

# MINISTRY OF COMMERCE

## NOTIFICATION

### PRELIMINARY FINDINGS

New Delhi. the 1st April, 1999

**Subject:-** Anti-Dumping investigation concerning imports of Hard Ferrite Ring Magnets (HFRM) -Preliminary Findings.

**No. 12/1/98-ADD**— 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, 1995, thereof:

## A PROCEDURE

The procedure described below has been followed with regard to the investigations:

- i. The Designated Authority (hereinafter referred to as Authority), under the Rules, received written application from -Ws. Indian Hard Ferrite Manufacturers Association on behalf of the domestic industry, alleging dumping of Hard Ferrite Ring Magnets (hereinafter referred to as HFRM), originating in or exported from the People's Republic of China (hereinafter referred to as China PR):
- ii. The Authority, on the basis of sufficient evidence submitted by the petitioner decided to initiate investigations against imports of HFRM from China PR. The Authority notified Ire Embassy of China PR about the receipt of dumping allegation before proceeding to initiate the investigations in accordance with sub-rule 5(5) of the Rules.
- iii. The Authority issued a public notice dated 24th July. 1998 published in the Gazette of India. Extraordinary, initiating anti-dumping investigations concerning imports of HFRM classified under custom sub-headings 8505.19 of Schedule I of the Customs Tariff Act, 1975 originating in or exported from China PR.
- iv. The Authority forwarded a copy of the public notice to the known exporters (whose details were made available by the petitioner) and industry associations and gave them an opportunity to make their views known in writing in accordance with rule 6(2);

- v. The Authority forwarded a copy of the public notice to the known importers of HFRM in India and advised them to make their views known in writing within forty days from the date of the letter.
- vi. Request was made to the Central Board of Excise and Customs (CBEC) to arrange details of imports of HFRM for the past three years, including the period of investigations.
- vii. The Authority provided a copy of the petition to the known exporter and the Embassy of China PR in accordance with rules 6(3) supra;
- viii. The Authority sent questionnaire to elicit relevant information, to the known exporter from China PR, as mentioned below in accordance with the Rule 6(4). No information was, however, received from any exporter from China PR

- M/s. China Ningbo International Cupertino Group Co. Ltd., China.
- M/s Zhejiang Dongyang Magnetic, Enterprise Group Co. Industry Zone, Zhejiang.
- M/s China National Electronics Import & Export Sanghai Company, China.
- M/s China National Electronics Import & Export Shenzhen Company, China.
- M/s. China Greatwall, China
- M/s. O.K. Gidumal & Watumullit, Hong Kong.
- M/s. Dongyong Magnetic Enterprise Group Corporation, China.
- Mr. Jawahar, Hong Kong.

- ix. The Embassy of the subject country in New Delhi was informed about the initiation of the investigations in accordance with rule 6(2) with a request to advise the exporters/producers from their country to respond to the questionnaire within the prescribed time. A copy of the letter, petition and questionnaire sent to the exporter was also sent to the Embassy, along with a list of known exporter/producer.
- x. A questionnaire was sent to the following known Importers HFRM in India calling for necessary information in accordance with rule 6(4):

- M/s. Naresh Uppal, Delhi.
- M/s Prince Electronics. Delhi
- M/s. G M. Overseas, New Delhi
- M/s. S.K. Trading, Delhi.
- M/s. Rama Krishna Sales Corpn., Delhi.
- M/s. J.R.C. Industries, Mumbai.
- M/s Ankit Electronics. Delhi.
- M/s Goodwill Electronics, Delhi.
- M/s. Gaurav Electronics, Delhi.
- M/s. Rollet industries, Delhi.

No information was however, filed by any importer.

