole designation, offset, half dual spacing, weight & wheel load as different parameters of the subject goods. The exporter has also identified some of these parameters in their response. On the basis of the preliminary investigations conducted, the Authority considers it appropriate to use wheel size and weight as essential product

parameters for the purpose of comparison between the normal value and export price, pending further investigations.

## E1 Normal value determination for China PR

### Views of the domestic industry

9. The domestic industry has submitted that China PR, the subject country under present investigation in the present proceedings, is a Non-Market Economy country and treated as such by the European Commission, the United States and even India. Therefore normal value has to be determined in accordance with the Para 7 and 8 of Annexure I of the Anti Dumping Rules. Accordingly, the domestic industry had proposed Germany as the appropriate surrogate country for the purpose of calculating normal value in China and had furnished some evidence with regard to price of the subject goods in Germany during the period of investigation. In an alternate to the price from a market economy third country, the domestic industry has determined normal value as the price payable in India, considering the cost of production in India, duly adjusted to include selling, general and administrative expenses and reasonable profit.

### Legal provisions in India

Para 7 of Annexure I under the Rules, which has been inserted by notification no. 44/99–Cus (NT) dated 15<sup>th</sup> July, 1999 reads as under:

“7. In case of imports from non-market economy country, normal value shall be determined on the basis of the price or constructed value in a market economy third country, or the price from such a third country to other countries, including India, or where it is not possible, or on any other reasonable basis, including the price actually paid or payable in India for the like product, duly adjusted if necessary, to include a reasonable profit margin.

### Market Economy Treatment (MET)

Para 8 of Annexure 1- amended on 04.01.2002 reads as follows:

8.(1) “The term “non market economy country” means any country which the designated authority determines as not operating on market principles of cost or pricing structures, so that sales of merchandise in such country do not reflect the fair value of the merchandise, in accordance with the criteria specified in sub-paragraph (3).

8.(2) “There shall be a presumption that any country that has been determined to be, or has been treated as a non-market economy country for the purpose of an anti dumping

investigation by the Designated Authority or by the competent Authority of any WTO member country during the three-year period preceding the investigation is a non-market economy country.

“Provided, however, that a non-market economy country or the concerned firms from such country may rebut such a presumption by providing information and evidence to the Designated Authority that establishes that such country is not a non market economy country on the basis of criteria specified in sub-paragraph (3)

8.(3) “The designated authority shall consider in each case the following criteria as to whether:

“ a) the decisions of concerned firms in such country regarding prices, costs and inputs, including raw materials, cost of technology and labour, output, sales and investment, are made in response to market signals reflecting supply and demand and without significant State interference in this regard, and whether costs of major inputs substantially reflect market values;

“ b) the production costs and financial situation of such firms are subject to significant distortions carried over from the former non-market economy system, in particular in relation to depreciation of assets, other write-offs, barter trade and payment via compensation of debts;

“ c) such firms are subject to bankruptcy and property laws which guarantee legal certainty and stability for the operation of the firms, and

“ d) the exchange rate conversions are carried out at the market rate;

“Provided, however, that where it is shown by sufficient evidence in writing on the basis of the criteria specified in this paragraph that market conditions prevail for one or more such firms subject to anti-dumping investigations, the designated authority may apply the principles set out in paragraphs 1 to 6 instead of the principles set out in this paragraph.”

10. Apart from one exporter/producer from China, none of the others responded to the questionnaire sent by the Authority.

#### Views of the importer

11. The importer, M/s. Tata Motors Ltd., (hereinafter referred to as TML) opposed the choice of Germany as an appropriate market economy country for establishing normal value on the ground that it violates the statutory principle for selection of such a third country keeping in view the level of development of the country concerned and the product in question as per para 7 of Annexure 1 of the Rules. TML held that Germany and China are far removed in the level of economic development and more so with reference to the product in question. TML also opposed the alternative suggestion that the cost of production in India for the like product inclusive of selling, general and administrative expenses (SGA) and profit may be considered as the normal value, stating

that Para 7 provides for basing normal value on the price actually paid or payable in India for the like product with due adjustments for a reasonable profit margin. TML further held that the normal value derived from taking Germany as the surrogate country was unreliable, as the average weight per piece of wheel was much higher than the accepted weight, without indication of what constituted the differences in weight, value or the basis for the adjustments claimed. Besides, the huge difference between the constructed normal value based on petitioner's costs and the normal value based on Germany's prices showed the latter's unreliability as a surrogate.

12. No other interested party submitted any comments or names of the producers/exporters in analogue countries willing to submit the data to the Designated Authority in spite of the letter sent to all interested parties in this respect. Thereafter, the Authority requested producers of subject goods in the analogue countries of Germany, Brazil and Turkey made known in the application and other communications by the domestic industry to submit the required details regarding selling prices of the subject goods in their country and the data to the Designated Authority. However, no producer in the chosen analogue countries submitted any response till date.

(a) Cooperation

13. One Chinese producer/exporter namely M/s Zhengxing Wheel Group Co Ltd, made themselves known during the process of investigation and responded to the exporters' questionnaire by giving information with regard to questionnaire pertaining to market economy status and also various appendices mentioned in the exporters' questionnaire.

(b) Normal Value & Export Price:

14. With regards to the responses filed by M/s Zhengxing Wheel Group Co Ltd, it is claimed that the exporter had no state shareholding. The company was established in November 1996 and registered legally as a collective enterprise sponsored by Zhangzhou Xiangcheng Collective Industry Association. In July-August 2001, it changed to a privately owned sole proprietorship and thereafter to a joint stock cooperative enterprise, which was subsequently restructured as a fully limited liability company in June, 2003. It has two subsidiaries producing the components of the subject product and the chairman of the board of directors of these subsidiary companies and of the parent company was the same. The control of the company was vested in a shareholder of Chinese nationality holding \*\*\*% of shares and it was governed by the Company, Labour and Accounting Laws of the subject country.

