

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

**NOTIFICATION**

New Delhi, the 10th January 2005

**PRELIMINARY FINDINGS**

**Subject:** Anti-dumping investigation concerning imports of Narrow Woven Fabrics originating in or exported from the China PR and Chinese Taipei- Preliminary Findings.

**No. 14/24/2003-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, 1995, thereof;

**A. PROCEDURE:**

1. The procedure described below has been followed:-

- i. On 9th June 2004, the Designated Authority (hereinafter referred to as Authority), under the above Rules, issued a public notice (initiation notification) publicised in the Gazette of India , initiating an anti dumping investigation with regard to imports of narrow woven fabrics originating in or exported from China PR and Chinese Taipei (Also referred to as subject countries). The Anti dumping proceeding was initiated following a complaint received from M/s Sky Industries Ltd, Mumbai (the applicant) on behalf of the domestic industry representing a major proportion of the domestic production of said product. The complaint contained evidence of dumping of the said product and of material injury resulting there from, which was considered sufficient to justify the initiation of the proceedings.
- ii. Before initiation, the Authority notified the Embassies/High Commissions of subject countries in India about the receipt of fully documented petition made by the petitioner before proceeding to initiate the investigation in accordance with sub-rule (5) of Rule 5 supra;

- iii. According to 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, embassies of the countries concerned and to the complainant and gave them an opportunity to make their views known in writing.
- iv. According to sub-rule (3) of Rule 6 supra, the Authority provided a copy of the application to all the known exporters and Embassies of subject countries in India. According to sub-rule (4) of Rule 6 supra, the Authority provided a copy of the relevant questionnaire to all the known exporters and Embassies of subject countries in India and other interested parties. The Embassies/High Commissions of subject countries in New Delhi were also informed about the initiation of investigation and requested to advise the exporters/producers from their countries to respond to the questionnaire within the prescribed time
- v. The Authority sent questionnaires, to elicit relevant information, to the following known exporters from subject countries.
  - 1. M/s. Tri Hook, Chinese Taipei
  - 2. Taiwan Special Tape Company, Chinese Taipei
  - 3. Zhejiang Hongwing Weaving Co. Ltd, China PR
  - 4. Chico Textile Industries Ltd, Chinese Taipei.
  - 5. Taiwan Joca Corporation, Chinese Taipei
- vi. None of the exporters have responded to the exporter's questionnaire and notice of initiation. None of the importers except M/s Country crafts have responded to the importers questionnaire. However, they have not submitted any non confidential copy of the confidential information to the Authority. Their submissions have been taken into account subject to their being relevant to the investigation.
- vii. 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;
- viii. \*\*\*\* in this notification represents information furnished by the interested parties on confidential basis and so considered by the Authority under the Rules;
- ix. The investigation of dumping and injury covered the period from 1st January 2003 to 31st December 2003 (Also called the period of investigation or POI). The examination of trends in the context of injury analysis covered the period from 1st April 2000 to the end of period of investigation.
- x. 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 best cost of the 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 petitioner so as to ascertain if anti Dumping duty lower than dumping margin would be sufficient to remove injury to the domestic Industry.

## **B. Product under Consideration.**

2. The Product under consideration in the present investigations is “narrow woven fabric having pile weave, made up of man made fibers, used as a fastening tape” (henceforth also referred to as subject goods). In market parlance, the subject goods are known by various synonyms such as “Hook & Loop Tape Fasteners”, “Velcro Tapes”, “Fastening Tapes”, “Fasteners” etc. The distinguishing feature of the product is “pile weave”. The subject goods are described in terms of Peel Strength, Shear Strength and Light Fastness. Hook and Loop fasteners are generally made from man made fibers (yarns) nylon (Nylon 6 and Nylon 6,6), polyester etc. The product under consideration is produced in sizes typically varying between 12mm to 125mm of width. The unit of measurement prescribed for the product is weight (in terms of kg. Or MT). Further, while the product is sold in the market place in terms of length of the product (measured in meters) and the associated costs and prices of various product types vary with width, the same becomes almost homogenous when converted into weight. The Designated Authority holds that considering the product in terms of its weight, expressed in terms of kg. or MT would be appropriate for the present purpose. The major uses of the subject goods are in industries such as garment industries, surgical & orthopedic apparatus manufacturing, shoes & footwear manufacturing, luggage/bags manufacturing, toys, automobile upholstery and various other industrial segments. Narrow Woven fabric is classified under customs Sub heading 580610 of the Customs Tariff Act 1975. However as stated in the initiation notification, the customs classification is indicative in nature and is in no way binding on the scope of the investigation.