- xi. Additional Information regarding injury was sought from the petitioner, which was also received;
- xii. The Authority made available non-confidential version of the evidence presented by various interested parties in the form of a public file kept open for inspection by the interested parties;
- xiii. The Authority conducted spot verification of the domestic industry to the extent considered necessary.
- xiv. The Authority held a public hearing on 22.02.99 and the views expressed in the meeting and which were reproduced in writing subsequently have been considered in these findings
- xv. Cost investigations were also conducted to work out optimum cost of production and cost to make and sell the subject goods in India on the basis of Generally Accepted Accounting Principles (GAAP) and the information furnished by the petitioner so as to ascertain if anti-dumping duty lower than the dumping margin would be sufficient to remove injury to the domestic industry;
- xvi. \*\*\*\* in this notification represents information furnished by the petitioner on confidential basis and so considered by the Authority under the Rules.
- xvii. Investigation was carried out for the period starting from 1st April, 1996 to 30th September, 1997.

## **B. PETITIONER'S VIEWS**

2 The petitioner has raised the following issues in its petition:

### **(i) On Dumping**

- a. The estimated Normal Value HFRM in China is Rs. 39.81 per kg.
- b. The average FOB export price of Ring Magnets to India is Rs.17.78 per Kg.
- c. The HFRM are being dumped in India at a value much below its Normal value.

### **(ii) On injury:**

The petitioners have suffered injury, as would be seen from the following: -

- a. The production of the domestic industry has declined sharply from 5117 to 4515 MT representing a decline of more than 10% in 1996-97 compared to previous year.
- b. The overall capacity utilisation of the domestic, industry has also declined from 89% in 1995-96 to 78.5% in 1996-97.

- c. The sales of three of the petitioner companies i.e. M/s. G.P. Electronics, M/s. Permanent Magnets Ltd. & M/s. Ferro Magnets have declined in absolute terms from 3446 MT in 1995-96 to 3215 MT in 1996-97 representing a decline of about 6% a compared to the previous year.
- d. **Selling Price Trends:**
- e. The selling price of the Indian industry based on the data for four petitioner companies was Rs. \*\*\*\* per Kg. in 1995-96 which has declined to Rs. \*\*\*\* per Kg. in 1996 97.
- f. The average cost of production of the domestic industry has increased from Rs. \*\*\*\* per Kg. in 95-96 to Rs. \*\*\*\* per Kg in 1996-97. Thus, the profits of the domestic industry has been turned into losses.

## **C. VIEWS OF EXPORTERS. IMPORTERS AND OTHER INTERESTED**

### **PARTIES**

3. None of the interested parties from China PR responded to the notice of initiation M/s O.K. Gidumal & Watumullit Ltd who are one of the alleged exporters in their response stated that they have not exporters any Hard Ferrite Ring Magnets to India during the period of investigation. However, the Electronics Component Manufacturers Association (ELCINA) in their response staled that -

- a. The Magnet manufacturers have totally monopolized the trade of to such an extent that the manufacturers of Speaker do not have the freedom to choose their suppliers.
- b. The imports of Magnets from China P.R. have brought down the prices of Magnets to a realistic level.
- c. The decline in the value of Rupee vis-a-vis US \$ has already burdened the importers by around 30%.

## **D EXAMINATION OF THE ISSUES RAISED**

4. The submissions made by the exporters, importers, petitioner- and other interested parties have bean examined, considered and have been dealt at appropriate places hereinafter.

## **E. PRODUCT UNDER CONSIDERATION & SCOPE OF INVESTIGATION**

5 The product considered in the present investigation is HFRM originating in or spurted from China PR. Hard Ferrite Ring Magnets is manufactured in the form of Rings. The Ring Magnets are used in the manufacture of Loud Speakers. Public Address systems Magnetic Assemble etc. As claimed by the petitioner, the HFRM produced by the domestic industry includes the Barium Magnet and the Strontium Magnets and have varying outer diameters ranging from 22mm to 280 mm and inner diameters ranging from 12 mm to 180 mm and having a thickness of 4mm to 30mm depending upon the end use of the Ring Magnets. -

6. HFRM is classified under custom Sub-heading 8505.99 of Schedule I of the Customs Tariff Act, 1975. The manufacturing process functions & uses and tariff classification are, however, indicative only and are in no way binding on the scope of the present investigations.