15. While the protocol of accession of China to the WTO does not indicate the subject product as being subject to state control, steel products figure in the Annex of products

under designated trading, with liberalization to be within three years of accession. The exporter claimed that free export of goods was allowed without any quota and that they were free to negotiate prices and quantities with customers without outside involvement as well as to price the product according to the market and the production costs. Chinese steel prices are not subject to any governmental control or administrative pricing mechanism. They claim that China enjoys a cost advantage in steel as it is the largest producer in the world and that factor together with its somewhat lower quality means that it commands a lower price in the international markets. But a price of approximately RMB \*\*\* per ton or US \$ \*\*\* PMT cannot be considered too low and may be treated as reflective of market conditions. Further, they also procure inputs for manufacture locally through short term or spot contracts, pay normal rates for utilities without subsidy and enjoy the incentive of 17% return of VAT on export sales. Profits from exports are distributed among shareholders after the obligatory statutory and discretionary reserve fund requirements are met.

16. The company was required to furnish information on asset valuation during the change-over from a collective enterprise to a sole proprietorship, the source of funds from which the sole proprietor repaid the other natural persons in the enterprise, the articles of the association governing the conversion from sole proprietorship to joint stock cooperative enterprise and details of the production process and raw materials used.

#### Views of the domestic industry

17. The domestic industry has submitted as follows:

(i) As per para 8(i), the question whether costs of major inputs substantially reflect market values implies that these costs should conform to the prices prevailing in international market. The producer has to establish that the price of steel purchased for production of the subject product - accounting for 70-80% of manufacturing cost - is comparable to the international price.

(ii) The Chinese Government has provided many direct and indirect benefits to the steel industry such as cash grants, land grants, transfer of ownership interest not on commercial considerations, converted debt to equity in steel companies, besides granting debt forgiveness, no action on non-performing loans, preferential loans, directed credit, and tax incentives as income tax exemptions/ reduction. State involvement was also indicated through targeted infrastructure development, manipulation of raw material prices and maintaining the value of Chinese currency, the renminbi (RMB). There is no claim by the exporter that the prices of steel paid by the company are comparable to those

in the international market and thus the company cannot be granted market economy status unless it establishes that its input prices substantially reflect the market value.

(iii) The exporter has not presented the cost of production from the steel stage, claiming that the production process employed by them is mere assembly of disc, rim and ring. Therefore, the entire production process and the resultant cost break-up have been presented only for the stage of assembly. The cost of production statement shows raw material costs at 95% of costs, indicating that these were only for assembly operations, with rim, disc and ring apparently considered as inputs.

(iv) Contradictory claims have been made with respect to the production process followed, with different inputs and information being given on the process, production costs, capacity calculations, raw materials identified and business decisions on inputs procurement.

(v) That it was inconceivable that a company with production capacity of 5.5 million wheels with 2600 employees in a factory area of 210 thousand sq. mts with about 32 million yuan investment and export sales to 35 countries of the world would undertake merely an assembly of operations and not be engaged in production of disc, rim and ring.

(vi) The exporter has not provided information on the activities of its subsidiaries or affiliated companies, which has to be given if they are involved in the production of disc, rim or ring. Therefore, the response to the exporter questionnaire was incomplete.

(vii) As the exporter has failed to establish the claim of market economy status and wilfully and consciously attempted to provide incomplete information, the Authority should provisionally reject the claim for the market economy status at this stage and determine normal value as established by the petitioner.

#### Examination by the Authority

18. The Authority has taken cognizance that the exporter has submitted substantive evidence in their response along with the relevant facts with which they want to rebut the presumptions as mentioned in para 8 of Annexure 1 of the Rules and Non Market Economy questionnaire sent to them regarding grant of market economy status to their company. The Authority notes that the issue of raw material prices i.e., of H.R. steel coil, paid by the company is vital to an examination of both market economy treatment as also correct assessment of its cost of production. In a situation where the raw material prices are significantly lower than the prevailing market rates within China as also in the international market, not only a vital condition for market economy treatment is not satisfied but also costs may be underestimated. The exporter has not so far established that prices of major inputs substantially reflect market values. In view of this, for the

purpose of preliminary findings, the Authority has not granted them market economy treatment.

19. The Authority notes that applicants had provided evidence of price or constructed value in a market economy third country—Germany. While disputing the claim of the domestic industry to treat Chinese producers as non-market economy, neither the Chinese producer nor importer nor any other interested party made any substantiated claim or advanced any substantiated evidence with regard to price or constructed value in a market economy third country. There has been no response from the surrogate country producers/exporters in response to the exporter's questionnaire sent by the Authority. Under the circumstances, the Authority has provisionally determined that the only option available for the purpose of provisional findings is to determine normal value considering price actually paid or payable in India for the like product, duly adjusted, to include a reasonable profit margin.

20. Thus, the Authority has constructed the normal value by taking into account cost of production in India, duly adjusted to reflect international raw material prices and optimum conversion costs, selling, general & administrative expenses and reasonable profit. The main raw material is hot rolled steel coil. However, as the investigation proceeds further, the Authority proposes to continue examination of the appropriateness of any market economy third country for the purpose of determination of normal value as per para 7 of Annexure 1 of the Rules, should information about their appropriateness price or constructed value be received by the Authority.