## **C. Like Article.**

3. The petitioner has claimed that goods produced by it are like articles to the goods originating in or exported from subject countries. There is no significant difference in the subject goods produced by the petitioner and those exported from subject countries. Petitioner claims that the two are technically and commercially substitutable. 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 countries, characteristics such as technical specifications, manufacturing process, functions and uses and tariff classification have been considered by the Authority. None of the interested parties have raised any arguments with regards to the issue of Like article. On basis of the examination, the Authority notes that subject goods produced by domestic industry has characteristics, which are similar to those imported from subject countries and to those sold in the market of exporting countries. In view of the above the Authority holds that narrow woven fabrics produced by the domestic industry and those being imported from and sold in the subject countries are like articles within the meaning of the rules.

## **D. Domestic Industry**

4. There are four producers of subject goods in India. M/s Sky Industries Ltd., Mumbai, has filed the application. M/s. Magic Flex Pvt. Ltd., Delhi and Siddharth Filament Pvt. Ltd. have supported the application filed by the applicant. Both these companies have filed some information also relating to injury after initiation of investigations. The Authority notes that production by M/s Sky Industries Ltd. constituted significantly more than 50% of the total domestic production of like article in India. The Authority after examining the above, determines that the applicant is a major producer of subject goods in India accounting for a major proportion of the production of the subject goods in India and therefore the applicant constitutes a domestic Industry within the meaning of the rule 2(b) and it satisfies the criteria of standing to file the petition in terms of Rule 5(3)(a) of the Rules

## **E. De-minimus.**

5. As regards ascertaining that the imports from the subject countries during the period of investigation (POI) are above de-minimus levels, the Authority has referred to the transaction wise data from the subject countries as made available by DGCIS. After examining the data, The Authority holds that imports from imports from all the subject countries are above de-minimus levels in terms of volume of imports.

## **F. Dumping.**

6. Under Section 9A(1) 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:-

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

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). None of the exporters have responded to the initiation and questionnaire in any form and consequently, they have been treated as uncooperative in this investigation.

F (1) China PR

(a) Cooperation

8. None of the known exporters has responded to the exporters’ questionnaire by giving information with regard to various appendices mentioned in the exporters’ questionnaire.

(b) Normal Value & Export Price:

9. The Authority notes that the none of the exporters have submitted any information as required under the exporter’s questionnaire. It is also noted that they have also not supplied any information rebutting the presumptions as mentioned in the 8(3) of the Annexure I of the Anti Dumping Rules pertaining to Non market economy. As no information has been submitted under various Appendixes, the Authority cannot determine whether the domestic sales have been made in the ordinary course of trade..

10. In the absence of relevant information from the exporter, the Authority has constructed the normal value as per para 7 of the Annexure 1 of the AD Rules for all producers/exporters from China PR. Export price at the ex. factory level has been determined by taking weighted average export price to India after taking into account total volume of imports from China PR with adjustments.

(c) Dumping Margin:

11. In accordance with Rule 6(iv) of annexure I to the anti dumping rules, the dumping margin was established on the basis of weighted average normal values with the weighted average export price. The comparison showed the existence of dumping of the subject goods by the exporter during the POI. The weighted average dumping margin, expressed, as a percentage to the export price has been determined and is 355 %.

F (2) Chinese Taipei

(a) Cooperation

12. None of the known exporters or exporters who made themselves known after the initiation, has responded to the exporters' questionnaire by giving information with regard to various appendices mentioned in the exporters' questionnaire. Subsequent to initiation of the investigations, Taiwanese Economic and Cultural centre on behalf of their government asked the authority to re ascertain the Chinese Taipei exports to India as their trade statistics did not show any exports to India during the POI. They also requested the Authority to terminate the investigation against Chinese Taipei as no imports have been effected into India from that country. The Authority notes that it had initiated the subject investigation after ascertaining the transaction wise import information from DGCIS. However, after receiving the letter from Chinese Taipei, the Authority ascertained the imports from one of the inland ports of the Delhi (ICD Tughlakabad) by requesting for transaction wise imports from that port of the subject goods originating from Chinese Taipei. After examining the import transactions, it was informed to the Authority that there were substantial number of transactions evidencing imports of subject goods from that country. Accordingly a copy of the import statement made from Chinese Taipei along with the names of the exporters and B/E numbers with dates were forwarded to the Chinese Taipei Authorities. As, no further communication has since been received from Chinese Taipei Authorities till date, it is presumed that the information pertaining to the import data of subject goods sent by the authority has been accepted by them.

(b) Normal Value & Export Price:

13. The Authority notes that none of the exporters have submitted any information as required under the exporter's questionnaire. As no information has been submitted under various Appendixes, the Authority can not determine whether the domestic sales have made in the ordinary course of trade. Under the circumstances Normal value under the rules is determined on the basis of facts available as per rules 6 (8).

14. Therefore the information available on the estimated costs of the production in the country of origin plus selling, administrative and general expenses and a reasonable amount of profit after making reasonable adjustments has been taken as the basis for working out the normal value of the subject goods. Export price at the ex-factory level has been determined by taking their weighted average export price to India with adjustments.