## **F LIKE ARTICLES**

7. The petitioner has claimed that the HFRM produced and sold by the Domestic Industry and those imported from China, are being used interchangeably by the Customers in India. The process and technology for manufacturing the product all over world is similar in terms of machinery, raw materials, manufacturing process except for minor differences such as additive, automation in material handling etc. HFRM are produced and sold in various sizes. However, the various sizes serve the same general purpose. None of the interested parties have disputed the claims made by the petitioner.

In view of the same, the Authority holds that HFRM being produced by the domestic industry and those being imported from China P.R. can be used interchangeably and thus are commercially and technically substitutable and therefore, are like articles within the meaning of the rules.

## **G. DOMESTIC INDUSTRY**

8 The petitioners M/s. Hard Ferrite Manufacturers Association represents the following producers of HFRM in India:-

- M/s. Magnetix (India) Ltd., Bhubaneswar
- M/s. G P Electronics Ltd., Bombay.
- M/s. Permanent Magnets Ltd., Jalgaon.
- M/s. Ferro Magnets & Allied product Ltd., Dharampuri, T.N.
- M/s. D.G.P. Hinoday Ltd., Pune.

The petitioner companies had a combined production of HFRM of 7590 MT during 1996-97. Another company, M/s Aagola Magnetics Pvt. Ltd. Producing HFRM in India had a production to the extent of 500 MT during 1996-97. Therefore, the petitioner companies represents more than 94% of the total production of Ring Magnets in India. The petitioners therefore fulfils the criteria of having the requisite standing to represent the domestic industry, as required under the Rules.

## **H. DUMPING**

### **Normal Value:**

9. Under Section 9A(1)(c), normal value in relation to an article means:

- i. The comparable price, in the ordinary course of trade, for the like article when meant for consumption in the exporting county or territory as determined in accordance with the rules made under sub-section (6); or
- ii. When there are no sales of the like article in the ordinary course or 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 or 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 transshipped 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.

10. The Authority provided opportunity to the exporters from China PR to furnish information relevant to the investigations and offer comments, if any, in accordance with the Section cited above. The Authority wrote to the Embassy of China PR in India also. However, none of the exporters from China PR has responded to the Authority's request for information.

11. None of the importers of the subject goods in India or other interested parties has responded to the notice of initiation of investigations nor has any interested party furnished any information relevant for determination of normal value. The claim made by the petitioner with regard to the determination of normal value has also not been disputed by any interested party(ies). The Authority has, therefore, proceeded on the basis of Rule 6(8), i.e., best information available.

12. The normal value was determined at the time of initiation of the investigations on the basis of the constructed cost of production of HFRM in China PR. The Authority has considered the same as the basis for discrimination of the Normal Value.

13. The Normal Value has been constructed on the basis of the best available information with the Authority in the optimum working conditions in the absence of any information from the exporters. Therefore, the cost of production of HFRM in India has been adopted as the basis for the constructed cost in China PR after allowing for the reasonable margins for the profits. Accordingly, the normal value of HFRM has been lake at Rs. 41.80 per Kg.

### **Export Prices**

14. None of the exporters from China PR have responded to the notice of initiation and furnished information requested by the Authority. The importers and other interested parties nave also not furnished the relevant information. The export price has therefore, been worked out on the basis of information furnished by the petitioner.

15. (i) HFRM are classified under the chap-tar heading 8505.19 as ‘others’ under the Harmonized System of nomenclature which comprises of a number of magnets Therefore, the evidence on the export prices based on DGCI&S Calcutta could not be relied upon as the basis for export prices. However, the petitioner’s has furnished the evidence on the export price based on (he data compiled by tie Bureau of Commercial Intelligence and Statistics. The Authority has, therefore, adopted the average export price on the basis of data n the Bureau of Commercial Intelligence and Statistics as the basis for the export price.