#### Methodology for working out dumping margin for the responding exporter and other exporters

##### E.2 Export Price

21. The Authority for the purpose of the provisional findings has not taken into account the official price for calculation of dumping margin and price undercutting, as the data contained in the official statistics is much lower than what has been reported by the exporter and importer. Accordingly, the export price as indicated by the exporter has been adopted with suitable modification for conversion of number to weight. A weighted average export price to India has been determined for the subject product. Price adjustments claimed on account of adjustments like freight and bank charges have been provisionally allowed subject to verification. The weighted average export price has been taken as US \$ \*\*\* PMT and adjusting for inland freight and bank charges, the ex-factory export price comes to \$ \*\*\* PMT. The Authority proposes to examine further the response of the exporter as the investigation proceeds in order to conclude its decision on a definitive basis.

### E.3 Dumping margin

22. The Authority has worked out the dumping margin by making a comparison between the normal value and export prices at ex-factory level, based on the constructed normal value and the weighted average export price determined for the product. The weighted average overall dumping margin thus determined is seen to be significant. For the other exporters, the weighted average of the lowest export price has been taken and the dumping margin computed. This is as shown below:-

<b>Price (in Rs / kg)</b>	<b>Weighted average</b>
<b>Dumping margin for the co-operating exporter</b>	
Constructed Normal Value	***
Export Price	***
Dumping Margin	***
Dumping Margin %	46.89
<b>Dumping margin for other exporters</b>	
Export Price	***
Dumping Margin	***
Dumping Margin %	63.01

Source: Exporter, DGAD.

### F. INJURY AND CAUSAL LINK

23. Annexure II to the Rules requires that a determination of injury shall involve an objective examination of both (a) the volume of the dumped imports and the effect of the dumped imports on prices in the domestic market for like article and (b) the consequent impact of these imports on domestic producers of such products. Annexure-II (ii) of the Rules provides as under:-

(ii). “While examining the volume of dumped imports, the said Authority shall consider whether there has been a significant increase in the dumped imports, either in absolute terms or relative to production or consumption in India With regard to the effect of the dumped imports on prices ...the designated authority shall consider whether there has been significant price undercutting by the dumped imports as compared with the price of the like product in India, or whether the effect of such imports is otherwise to depress prices to a significant degree or prevent price increases which otherwise would have occurred to a significant degree.

The Rules further provide that

(iv). “the examination of the impact of the dumped imports on the domestic industry concerned shall include an evaluation of all relevant economic factors and indices having a bearing on the state of the industry, including actual and potential decline in sales, profits, output, market share, productivity, return on investments or utilization of capacity; factors affecting domestic prices, the magnitude of the margin of dumping; actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital investments.”

24. For the purpose of injury analysis, the Authority has examined the volume and price effects of dumped imports on the subject goods on the domestic industry and its effect on the prices and profitability. To examine the existence of injury and causal links between dumping and injury, if any, since positive dumping margin has been established for the exports from the subject country, entire exports from the subject country has been treated as dumped imports for the purpose of injury analysis and causal link examination.

#### Views of the importer

25. The importer holds that the contention of injury to the domestic industry was incorrect as the domestic selling price was above the non-injurious price. The constructed normal value based on the petitioners’ costs of Rs. \*\*\* per kg or Rs. \*\*\* per set was also the NIP since it takes into account actual cost of production plus 5% profit margin. During the POI, the importer purchased about \*\*\* wheel sets of specification 7.5-20 from the domestic industry at an average price of Rs.\*\*\*, which was at the non-injurious price adjusted for basic customs duty for raw materials. Absence of injury was corroborated from the indexed profits during the POI being 44% higher than in the base year 2002-03 and though lower in the POI compared to 2004-05, they were still adequate from the perspective of the non-injurious price. In addition, as net sales realisation was close to the NIP, the domestic industry was not injured. Besides, the constructed normal value which depicts a healthy dumping margin would be lower if domestic industry’s actual costs are verified and correctly determined. The industry appears to have realized a price equal to or greater than the NIP and hence has suffered no injury.

#### Examination by the Authority

##### A. Volume effect of dumped imports and impact on domestic industry

##### Import statistics

26. The information provided by secondary sources (DGCI&S) show that the product has been reported under customs classifications 8708.7000 and 8708.9100. Since the product description is only dispositive, all imports of subject goods irrespective of their classifications have been included for the purpose of determination of volume, value and

average import price. Upon initiation of investigations, DGCI&S was requested to provide information with regard to imports of the subject product. The information provided includes only custom classifications 8708.7000. Its analysis shows that imports of the subject product enter India only from the subject country at present. Details in the POI are as below:-

Summary data from secondary sources

<b>Wheels imports, 2005</b>	<b>Volume (MT)</b>	<b>Value (Rs. Lacs)</b>	<b>Avg price (Rs/kg)</b>
DGCI&S	9245.65	3653.46	39.52
IBIS	7399.60	2605.67	35.21

Source: DGCIS, domestic industry.

However, the domestic industry claim that both these secondary sources understate the quantity of dumped imports, basing this statement on the production data of vehicles in the period of investigation reported by the Society of Automotive Manufacturers (SIAM). Assessed imports on this basis are 18405 MT.

27. The data submitted by the exporter and importer indicate that the import volume lie in the region of the assessment made by the domestic industry.

As per exporter	Grade	2004-05		POI	
		Indexed	MT *	Indexed	MT *
	6.00-16"	0.02	0.02	18.17	18.17
	7.00-20"	0.01	0.01	0.98	0.98
	7.50-20"	16.23	16.23	213.93	213.93
	Total	16.26	16.26	233.08	233.08
As per importer	16" rim	-	-	2.50	2.50
	20" rim	4.14	4.14	97.50	97.50
	Total	4.14	4.14	100	100

Note: \*: Computed, based on weight of the wheel indicated by exporter as: (a) 6.0-16": 20.5 kgs; (b) 7.0-20": 40 kgs; (c) 7.5-20": 47 kgs.

The data contained in the official statistics is much lower than what has been reported by the exporter as well as the importer. The Authority has, therefore, considered it appropriate to base the preliminary findings on information furnished by the exporter, pending further investigations.

