MINISTRY OF COMMERCE

NOTIFICATION

New Delhi, the 8th March, 2000

Subject: --- Anti-Dumping investigation concerning imports of Aniline from Japan and the USA--- Preliminary Findings.

21/1/98/DGAD.- Having regard to- the Customs Tariff (Amendment) Act 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 given below has been followed with regard to the investigations:

i. The Designated Authority (hereinafter referred to as Authority),under the above Rules, received a written petition from M/s Hindustan Organic Chemicals Ltd. (HOCL), M/s Narmada Chematur Petro Chemicals Ltd. (NCPL), and M/s. Anirox Pigments Ltd., alleging dumping of Aniline originating in or exported from Japan and the USA.

ii. The preliminary scrutiny of the application revealed certain deficiencies, which were subsequently rectified by the petitioner. The petition was therefore considered as properly documented.

iii. The Authority on the basis of sufficient evidence submitted by the Petitioner decided to initiate investigations against alleged dumped imports of Aniline originating in or exported from Japan and the USA. The Authority notified the Embassies of the subject countries about the receipt of dumping allegation before proceeding to initiate investigations in accordance with sub rule 5(5) of the Rules;

iv. The Authority issued a Public Notice dated 13th September, 1999, published in the Gazette of India Extraordinary initiating anti-dumping investigations concerning imports of Aniline classified under Chapter-29 customs sub-heading no. 2921.41 of the Customs Tariff Act,1975, originating in or exported from the said countries.

v. 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 within forty days from the date of the letter;

vi. The Authority forwarded a copy of the Public Notice to the known importers (whose details were made available by the petitioner) of acrylic fibre and advised them to make their views known in writing within forty days from the date of the letter;

vii. Request was made to the Central Board of Excise and Customs (CBEC) to arrange details of imports of Aniline:

viii. The Authority provided copies of the Petition to the known exporters and the Embassies of the subject countries in accordance with Rule 6(3) supra;

ix. The Authority sent a questionnaire, to elicit relevant information to the following known exporters, from the subject countries, in accordance with Rule 6(4);

- **Japan Sumitomo Chemical Company Limited**
  2 7-1, Shinkawa 2-Chome.
  Chuo-ku, Tokyo 104-8260
- **Mitsui & Co. Ltd.**
  C.P.O. Box 822 2-1 Ohtemachi,
  1-chome Chiyoda-u, Tokyo 100-91.
  USA
- **Bayer Corpn.**
  100 Bayer Road,
  Pittsburgh,
  PA 15205-9741,
- **BASF Corpn.**
  3000-Continental Drive North,
  Mount Olive, NJ 07828-1234.
- **Dupont**
  1007 Market Street,
  Wilrningdon, DE 19898.

Responses were received from the following exporters:

- Sumitomo Chemical Company Ltd, Japan; who responded to the questionnaire forwarded by the Authority:
- Bayer Corporation, Pittsburgh
- BASF Corporation, Mount Olive, New Jersey
- M/s E.I.DuPont de Nemours & Co, Delaware 19898,USA

x. The, Embassies of the subject countries were informed about the initiation of the investigation in accordance with Rule 6(2) with a request to advise the exporters/producers from their country to respond to the questionnaire witl1in

the prescribed time. A copy of the letter, petition and questionnaire sent to the exporters was also sent to them, alongwith a list of known exporters/ producers.

xi. A questionnaire was sent to the following known importers of acrylic fibre in India calling for necessary information in accordance with Pule 6(4);

- C. J. Shah & Co
- Haresh Kumar & Co
- Priya International
- Gujarat Dyestuff Industries, Baroda
- Navin Chemical Enterprises, Agra
- ICI India Ltd, Calcutta
- Anar Chemical Industries, Ahmedabad
- NOCIL, Thane
- Ganesh Chemical Industries, Mumbai
- Indo Colchem Ltd, Ahmedabad
- Ind. Solvents & Chem.P.Ltd, Bharuch
- Sahyadri Dyestuff & Chemicals, Pune
- Mardia Chemicals Ltd, Ahmedabad
- J.K.Pharma, Ahmedabad
- Dintex Dyechem Ltd., Ahmedabad
- Metrochem Industries Ltd., Ahmedabad
- Cyanides & Chemicals Co. Surat
- Color Chem Ltd, Thane
- Bayer India Ltd., Thane
- Jaysynth Dyechem Ltd., Mumbai
- Gayatri Intermediates (P) Ltd, Ahmedabad.
- The Dyestuff Manufacturers Association of India, Mumbai
- Indian Chemical Manufacturers Association, Mumbai
- Indian Drugs Manufacturers Association, Mumbai

Responses were received from the following:

- Gayatri Intermediates Pvt.Ltd.
- Bayer India Limited.
- ICI India Ltd
- Metrochem Industries Ltd.
- Colour-Chem Limited
- The Gujarat Dyestuffs Manufacturer' Association
- Indian Chemical Manufacturers Association
- Cyanides & Chemicals Co
- Mardia Chemicals Ltd.
- Industrial Solvents & Chemicals Ltd.

xii. Some of the interested parties requested for extension of time to submit the responses, which was, upon good cause shown, allowed by the Authority.

xiii. The Authority made available the 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.

xiv. 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.

xv. *** in this notification represents information furnished by an interested party on confidential basis and so considered by the Authority under the Rules;

xvi. Investigations were carried out for the period starting from 1st April, 1998 to 31st March, 1999.

B. PETITIONERS VIEWS

2. The Petitioner has raised the following major issues in their petition and subsequent submissions:-

i. The three petitioners are the only producers of Aniline in India. Their production since 1996-97 has been as given below:-

Name of Company Production (MT)

1996-97 1997-98 1998-99

a) HOCL 21849 24128 21943

b) NCPL *21490 20144 17397

c) Anirox 2989 2982 2440

* Production by NCPL is for 1995-97(18 months).