(d) Dumping Margin:

15. In accordance with Rule 6(iv) of annexure I to the anti dumping rules, the dumping margin was established on the basis of weighted average normal values with the weighted average export price. The comparison showed the existence of dumping of the subject goods by the exporter during the POI. The weighted average dumping margin, expressed, as a percentage to the export price has been determined and is 298%

Country	Name of the Producer/exporter	Normal value	Export Price	D.M%
China PR	All Producers/exporters	****	****	355
Chinese Taipei	All Producers/exporters	****	****	298

## G. Injury

### Cumulative assessment

16. Annexure II (iii) to the Anti Dumping Rules provide that in case imports of a product from more than one country are being simultaneously subjected to anti dumping investigations, the designated authority will cumulatively assess the effect of such imports, in case it determines that:

(a) the margin of dumping established in relation to the imports from each country is more than two percent expressed as percentage of export price and the volume of the imports from each country is three percent of the imports of the like article or where the export of the individual countries less than three percent, the imports cumulatively accounts for more than seven percent of the imports of like article, and;

(b) cumulative assessment of the effect of imports is appropriate in light of the conditions of competition between the imported article and the like domestic articles.

The Authority finds that

- i. the margins of dumping from each of the subject country are more than 2% (de-minimus) as may be seen from the earlier paragraphs;
- ii. the volume of imports from each of the subject countries is more than the 3%;
- iii. the domestic product and product exported from subject countries into India are like articles;
- iv. It is noted that imported products and domestic like products are being interchangeably used. Evidence of imports by various parties and correlation of the same with customer wise sales of the domestic industry makes it evident that there are a number of parties who have resorted to purchase from the domestic industry and imports from subject countries. It is further noted that subject goods exported by various countries compete in the same market;
- v. The subject goods supplied by various producers are being marketed in India during the same periods through comparable sales channels
- vi. Price undercutting is positive and significant in respect of both China and Taiwan.
- vii. The domestic producer and exporters in the subject countries are selling the product to the same category of consumers.

17. In view of the above, it is held that cumulative assessment of impact of imports on the domestic industry would be appropriate in the present case.

#### Domestic Consumption/Demand

18. For the calculation of the domestic consumption/demand of the product under consideration, the Authority has added the sales volume of the domestic industry to the total imports into India. The Authority has considered data provided by the DGCI&S on transaction to transaction basis. The Authority notes that during the course of investigation, the petitioner has provided a number of bills of entries in respect of imports into India of the subject goods from subject countries. It is found that a number of these imports are not reflected in the transaction wise import data made available by the DGCI&S. It is thus evident that full volume of imports is not reflected in the transaction wise import data. Authority has added these imports in the import data made available by the DGCI&S, as these import transactions are supported with bills of entry, commercial invoice, packing list, certificate of origin, etc The Authority is also processing the transaction wise information pertaining to 4 digit level of the subject goods to examine whether information pertaining to subject goods are also being imported at different heads. As that exercise is progressing, the

Authority has provisionally determined the import volumes of the subject goods from the transaction wise DGCIS information pertaining to 6 digits level and transaction wise bills of entries pertaining to the imports of subject goods as made available to the Authority from different ports which were not reported in the DGCIS data. Based on the above exercise (import figures are at best on the conservative side and thus provisional) , it is seen that the domestic demand or consumption of the subject goods increased significantly as shown in the table below.

<b>Demand</b>				
	<b>2000-01</b>	<b>2001-02</b>	<b>2002-2003</b>	<b>Jan-Dec, 03 POI</b>
Imports – China MT	0	42	112	293
Indexed		100	269	700
Imports – Taiwan MT	1	4	9	40
Indexed	100	289	625	2818
Domestic Industry Sales MT	****	****	****	****
Indexed	100	127	129	129
Captive Consumption	0	0	0	16
Sales of other Producers	****	****	****	****
Indexed	100	87	91	88
Other Imports MT	8	33	14	8
Indexed	100	401	168	100
Demand (Including Captive)	645	787	864	1061
Indexed	100	122	134	165

The Authority notes that demand of the product under consideration has been increasing over the years. . However, sales of the domestic industry showed a sluggish growth and achieved only 25% growth during the injury period. In fact, the sales of the domestic industry declined in the POI as compared to preceding year. At the same time demand of the product showed 65% growth considering the very small captive consumption and 62% growth in market demand excluding the captive consumption. It is, thus, provisionally concluded that dumped imports could have prevented the domestic industry from increasing its sale in spite of increase in demand.