#### Assessment of demand

28. For the calculation of the domestic consumption/demand of the subject goods, the Authority added the sales volume of the domestic industry and other Indian producers to the total imports into India. The domestic industry claim that IBIS data includes

information on imports reported at selected ports but all the tariff heads under which the subject goods are being imported while DGCIS import statistics mention the subject goods for a given tariff head only. Nevertheless, both sources reportedly understate the quantity of imports. Since the truth of this is evident from the responses made by the exporter and the importer showing imports much higher than reported in the secondary sources, the Authority has relied upon the exporter data for the purpose of import statistics on the quantity and price of the subject goods for the purpose of provisional findings pending further examination. A copy of the import data taken into account by the Authority is also kept in the public file for the benefit of all interested parties.

<b>Parameter (in MT)</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>POI</b>
Sales of Domestic industry	52702	70757	88560	80818
Imports - Subject country			***	***
Demand	***	***	***	***
Indexed	100	134	171	191

Source: Domestic industry, exporter.

From the table, it may be provisionally concluded that the demand for the subject goods in India shows positive growth and increased by 91% in the injury period.

#### Import volumes and market share

29. With regard to the volume of the dumped imports, it has been examined whether there has been a significant increase in dumped imports, either in absolute terms or relative to production or consumption in India.

<b>Parameter (in MT)</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>POI</b>
Total Imports			***	***
Imports from China			***	***
Indexed			100	1489
Market share of Chinese imports (%)			100	100
Total sales of domestic industry	52702	70757	88560	80818
Demand	***	***	***	***
Share of Chinese imports in demand (%)			1.49%	19.75%
% share of domestic industry in demand	100%	100%	98.51%	80.25%
Production of domestic industry	***	***	***	***
Chinese imports relative to production			1.50%	24.44%

Source: Domestic industry, exporter.

30. On examination of the import data, the Authority noted that the imports increased in absolute terms from the subject country from just \*\*\* MT in 2004-05 to \*\*\* MT in the period of investigation (POI). Further, relative to the domestic demand, the imports from the subject country increased from 1.49% in 2004-05 to 19.75% in the POI, while relative to domestic industry's production, they increased from 1.50% to 24.44% respectively. Moreover, while the share of Chinese imports in demand increased to 19.75% in 2005, the domestic industry's share declined from 100% in 2003-04 to 80.25% in the POI. In view of this and there being no other domestic producer in India, the Authority has provisionally concluded that the dumped imports from the subject country show adverse volume effect.

31. The decline in the market share of the domestic industry is also observed when considering the quarter-wise purchases of the product made by the importer, TML, also a major domestic consumer of the subject product. Purchases from the domestic industry have been as follows:

<b>Purchases from the domestic industry by TML (importer)</b>						
<b>Quarter</b>	<b>20" rim</b>			<b>16" rim</b>		
	Qty (Index)	Value	Rate	Qty (Index)	Value	Rate
Jul-Sep 04	238	***	***	67	***	***
Oct-Dec 04	312	***	***	83	***	***
Jan-Mar 05	310	***	***	94	***	***
Apr-Jun 05	197	***	***	72	***	***
Jul-Sep 05	121	***	***	76	***	***
Oct-Dec 05	151	***	***	70	***	***
<b>Data on exports to India as per exporter</b>					***	***
	<b>20" rim exports (indexed)</b>		<b>16" rim exports (indexed)</b>			
Jan-Mar 05	14.62		0.02			
Apr-Jun 05	53.13		---			
Jul-Sep 05	76.68		5.07			
Oct-Dec 05	70.49		13.08			

Source: Importer, exporter.

32. The Authority notes that purchases of 20" rim wheels by TML from the domestic industry which was about \*\*\* pieces in the 4<sup>th</sup> quarter of 2004 fell to \*\*\* pieces in 2<sup>nd</sup> quarter of 2005, while in the 16" rim segment, TML purchases of about \*\*\* pieces in the 1<sup>st</sup> quarter of 2005 plummeted in the 2<sup>nd</sup> quarter of 2005. The unit rates of the product have risen slightly, despite the fall in off-take. The Authority further notes that imports

were more in the 20” rim segment than the 16” rim, soaring from a modest \*\*\* pieces in the 1<sup>st</sup> quarter of 2005 to almost \*\*\* pieces in the 3<sup>rd</sup> quarter.

**B. Price effect of imports**

33. For the purpose of this analysis, the weighted average cost of production, weighted average Net Sales Realisation (NSR) and the Non-Injurious Price (NIP) of the domestic industry have been compared with the landed price of imports from subject country to examine whether there has been significant price undercutting by the dumped imports compared with the price of the like product in India, or whether such imports have depressed the prices or prevented price increases that otherwise would have occurred to a significant degree.

<b>Parameter (Rs. /kg)</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>POI</b>
Landed Price			38.09	39.71
Net Sales Realization of Domestic industry	***	***	***	***
Price undercutting*			***	***
Price undercutting %			18	21

Note: \* NSR minus landed price of imports

Source: Domestic industry, importer.

34. Price undercutting has been determined by comparing the landed value of dumped imports, with the weighted average net sales realisation (ex factory). In determining the net sales realization of the domestic industry, the rebates, discounts and commissions offered and the Central Excise duties paid have been excluded. The Authority notes that the landed value of imports from the subject country has been significantly below the net sales realization of the domestic industry resulting in significant price undercutting.

**Price suppression**

35 In addition to significant price undercutting, dumped imports have caused severe price suppression in the Indian market as evident from the following table:

<b>Parameter (Rs/kg)</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>POI</b>
Cost of Sales of the domestic industry	***	***	***	***
Year by year change	100	101	115	128
Net Sales Realization	***	***	***	***
Year by Year Change	100	104	120	130
Landed Value of Chinese imports			***	***
Year by year change			100	104

Source: Domestic industry, importer.