The petitioner companies account for 100% of the total Indian production and therefore satisfy the standing to file the present petition.

ii. The main raw materials used to produce Aniline are Benzene, Hydrogen and concentrated Nitric Acid. All the petitioners produce nitrobenzene which is an intermediate for production of Aniline. Nitrobenzene is produced by the nitration of Benzene. Aniline is produced by the catalytic reduction of Nitrobenzene with hydrogen.

iii. The majority of producers in the world use direct hydrogenation of Nitrobenzene route to produce Aniline. Every manufacturer however may have different operating conditions depending on available facilities. Aniline produced by the petitioners is of international standard and there is no difference whatsoever in the quality of the product manufactured by the petitioners and that imported which can have an impact on price. Both are used interchangeably.

iv. Aniline can be manufactured by ammonolysis of phenol. This process is used only by M/s Mitsui Petro Chem of Japan, Steel Chemicals,USA, and M/s Aristec, USA. ‘1Rie variable cost by this process is higher by about 10% compared with that of direct hydrogenation.

v. NCPL and HOCI, are exporting Aniline to a number of countries in the world. Most of the quantity in the domestic as well as export market is sold in bulk. In the case of NCPL only 2% of the sale is in drum packing. HOCL sells only 3% of the Aniline in drums for export. The drumming cost (cost of drum and labour) is approximately Rs * * */- per MT or USD *‘ * per MT. For sale in bulk there is no packaging cost since they are transported through road tankers. All import in India is in bulk.

vi. NCPL had exported only 16MT to UK in the year 1996-97 at USD 748/MT fob and 48MT to Turkey in 1997-98 at USD 864/MT fob. In 1998-99 NCPL exported 16MT to Turkey at USD 910/MT fob. These exports were in drum packing. Other two manufacturers did not export to either Turkey or UK.

vii. There is no significant change in the demand for Aniline in India. The changes in demand have, therefore, not contributed to any injury to the domestic industry. The price variation of Aniline is directly related to the international price and the pricing is influenced generally by market forces because of cheaper import and as such there is no demand supply gap.

viii. The consumption pattern of Aniline in India is different from that of the world market where 80% of the product is used to manufacture MDI. In India Aniline is used for rubber chemicals, pharmaceuticals, dye intermediates and photographic chemicals.

ix. The imports from the subject countries have increased significantly in absolute terms. The import information in respect of 1998-99 is as per information compiled from Kandla port. Though Aniline is largely imported at Kandla the actual volume of imports is bound to be higher than Kandla volumes. The market share of Japan in the total imports of Aniline increased to 89.80% in 1997-98 from 76.79% in 96-97. Import: of Aniline from the USA have also increased significantly from 47MT in 1997-98 to 5623.595M"f in 1998-99. The cumulative imports from the subject countries have thus accounted for more than 81.16/0 of imports of Aniline into India as evident. from the available data.

x. The domestic industry has lost substantial sales in 1998-99. The sales volume of the domestic industry declined by 2551MT whereas imports increased by 2192MT(approx.). The sales lost by the domestic industry are the sales gained by the exporters from Japan and the USA.

xi. The claim of material injury to the domestic industry from the dumped imports is based on the following factors: a) Increase in imports from the subject countries in absolute terms; b) Increase in market share of imports and decline in market share of domestic industry; c) Decline in domestic industry production; d) Decline in sales volume of domestic industry; e) Decline in selling prices; f) Decline in profitability.

C.3. VIEWS OF EXPORTERS, IMPORTERS AND OTHER INTERESTED PARTIES

I **Importers Views**

(1) Gayatri Intermediates Pvt.Ltd.

1. As a manufacturer exporter, to be competitive in the export market, the cheapest raw material is required to be sourced. Inspite of various schemes introduced by the Government to enable the exporter to procure material from local manufacturers, HOC and NCPL have time and again refused to supply material under ARO.
2. The petitioners do not have any consistent policy on pricing. The threat of imports forces them to keep their pricing competitive. They have a duty protection of 38.5% + SAD. The material imported has been more expensive as compared with that supplied by local producers and the quality of service rendered by international suppliers is much superior.
3. In case of levy of anti-dumping duty, India stands to lose a major portion of the export market for products manufactured from the product under investigation. The total imports for the period under investigation is not more than 600OMT compared to the domestic production of about 4000OMT from the petitioners.

(2) Metrochem Industries Ltd.

1. This respondent is a major manufacturer and exporter of dyestuff and dye-intermediates and consumes huge quantities of Aniline as raw material for their products.
2. Domestic Industry- The petitioners are the three producers of Aniline. HOCL and NCPL are the two main producers while Anirox contributes to hardly 5% of the total production of Aniline. HOCL has been a producer of Aniline for 25

years but their capacity has been stagnant at 12,000 tons per annum till 1993-94. NCPL commenced production in 1994-95 when their actual output was hardly 4353MT. Its full production of 20,OOOTPA was not achieved even in 1996-97.

3. Demand- Aniline is used by various chemical industries for production of Vinyl Sulphone, Aceto Acetanilide, Sulphanilic acid, Sulphamethoxazole, Nigrosinc etc and rubber chemicals. Aniline enjoyed-tariff protection identical to downstream products which is unjustified and unfair. With the total demand of 40,000 to 45,000 tons per annum, the available capacity is utilised almost fully and any disturbance will jeopardise the supply situation and serve as bottlenecks for various industries.
4. Imports-As per market sources, imports of Aniline have been in the range of 4000 to 5000 tons during the last two years and 15,000 to 20,000 Mt during 1993-95 due to the supply demand gap. Therefore, imports steadily went down due to increase in domestic production.
5. The counter argument made by domestic manufacturers regarding losses to them because of international supplies is not true. The domestic producers have been achieving their normal capacity utilisation at reasonable levels and production is much below the total demand for the product. Further, domestic manufacturers are manufacturing several products and any losses registered by them need not be from any single product only. Profits have eroded due to high depreciation involved and delays in implementing the projects for expansion or diversification.
6. The worldwide production of Aniline is to the tune of 2 million tons per annum and the plant sizes achieve economies of scale because of high production levels. ICI, Dupont, Mitsui, BASF and First Chemical Corpn are some of the major producers.
7. The main products from Aniline is Diphenyl Methane Discyanate (DMI) and the usage of MIDI is linked to growth in construction and automobile sectors. Any demand fluctuations in construction and automobile sectors results in rise and fall of prices. Thus some manufacturers have enhanced their capacity in view of rise in demand for MDI and therefore the supply has increased drastically.
8. The prices of Aniline have dropped only for a short period a the prices are actually rising in the international market. Currently, the international prices are USD600/MT
9. Instead of seeking protection by way of imposition of anti- dumping duty, domestic manufacturers should take advantage of low capital costs, automation and captive production of Nitric Acid and Hydrogen. The stated facts show that no protection should be provided to the domestic industry. They should

concentrate on matching their costs with international costs and take effective steps toward enhanced efficiency and productivity.

