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Government of India  
Department of Commerce  
Ministry of Commerce & Industry  
(Directorate General of Trade Remedies)  
4<sup>th</sup> Floor, Jeevan Tara Building, Parliament Street, New Delhi-110001**

**Dated: 29<sup>th</sup> March 2024**

**INITIATION NOTIFICATION**

**Case No. CVD (OI) - 01/2024**

**Subject: Initiation of countervailing duty investigation concerning imports of effect pearlescent pigments or mica pearlescent pigments, excluding effect pigments for automotive applications originating in or exported from China PR**

1. Sudarshan Chemical Industries Limited (hereinafter referred to as 'Sudarshan' or the 'applicant' or the 'domestic industry') has filed an application before the Designated Authority (hereinafter referred to as the 'Authority') under the provisions of 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 "CVD Rules" or the "Rules") for the initiation of a countervailing duty investigation concerning imports of 'effect pearlescent pigments or mica pearlescent pigments, excluding effect pigments for automotive applications' (hereinafter referred to as the "product under consideration" or the "subject goods" or the "PUC") originating in or exported from China PR (hereinafter referred to as the "subject country").

**A. Allegation of subsidisation**

2. The applicant has alleged that the producers/exporters of the subject goods in the subject country have benefitted from actionable subsidies provided at various levels by the government of the subject country, including the governments of different provinces and municipalities in which producers/exporters are located, and other 'public bodies'. The applicant has relied upon the relevant laws, rules and regulations, and other notifications of the relevant government agencies and public bodies as available in the public domain and in the

determination of other investigating authorities who had conducted comprehensive investigations of such schemes and concluded the existence of countervailable subsidy programmes.

**B. Consultation**

3. In terms of Article 13 of the Agreement on Subsidies and Countervailing Measures (ASCM), the government of China PR was invited for pre-initiation consultations. However, it did not avail the above said opportunity.

**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 subsidy schemes/programs, granted by the government of subject country and/or its public bodies as listed below. The alleged subsidies consist of direct transfer of funds and potential direct transfer of funds or liabilities; government revenue that is otherwise due is foregone or not collected; provision of goods and services for less than adequate remuneration; preferential financing, lending and export credit etc.

**a. Programs in the Form of Grants**

- 1) Program no.1: Research & Development (R&D) Assistance Grant.
- 2) Program no. 2: Special fund for foreign economic and trade development.
- 3) Program no. 3: Fund for Industrial Transformation and Upgrading / Grants related to technological upgrading, renovation or transformation.
- 4) Program no. 4: Special funds for energy saving technology reform / promotion of circular economy/ incentive fund for transformation of energy-saving technology/ Energy saving, conservation and emission grants.
- 5) Program no. 5: National Award for Green Factory.
- 6) Program no. 6: Famous Brands of China.
- 7) Program no. 7: Export Assistance Grant.
- 8) Program no. 8: Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments (Anti-Dumping Respondent Assistance).
- 9) Program no. 9: The State Key Technology Renovation Project Fund.
- 10) Program no. 10: Various Government grants- Received by producers/exporters of China PR/ Ad hoc grants provided by provincial and municipal/regional authorities.
- 11) Program no. 11: Intellectual Property Awards in Guangxi Province.

**b. Programs in the form of Tax and Vat Incentives**

- 12) Program no. 12: Export tax rebate/Tax Refund on Exports.

- 13) Program no. 13: Preferential tax policies in the western regions.
- 14) Program no. 14: Preferential Tax Policies for companies that are recognized as high and new technology companies.
- 15) Program no. 15: Tax Policies for the deduction of research and development (R&D) expenses.
- 16) Program no. 16: Tax credit concerning the purchase of special equipment.
- 17) Program no. 17: Tax relief for enterprises set up in Fuzhou Yuanhong Investment Zone tax.
- 18) Program no. 18: Accelerated depreciation of fixed assets.

**c. Programs in the form of provision of goods and services for less than adequate remuneration (LTAR)**

- 19) Program No. 19: Provision of Land /Land Use rights provided for less than adequate remuneration (LTAR).
- 20) Program no. 20: Provision of Electricity at less than adequate remuneration (LTAR).
- 21) Program no. 21: Land-Use Rights for LTAR in Economic Development Zones.
- 22) Program no. 22: Provision of Land to State Owned Enterprises (SOEs) for LTAR.
- 23) Program no. 23: Provision of Caustic Soda for LTAR.
- 24) Program no. 24: Provision of Calcium Carbonate for LTAR.
- 25) Program no. 25: Provision of Titanium Dioxide for LTAR.

**d. Programs in the form of preferential financing, lending and export credit**

- 26) Program no. 26: Preferential Financing under One Belt One Road Initiative for Companies making Outward Investments.
- 27) Program no. 27: Preferential Loans and Interest Rates to the Effect Pigments Industry.
- 28) Program no. 28: Export Credit Insurance Subsidy.
- 29) Program no. 29: Loan Guarantee/Credit Loan Guarantee by GOC/Export Credit Guarantees.
- 30) Program no. 30: Debt for Equity Swaps.
- 31) Program no. 31: Export Seller's Credit.
- 32) Program no. 32: Export Buyer's Credit.