The domestic industry has claimed that since the input cost was arising, the industry was prevented from effecting price increases as imports were suppressing their prices. Further, the provisional non-injurious price for the domestic industry in the POI was Rs \*\*\* per kg, against which the landed value was Rs. 39.71 per kg. The Authority noted that there has been significant price under-selling suffered by the domestic industry.

Situation of the Domestic Industry: Preliminary remarks

36. For the examination of the impact of the imports on the domestic industry in India, the Authority considered such indices having a bearing on the state of the industry as production, capacity utilisation, sales quantum, stock, profitability, net sales realisation, the magnitude and margin of dumping, etc. in accordance with Annexure II (iv) of the Rules supra. It is noted that application for imposition of anti dumping duty has been jointly filed by Kalyani Lemmerz Ltd and Wheels India Ltd, who account for 100% of total Indian production. The application, therefore, satisfy the standing and petitioner constitutes domestic industry within the meaning of the Rules. The Designated Authority therefore, has examined injury to the domestic industry as prescribed under the Rule 11 of Rules.

37. The domestic industry has submitted that a product like wheels is a critical safety item for a vehicle and takes around 6-12 months for development and production. It requires preliminary design, customer approval, testing of stress analysis, tooling development and testing in-house as well as by the certifying authorities and customers. Therefore, it is infeasible to immediately replace loss of business due to imports in a short time. Besides, the domestic industry had set up capacities with the understanding that the majority of the sales would be to domestic producers. Though market development is an on-going process for all products, to look for alternate avenues for the subject product was not feasible, given its limited demand in the export market. Dumping by the Chinese producers has severely undermined the efforts of the domestic industry.

Sales Volume

38. Sales volume of the domestic industry (DI) has been as under:

<b>Volume (in MT)</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>POI</b>
DI- Domestic Sales	***	***	***	***
Indexed	100	134	168	153
Imports from Subject country			***	***
Indexed (2004-05 = 100)			100	1489
Domestic Demand	***	***	***	***
Indexed	100	134	171	191

Share of China PR in demand (%)			1.98	19.75
Market share of DI in demand (%)	100	100	98.51	80.25

Source: Domestic industry, exporter.

The Authority noted that the sales volume of the domestic industry has increased till 2004-05 and then declined in the POI, while concurrently there has been a consistent increase in demand of subject goods in India. However, the domestic industry has not been able to get benefit of this increased demand as significant market share has been lost to imports from subject country, in the absence of any other domestic producer. Besides, the Authority has taken cognizance of the fact that the subject product being in use only in very few countries in the world, requirements are limited, so that dedicated capacities created cannot be redeployed effectively nor the gap created by dumped imports bridged by exports.

### Profits

39. Profitability position of the domestic industry has been as under:

<b>Parameter (in Rs. Lakhs)</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>POI</b>
Profit/Loss (Rs./Kg).**	***	***	***	***
Indexed	(100)	(2)	72	(45)
Profit/Loss on Domestic sales	***	***	***	***
Indexed	(100)	(2)	121	(69)
Interest	***	***	***	***
Indexed	100	62	74	99
PBIT	***	***	***	***
Indexed	100	183	469	161

\*\* Selling Price – Cost of Sales

Source: Domestic industry.

The Authority has observed that while the performance of the domestic industry had improved till 2004-05, it deteriorated steeply in the POI. Intensified dumping of the subject product in the POI impacted the financial parameters of the domestic industry.

The Authority examined the reasons for lower profits by the domestic industry in the year 2002-03 and 2003-04. It is found that Kalyani Lemmerz commenced commercial production in 1997-98 with modern technology/process producing better quality product, whereas Wheels India, Padi was an old vintage plant (1962). The domestic industry incurred a loss in 2002-03 due to relatively higher incidence of interest and depreciation expenditure in case of Kalyani Lemmerz coupled with sub-optimal capacity utilization. With the improvement in capacity utilization in 2003-04 & 2004-05, profitability of the

domestic industry improved and the domestic industry reported profits in 2004-05. However, the profits once again deteriorated and the domestic industry suffered financial losses in the period of investigation.

### Productivity

40. The productivity of the domestic industry is given in the table below. The Authority noted that productivity and sales per employee of the domestic industry, has been increasing till 2004-05, after which both these parameters declined. Thus, there is evidence of injury in the POI which can be attributed to the dumped imports, though employment has been fairly steady since 2003-04.

<b>Parameter</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>POI</b>
Sales of the DI (Rs. Lakhs)	***	***	***	***
Indexed	100	137	191	209
Employees (PUC) in Nos.	***	***	***	***
Indexed	100	121	117	122
Production (MT)	***	***	***	***
Productivity per Employee	***	***	***	***
Indexed	100	107	146	129
Domestic Sales (Rs. Lakhs)	***	***	***	***
Indexed	100	140	201	197
Sales per Employee (in Rs)	***	***	***	***
Indexed	100	112	169	158

Source: Domestic industry.

### Return on Investment

41. Return on investments (profit before interest) shows similar trend as that of profits as is evident from the table below.

<b>Parameter (Rs. Lakhs)</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>POI</b>
PBIT	***	***	***	***
Indexed	100	183	469	161
Capital Employed (NFA)	***	***	***	***
Indexed	100	109	142	142
Return on capital employd (NFA) (%)	***	***	***	***
Indexed	100	168	331	113

Source: Domestic industry.

It is noted from the above table that profits have risen to almost Rs. \*\*\* during 2004-05 but declined to less than Rs.\*\*\* in the POI. Return on capital employed improved till 2004-05, but declined steeply in the POI.