(3) The Gujarat Dyestuffs Manufacturers 'Association

1. The .Association has a membership strength of snore than 725 units in the small scale sector located in the state of Gujarat engaged in the manufacture and export of Dyes and Dye Intermediates.
2. Aniline has always enjoyed tariff protection identical to the rates applicable to downstream products which is patently unjust.
3. The present requirement of the Aniline consuming industry is 40000 TPA to 45000 TPA. At this level of demand, domestic capacities are fully utilized and any change, upsets or disruption could cause supply bottlenecks. Import is effected for filling the demand/supply gap in the domestic market.
4. Initiation of anti-dumping investigations will result in price rise for these industries and make it difficult to compete with countries like China, Korea and Indonesia.
5. Globally, the major consumption of Aniline is for MDI which is used for Polyurethane. When the demand for MDI is good, prices of Aniline go up and when demand is poor, prices go down.
6. The basic raw material for Aniline is Benzene, which attracts only 16.5% import duty and helps manufacturers of Aniline to bring down ;their cost. Aniline, in fact, should fall in the same category being one of the basic raw materials for dye stuff and dye intermediates, bulk drugs, rubber chemicals etc.
7. In the recent past, international prices of Aniline have gone down (i.e. below USD 500/MT) on account of global recession, poor demand of MDI and economic crises in Asian countries. The situation has since improved with prevailing prices around USD 600/MT which shows that global process of Aniline are market driven and have nothing to do with dumping.
8. All Indian companies have run their plants at reasonably good production levels. In a situation where the producers elsewhere in the world were compelled to reduce their production drastically. Indian manufacturers were comfortable due to high duty protection by the government.
9. As the international market prices have ,gorse up, domestic producers have also increased the local prices by more than 15%in the past four months.
10. The members of this Association. as users of Aniline are having a hard --earned market share in the export market. If further protection is provided to Aniline manufacturers in India, this export business which earns value added foreign exchange would be taken away by other countries.

(4) Cyanides & Chemicals Company

1. During 1995-96 and 1996-97, imports have taken place in the range of Rs 23,000 to Ids 24,000/'MT. During 1997-98 imports were effected at higher prices because the prices of material had framed up in the international market. Prices of Aniline have again fallen and hence imports may have taken place at around Rs 23,000/MT during 1998-99.
2. Aniline is being imported in liquid forn7 packed in 2001tr drums and stuffed in container load or the same is being imported as loose cargo. Loose cargo of Aniline has been arriving at Kandla port whereas Aniline packed in drums is being imported at Mumbai port. The price of such drum packaging and container freight is at around 200 to 250 LSD higher as compared to that of loose cargo. The petitioners contention that imports from countries alleged to be dumping are at lower prices and imports from other countries are at higher prices are not correct if prices are compared keeping the packaging aspect in view. Due adjustments have to be given in respect of packaging while comparing import prices from alleged dumped sources and from other sources to arrive at a true picture.
3. It has been observed that at Kandla port traffic congestion always remains high delaying clearance of goods and leading to high demurrage which normally works out to around 10% of cif import price. This apart around 6% of cif price is being spent on account of storage, L/c opening and bank charges, handling, clearing and forwarding charges, wharfage etc. In case of Aniline packed in drums such higher charges are not more than 3°ro. In order to arrive at the comparable price of imports from the alleged countries stated to be dumping and from other countries, due adjustments for all the above is necessary prior to concluding that imports from other countries have taken place at higher prices.
4. Details of country, volume and value of imports and exports during the last two years and in the currant year to-date made by the petitioners is required to be submitted to the Authority. In the non-confidential version of the petition however, the petitioners have very tactfully avoided data for the previous two years in case of imports and have stated that none of the petitioners have imported aniline in 1998-99. While the answer has been given for the year 1998-99, nothing has been stated for the past two years. The petitioners have in the past imported aniline. This respondent had purchased imported material from M/s HOCL in 1994-95.
5. The domestic industry had produced 39165Mt in 1996-97, 47254Mt in 1997-98 and 41781 Mt in 1998-99. They had exported 156Mt in 1996-97, 3111Mt in 1997-98 and 1543Mt in 1998-99. After reduction of the exported quantity from the production, the quantity for local sales works out to be 39009Mt in 1996-97, 44143Mt in 1997-98 and 40238 Mt in 1998-99.As such there was no reduction in production for domestic sales.

6. Normal value in the subject countries has been considered based on trade journals/magazines which provide rough idea about price. Vast difference in price is observed between prices indicated in journals/magazines and material sold in domestic market.
7. The total installed capacity of the domestic industry for the year 1996-97 should be 48100 .and 48500 for 1997-98. The average capacity utilisation works out to 81.42% and 97.43% respectively. The average capacity utilisation of NCPL during 1998-99 works out to 86.99% and not 69.59% as NCPL capacity (licensed and installed) in the year 1998-99 was 20000MT and not 25000MT as specified in the non-confidential version of the petition: Additional 25% capacity utilisation cannot be achieved by way of revamping or modification. Enhancement in capacity might have been during year end of 1998-99.
8. Data regarding inventory has not been provided.
9. Increase in import duty on Aniline will trigger off increase in prices of drugs, pharmaceuticals, dyes, rubber chemicals, etc. which will have an adverse effect on exports.
10. The petitioners are exporting the subject goods at prices much lower than domestic prices that have been. artificially maintained at a level much higher than the international prices.

(5) M/s ICI India Ltd.

1. This respondent is a subsidiary of Imperial Chemical Industries Plc. of U.K. It is a trading and manufacturing company engaged in the manufacture of rubber chemicals amongst other products. Aniline is not imported by them for the manufacture of rubber chemicals.
2. Regarding sales in India for the product in question, they had a contract with HOCL and NCPL for Aniline during the reference period.

(6) Bayer India Ltd.

1. BIL has not directly imported any Aniline during the last three years viz from April 1996 to March 1999. BIL has only purchased 98.21MT of Aniline from the trade during Oct-Dec 1998 at Rs 42.30/kg inclusive of CVD, 4% SST, transportation and transit insurance. The country of origin of this material was in Japan.
2. BIL has fully supported the local manufacturers for its purchases of Aniline and had utilised all advance licences for local purchases under Advance Releaser Order (AR.D) or Advance Intermediate Licence. .

3. Inspite of very attractive international prices of Aniline in the last twelve months, BIL has not resorted to imports and has fully supported the local manufacturers for their purchases of Aniline.

(7) Indian Chemical Manufacturers Association

1. In a meeting comprising both consumers and producers of Aniline, it was stated bar HDC;L that during the last three years there has been an increase in the imports of Aniline resulting in decrease in the capacity utilisation of the domestic producer from 87% to 78%. While the domestic industry is not against exports they expect a level playing field. The international prices from LISA/Japan have dropped by 20%. in two years. The normal prices of Aniline are about USD 1000/ton in USA and about USD 1600/ton in Japan. However, Aniline is being exported from these countries to the Indian market at prices around USD 500/ton which clearly establishes dumping.
2. The consumers stated that the quality of Aniline produced in India is of international standard. Most of the dye and dye intermediate manufacturers in the country are procuring Aniline from domestic producers of Aniline. Export of dyes and dye intermediates derived from Aniline are to the tune of Rs 500 crore. Aniline content in dye intermediates such as Vinyl Sulphone is about 50% of the total cost of production. Export prices of Vinyl Sulphone, which was around USD 4/kg earlier has now come down to USD 1.8/kg due to severe international competition and therefore, any further increase in Aniline prices will directly affect the viability of exports of dye intermediates such a Vinyl Sulphone:
3. In the case of rubber chemicals, four out of every six rubber chemicals are based on Aniline. While rubber chemicals can be imported in small volumes, Anilife imports are not economical unless imported in large parcel loads. In fact imported prices are already higher than indigenous prices and zero imports are taking place today.
4. Specialty intermediate producers (Dimethyl Aniline) stated that their imports are against exports. They cannot purchase Aniline at domestic rates since they do not get DEPB for exports. Buying at ARO rates for export production entails sales tax of 12%-15% making exports of their products un-remunerative.
5. The capacity utilisation of the domestic industry seems to have dropped mainly because the producers are taking increased installed capacity of 5000 MT by NCPL. Based on installed capacity of 1997-98 the capacity utilisation has dropped only marginally.
6. The information regarding current prices of Aniline given by the petitioners (around USD 1000 to 1500 per ton) appear to be spot prices for retail supply in