### **Imports originating in the subject country and other countries**

#### Volume of imports

19. The Authority has collected transaction wise import data from DGCI&S over the years and the same along with actual bills of entries not reported in the DGCIS transaction wise data is relied upon to decide the actual volume of subject import into the country. The volume of dumped imports of the product under consideration from China PR, Taiwan and as also from other countries is as given in the table below:

	2000-01	2001-02	2002-2003	Jan-Dec, 03 (POI)
Imports –China PR- MT	0	42	112	293
Indexed		100	269	700
Imports–Taiwan MT	1	4	9	40
Indexed	100	289	625	2818
Total Subject Country Import MT	1	46	121	333
Indexed	100	3196	8434	23177
Total Imports MT	10	79	135	341
Indexed	100	817	1398	3533

The Authority finds that the import volumes from the subject countries increased significantly during the period under consideration. It can therefore be provisionally concluded that there has been steady and significant increase in volume of dumped imports over the period under consideration. Increases in imports have been more than increase in demand, resulting into decline in share of domestic industry.

Share of subject country in total imports:

20. Between 2000-2001 and the POI, it is noted that the share of dumped imports from subject countries increased and was substantial, as may be seen from the table below:

	2000-01	2001-02	2002-2003	Jan-Dec, 03 (POI)
<b>Market Share in Imports</b>				
China PR	0.00	52.93	83.09	85.72
Taiwan	14.87	5.25	6.65	11.86
Subject countries	14.87	58.18	89.74	.97.58
Other Countries	85.13	41.81	10.26	2.42
Total	100	100	100	100
Share of China PR as a proportion to domestic production	0.00	6.96	19.55	48.36
Share of Taiwan as a proportion to domestic production	0.27	0.69	1.57	6.69
Share of China PR as a proportion to Known Consumption	0.00	5.31	12.99	27.58
Share of Taiwan as a proportion to Consumption	0.22	0.53	1.04	3.82

21. It is noted that imports of subject goods from the subject countries significantly increased over the years, resulting in significant increase in share of subject imports in relation to total imports of the subject goods into India. At the same time, share of other countries in imports into India declined significantly.

	2000-01	2001-02	2002-2003	Jan-Dec, 03 (POI)
<b>Share of imports from</b>				
China	0	52.93	83.09	85.72
Taiwan	14.87	5.25	6.65	11.86
Other Countries	85	41.815	10.26	13

## Market share of dumped imports in total demand

22 The Authority has examined the share of dumped imports from the subject countries in consumption in India. The Authority finds that share of subject countries, which was 0.22% in 2000-01 increased to 31.39% of the demand during the POI. Market share of imports from subject countries, domestic industry and others were as follows over the periods:

Market share in Demand %	2000-01	2001-02	2002-03	Jan-Dec, 03 (POI)
Domestic Industry	60.69	60.84	58.62	49.19
Trend	100	100.25	96.58	81.05
Imports – China PR	0.00	5.31	12.99	27.58
Imports – Taiwan	0.22	0.53	1.04	3.82
Subject Countries Total	0.22	5.84	14.03	31.39
Imports- Other Countries	1.28	4.196	1.604	0.78
Changes in market share – over period under consideration				
Dumped imports		2519	140	124
Other imports		229	-62	-52
Domestic industry		4	-7	-21.34

23. It is seen from the above that share of subject imports increased significantly. It would also be seen that the domestic industry lost significant market share over the years and during the POI. It is further noted that other countries imports are below de minimis level.

24. The authority examined the correlation between increase in share of dumped imports, prices of these imports, prices of domestic industry and prices from other countries. The relevant information is tabulated below.

	2000-01	2001-02	2002-03	Jan-Dec, 03 (POI)
Market share in Demand %				
Subject countries	0.22	5.84	14.03	31.39
Other countries	1.28	4.20	1.60	0.78
Domestic industry	60.69	62.94	58.62	49.19
Landed price of imports Rs/Kg				
Subject countries	683.75	282.16	113.67	105.07
Other Countries	116.07	80.71	43.24	36.65
Net selling price of the domestic industry	****	****	****	****

25. It would be seen from the above that the landed price of imports from the subject countries declined quite significantly. Share of subject countries in demand in India also increased significantly. At the same time, share of the domestic industry and its selling prices declined. There is direct co-relation between the decline in the landed

price of subject imports, increase in their market and decline in market share & selling price of the domestic industry.

### **Market share of dumped imports with respect to production in India**

26. Dumped imports from subject countries increased significantly in relation to production of the domestic industry. Volume of dumped imports has increased in relation to production of the domestic industry in India, as would be seen from the table below:

	2000-01	2001-02	2002-03	Jan-Dec, 03 (POI)
Imports from China in relation to Production	0.00	6.96	19.55	48.36
Imports from Taiwan in relation to Production	0.27	0.69	1.57	6.69
Subject country imports in relation to Production	0.27	7.65	21.12	55.06
Year by year change		2775	176	161

27. On the basis of above examination, it is provisionally concluded that dumped imports from subject countries increased their share substantially in Indian market demand.