### Capacity, Production and Capacity Utilization

42 The capacity, production and capacity utilization of the domestic industry has been as under:

<b>Parameter</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>POI</b>
Capacity in No. ('000)	2380	2380	2724	2724
Indexed	100	100	114	114
Production in No. ('000)	***	***	***	***
Indexed	100	131	162	157
Capacity Utilization (%)	***	***	***	***
Indexed	100	131	142	137
Domestic Demand (MT)	***	***	***	***
Indexed	100	134	171	191

Source: Domestic industry.

The domestic industry claims that it increased its installed capacity in 2004-05 in anticipation of demand, but capacity utilisation has declined in POI as production declined. Demand however, has been consistently increasing, but the increase appears to be met by the rising imports, rather than by increased domestic production.

43. The domestic industry has further submitted as follows:

- (i) Though they were exploring alternative markets, the process of new market development was elaborate and time-consuming, and even so, the gap created by the loss of home market business would be difficult to fill.
- (ii) Presently only one importer, TML has begun importing from the subject country, but the continuation of the trend would result in others following suit. In *these* circumstances, the industry would have to close down its capacities for the production of the product. One single exporter from China has the capacity to meet the entire Indian domestic market demand and there are reported to be almost 70 known producers of the product in the subject country.
- (iii) An attempt made by domestic industry to redeploy un-utilized capacity of component production lines for the subject product to manufacture components for other products adversely affected profitability.
- (iv) Capacity expansion effected in 2004-05 on the basis of the importer's indication, has been rendered of no utility due to resort to imports.

### Factors affecting domestic prices

44. The imports from subject country are resulting in price undercutting and price underselling in the Indian market. The landed price of imports from subject country as a whole is significantly below the non injurious price of the domestic industry. Reduction in the landed price of imports appears to have impacted the domestic industry through price suppression.

### Magnitude of dumping margin

45. The dumping margin for product imports from the subject country has been computed in para 22 and found to be significant.

### Inventories

46. Inventories position with the domestic industry has been as under:

<b>Parameter (in MT)</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>POI</b>
Average stock of inventory	***	***	***	***
Indexed	100	124	116	173
Sales volume	***	***	***	***

Source: Domestic industry.

The Authority noted that the sales volume of the domestic industry declined in the POI after increasing up to 2004-05. Inventories have remained a small percentage of sales as the product is made to order and effort to avoid lock-in of working capital is consciously adopted by the domestic industry. This parameter is being ignored for injury analysis in view of the industry's submission of production made-to-order.

### Cash Flow and Cash Profit

47. All the constituents of the domestic industry are multi product companies; therefore, examination of cash flow of the entire company may not be appropriate for the injury purposes. The Authority therefore, has examined cash profit situation of the domestic industry, which is given in the following table.

<b>Parameter (in Rs. Lakhs)</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>POI</b>
PBT	***	***	***	***
Indexed	(100)	(2)	121	(69)
Depreciation	***	***	***	***
Cash profit	***	***	***	***

Indexed	100	221	374	184
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Source: Domestic industry.

It is evident from the above that cash profit situation of domestic industry, which has been improving earlier, deteriorated during the period of investigation.

### Employment

48. Employment level of the domestic industry has been as under:

Parameter	2002-03	2003-04	2004-05	POI
Employees (No:)	***	***	***	***
Indexed	100	121	117	122
Wages (Rs. Lakhs)	***	***	***	***
Indexed	100	118	122	138

Source: Domestic industry.

The Authority noted that the employment level of the domestic industry has remained stable from 2003-04. The domestic industry being multi-product companies, employment levels per se may not be a conclusive indicator of injury. The domestic industry has submitted that though the deleterious effects of dumping are not visible so far, sustained dumping would have a significant adverse impact. A constituent of the domestic industry had to re-deploy employees from the production of the subject product to that of other products.

### Wages and Ability to raise capital

49. Wages of the domestic industry has been as under:

Parameter	2002-03	2003-04	2004-05	POI
Wages for PUC (Rs. Lakhs)	***	***	***	***
Indexed	100	118	122	138
Production (MT)	***	***	***	***
Wages/ unit of production	***	***	***	***

Source: Domestic industry.

The Authority noted that wages of the domestic industry in absolute terms had increased. Simultaneously, domestic production has also increased resulting in reduction of wages per unit of production. Therefore, this parameter is not a cause of injury to the domestic

industry. Further, no evidence has been placed before the Designated Authority to substantiate the fact that the domestic industry has been facing problems with regards to the ability to raise capital.

### Growth

50. Status of various parameters of growth is given in the following table.

<b>Growth in %</b>	<b>2003-04</b>	<b>2004-05</b>	<b>POI</b>
1. Sales Volume	34.26	25.16	(8.74)
2. Unit selling price	3.92	15.18	7.38
3. Cost of production	1.40	13.37	10.01
4. Production	29.40	32.89	( 8.50)
5. PBIT	83.08	156.35	(65.74)
6. Cash profit	120.68	69.60	(50.91)
7. Market Share		(1.49)	(19.75)
8. ROI	1.14	2.75	(3.67)

Source: Domestic industry.

The table above shows that majority of the injury parameters have been adversely affected during the injury period and are showing negative growth.

- i) Performance of the domestic industry deteriorated in the POI after improving upto 2004-05 in terms of production, sales volumes, capacity utilization, productivity, market share, profits, return on investments, cash flow, growth, etc.
- ii) Imports resulted in significant price undercutting. The domestic industry suffered price suppression and price underselling.