the USA and Japan. If these were real prices HOC could have exported and got much higher realisation from Aniline exports than from domestic sales.

7. The capacity utilisation for Aniline has come down from 87% to 78% but for dye intermediates it has come down much lower. As regards prices, against 20% reduction in domestic Aniline prices the Vinyl prices., prices have come down by more than 50%. from USD 4 to USD 1.8 in the same two years period.

(8) Clariant/Colour-Chem

i. HOCL and NCPL are the two major producers of Aniline. The production of the third manufacturer M/s Anirox Pigments Ltd. (formerly known as Dhanbad Chemicals Ltd.) is basically for captive consumption and their total output would not exceed 5% of the total domestic production of Aniline.
ii. Cheaper sources of Aniline would be preferred as it would enable Indian producers of downstream products to combat the imports of the same products from China.
iii. There are as many as fourteen Aniline manufacturers worldwide producing total quantity of 1.8 million tons. Typically plant sizes are 60000 TPA and above with benefits of economies of scale.
iv. While most of the Aniline is produced through Nitrobenzene route, Phenol also is the starting material in some processes and accordingly, there could be at times difference in cost economics.
v. Price variation of Aniline is a natural outcome of cyclical/seasonal demand. This is further influenced by market forces resulting in demand-supply gaps.
vi. The unusual decline in the prices of Aniline took place only in one quarter of 1998. Such a stray incidence should not be the basis for a blanket protection against futuristic alleged cheaper imports of Aniline.
vii. Any special protection to local producers will only tempt them to exploit the situation and consumers are apprehensive that prices of Aniline would then be unusually high as was the case 10 years ago when HOCL enjoyed a monopoly situation.

(9) Mardia Chemicals Ltd.

1. Aniline Oil is the most important raw material for Dyes and Dye intermediates like Vinyl Sulphone which is a highly export oriented product. The cost of Aniline alone in this product is more than 50% of the total raw material cost.
2. If anti-dumping duty is imposed, domestic manufactures will increase their prices by which exports of VS and VS based dyes will be seriously affected. The country's export earning will be affected to the tune of 500 to 700 crores.

3. The small scale industries are involved in the manufacture of Aniline based dyes and dye intermediates. If for the benefit of domestic producers anti-dumping duty is imposed these industries would be closed and lacs of people would be rendered jobless.
4. As claimed by them international prices in Japan for their domestic consumption is USD 1500/Mt and in USA around USD 1100/Mt. Domestic producers should have resorted to exports. The fact that HOC exported a consignment that was below USD 500 and some material at around USD 300-400/MT reflects the international prices.
5. The petitioners have also mentioned that they had exported to UK at USD 3099/MT and to Turkey at 4589/MT and their average export realisation was USD 971/MT. If Aniline is available all over the world at USD 500/MT- it is unbelievable that UK would import at 3099/MT from India.
6. The total exports by HOCL in 1998-99 was 567 MT and that by NCPL was 976 MT. The total exports by India was thus 1543 tonnes out of the total production of 41781 Mt in 1998-99. The exported quantity was thus around 3.7% only of the total production. If in the USA and Japan, prices were high as claimed by the petitioners, they should have exported more quantities.

(10) Industrial Solvents and Chemicals Ltd.

1. Aniline Oil is a critical raw material for various industries. It constitutes 75% of the raw material cost in the manufacture of the finished products of this respondent viz., N,N Dimethyl Aniline, N-Methyl Aniline, N,N -Dimethyl Aniline, Ethyl Benzyl Aniline which are Alkalylited Aniline compounds.
2. Although capacity is large, the plant is operating at 40% capacity on account of low demand in local in international markets and cheap imports from China and Europe.
3. Aniline manufacturers in India are operating their plants close to 80% of their capacity and therefore it is felt that they are quite efficient in terms of capacity utilisation.

11 Exporters Views

(1). BASF
At no time during the period -o investigation (i.e. April 1, 1998 to March 31, 1999) has BASF Corporation or a BASF distributor exported any Aniline to India.

(2) Bayer Corporation
To the best of its knowledge, Bayer Corporation has not produced, manufactured, sold or exported Aniline within the relevant time period of April 1, 1998 through March 31, 1999. Thus the investigation is not applicable to Bayer Corporation.

(3) **M/s E.I. duPont de Nemours & Co.**

1. The major domestic producers of Aniline have capacity less than 25000 tons per annum while typical plant size globally is minimum 50000 tons per annum and above to justify the economy of scale and be in the reckoning as a competitive manufacturer, of Aniline. With lower capacities the cost of manufacturing will be higher compared to the installed capacity of an average plant elsewhere in the world. DuPont's production capacity of Aniline is 150,000 TPA.
2. Aniline producers in India already enjoy an advantage by way of duty protection. Aniline is a basic raw material used by a host of industries. Inspite of being a basic organic chemical, Aniline had always enjoyed duty protection at the same level as downstream industries. The' basic raw material for Aniline, that is, Benzene, attracts a tariff of only 16.5% providing additional benefit and duty protection to the domestic producers.
3. Aniline is a basic raw material produced from benzene. The process of production of aniline is a follows:-

Nitration Reduction

Benzene-->Nitrobenzene-->Aniline

The international market price of .benzene during the period under investigation, ranged between USD 160 and USD 200PMT. However, when nitration is done the production of Nitrobenzene gets enhanced to 1.35 to 1.40 times. The cost of raw material for producing Aniline in an efficient world ,scale plant would, not exceed USD 350 PMT. This clearly demonstrates that the average cost of production of Aniline by producers in USA or anywhere else in the world is lower than the export price to India, reckoned on a cost + freight basis.

