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**F. No. 6/24/2023-DGTR
Government of India
Department of Commerce
Ministry of Commerce & Industry
(Directorate General of Trade Remedies)
4th Floor, Jeevan Tara Building, Parliament Street, New Delhi – 110001**

INITIATION NOTIFICATION

Case No – CVD(OI) – 02/2023

Dated: 29th September, 2023

Subject: - Initiation of countervailing duty / anti-subsidy investigation concerning imports of “Epichlorohydrin” originating in or exported from Thailand.

1. Having regards to the Customs Tariff Act 1975, as amended from time to time (hereinafter also referred to as the “Act”) and the Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995 thereof, as amended from time to time (hereinafter also referred to as the “Rules or CVD Rules”), Meghmani Finechem Limited (hereinafter referred to as the “Applicant”) has filed an application before the Designated Authority (hereinafter referred to as the “Authority”) for initiation of countervailing duty investigation concerning imports of “Epichlorohydrin” (hereinafter referred to as the “subject goods” or the “product under consideration” or “ECH”) originating in or exported from Thailand (hereinafter referred to as the “subject country”).

A. Allegation of subsidization

2. The applicant has alleged that the producers/exporters of the subject goods in the subject country have benefitted from the actionable subsidies provided by various levels in the Government of Thailand, including the Governments of the different provinces and municipalities in which the producers/exporters are located, and other ‘Public Bodies’. The applicant has relied upon relevant Laws, Rules and Regulations and other notifications of the relevant Government Agencies and Public Bodies as available in the public domain.

B. Consultation

3. In terms of Article 13 of the Agreement on Subsidies and Countervailing Measures, the opportunity for consultation was given to the Government of the Kingdom of Thailand by scheduling a meeting on 25th September 2023. However, the Government of the Kingdom of Thailand did not attend the meeting. Accordingly, the Authority is proceeding with the initiation of the investigation.

C. Subsidy programs

4. The *prima facie* evidence provided by the applicant shows that the producers and exporters of the subject goods in the subject country have benefitted from a number of subsidies granted by the Government and / or other public bodies in the subject country.
- Program 1 – Exemption from import duties on imports of machinery.
 - Program 2 – Exemption from Import duty on Raw or Essential Material Imported for use in production of exported goods.
 - Program 3 – Exemption from import duty on raw or essential materials not produced or originating in Thailand.
 - Program 4 – Duty Drawback.
 - Program 5 – Tax and Duty Compensation for exports.
 - Program 6 – Income Tax Exemption.
 - Program 7 – Income Tax Exemption on intellectual property fees.
 - Program 8 – Income Tax Exemption on dividends earned.
 - Program 9 – Exemptions with regard to Investment Promotion Zone.
 - Program 10 – Exemption of Import duty for Bonded Warehouses.
 - Program 11 – Merit based Additional Incentives for Increase in Competitiveness Enhancement.
 - Program 12 – Special exemption from taxes or duties on imported machinery, capital goods or goods for construction of factory by entities in Industrial Estate Area.
 - Program 13 – Special exemption from taxes or duties on imported raw materials by entities in Industrial Estate Area.
 - Program 14 – Supply of electricity at less than adequate remuneration for entities in Industrial Estate Area.
 - Program 15 – Provision of Land at less than adequate remuneration for entities in Industrial Estate Area.
 - Program 16 – Short Term Credit for import of raw materials, inputs or capital goods for production of goods intended for export.
 - Program 17 – Medium-Long term loan to exporters for expansion of production capacity.
 - Program 18 – Short Term Credit insurance to SMEs and Small businesses engaged in export of products.
 - Program 19 – Medium and long-term export insurance to exporters.
5. It has been alleged that the above schemes are subsidies since they involve a financial contribution from the Government of Thailand or other regional or local governments, including public bodies and confer benefits to the recipients. They also alleged to be contingent upon export performance and/or limited to certain enterprises or groups of enterprises and/or products and/or regions, therefore, are specific and countervailable.
6. The Designated Authority reserves the right to investigate other subsidies, which may be found to exist and availed by the producers and exporters of the subject goods, during the course of the investigation.