### Threat of injury

51. Annexure II to the Rules provides as under in this regard.

“A determination of a threat of material injury shall be based on facts and not merely on allegation, conjecture or remote possibility. The change in circumstances which would create a situation in which the dumping would cause injury must be clearly foreseen and imminent. In making a determination regarding the existence of a threat of material injury, the Designated Authority shall consider, inter-alia, such factors and;

- (a) “a significant rate of increase of dumped imports into India indicating the likelihood of substantially increased importation;
- (b) “sufficient freely disposable or an imminent, substantial increase in capacity of the exporter indicating the likelihood of substantially increased dumped exports to Indian

market, taking into account the availability of other export markets to absorb any additional exports;

(c) “whether imports are entering at prices that will have a significant depressing or suppressing effect on domestic prices, and would likely increase demand for further imports; and,

(d) “inventories of the article being investigated.”

The domestic industry has submitted that the continuing imports of the product from the subject country pose threat of material injury to it in the following ways:

(i) Increase in imports in absolute terms has led to a fall in their market share.

(ii) The potential increase in imports is greater as prices offered by the Chinese exporters are lower. Thus, the orders placed on foreign exporters have increased.

(iii) The demand for the product has consistently increased and as it is not available off-the-shelf, supply orders have to be placed well in advance.

(iv) Significant price undercutting would prompt consumers to increase the off-take from foreign producers or force the domestic industry to reduce prices.

(v) The capacities created by Chinese exporters in the home country exceed home market demand.

#### G. CONCLUSIONS ON INJURY

52. There has been significant increase in the volume of dumped imports from subject country at the absolute level and also in relation to total demand of subject goods into India. These imports have increased significantly from 2002-03 to the POI and these had significant price effect on account of dumped imports resulting in price suppression and price undercutting. In fact, the prices of the domestic industry have been suppressed on account of dumped imports from subject country. The undercutting margin has been determined from the subject country for the POI and is considered as significant. Though the sales volume has increased during the injury period in absolute terms, the domestic industry has suffered significant decline in market share. Sub-optimal increase in respect of a parameters in period of investigation, such as production (about 30% lower increase than demand), capacity utilization (lower than optimum), slump in profits in POI, decline in market share in demand (19.75%), positive price undercutting, low levels of return on capital employed, significant dumping margin, negative growth in respect of a number of parameters show significant deterioration in the performance of the domestic industry over the injury period. Parameters such as employment and wages do not reflect injury. On the basis of the above analysis, the Authority provisionally concludes that the domestic industry has suffered material injury.

#### H. CAUSAL LINK

53. In order to reach its conclusions on the cause of the injury suffered by the domestic industry and in accordance with Article 3.5 of Agreement of Anti Dumping and as per para (v) of Annexure II under Rule 11 under Customs Tariff Act as amended, the Authority examined the impact of all known factors and their consequences on the situation of the domestic industry. Known factors other than the dumped imports, which could at the same time have injured the domestic industry, were also examined to ensure that the possible injury caused by these other factors was not attributed to the dumped imports.

54. (i) Effect of dumped imports

(a) Significant increase in the volume of dumped imports has resulted significant decline in market share of the domestic industry. Decline in market share of the domestic industry as a consequence of increase in the market share of the subject imports prevented the domestic industry from increasing their sales commensurate with the increase in the demand in the market. As a result, the sales of the domestic industry did not increase to such an extent that the domestic industry could have optimally utilized its capacity. Consequently, growth in production, sales and capacity utilization of the domestic industry suffered as a result of decline in the market share of the domestic industry.

(b) Significant price undercutting caused by imports prevented the domestic industry from increasing its prices to the extent of increase in inputs costs. Consequently, profits, cash flow and return on investment of the domestic industry deteriorated after showing consistent improvement. Whereas the domestic industry was able to increase prices in 2003-04 and 2004-05, its performance deteriorated in the POI due to the dumped imports, which prevented it from effecting legitimate price increases.

55. (ii) Effect of Other factors

(c) Contraction of demand or Changes in the pattern of consumption

The Authority notes that there is no contraction in the overall demand during the period under consideration. On the contrary, the overall demand has increased significantly during the injury period. The Authority also provisionally concludes that there is no apparent change in the pattern of consumption.

(d) Volume and Prices of imports not sold at the dumped prices\_

According to the available information, the total import volume of the product concerned originating in countries other than the subject country are nil and therefore, they are considered not to have had any impact on the domestic industry.

(e) Trade Restrictive practices of and competition between foreign and domestic producers

The Authority notes that there is a single market for the subject goods where dumped imports from the subject country compete directly with the subject goods produced by the domestic industry. The Authority also notes that the imported product is sold to meet the similar commercial grades and specification as domestically produced subject goods and that the imported subject goods and domestically produced goods are like articles and are used for similar applications/end uses.

(f) Developments in Technology, Export performance and productivity of the Domestic Industry

On the basis of the examination of the records of the petitioner, the Authority provisionally holds that developments in technology, has not been a relevant factor for the injury to the domestic industry.

With regard to the export performance of the domestic industry, the Authority notes that though there have been some exports by the domestic industry during the injury period, these form a very insignificant part of the total sales of the domestic industry. It is further noted that the performance with respect to various economic indicators have been determined with respect to domestic sales only. Hence, the Authority provisionally holds that material injury suffered by the domestic industry may not as a result of the export performance of the domestic industry.

As regards improvement in productivity, the Authority notes that during the period under consideration, the productivity measures as output per person employed per year has rather improved during the injury period. On the basis of the examination, the Authority provisionally holds that the productivity per se is not the cause for the injury to the domestic industry.

## 56. CONCLUSION ON CAUSATION

Significant increase in the volume of dumped imports has resulted significant decline in market share of the domestic industry. It is further seen that decline in market share of the domestic industry as a consequence of increase in the market share of the subject imports prevented the domestic industry from increasing their sales commensurate with the increase in the demand in the market. As a result, the sales of the domestic industry did not increase to such an extent that the domestic industry could have optimally utilized its capacity. Consequently, growth in production, sales and capacity utilization of the domestic industry suffered as a result of decline in the market share of the domestic industry. Significant price undercutting caused by dumped imports prevented the domestic industry from increasing its prices to the extent of increase in

inputs costs. Resultantly, profits, cash flow and return on investment of the domestic industry deteriorated in the POI after showing consistent improvement. Significant price undercutting and substantial increase in volume of dumped imports adversely affected the performance of the domestic industry in terms of profits, cash flow, return on investments, which parameters deteriorated in the POI after improving significantly till 2004-05.