4. The global demand for Aniline is driven by NMI (Diphenyl Methane Disocyanate), which is used for polyurethane rigid forms. The growth of the market for MDI is linked to growth in the construction sector and the automobile sector and these two sectors had experienced a major slow-down globally in the year 1998-99 due to the far-eastern crisis and its ripple effect was felt worldwide. This was one of the major reasons for excess availability of Aniline for supplies to other markets. This however did not have any impact on the import of Aniline during the period under investigation.
5. The imports of Aniline have always been necessitated for bridging the demand-supply gap in the domestic market. From the published data and market information, imports of Aniline have been as under:

1996-97 1277 MT

1997-98 5847MT

1998-99 5000MT

The capacity utilisation of the major domestic producers have been 87% each thereby indicating no abnormal increase in the imports of Aniline into India.

6. The global prices of Aniline dropped significantly in 1998-99 due to recession in the demand of MDI, which had direct impact on the global prices of Aniline. Prices offered for imports in India were in line with the prevalent international prices.
7. Since the year 1996-97 and until the current year, Aniline prices had ranged between USD * * * to USD * * * PMT and temporarily dropped during the third and fourth quarter of 1998. The prices have again under & one correction in the first quarter of 1999 and have reached the normal level by the second quarter of 1999. Published prices cannot be relied upon since they do not reflect the actual transaction prices with bulk customers in the domestic market which are much lower and this information for reasons of confidentiality is never disclosed.
8. The price offered by DuPont during the period under investigation was in the range of USD *** PMT with USD *** PMT being the lowest thus clearly indicating the fall in global prices worldwide. Even at the lowest price, after taking into account the duty and other miscellaneous expenses, the imported price works out to Rs * * *lkg. The domestic producers have sold Aniline at around Rs * * *lkg during the same period though they could have commanded some premium on account of their being the domestic producers, besides being capable of supplying smaller volumes at short notices. The fact that they have sold Aniline at such low prices shows that the domestic producers were themselves resorting to undercutting. .
9. The material injury, if any, has been on account of faulty marketing strategy of the domestic producers to gain maximum market share. The international prices of the basic raw material i.e. benzene and Aniline has risen from early 1999. However, the domestic producers announced the increase in the price of their products only on 1st July 1999, that is, virtually six months later which clearly indicates their competitive intensity in the local market.

(4) **Sumitomo Chemical Company Ltd.**

1. SCC exported about 268MT of Aniline, through the trading companies in Japan, to India during the period April 1998 to March 1999 which accounts for only 2.9% of the total import to India for the above-mentioned period.
2. Out of the said 268 MT, 251.86 MT was exported in May 1998 and 16 MT was exported in June 1998, respectively. Since then, SCC has never exported Aniline to India and has no immediate plan to export the said product to India.
3. Judging from the magnitude of their export to India in terms of quantity, the causal relationship between SCC's export and the alleged injury to the domestic industry in India should be de-minimus.
4. SCC's price is far higher than the import price of Aniline originating from other Japanese exporters. It is also far higher than the USA origin product. In terms of price there is no sufficient evidence to prove the causal relationship between SCC's export and the alleged injury to the domestic Aniline industry in India.
5. The Aniline price cited in the Japan Chemical Week is used in "Part III Evidence of Dumping". However, the data listed in this newspaper is divorced from the actual price of Aniline in the ordinary course of trade in Japan. This exporter has traced the Aniline price listed in Japan Chemical Week back to January of 1996 and found that the price listed had never been revised for at least more than three years. This shows that the said price cannot be an evidence to determine the normal value.
6. SCC sells more than 60,000MT of Aniline in Japan. This should be the basis for the Normal Value in this case.

D. EXAMINATION OF THE ISSUES RAISED

4. The foregoing submissions made by the petitioner, exporters, importers and other interested parties, to the extent these are relevant as per Rules and to the extent these have a bearing upon the case, have been examined and considered and have been dealt with at appropriate places in these findings.

E. PRODUCT UNDER INVESTIGATION

5. The product under consideration in the present investigation is Aniline also known as Aniline oil. Aniline is a transparent, oily, colour-less to pale yellow liquid when freshly distilled. It darkens on exposure to light or air. Aniline is a primary amine compound and a basic organic chemical essential for vital industries such as drugs, pharmaceuticals, dyes and dye intermediates. Aniline is also used in some other industries such as rubber chemicals, explosives, resins etc.

Aniline is an intermediate for Rubber Chemicals (vulcanization, accelerators, antioxidants), Dyes, Drugs such as analgin, sulpha drugs, Photographic chemicals (hydroquinone), Isocyanates (MDI or Methylene Diphenylene Di-Isocyanate). In India, 70% of the production of Aniline is used in rubber chemicals, drugs and drug intermediates and dye industries, whereas 80°/© of production of Aniline world-over is used in NMI.

Aniline is classified under Chapter 29 of the Customs Tariff Act, 1975, under custom sub-heading no. 2921.41. The classification is however indicative only and in no way binding on the scope of the present investigations.

F. LIKE ARTICLES

6. Aniline is produced and sold in specifications as per ISI standards which depict the properties of the chemical. The quality of Aniline is. described in terms of its purity. The standard quality of Aniline normally contains 99.8% purity by weight. There is however no significant difference in terms of process, equipment or technology for the production of aniline.

In order to establish that Aniline produced by the domestic industry is a Like Article to Aniline exported from the subject countries, characteristics such. as technical specifications, manufacturing process, plant and equipment, technology, functions and uses, marketing and customer perception and tariff classification have been considered.

There is no argument disputing that Aniline produced by the domestic industry has characteristics closely resembling the imported product and is substitutable by the aniline imported from the subject countries both .commercially and technically. Aniline produced by the domestic industry has been treated as Like Article to the product exported from Japan and the USA, within the meaning of Rule 2(d).

G. DOMESTIC INDUSTRY

7. M/s. Hindustan Organic Chemicals Ltd. (HOCL), M/s Narmada Chernatur Petro Chemicals Ltd. (NCPL), and M/s Anirox Pigments Ltd., have jointly filed the petition. These three units are the only producers of Aniline in India. The petitioner companies therefore account for 100% of domestic production and have the required standing to file the petition under the Rules.

H. DUMPING

8. Under Section. 9A(1), 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 alongwith 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.

The Authority sent questionnaires to the exporters from the subject countries in terms of the section cited above. Only Sumitomo Chemical Company Ltd., Japan, responded to the questionnaire.

Therefore there are no claims by the exporters from the other subject country with regard to normal value and export price. In view of the non-submission of information to the questionnaire by producers/exporters from the USA, the Authority has been constrained to rely upon best available information with regard to normal value and export price as provided by the petitioner.

I. CLAIMS OF THE EXPORTERS

Country. Japan Exporter: Sumitomo Chemical Company Ltd.

9. The exporter has claimed that they have exported about 268 MT of Aniline during the period of investigation. Out of the said 268 MT, 251.86 MT was exported in May 1998 and 16 MT was exported in June 1998. They have submitted copies of the relevant invoices and bills of lading for the said exports made by them to buyers in

India during the period investigated. The cif prices indicated therein is (cif) USD for 251.86MT of Aniline and * * * USD for 16MT of Aniline. The price difference between the two, it is stated is attributable to the quantity of the product sold.