### **Evolution of import price**

28. As shown in the table below, cumulative analysis of subject country import price from 2000-01 to POI shows that import price of the subject good drastically declined by 83.54%

<b>Rupees Per Kilograms</b>	2000-01	2001-02	2002-03	Jan-Dec, 03 (POI)
CIF export price –China		215.23	86.25	81.84
Indexed		100.00	40.07	38.02
CIF export price –Taiwan	501.47	123.44	90.59	87.72
Indexed	100	24.62	18.06	17.49
Subject Country Cumulatively	501.47	206.94	86.57	82.56
Indexed	100	41.27	17.26	16.46
Year by year change- China		0	-60	-5
Year by year change- Taiwan		-75	-27	-3
Year by year change- Subject Country Cumulatively		-59	-58	-5

It is further noted that prices of the subject goods originated in or exported from subject countries individually and cumulatively showed steep declines over the years.

### **Price Undercutting,**

29. A comparison for selling price of domestic industry and landed price of imported material was made. The prices of the domestic industry were determined at the ex factory level. To determine landed price of imports from China and Taiwan, the Authority has added applicable basic customs duties and other charges to the CIF value. Comparison of landed price of imports and selling price of domestic industry

Rupees Per Kilograms	2000-01	2001-02	2002-03	Jan-Dec, 03 (POI)
CIF export price –China	0	215	86	82
Landed Value – China	0	293	113	104
CIF export price –Taiwan	501	123	91	88
Landed Value – Taiwan	684	168	119	112
Net Sales Realization of Domestic Industry	****	****	****	****
Price Undercutting from China				60-75%
Price Undercutting from Taiwan				60-75%

showed that during the period of investigation, the subject goods originating in the subject countries were sold in the Indian market at prices, which were significantly below the selling prices of domestic industry. Dumped products were thus undercutting the domestic industry's selling price.

### **Price Underselling**

30. It is noted that the profitability of the domestic industry has significantly been eroded, which is due to price underselling being caused by the dumped imports. It is further noted that the price underselling is an important indicator to make an assessment of the injury. The Authority has determined the non-injurious price for the domestic industry for the domestic like product and compared the same with the landed value of subject imports to arrive at the extent of price underselling. The analysis shows a significant level of incidence of price underselling (more than 70%) thereby causing injury to the domestic industry. It was thus provisionally determined that imports from subject countries were made at dumped prices and at the same time much below the non-injurious price (NIP) of domestic industry.

### **Situation of the Domestic Industry**

#### Preliminary remarks

31. For the examination of the impact of the dumped 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.

## Sales Volume

Year	2000-01	2001-02	2002-03	Jan- Dec , 03 (POI)
Sales (MT)	****	****	****	****
Trend	100	127	129	129
Demand MT	645	787	864	1061
Index	100	122	134	165
Market share Demand	60.69	62.94	58.62	49.19

32. It is noted from above that sales volumes of the domestic industry were increasing up to the period 2002-03. However, sales volumes have shown a marginal decline thereafter in the period of Investigation. Sales volume of the company was 391.16 MT during 2000-01 and after achieving a 29.41% growth the same reached to 506.20 MT in 2002-03. Authority notes that after reaching 506.20 MT in 2002-03, sales marginally fell to 505.49 MT during the POI, even when the demand of the product increased significantly. Resultantly, the share of domestic industry declined during the injury period whereas the share of subject country imports increased.

## Profits

	2000-01	2001-02	2002-03	Jan- Dec , 03 (POI)
Total Profit/Loss (Rs. Lacs)	****	****	****	****
Index	100	90	30	-9

33. Taking both the markets together, i.e. OEM and retail or after market, it is seen that profitability of the domestic industry has been severely impacted. Thus, it is provisionally concluded that imports from subject countries may have forced the domestic industry to reduce the prices in the domestic market, which has directly impacted its profitability levels to such an extent that the domestic industry is suffering significant deterioration in the profitability during the injury period and during the POI, it has even reported losses. In view of the above, it is provisionally concluded that domestic industry has suffered injury on account of decline in profits during the injury period.

## Factors affecting domestic prices:

34. It is noted that the import prices of subject goods from the subject countries are continuously coming at lower prices. It may be appreciated that the level of imports amongst other factors determines the domestic prices. The market prices in the domestic market appear to have been driven down by the higher volumes of dumped imports at dumped prices. It is further noted that price undercutting from the subject countries is very significant and there is significant price depression also on account

of dumped imports from subject countries. Additionally, price underselling is also significant on account of dumped imports from subject countries.