(ii) Based on the secondary sources, the fallowing imports of HFRM took place from China P.R. during the period of investigation far which the information is available:-

SI. No.	Date	Quantity (in MTs)	Value (in Rs.)	Rates/Kgs
1.	04.11.1996	59	9,67,742	16.40
2.	13.11.1996	59	10,86,922	18.42
3.	19.12.1996	59	10,72,620	18.18
4.	31.12.1996	35	6,29,566	17.98

5.	31.12.1996	37	6,65,542	17.98
	TOTAL	249	44,22,392	17.76

Accordingly, the weighted average rates per Kg. for the imports of HFRM have been adopted as Rs.17.76 per Kg.

16. The export price, as claimed by the petitioner, has not been disputed by any of the interested party. Besides, none of the interested parties have claimed any price adjustment on the export price.

17. The rules relating to comparison provides as follows:

“While arriving at margin of dumping, the designated authority shall make a fair comparison between the export price and the normal value. The comparison shall be made at the same level of trade, normally at ex-works level, and in respect of sales made at as nearly possible the same time. Due allowances shall be made in each case, on its merits, for differences which effect price comparability, including differences in conditions and terms of sale, taxation, levels of trade, qualities, physical characteristics, and any other differences which are demonstrated to affect price comparability.”

18. For the purpose of fair comparison between the normal value and the export price, the information furnished by the petitioner and other published information available with the Authority has been relied upon. Since none of the interested parties have disputed the export price as claimed by the petitioner and no adjustments have been claimed, the normal value and export price determined, as detailed above, has been considered as at ex-works levels.

19. The dumping margin comes to 135.36 %

## **I INJURY**

20. Under Rule 11 supra. Annexure-II, when a finding of injury is arrived at, such finding shall involve determination of the injury to the domestic industry, "...taking into account all relevant facts, including the volume of dumped imports, their effect on prices in the domestic market for like articles and the consequent effect of such imports on domestic producers of such articles...." In considering the effect of the dumped imports on prices, it is considered necessary to examine whether there has been a significant price undercutting by the dumped imports as compared with the price of the like article 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.

21. 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 utilization, sales quantum, stock, profitability, net sales realization, the magnitude and margin of dumping, etc. in accordance with Annexure 11 (iv) of the rules supra.

22. The various parameters indicating injury to the domestic industry are as follows -

- a. The profitability of the petitioner companies has remained fairly constant at around Rs 11 Crores during the period from 1994-95 to 1996-97. However, in the first half of the financial year 1997-98, the overall loss of the petitioner companies was Rs 0.056 Crores. Some of the petitioner companies produce other type of magnets also. (which are not the subject matter of the present investigation) However, the HFRM constitutes a significant portion of the overall activities of the petitioner companies. The fall in the sales realization of the domestic industry without any corresponding decline in the manufacturing cost indicates that it substantially contributed to the decline in the profitability level of the petitioners.
- b. The domestic sales realization of the petitioner companies in respect of HFRM has declined from Rs.35.65 Crores in 1993-94 to Rs.27.85 Crores in 1995-96. The sales realization during first half 1996-97 was Rs.12.53 Crores showing an annualised decline of 10% during 1997-98.
- c. The sales of the petitioner companies in terms of quantum of sales has shown marginal improvement. The petitioner companies sold 4832.82MT of HFRM in 1994-95 which increased to 5088 MT in 1995-96. The sales in the first half of 97-98 was 2626 MT.
- d. The production of HFRM of the petitioner companies during 1995-96 was 6519.76 MT. It increased during 1996-97 to 7589.90 MT. During the six months period ending Sept., 1997, the production of petitioner companies was 4095 MT. In the case of four of the petitioner companies, there has been a significant decline in the volume of production during 1996-97 as well as during the six months period ending 30th Sept., 1997.
- e. The average sales realisation of all the petitioner companies for the domestic sales of HFRM has declined significantly during the period of investigation. The decline in the sales realisation of the petitioner companies during the first half of 1997-98 was as much as 35% over the sales realisation in 1995-96.
- f. There has been a constant decline in the average capacity utilisation of the petitioner companies and the same declined from 84% in 1995-96 to 73% during the period of investigation.