Details of their total quantum of domestic sales in the above grades during the period investigated and the range of unit prices thereof have been submitted by them. They have stated that their quantum of domestic sales during the period of investigation and prices thereof were as follows:-

Quantity (MT) Value

Y US$

*** *** ***

J. EXAMINATION OF NORMAL VALUE AND EXPORT PRICE BY THE AUTHORITY BASED ON EXPORTERS RESPONSE AND AVAILABLE INFORMATION.

(i) **Sumitomo Chemical Company Ltd., Japan**

The examination of the response by Sumitomo Chemical Company Ltd., shows that information against Appendices 3A, B and C, which concerns price structures and sales arrangements for both domestic sales and for exports has been filed. Details on unit prices charged for like goods sold on domestic and export markets indicating the details of the nature and amount of charges beyond ex-factory level are available. However, copies of price lists or domestic invoices showing domestic sales prices have not been submitted. While information on licensed/installed capacity, production and sales as per Appendix 4A has been provided, the information on cost of production/unit cost to make and sell and profit in domestic and export markets as per Appendices 4 B,C and D has not been furnished. It is stated by the exporter that they would like to refrain from submitting the data on manufacturing cost since it is a highly sensitive trade secret. Methods used in the financial and cost accounting system, profit determination and financial information (copies of trading and profit and loss accounts) have not been stated and submitted.

(A) **Normal Value**

From the response filed by the exporter (Appendix 2B),it is seen that domestic sales of the product under investigation in terms of KG and value thereof in terms of USD were as follows :

Product Sales in domestic market

Unit k Value($) Y

Aniline *** *** ***

The average price per kg works out to Y* * * or U SD * * */kg.

The price at list price level is Y***/kg. In the sales price structure for domestic sales (Appendix 3B), adjustments claimed on account of charges after ex-factory include inland freight (Y* * */kg), storage(Y* * */kg), handling(** */kg).The total cost on account of the aforementioned charges after ex-factory , comes to Y* * */kg., The Authority has disallowed the charge on storage costs as the same are not incurred on the sales price structure for exports. Hence the total charges come to. Y* * */kg and the price at ex-factory level is Y* * */kg or USD ***/kg at an average exchange rate of IUSD=Y128.04. The adjustment to this price taking into account the difference of the payment term (for domestic sales and in the case of payment from the trading company for exports) is not considered by the Authority for want of documentary evidence. It is noted that even if this adjustment was to be considered it would make no difference to the ex-factory price in USD terms which would be USD * * */kg.

(B) **Export Price**

SCC's cif price of export sales to India is ***USD for 251.86MT and ***USD for 16 MT. Based on these prices, the sales price structure for exports, to India he been prepared in Appendix 3A-1, 3A-2 and 3A-3. Appendix 3A1 shows the calculation of price at ex-factory level based on SCC's export in May of 251.86 MT, which is Y* * */kg cif llisted price, **USD). Appendix 3A-2 shows the calculation of price at ex-factory level based on the export of 16MT in June which is Y * * */kg (cif listed price, * * *USD). Appendix 3A-3 shows the ,weighted average ex-factory price of these two prices, Which is Y * * */kg and the weighted average list price of Y* * */kg.

In the sales price structure for exports to India, the listed price which is a weighted average listed price of the two shipments is Y* * */kg. Discounts/commissions are offered at Y* * */kg. Charges after ex-factory and before fob include inland freight @Y* * */kg. Insurance has been charged at Y* * */kg. It is stated that there are no charges on account of storage, handling, taxes, packaging etc. Charges after fob include that of overseas freight @ Y***/kg, overseas insurance @ Y***/kg, shipping charge @ Y***/kg and clearance & handling @Y* * */kg. It is stated that there are no charges on account of duty, sales tax, etc.

It is seen that the quantity of 251.86 MT was shipped in bulk and 16Mt was shipped in drums. The difference in prices between the two shipments is USD ***/MT or USD ***/kg. The total charges at different stages taking cost of packaging at Y* * */kg is thus Y* * *. After deducting the costs above, the export price at ex-factory level comes to Y* * * or USD * * */kg.

In the sales price structure for exports to countries other than India, the listed price is Y***/kg. Discounts/commissions offered are nil. Charges after ex-factory and before fob include only insurance at Y* * */kg. It is stated that there are no charges on account of storage, handling, taxes, packaging etc. Charges after fob include that of overseas freight @ Y* * */kg, overseas insurance @ Y* * */kg, shipping charge @a Y***/kg and clearance & handling @Y***/kg. It is stated that there are no charges on account of duty, sales tax, etc. The total charges - at different stages excluding cost of packaging is thus Y* * */kg. The export price at ex-factory level is 'Y* * *lkg or USD * * */kg. .

(ii) **USA**

(A) Normal value

As stated by BASF Corporation, at no time during the period of investigation has BASF Corporation or a 13ASF distributor exported any Aniline to India. Bayer Corporation has not produced, manufactured, sold or exported Aniline during the period of investigation. While M/s E.I. duPont de Nemours & Co. have addressed their views in a letter to the Authority, they have not given a formal response to the questionnaire. Their statement on export price is not substantiated by any documentary evidence. Hence there is no evidence of normal value or export price.

The petitioners have submitted evidence from 'The Chemical Market Reporter' published by Schnell Publishing Company since 1871 that is stated to be a well recognized journal in the chemicals industry in the USA. The Authority in view of lack of information from the exporters in' the USA has been ,constrained to adopt the normal value of aniline in the domestic market in the USA as evidenced by the prices stated in the said journal.

According to the Chemical Market Reporter, the price of Aniline in USA is USD 0.49 to 0.50 per ib.(Pound) which is equivalent to USD 1080 per MT of Rs.1102 per MT (1 MT=2204.62 Pounds). The normal value of Aniline in the USA can thus be considered as USD 1091 pmt (average of the 'two prices reported by the journal). It is also stated that the price of Aniline shown by the Chemical Market Reporter is FOB price and is therefore not inclusive of freight and transportation.

(B) Export Price

The petitioner has claimed export price in the USA based on the data published by Kandla Port. The export price in 1998-99 (April' March'99) - is based on volume and value (in lacs) which were 5623.595MT and Rs *** respectively for the aforesaid period only. The cif export price is ***/MT at an exchange rate of IUSD=Rs.42.3.

The above export price being cif price, adjustments have been claimed (based on petitioners own exports) on account of ocean freight -1%; marine insurance - 0.5% of export price; commission - 3% of export price; inland transportation - 2%; packaging-3% and port handling and port charges -- 2%.