## Output

35. Production of the domestic industry was as follows:

Year	Unit	2000-01	2001-02	2002-03	Jan- Dec , 03 (POI)
Production	Mt	540	600	574	605
Indexed	%	100	111.14	106.23	111.97

The Production of the domestic industry was fluctuating through injury period. When the domestic industry achieved a growth of 11.14% from 2000-01 to 2001-02, overall growth in production was only 11.97% by the POI. No injury is provisionally attributed to this parameter.

## Capacity and Utilization of capacity

36. Capacity utilization of the domestic industry has shown the same trend as that of production, as may be seen from the table below:

Year	Unit	2000-01	2001-02	2002-03	Jan-Dec, 03 (POI)
Capacity	Mt	652	652	652	652
Capacity Utilization	%	84.42	91.97	87.91	92.66

Capacity of the domestic industry remained the same over the years whereas capacity utilization increased to 92.66% by the POI from 84.42% in 2000-2001. It is thus provisionally concluded that the domestic industry has not suffered injury on account of this parameter.

## Productivity

Productivity	2000-01	2001-02	2002-03	Jan-Dec, 03
Number of Employees	****	****	****	****
Productivity Per Employee	****	****	****	****
Indexed	100	105	101	108

37. It is noted that the productivity of the domestic industry increased 8% by the POI. Per employee productivity of the domestic industry shows positive trend due to increase in production and less than proportionate increase in employees. It is thus provisionally concluded that the domestic industry has not suffered injury on account of this parameter.

38. However, It is noted that in spite of increase in productivity, profitability of the domestic industry declined over the injury period. While improvement in productivity should have enabled the domestic industry to increase its profits, it appears that dumped imports resulted in decline in profits. With regard to the claim made by the importer concerning the ability of the domestic industry to produce quality as well as quantity of the subject goods, it is noted that claims of the domestic industry have been verified by the verification team and the data of the domestic industry has been provisionally accepted except for some corrections in the data which have been made by the Authority.

### Return on investments

39. The trends in domestic industry's return on capital employed is as follows:

Year	Unit	2000-01	2001-02	2002-03	Jan-Dec, 03
Gross Fixed Assets	Rs. Lacs	****	****	****	****
Working Capital	Rs. Lacs	****	****	****	****
Capital Employed	Rs. Lacs	****	****	****	****
Profit Loss – After Interest	Rs. Lacs	****	****	****	(****)
Return on Capital Employed -	%	****	****	****	(****)
Return on Capital Employed	Indexed	100	75.11	15.67	-7.55

It is seen that the domestic industry's return on capital employed has severely deteriorated (the decline is about 107% over the injury period). It is thus provisionally concluded that the domestic industry has suffered injury on this parameter.

### Employment and Wages

40. There is increase in the employment level with the domestic industry. Wages of the domestic industry show normal wage increases, while incidence of wages per unit of production has also increased. The Authority does not provisionally conclude any injury on this parameter.

Year	Unit	2000-01	2001-02	2002-03	Jan-Dec, 03
No. of employees	Nos.	****	****	****	****
Index		100	104	104	104
No. of employees per kg. of production	Kgs./ person	****	****	****	****
Index		100	105	101	107
Wages	Rs. Lacs	****	****	****	****
Index		100	149	153	164
Wages per kg. of production	Rs./kg.	****	****	****	****
Index		100	134	146	146

## Effects on cash flow

41. Even though the petitioner is a multi product company involved in production of some other products also, the product under consideration constituted 75% of company's operations in the POI. Thus cash flow of the petitioner company is reflective of cash flow operations relating to product involved. After examining the cash flow of the domestic industry, it is noted that cash flow of the domestic industry deteriorated significantly over the injury period.

Rs. Lacs	2000-01	2001-02	2002-03	Jan-Dec, 03
Cash profit	****	****	****	****
Index	100	92	53	11
Cash flow	****	****	****	****
Index	100	42.6	40.5	-38.2

42. It is thus noted from the above that cash profit and cash flow situation of the domestic industry declined in period under consideration. The decline could be due to decline in profits as a result of dumping in the Indian market. It is thus provisionally concluded that the domestic industry has suffered injury on account of this parameter

## Inventories

43. Inventories of finished goods with the domestic industry have been as under:

In kgs.	2000-01	2001-02	2002-03	Jan-Dec, 03
Opening Stock	****	****	****	****
Index	100	117	351	383
Closing Stock	****	****	****	****
Index	100	298	293	289
Average Stock	****	****	****	****
Index	100	215	320	332

The Authority finds that average stock of finished goods with the domestic industry increased over the period involved. It is thus provisionally concluded that the domestic industry has suffered injury on account of this parameter.

## Ability to raise capital investments

44. After examining the records, it is noted that authority did not come across any inability of the domestic industry to raise capital. Hence, the authority does not provisionally conclude any injury on account of this parameter.

## Growth

45. As shown in the table below, the domestic industry has faced negative growth in many parameters. It is thus provisionally concluded that the domestic industry has suffered injury on account of this parameter.