5. It has been alleged that the above-mentioned schemes are subsidies since these involve a financial contribution from the government of the subject country or a public body, which confer benefits on the recipients. These schemes are also alleged to be limited to certain enterprises or groups of enterprises and/or products and/or regions and are therefore 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/ exporters of the subject goods in the subject country, 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 because of subsidised imports from China. The applicant has claimed that the subject imports in relation to Indian demand, production and total imports are high, even when the applicant has sufficient capacity to cater to the entire demand in India. The subject imports are undercutting the prices and cost of the applicant. The cost of sales of the applicant increased has over the injury period. There has been a decline in selling price which has been below the cost of sales showing price depressing and suppressing effects of imports. While the production and domestic sales of the applicant have increased, the applicant has suffered price injury due to imports. The profitability of the applicant has deteriorated, and it has incurred financial losses, cash losses and negative return on capital employed in the recent period. There has also been an increase in the inventory levels of the applicant. Thus, the evidence provided by the applicant *prima facie* shows injury to the domestic industry caused by the alleged subsidized imports from China.

**E. Initiation of Investigation**

8. On the basis of the duly substantiated application by the applicant, and having satisfied itself, on the basis of *prima facie* evidence submitted by the applicant substantiating the subsidization and consequent injury to the applicant, the Authority hereby initiates an anti-subsidy investigation into the alleged subsidization and consequent material injury to the applicant in accordance with Section 9 of the Act read with Rule 6 of the Rules, to determine the existence, degree, and effect of 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**

9. Rule 2(b) defines domestic industry as follows:

*“domestic industry’ means the domestic producers as a whole of the like article or domestic producers whose collective output of the said article constitutes a major proportion of the total domestic production of that article, except when such producers are related to the exporters or importers of the alleged subsidised article, or are themselves importers thereof, in which case such producers shall be deemed not to form part of domestic industry”*

10. The application has been filed by Sudarshan Chemical Industries Limited. The applicant has submitted that it is the sole producer of the product under consideration in India. The applicant has further 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. Accordingly, the Authority *prima facie* holds that the applicant constitutes domestic industry as defined under Rule 2(b) of the CVD Rules, and the application meets the requirements of standing under Rule 6(3).

**G. Product under Consideration**

11. The product under consideration in the present investigation is “*effect pearlescent pigments or mica pearlescent pigments, excluding effect pigments or mica pearlescent pigments for automotive applications.*”
12. These are inorganic pigments/colouring agents giving lustrous/shinning/frosted effects. These are commercially also known as ‘pearl lustre pigments’ or ‘pearl pigments’. They are sold as dry powder and are extensively used to impart colours and other effects for coating, inks and plastic application. These pearl pigments have distinct properties (shimmer, lustre and sparkle) that provides unique effects in the end applications. These distinct optical effects of the pigment are referred to as the pearlescent effect.
13. These pigments can be manufactured from natural or synthetic mica. Any producer can supply pigments with different particle sizes and may tailor pigments to suit the specific requirements of the end consumer. Costs and prices vary with the mean size and colour of the pigment.
14. Mica pearl pigments can be of different shades including gold, silver, iridescent, earthy colours like bronze, copper, maroon, and in varying particle size.
15. Mica pearl pigments are classified under Chapter 32 of the Customs Tariff Act, 1975 under the heading 3206. Apart from the codes assigned to these pigments at 4-digit level, the subject goods are also being imported under different HSN codes: 32041720, 32041739, 32041759, 32041790, 32071040, 32129090 and 32151990. The customs classification is only indicative and is not binding on the scope of the product under consideration. The Authority shall consider imports of the product under consideration, irrespective of its classification for the purpose of the present investigation.
16. The domestic industry has proposed the following product control numbers (PCN) for the product under consideration for a fair comparison:

<b>Type of Pigment</b>	N - Natural mica pigment S - Synthetic Pigment
<b>Application</b>	1 - Industrial non-Automotive 2 - Cosmetic

<b>Colour</b>	S - Silver G - Gold I - Iridescent E - Earth tones (Bronze/ Copper/ Maroon) O - others
<b>Particle Size (D50)</b>	1 - Super fine (below 15) 2 - Fine (15-20) 3 - Medium (20.1-30) 4 - Large (30.1-50) 5 - Very large (above 50)

17. The parties to the present investigation may provide their comments on the PUC and proposed PCNs, if any, within 15 days of circulation of the non-confidential version of the application filed before the Authority as indicated in paragraph 26 of this initiation notification.