The net export price from the USA after deducting these is Rs***/MT or USD ***/kg. .

K. DUMPING MARGIN

A. **Sumitomo Chemical Company, Ltd. Japan.**

11. Considering the ex-factory normal value at USD ***/kg and the ex-factory export price at USD ***/kg, the dumping margin determined by the Authority comes to USD ***/kg (which is 87.5% of export price).

B. **USA**

12. Considering the normal value at USD ***/kg and the net fob export price at USD * * */kg after adjustments on account of the charges listed above, the dumping margin comes to USD * * */kg (which is 131% of export price).

L. INJURY

13. Under Rule 11 supra, Annexure-11, 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 article..." 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 increase, which otherwise would have occurred, to a significant degree.

Annexure II(iii) under rule 11 supra her provides that in case where imports of a product from more than; one country are being simultaneously subjected to anti-dumping investigation, the Designated Authority will cumulatively assess the effect of such imports, only when it determines that the margin of dumping established in relation to the imports from each country is more than two per cent expressed as a percentage of export price and the volume of the imports from each country is three per cent of the imports of the like article or where the export of the individual countries is less than three per cent, the imports cumulatively account for more than seven per cent of the imports of the like article, and cumulative assessment of the effect of imports is appropriate in light of the conditions of competition between the imported article and the like domestic article.

The Authority notes that the margin of dumping and quantum of imports from the subject countries are more than the limits prescribed above.

For the examination of the impact of imports on the domestic industry in India, the Authority has considered such further indices having a bearing on the state of the industry as production, capacity utilisation, quantum of sales, stock, profitability, net sales realisation, the magnitude and margin of dumping etc. in accordance with Annexure II(iv) of the rules supra.

(a) **Quantum of Imports**

The total imports of aniline were 1277Mt, 5847Mt and 8038.804Mt during 96-97, 97-98 and 98-99 (as available from official and Kandla port statistics upto March'99). Thus the increase was 357% in 1997-98 over 96-97 and 37.48% in 98-99 over 97-98. The increase was 529% in 98-99 over 96-97. Thus the quantum of imports have gone up significantly during the period of investigation.

The quantum of imports from Japan were 983 Mt, 5251 Mt and 901.209 Mt during 1996-97, 97-98 and 98-99 (as available in official and Kandla port statistics upto March'99) respectively. Thus imports increased by 434% in 97-98 over 96-97 and declined by 477% in 9899 over 97-98. The decline was by 9% in 98-99 over 96-97.

The quantum of imports from USA were 47 Mt and 5623.595Mt in 97-98 and 98-99 (as available in official and Kandla port statistics upto March'99) respectively. There were no imports till 1996-97. Thus imports increased tremendously in 1998-99 over that of 1997-98.

The quantum of imports from other countries was 57 Mt, 297 Mt and 1514Mt in 96-97, 97-98 and 1998-99. The share of Japan in total imports was 76.97%, 89.80%and

11.21 % in 96-97, 97-98 and 98-99 respectively. The share of USA in total imports were 0.80%in 1997-98 arid 69.96% in 1998-99.

(b) **Production and Capacity Utilisation**

It is observed that the production capacity, production and capacity utilisation of the petitioner companies (viz., HOCL, NCPL and Anirox Pigments) were as under:

Year Capacity (MT) Production (MT) Capacity Utilisation %

1996-97 48100 39165 81.42

1997-98 48500 47254 97.43

POI-98-99 54100 41780 77.23

The capacity utilisation of HOCL was 89.18%, and 98.48% in 96-97 and 97-98 respectively. During the POI it was 87.42%. The maintenance of the HOCL plant was improved and the installed capacity was rerated as 25100TPA in 98-99 from the earlier level of 24500TPA in 97-98. The capacity utilisation of NCPL was 107.45%during 1995-97 (18 months) and 100.72% in 97-98. A detailed study to revamp the NCPL plant was carried out during October 1997 to April 1998 for de-bottlenecking and increase in the plant capacity by 25% at a nominal cost of Rs 120.00 lacs. The plant capacity was thereby increased to 25000Mt in 98-99 from the previous level of 20,000Mt. The capacity utilisation of NCPL was 69.58% in the POI. The capacity utilisation of Anirox Pigments was 83.02% and 74.55% in 96-97 and 97-98 and 61% in the POI. It is seen that the combined capacity utilisation of the petitioner companies has declined from 97.43% in 97-98 to 77.23% in the POI. The domestic industry had exported 156Mt in 1996-97, 3111 Mt in 1997-98 and 1543Mt in 1998-99. After reduction of the exported quantity from the production, the quantity for local sales works out to be 39009Mt in 1996-97, 44143Mt in 1997-98 and40237 Mt in 1998-99. Production for domestic sales has therefore declined although installed capacity increased from 48100 in 96-97 to 48500 in 97-98 and to 54100 in 98-99.

As a product, aniline is application specific. In India, Aniline caters mainly to the requirements of the dye, rubber chemicals and drugs and drug intermediates manufacturing sectors. The petitioners have stated that in 1996, the Gujarat Pollution Control Board (GPCB) ordered the closure of many of the dye manufacturing units who were in possession of Effluent Treatment Plants(ETP) but were not operating the same correctly because of the cost involved in the treatment of effluents. This situation continued only for a brief period after which the ET facilities were put into operation by these units. In 1997-98 and 1998-99, the demand for Aniline remained

normal. However, the sales volume and high capacity utilisation of the domestic industry suffered a set back on account of the high volume of low cost dumping in the period of investigation. Dumping of the product at much lower prices by international players whose individual capacities exceed 60,000TPA, subdued the domestic prices of Aniline. Production of domestic industry decreased by 5474 MT. Imports, from the subject countries were to the extent of 6524.804 MT (Kandla port alone).

(c) **Sales and Market Share**

It is observed that demand of aniline was 37,196 Mt, 44,220 Mt and 43,860.804 MT in 96-97, 97-98 and 98-99 respectively (import figures are as per DGCIS data and Kandla port statistics till March'99). The share of imports in total demand was 3.4%, 13.22% and 18.33% in 96-97, 97-98 and 98-99, respectively. The share of the petitioner companies was 96.56%, 86.77% and 81.67% respectively in 96-97, 97-98 and 98-99. Thus the share of imports are rising in total demand whereas the share of Indian industry has been declining. Although the quantity for local sales produced by the domestic industry works out to be 39009Mt in 1996-97, 44143Mt in 1997-98 and 40237 Mt in 1998-99 after exclusion of the exported quantity, it is noted that actual domestic industry sales were lower at 35,919 Mt, 38,373 Mt and 35822 Mt in 1996-97, 1997-98 and 1998-99. The selling prices of the petitioners in Rs per Mt were * * *, * * * and * * * respectively in 96-97, 97-98 and the POI (Apr'98-Mar'99).