	2000-01	2001-02	2002-03	Jan-Dec, 03
Sales MT	****	****	****	****
Year by Year trend		26.60	2.22	(0.14)
PBT Rs. Lacs	****	****	****	(****)
Year by Year trend		(10.32)	(66.73)	(131.91)
Market share in Demand	60.69	60.84	58.62	49.19
Year by Year trend		0.25	(3.66)	(16.08)
Average Stock of Finished Goods MT	****	****	****	****
Year by Year trend		115.53	48.57	3.78
Selling Price Rs/Kg	****	****	****	****
Year by year trend		(13.69)	(17.97)	(3.53)
Return On Capital Employed %	****	****	****	****
Year by year trend		(24.89)	(79.13)	(148.16)

The Authority finds that domestic industry faced negative growth in respect of a number of parameters. It is thus provisionally concluded that the domestic industry has suffered injury on account of this parameter.

#### 46. Examination of claims made by the importer

- i. With regard to the claim made by the importer regarding the capability of the domestic industry to produce quality as well as quantity, it is noted that data pertaining to these submissions have been verified by the Designated Authority. No justifiable reasons appear to reject these claims, except for some corrections in the data/information, which have been made by the Designated Authority.
- ii. With regard to the argument of the importer about the demand and supply gap of the subject goods in India and at the same time creating a monopoly in the Indian market, it is noted that demand for the product under consideration assessed by the Designated Authority is in the region of 1060 in the investigation period. It is also noted that the capacity of the applicant alone is 652 MT. and capacity of other Indian Producers appear to be in the region of 300 MT. Thus, there is no wide gap in the supply and demand of the subject goods in India. Furthermore, given the nature of product, the plant & machinery required for production of the product and the investment required therein, it does not appear that the domestic industry would not be able to meet the demand, should the market for the product remain free from dumped imports. However, in a situation of dumping and significant erosion in profitability, domestic industry may not like to enhance their capacity. It is

noted that the market of the subject goods has reported 65% increase in demand during the injury period. While there has been significant growth in demand, the profitability of the domestic industry has been significantly eroded, while an improvement could have been expected in such a situation.

- iii. It is noted that while Country Crafts, an importer of subject goods claimed Taiwan as a major producer and supplier of goods from Taiwan, Taiwan Economic and Culture Centre initially claimed that the goods were not being exported from Taiwan.

### Conclusions on Injury

47. There has been significant increase in the volume of dumped imports from subject countries at the absolute level and also in relation to total imports and also in relation to total demand of subject goods into India. There has been significant price effect on account of dumped imports resulting into price depression, price undercutting and price underselling. The undercutting margin as well as the price depression have been determined and are considered to be significant. It is further noted that sluggish growth of sales volumes, continuous deterioration in the financial performance, decline in market share in demand (significant decline after showing increase up to 2001-2002), positive price undercutting in POI, positive price depression, decline in return on capital employed on a year to year basis, increase in average stock etc shows significant deterioration in the performance of the domestic industry over the injury period. The performance of the domestic industry, when compared between 2000-2001 and POI improved in terms of production, sales, capacity Utilization, Productivity Per Employee. However, this can not be considered satisfactory, given the fact that large number of parameters are showing significant adverse trends during the injury period which have culminated into the domestic industry suffering losses during the POI. On the basis of the above analysis, it is provisionally concluded that the domestic industry has suffered material injury.

## **H. Causal link**

### (a) Introduction

48 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 in that 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.

(a) Effect of dumped imports

49. Between 2000-01 and the POI, dumped imports from the subject countries increased significantly in volume by 3532% (more than 100% from the previous year and in market share of imports by six times and in demand from 0.22% to 31% in the POI. As regards the export prices, they decreased substantially during the whole period under consideration and undercut domestic industry prices during the POI on average by ten times. Moreover, undercutting figures did not show the full impact of the dumped imports, since domestic industry prices were depressed. All this coincided with the deterioration of the situation of the domestic industry in terms of price reductions, reduced market shares as well as loss to the domestic industry. Prices of dumped imports were below those of the domestic industry throughout the period under consideration and exerted a pressure on them which forced the domestic industry to decrease prices in spite of increasing costs of production. It is, therefore, provisionally concluded that the dumped imports caused material injury to the domestic industry .

(b) Effect of Other factors

(a) Performance of Other Domestic producers:

50. There was other domestic producers of the subject goods during the period under consideration apart from the applicant. Though they have not submitted the information in the form and manner of domestic industry proforma, it could be provisionally concluded from the examination of limited information made available before the Authority that they have been adversely impacted during the POI and their operating performance has gone down.

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

51. 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.

(e) Volume and Prices of imports not sold at the dumped prices

52. According to the available information, the total import volume of the product concerned originating in countries other than subject countries are de-minimus and

therefore, they are provisionally considered not to have had any impact on the domestic industry.