**H. Like Article**

18. The applicant has stated that there are no significant differences in the article produced by the applicant and exported from the subject country. The article produced by the applicant and imported from China are comparable in terms of physical and chemical characteristics, manufacturing process and technology, functions and uses, product specifications, pricing, distribution and marketing, and tariff classification of the subject goods. The subject goods and the article manufactured by the applicant are technically and commercially substitutable. The applicant has claimed that consumers of the PUC are using the subject goods and the article manufactured by the applicant interchangeably. Thus, for the purposes of initiation of the present investigation, the subject goods produced by the applicant are being treated as like article to the product being imported from China.

**I. Country involved**

19. The application has been filed in respect of alleged subsidization of the subject goods originating in or exported from China PR. Therefore, the subject country for the present investigation is China PR.

**J. Period of investigation**

20. The Authority has considered the period between October 2022 to September 2023 (12 months) as the period of investigation (hereinafter referred to as the "POI") and financial years 2020-21, 2021-22, 2022-23 as the injury period for the purpose of the present investigation.

**K. Submission of Information**

21. All communication should be sent to the Authority via email at the email address [adv13-dgtr@gov.in](mailto:adv13-dgtr@gov.in) ; [adg14-dgtr@gov.in](mailto:adg14-dgtr@gov.in) ; [dir11-dgtr@gov.in](mailto:dir11-dgtr@gov.in) ; [dd16-dgtr@gov.in](mailto:dd16-dgtr@gov.in). It should be ensured that the narrative part of the submission is in searchable PDF/MS Word 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 and the importers and users in India known to be concerned with the subject goods 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.

**L. Time Limit**

26. Any information relating to the present investigation should be sent to the Authority via email at the email addresses [adv13-dgtr@gov.in](mailto:adv13-dgtr@gov.in) ; [adg14-dgtr@gov.in](mailto:adg14-dgtr@gov.in) ; [dir11-dgtr@gov.in](mailto:dir11-dgtr@gov.in) ; [dd16-dgtr@gov.in](mailto:dd16-dgtr@gov.in) within thirty days (30 days) from the date on which the non-confidential version of the application filed by the domestic industry would be circulated by the Designated Authority or transmitted to the appropriate diplomatic representative of the exporting country as per Rule 7(4) of the CVD Rules. If no information is received within the stipulated time limit or the information received is incomplete, the Authority may record its findings based on the facts available on record and in accordance with the Rules.
27. Parties who wish to participate in the subject investigation may register themselves with the Designated Authority within the timelines as indicated in paragraph 26 of this initiation notification clearly indicating the nature of their interest. Any request at a later stage for registration as an interested party will not be entertained.

28. Where an interested party seeks additional time for filing of submissions, it must demonstrate sufficient cause for such extension in terms of Rule 7(4) of the CVD Rules, 1995 and such request must come within the time stipulated in this notification.

**M. Submission of information on confidential basis**

29. Where any party to the present investigation makes confidential submissions or provides information on a confidential basis before the Authority, such party is required to simultaneously submit a non-confidential version of such information in terms of Rule 8 of the CVD Rules and in accordance with the relevant trade notices issued by the Authority in this regard.
30. Such submissions must be clearly marked as “confidential” or “non-confidential” at the top of each page. Any submission that has been made to the Authority without such markings shall be treated as non- confidential information by the Authority, and the Authority shall be at liberty to allow other interested parties to inspect such submissions.
31. The confidential version shall contain all information which is, by nature, confidential, and/or other information, which 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 of the information filed by the interested parties should be a replica of the confidential version with the confidential information preferably indexed or blanked out (where indexation is not possible) and such information must be appropriately and adequately summarized depending upon the information on which confidentiality is claimed.
33. 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 containing a sufficient and adequate explanation in terms of Rule 8 of the Rules, 1995, and appropriate trade notices issued by the Authority, as to why such summarization is not possible, must be provided to the satisfaction of the Authority.
34. The interested parties can offer their comments on the issues of confidentiality claimed by any interested party within 7 days from the date of circulation of the non-confidential version of

the documents filed before the Authority as indicated in paragraph 26 of this initiation notification.

35. Any submission made without a meaningful non-confidential version thereof or a sufficient and adequate cause statement in terms of Rule 8 of the Rules, and appropriate trade notices issued by the Authority, on the confidentiality claim shall not be taken on record by the Authority.
36. The Authority may accept or reject the request for confidentiality on examination of the nature of the information submitted. If the Authority is satisfied that 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 summary form, it may disregard such information.
37. 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.
38. 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 and other information to all other interested parties. Failure to circulate non-confidential version of submissions might lead to action under Section N of this initiation notification.

**N. Non-cooperation**

39. In case any interested party refuses access to and otherwise does not provide necessary information within a reasonable period or within the time stipulated by the Authority in this initiation notification or subsequent time period provided through separate communication, or significantly impedes the investigation, the Authority may declare such interested party as non-cooperative and record its findings based on the facts available and make such recommendations to the Central Government as it deems fit.

  
(Anant Swarup)  
Designated Authority