(d) **Closing stocks**

It is observed that the closing stocks of the petitioners were 446.419MT, 2226.814MT, and 2252.454MT during 96-97, 97-98 and the POI. It is seen that 194MT, 1478MT and 1548MT were held by HOCL during 1996-97, 97-98 and 98-99; 34.419MT, 710.314MT and 654.094MT were held by NCPL and 218MT, 38.5Mt and 50.36 MT were held by Anirox during the respective years.

(e) **Price undercutting and price depression**

The petitioner companies have stated that imports from the subject countries have been undercutting the prices of aniline being sold by the domestic producers. It is seen from the exporters response:., that aniline was priced at (cif) USD ***/Mt or Rs ***/Mt from Japan; and USD * * */Mt or Rs * * */Mt from the USA. The above referred prices are below the unit (MT) cost of production of the petitioners during the period of investigation which was Rs * * *!MT , Rs * * *fMt and Rs * * */Mt for HOCL, NCPL and Anirox Pigments, respectively. The dumped imports from the subject countries have further suppressed the prices of aniline in the Indian market and caused losses to the petitioners. The average realisation of aniline in 1996-97 was Rs. * * */Mt, which increased to Rs. * * */Mt in 97-98 and dropped to Rs * * *Mt

during the POI. However it is observed that different producers are charging different selling prices and profit/loss of, the different companies vary. The average selling prices charged in 1998-99 were Rs. * * */Mt, Rs * * */Mt and Rs * * */Mt by HOCL, NCPL, and An irox Pigments, respectively. At this price level, HOCL incurred a loss of Rs 816.87 lacs, NCPL incurred a loss of Rs. 1175.51 lacs, and Anirox Pigments incurred a loss of Rs 82.75 lacs during the period of investigation.

M. CONCLUSION ON INJURY

14. In view of the foregoing it is observed that

a. the quantum of imports from the subject countries has increased in absolute terms;
b. the market share of the petitioner companies has gone down;
c. imports are undercutting the prices of the domestic industry;
d. the domestic industry has been forced to sell at prices that have resulted in losses;
e. closing stock of the domestic industry has gone up.

The Authority therefore concludes that the domestic industry has suffered material injury.

N. CAUSAL LINK

15. It is noted that there have been no changes in demand for Aniline. Production by domestic industry slowed down on account of dumped imports that served to depress domestic prices. As reported by Chemical Information Services, Inc., in its chemical profile dated February 8, 1999, the major producers of aniline in the world have a combined capacity of 1,690 millions of pounds of Aniline per year. World demand in 1997 was 1.37 billion pounds, and in 1998, it was 1.5 billion pounds. The demand projection for 2002 is 1.9 billion pounds. The world market is heavily dependent on MDI which consumes 80-85% of global aniline production particularly in the US and is used in rigid foam markets in construction, appliances and automotive components. Aniline's outlets in India are restricted mostly to only rubber chemicals, dyes and drug and drug intermediates. The Authority notes that even modest volumes of exports at dumped prices by major world manufacturers can affect Indian industry on account of the limited demand structure and the inability of domestic industry to match dumped prices.

The Authority notes that there have been no major fluctuations in demand for Aniline in India. The domestic industry is one of the smallest producers of Aniline in the

world and the capacity of Indian industry is adequate to meet the demand for Aniline. The global prices of Aniline dropped significantly in 1998-99 and had an impact on the prices at which it was imported to India. This affected the operations and profitability of the domestic producers as aniline was dumped by major international manufacturers during the period of investigation.

In establishing that the material injury to the domestic industry has been caused by the imports from the, subject countries, the Authority holds that the increase in market share of imports from Japan and USA resulted in decline in the market share of the petitioner. The domestic industry failed to match the landed price of the imported product on account of the' rise in prices of the inputs/feedstock required for the manufacture of aniline. Prices of petroleum, fuel oil and benzene stated firming up from 1996 onwards. Imports from the subject countries undercut the prices of the domestic product forcing the domestic industry to sell at un-remunerative prices. Resultantly, the domestic industry incurred losses. The material injury to the domestic industry was, therefore, caused by the dumped imports from the said countries.

O. INDIAN INDUSTRY S INTEREST & OTHER ISSUES

16. The purpose of antidumping duties, in general, is to eliminate dumping which is causing injury to the domestic industry and to reestablish a situation of open and fair competition in the Indian market, which is in the general interest of the country.

17. It is recognised 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 in the Indian market will not be reduced by the antidumping measures, particularly if the levy of the anti- dumping duty is restricted to an amount necessary to redress the injury to the domestic industry. 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 aniline. 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.

18. To ascertain the extent of anti-dumping duty necessary to .remove the injury to the domestic indu9try, the Authority relied upon reasonable selling price of Aniline -in India for the domestic industry, by considering the optimum cost of production at optimum level of capacity utilisation for the domestic industry.

P. LANDED VALUE

19. The landed value of imports is determined on the basis of export price of Aniline, determined as detailed above in the para relating to dumping, after adding the prevailing level of customs duties and one per cent towards landing and two per cent towards handling charges.

Q. CONCLUSIONS

20. It is seen, after considering the foregoing, that:

a. Aniline described under Para 5 originating in or exported from Japan and the USA has been exported to India below normal value, resulting in dumping;
b. the Indian industry has suffered material injury;
c. injury has been caused by imports from the subject countries.

21. It is considered necessary to impose anti-dumping duty, provisionally, pending final determination, on all imports of Aniline originating in or exported from the subject countries pending investigations.

22. It was decided 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. The landed price of imports was also compared with the fair selling price of the domestic industry, determined for the period of investigations.

Accordingly, it is proposed that provisional anti-dumping duties be imposed, from the date of notification to be issued in this regard by the Central Government, on Aniline originating in or exported from Japan and the USA falling under Customs sub-heading 2921.41 of the Customs Tariff Act, pending final determination. The anti-dumping duty shall be the amount mentioned in Col. 3.

Country Name of the Producer/; Amount

Exporter

1. 2. 3.(Rs)/kg

Japan

(a) Sumitomo Chemical Co. Ltd. 3.43

(b) Mitsui & Co. & all others _ 6.25

2.

USA

(a) M/s E.I. duPont de Nemours & Co. 7.88

(b)All others 7.88

R. FURTHER PROCEDURE

23. The following procedure would be followed subsequent to notifying the preliminary findings: The Authority invites comments on these findings from all interested parties and the same would be considered in the final findings; Exporters, importers, petitioner and other interested parties known to be concerned are being addressed separately by the Authority, who may make known their views, within forty days of the despatch of this notification. Any other interested party may also make known its views within forty days from the date of publication of these findings.

The Authority would provide opportunity to all interested parties for oral submissions;

The Authority would disclose essential facts before announcing the final findings.

RATHI VINAY JHA...
Designated Authority