D. Allegation of injury and causal link

7. Information furnished by the applicant has been considered for assessment of injury to the domestic industry. The applicant has furnished *prima facie* evidence establishing that the imports have materially retarded the establishment of the domestic industry in India. The applicant has claimed that the volume of imports is substantial despite the domestic industry commencing production. The import prices have declined even below the raw material cost. It has also been claimed that the imports are undercutting the actual as well as the projected prices of the domestic industry, and the significant decline in prices is suppressing and depressing the domestic prices. The applicant has highlighted that they have been unable to achieve their projected prices due to the significantly low import prices. This has adversely impacted the performance of the domestic industry with respect to the low-capacity utilization production and sales, which are much below the projected levels as the imports forced the domestic industry to suspend operations for 50% of their operating period. Despite having the capacity to cater to more than half the market share, the domestic industry has been able to cater to less than 10%, resulting in a significant accumulation of inventories. The applicant has claimed that they are unable to recover even their variable costs and have faced significant losses, cash losses and negative return on capital employed. There is sufficient *prima facie* evidence of injury being caused to the domestic industry in the form of material retardation by the subject imports from the subject country. Since the domestic industry was operational only during the period of investigation, the Authority has determined the injury margin for the domestic industry on a quarterly basis to examine the extent of injury caused.

E. Initiation of the Investigation

8. The Authority finds that there is *prima facie* evidence of the existence of countervailable subsidies on the production and/or export of the subject goods in Thailand and such subsidized imports are causing material retardation to the establishment of the domestic industry in the country.
9. In view of the above position, the Authority hereby initiates an investigation into the alleged subsidization and the consequent material retardation to the establishment of the domestic industry in terms of Rule 6 of the Rules, to determine the existence, degree and effect of any alleged subsidization and to recommend the amount of countervailing duty, which if levied, would be adequate to remove the injury to the domestic industry.

F. Domestic industry and standing

10. The application has been filed by Meghmani Finechem Limited. The applicant is the sole producer of the subject goods in the country, having commenced commercial production in June 2022.

11. The applicant has stated that it has not imported the subject goods from the subject country and that it is not related to any exporter of the subject goods in the subject country or importer of the subject goods in India.
12. The Authority notes that Meghmani Finechem Limited is the sole producer of like article in India. The applicant accounts for a major proportion of the total domestic production in India. In view of the above and after due examination, the Authority notes that the applicant constitutes eligible domestic industry in terms of Rule 2(b) and the application satisfies the criteria of standing in terms of Rule 6(3) of the Rules.

G. Product under consideration

13. The product under consideration in the present investigation is Epichlorohydrin, abbreviated as ECH. The chemical name of the product, which is also used in the customs classification is 1-chloro-2,3-epoxypropane. Its chemical formula is C_3H_5ClO .
14. It is a colourless liquid with a pungent, garlic-like odour, moderately soluble in water, generally produced with purities of greater than 99%. It is majorly used to make epoxy resins, which account for nearly 80% of its consumption. It is also used in Pharmaceutical API, water treatment, paper chemicals, synthetic rubbers, surfactants, adhesives, elastomers, plastics and rubbers and as a strength additive in papers. The product can be produced using propylene as well as using glycerine.
15. The product under consideration is conventionally produced using propylene, where propylene chlorination is done at high temperatures to produce allyl chloride. Following allyl chloride separation and allyl chloride hydrochlorination, dichlorohydrine is produced and allylchloride is recovered. Dichlorohydrine undergoes saponification to produce ECH which is then purified. However, such a production process results in high waste generation and thus, requires high capital expenditure for disposal. To overcome these challenges, ECH is now produced using bio-based glycerine, which is an environment friendly production process.
16. The subject goods are classified under Chapter 29 of the Customs Tariff Act under the heading 2910 under the subheading 2910 30 00. The customs classification is only indicative and is not binding on the scope of the product under consideration.

H. Like article

17. The applicant has claimed that there are no known significant differences in the goods produced by the domestic industry and those exported from the subject country. While the applicant has produced the subject goods using the bio-based glycerine route, the product can be produced using the propylene route as well. The applicant has submitted that there are no differences in the product manufactured using propylene, if any, and that produced using glycerine. ECH produced using both routes have the same technical

and physical characteristics, applications, pricing and customers. The subject goods produced by the domestic industry are comparable to the imported goods from the subject country in terms of technical specifications, functions & uses, pricing, distribution & marketing and tariff classification of the goods. The applicant claimed that the two are technically and commercially substitutable. Therefore, for the purpose of the proposed investigation, the subject goods produced by the applicant are being treated as 'like articles' to the subject goods originating in or exported from the subject country.

I. Country involved

18. The subject country for the present investigation is Thailand.

J. Period of investigation

19. The period of investigation for the purpose of the present investigation is 1st April 2022 to 31st March 2023 (12 months). The injury analysis period covers the period of investigation and the three preceding financial years 2019-20, 2020-21, 2021-22 and the period of investigation. Further, since the applicant was operational only during the period of investigation, the quarterly performance of the applicant will also be analyzed.