(f) Trade Restrictive practices of and competition between foreign and domestic producers and issues relating to the quality and types of the subject goods

53. The Authority notes that there is a single market for the subject goods where dumped imports from the subject countries compete directly with the subject goods produced by the domestic industry. The authority further notes that the imported product is sold to meet the similar commercial grades and specification as domestically produced subject goods. It is further noted that the imported subject goods and domestically produced goods are like articles and are used for similar applications/end uses. With regard to argument of importer about the quality, rate and availability of the subject goods manufactured by the domestic industry, it is noted that the domestic industry produces a very large no. of different types of the product under consideration. It therefore does not appear that the petitioner does not produce and supply wide variety of the product. Further, the Petitioner, Sky Industries, has been exporting the product to a very large number of countries. It is noted that the petitioner exported to about 29 countries in the investigation period, which included Countries from different parts of the world, including some of the developed countries.

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

54. 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.

55. It is further noted that the various 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.

56. 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 tended to be the almost same 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.

(h) Conclusion on causation

57. Significant increase in volume of imports between 2000-01 and POI lead to increase in share of imports in demand/consumption. As a direct consequence, share of domestic industry declined between 2000-01 and POI after recording an increase between 2000-01 and 2001-02. Market share of the dumped imports gradually increased over the periods. As a direct consequence, the market share of the domestic industry declined significantly. Imports from the subject countries were undercutting the prices of the domestic industry. As a direct consequence, the domestic industry was prevented from selling the product at a price, which would have enabled it to recover its cost of production and earn a reasonable profit. This led to significant deterioration in the performance of the domestic industry in terms of profits, cash flows and return on investment.

58. Given the above analysis which has properly distinguished and separated the effects of all known factors on the situation of the domestic industry from the injurious effects of the dumped imports, it is provisionally concluded that these other factors as such did not reverse the fact that the material injury found may be attributed to the dumped imports.

59. It is, therefore, provisionally concluded that the dumped imports originating in the subject countries 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.

## **I. Indian Industry interest.**

60. 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.

61. 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, would prevent the decline of the domestic industry and help maintain availability of wider choice to the consumers of subject goods.

62. The Authority notes that the imposition of anti dumping measures would not restrict imports from subject countries in any way, and therefore, would not affect the

availability of the product to the consumers. The consumers could still maintain two or even more sources of supply.

## J. CONCLUSIONS:

63. The Authority has, after considering the foregoing, come to the conclusion that:

- A. The subject goods have been exported to India from the subject countries below its normal value.
- B. The Domestic Industry has suffered material injury;
- C. The injury has been caused cumulatively by the dumped imports from Subject Countries.

64. The Authority considers it necessary to impose an anti dumping duty provisionally, pending final determination, on all imports of subject goods from subject countries in order to remove the injury to the domestic industry. The margin of dumping determined by the Authority is indicated in the paragraphs above. The Authority proposes to recommend the amount of anti dumping duty equal to the margin of dumping or less, which if levied, would remove the injury to the domestic industry. For the purpose of determining injury, the landed value of imports is proposed to be compared with the non-injurious price of the petitioner company determined for the period of investigation.

65. 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 all imports of Narrow woven fabrics (also known as hook and loop tape fasteners or Velcro tapes) falling within Custom Heading 5806 originating in or exported from Peoples Republic of China and Chinese Taipei pending final determination. The Anti-Dumping duty shall be the difference between the amount mentioned in column 9 of the following table and the landed value of imports 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 subject goods falling within Chapter 58 of the Customs Tariff, originating in or exported from the countries mentioned below: -

S. No.	Heading	Description of goods	Specification	Country of origin	Country of Export	Producer	Exporter	Reference price	Unit of measurement	Currency
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1.	5806	Narrow Woven Fabrics	Any specification	Any country	Chinese Taipei	Any producer	Any exporter	7.61	Kg	US Dollar
2.	5806	Narrow Woven Fabrics	Any specification	Chinese Taipei	Any country	Any producer	Any exporter	7.61	Kg	US Dollar

3..	5806	Narrow Woven Fabrics	Any specification	Any country	China PR	Any producer	Any exporter	8.02	Kg	US Dollar
4.	5806	Narrow Woven Fabrics	Any specification	China PR	Any country	Any producer	Any Exporter	8.02	Kg	US Dollar

## **K. FURTHER PROCEDURE:**

66. 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 preliminary findings. 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 provide opportunity to all the interested parties for making oral submissions, which have to be rendered thereafter in writing;
- d. The Authority would conduct further verification to the extent deemed necessary.
- e. The Authority would disclose essential facts before announcing final findings.

**(Christy Fernandez)**  
**ADDITIONAL SECRETARY & DESIGNATED AUTHORITY**