23. It is thus seen that the petitioner companies have suffered material injury in terms of declining profitability, the declining sales realisation and were not able to utilise the

installed capacities to the full extent. The domestic industry has, therefore suffered material injury from the dumped imports.

## **J. CAUSAL LINK:**

24 (a) There has been a steep decline in the average sales realisation of the petitioner companies during the period of investigation

(b) The sale of dumped imports from China P.R. at an export price far below its normal value forced the petitioner companies to correspondingly reduce their selling prices.

(c) The steep decline in the sales price of the petitioner companies was not related to its cost of production.

(d) There has been no corresponding decline in the sales realisation of the petitioner companies in the export market during the period of investigation.

(e) The declining sales realisation of the petitioner companies resulted in declining capacity utilisation leading to injury to the petitioner companies.

## **K. INDIAN INDUSTRY'S INTEREST & OTHER ISSUES**

25. The purpose of anti dumping duties, in general is to eliminate dumping which is causing injury to the petitioner companies and to re-establish a situation of open and fair competition in the Indian market, which is in the general interest of the country.

26. It is recognized that the imposition of anti dumping duties might affect the price levels of the products manufactured using the 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, particularly if the levy of the anti dumping duty is restricted to an amount necessary to redress the injury to the petitioner companies. On the contrary, imposition of anti dumping measures would remove the unfair advantages gained by dumping practices, would prevent the decline of the petitioner companies and help maintain availability of wider choice to the consumers of HFRM. Imposition of anti dumping measures would not restrict imports from the subject countries in any way, and, therefore, would not affect the availability of the product to the consumers.

27. To ascertain the extent of anti-dumping duty necessary to remove the injury to the petitioner companies, the Authority has relied upon reasonable selling price of HFRM

in India for the petitioner companies, by considering the optimum cost of production at optimum level of capacity utilisation for the petitioner companies.

## **L. LANDED VALUE:**

28. The landed value has been determined on the basis of export price of HFRM from China PR, determined as detailed above in the para relating to dumping, after adding the prevailing level of customs duties and one percent landing and two percent handling charges.

## **M. CONCLUSIONS:**

29. It would be seen after considering the foregoing, that:

- a. Hard Ferrite Ring Magnets (HFRM) originating in or exported from China PR has been exported to India below normal value, resulting in dumping.
- b. The Indian industry has suffered material injury
- c. The injury has been caused cumulatively by the imports from the subject country.

30. It is considered necessary to impose anti dumping duty, provisionally, pending final determination, on all imports of HFRM originating in or exported from the subject country, pending investigations

31. It was considered whether a duty lower than the dumping margin would be sufficient to remove the injury. The average landed price of the imports, for the purpose, was compared with the reasonable selling price of the petitioner companies, determined for the period of investigations. Wherever the difference was less than the dumping margin, a duty lower than the dumping margin is recommended.

Accordingly, it is proposed that provisional duties be imposed, pending final determination on all imports of HFRM originating in or exported from China P.R. The anti-dumping duty shall be Rs 21/- per Kg. to be imposed from the date of Notification to be issued in this regard by the Central Govt. on all the imports of HFRM falling under Chapter 85 of the Customs Tariff, originating in or exported from China P.R.

32. Landed value of imports for the purpose shall be the assessable value as determined by the customs under the Customs Act, 1962 and all duties of customs except Additional duty of Customs levied under Section 3 of the Customs Act, 1975.

## **N. FURTHER PROCEDURE:**

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

- a. The Authority invites comments on these findings from all interested parties and the same would be considered in the final findings;
- b. 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 the despatch of the letter. Any other interested party may also make known its views within forty days from the date of publication of these findings
- c. The Authority would conduct further verification to the extent deemed necessary
- d. The Authority would disclose essential facts before announcing final findings.

**RATHI VINAY JHA...**  
Designated Authority