K. Procedure

20. Principles as given in Rule 7 of the Rules will be followed for the present investigation.

L. Submission of Information

21. All communication should be sent to the Authority via email at the email addresses dd15-dgtr@gov.in, jd13-dgtr@gov.in, adv11-dgtr@gov.in, and adg13-dgtr@gov.in. It should be ensured that the narrative part of the submission is in searchable PDF/MS Work format and data files are in MS Excel format.
22. The known producers/exporters from the subject country, their Government through their Embassy in India, the importers and users in India known to be concerned with the subject goods and the domestic producer are being informed separately to enable them to file all the relevant information in the form and manner prescribed within the time-limit set out below.
23. Any other interested party may also make its submissions relevant to the investigation in the form and manner prescribed within the time limit set out below on the email addresses mentioned hereinabove.
24. Any party making any confidential submission before the Authority is required to make a non-confidential version of the same available to the other interested parties.

25. Interested parties are further advised to keep a regular watch on the official website of the Authority <http://www.dgtr.gov.in/> for any updated information with respect to this investigation.

M. Time Limit

26. Any information relating to the present investigation should be to the Authority via email at the email addresses dd15-dgtr@gov.in, jd13-dgtr@gov.in, adv11-dgtr@gov.in, and adg13-dgtr@gov.in, within thirty days (30 days) from the date of receipt of the notice as per Rule 7(4) of the Rules. It may, however, be noted that in terms of explanation of the said Rule, the notice calling for information and other documents shall be deemed to have been received within one week from the date on which it was sent by the Designated Authority or transmitted to the appropriate diplomatic representative of the exporting country. If no information is received within the prescribed time limit or the information received is incomplete, the Authority may record its finding on the basis of the facts available on records in accordance with the Rules.
27. All the interested parties are hereby advised to intimate their interest (including the nature of interest) in the instant investigation and file their questionnaire response/submissions within the above time limit.

N. Submission of information on confidential basis

28. Any party making any confidential submission or providing information on a confidential basis before the Authority, is required to simultaneously submit a non-confidential version of the same in terms of Rule 8(2) of the Rules and the Trade Notices issued in this regard. Failure to adhere to the above may lead to rejection of the response / submissions.
29. The parties making any submission (including Appendices/Annexures attached thereto), before the Authority including questionnaire response, are required to file Confidential and Non-Confidential versions separately.
30. The “confidential” or “non-confidential” submissions must be clearly marked as “confidential” or “non-confidential” at the top of each page. Any submission made without such marking shall be treated as non-confidential by the Authority, and the Authority shall be at liberty to allow the other interested parties to inspect such submissions.
31. The confidential version shall contain all information that is by nature confidential and/or other information that the supplier of such information claims as confidential. For the information which is claimed to be confidential by nature or the information on which confidentiality is claimed because of other reasons, the supplier of the information is required to provide a good cause statement along with the supplied information as to why such information cannot be disclosed.

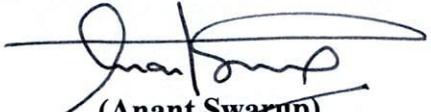
32. The non-confidential version is required to be a replica of the confidential version with the confidential information preferably indexed or blanked out (in case indexation is not feasible) and summarized depending upon the information on which confidentiality is claimed. The non-confidential summary must be in sufficient detail to permit a reasonable understanding of the substance of the information furnished on a confidential basis. However, in exceptional circumstances, the party submitting the confidential information may indicate that such information is not susceptible to summary, and a statement of reasons why summarization is not possible must be provided to the satisfaction of the Authority. The other interested parties can offer their comments on the confidentiality claimed within 7 days of receiving the non-confidential version of the document.
33. The Authority may accept or reject the request for confidentiality on examination of the nature of the information submitted. If the Authority is satisfied the request for confidentiality is not warranted or if the supplier of the information is either unwilling to make the information public or to authorize its disclosure in generalized or in summary form, it may disregard such information.
34. Any submission made without a meaningful non-confidential version thereof or without a good cause statement on the confidentiality claim shall not be taken on record by the Authority.
35. The Authority on being satisfied and accepting the need for confidentiality of the information provided, shall not disclose it to any party without specific authorization of the party providing such information.

O. Inspection of Public File

36. A list of registered interested parties will be uploaded on the DGTR's website along with the request therein to all of them to email the non-confidential version of their submissions/response/information to all other interested parties. Failure to circulate a non-confidential version of submissions/response/information might lead to the consideration of an interested party as non-cooperative.

P. Non-cooperation

37. In case where an interested party refuses access to, or otherwise does not provide necessary information within a reasonable period, or significantly impedes the investigation, the Authority may record its findings on the basis of the facts available to it and make such recommendations to the Central Government as deemed fit.



(Anant Swarup)

Designated Authority