57. The Authority has, therefore, provisionally concluded that the dumped imports originating in the subject country have caused material injury to the domestic industry within the meaning of Rule 11 of Anti Dumping rules and article 3.5 of the Agreement of Anti Dumping.

#### Magnitude of Injury Margin

58. The Authority note that there is a significant different between price data submitted by the exporter and the import data available from DGCI&S. Subject to reconciliation and verification of the same, the import price data of the importer has been used for the determination of landed value of the subject good from the responding exporter for the purpose of determination of provisional injury margin. The non-injurious price determined by the Authority has been compared with the landed value determined provisionally for computation of injury margin. This is shown below:

Injury margin calculations (in Rs)			
Non-Injurious price	Landed value	Injury Margin	IM %
***	39.71	***	35.28
***	37.45	***	43.44

#### Indian Industry's interest.

59. The purpose of anti dumping duties in general is to eliminate dumping which is causing injury to the domestic industry and to re-establish a situation of open and fair competition in the Indian market, which is in the general interest of the country. The Authority recognizes that the imposition of anti dumping duties might affect the price levels of the products manufactured using subject goods and consequently might have some influence on relative competitiveness of these products. However, fair competition on the Indian market will not be reduced by the anti dumping measures. On the contrary, imposition of anti dumping measures would remove the unfair advantages gained by dumping practices and would prevent the decline of the domestic industry. It would not restrict imports from subject country in any way, and therefore, would not affect the availability of the product, but rather help maintain wider choice to the consumers of subject goods

#### J. CONCLUSIONS:

60. The Authority has, after considering the foregoing, come to the conclusion that:
- The subject goods have been exported to India from the subject country below its normal value.
  - The domestic industry has suffered material injury;
  - Injury has been caused by dumped imports from the subject country.

61. The Authority considers it necessary to impose an anti-dumping duty provisionally, pending final determination, on all imports of subject goods from subject country in order to remove the injury to the domestic industry. The margin of dumping determined by the Authority indicated in para 22 is lower than the margin of injury to the domestic industry at para 58 in respect of the cooperating exporter.

62. Having regard to the lesser duty rule, the Authority proposes levy of fixed amount of anti dumping duty equal to the dumping margin or injury margin whichever is less. Accordingly, the Authority recommends that the provisional anti dumping duties be imposed from the date of notification to be issued in this regard by the Central Government on imports of Steel Wheels falling under Custom Heading 87 originating in or exported from subject country pending final determination. The Anti-Dumping duty shall be the amount mentioned in column 8 of the following table: -

S.No:	Sub- Head-ing/ Tariff Items	Description of Goods	Country of Origin	Country of Export	Producer	Exporter	Amt	Unit of Measurement	Currency
1	8708.70	Steel Wheels	Any	China PR	M/s Zheng-xing Wheel Group Co:	M/s Zheng-xing Wheel Group Co:	310.70	MT	USD
2	8708.70	-do-	-do-	-do-	Any other	Any other	368.18	MT	USD

#### K. FURTHER PROCEDURE:

63. The following procedure would be followed subsequent to notifying the preliminary findings: -

- The Authority invites comments on these findings from all interested parties and the same would be considered in the final findings;
- Exporters, importers, petitioner and other interested parties known to be concerned are being addressed separately by the Authority, who may make known their views, within forty days from the date of preliminary findings. Any other interested party may also make known its views within forty days from the date of publication of these findings.
- The Authority would conduct further verification to the extent deemed necessary.
- The Authority would disclose essential facts before announcing final findings.

(Dr. Christy L. Fernandez)  
Additional Secretary & Designated Authority

GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE & INDUSTRY  
DEPARTMENT OF COMMERCE  
(DIRECTORATE GENERAL OF ANTI-DUMPING & ALLIED DUTIES)

NOTIFICATION

AMENDMENT

New Delhi, the 12<sup>th</sup> March, 2007

Sub: Preliminary Findings in respect of anti dumping investigations concerning Flat base Steel Wheels originating in/ exported from China PR.

No. 14/8/2005-DGAD: Whereas, having regard to the Customs Tariff Act, 1975 as amended in 1995 and Customs Tariff (Identification, Assessment and Collection of Antidumping duty on dumped Articles and for Determination of Injury) Rules, 1995, thereof, the Designated Authority has notified the preliminary findings vide notification dated 12<sup>th</sup> January, 2007 amended vide notification dated 21<sup>st</sup> February, 2007 in the subject anti-dumping investigation.

In the said notifications dated 12<sup>th</sup> January and 21<sup>st</sup> February, 2007, the duty table duty after paragraph 62 shall be amended to read as follows:

S.No:	Sub- Head -ing/ Tariff Item	Description of Goods	Country of Origin	Country of Export	Producer	Exporter	Amt	Unit of Measurement	Currency
1	8708.70	Steel Wheels of nominal diameter 16"- 20"	China PR	China PR	M/s Zheng-xing Wheel Group Co:	M/s Zheng-xing Wheel Group Co:	310.70	MT	USD
2	-do-	-do-	-do-	-do-	Any combination of producer / exporter (other than above)		368.18	MT	USD

4	-do-	-do-	China PR	Any country other than China PR	Any	Any	368.18	MT	USD
5	-do-	-do-	Any country other than China PR	China PR	Any	Any	368.18	MT	USD

(Dr. Christy L. Fernandez)  
Special Secretary & Designated Authority.