

No. 15/16/2005-DGAD
GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
(DEPARTMENT OF COMMERCE)

New Delhi, the September 6th, 2006

NOTIFICATION

Subject: Sunset Review of Anti-Dumping duties imposed on imports of Sodium Hydrosulphite (SHS) originating in or exported from China PR: Final Findings

A Background of the Case and Procedure followed

The Designated Authority, having regard to the Customs Tariff Act, 1975 as amended in 1995 and the Customs Tariff (Identification, Assessment and Collection of Duty or Additional Duty on Dumped Articles and for Determination of Injury) Rules, 1995, recommended imposition of provisional Anti Dumping duty on imports of Sodium Hydrosulphite (hereinafter referred to as subject goods) originating in or exported from China PR (referred to as subject country) falling under Sub-heading 283110 and 283210. The preliminary findings were published vide Notification No 39/1/2000-DGAD dated 2/1/2001 and provisional duty was imposed on the subject goods vide Customs notification No. 28/2001-Customs dated 12th March 2001. The Designated Authority came out with final findings on 13th September 2001 vide notification no 39/1/2000-DGAD and definitive anti dumping duty was imposed by Customs as per notification No. 114/2001-Customs dated 2nd November 2001.

2. The Designated Authority initiated the sunset review investigation of anti-dumping duty imposed on imports of Sodium Hydrosulphite (SHS) originating in or exported from China PR (hereinafter also referred to as subject country) following a request to this effect by the Domestic Industry namely M/s Transpek Silox Industry Ltd and M/s Demosha Chemicals Pvt Ltd and supported by M/s TCP Ltd and M/s Gulshan Chemicals Ltd. The request was based on the grounds that the expiry of the measures would be likely to result in a continuation or recurrence of dumping and injury to the domestic industry. The allegation of continuation of dumping in respect of China PR was based on a comparison of a normal value (price from USA to Belgium was considered at that stage) with the export prices

of the product concerned to India. On this basis, the dumping margin calculated was considered significant.

3. The applicants further alleged likelihood of further injurious dumping. In this respect, the applicant presented some evidence that, should measures be allowed to lapse, the likely prices of the imports from the country concerned would undercut the domestic industry's prices in the short and the medium term. Furthermore, the applicant presented evidence that the current import level of the product concerned is likely to increase substantially due to the existence of unused capacity and the recent investments in production capacity in the country concerned. In addition, the applicant alleged that any recurrence of substantial imports at dumped prices from the country concerned would likely lead to a recurrence of further injury of the domestic industry should measures be allowed to lapse. The evidences presented by the applicants with regards to continuation and recurrence of dumping and injury were considered prima facie significant by the Authority. This sunset review was accordingly initiated vide notification no. 15/16/2005-DGAD dated 4th October 2005.

4. The Designated Authority sent a copy of initiation notification to the embassy of subject country, the known exporters, importers and the domestic industry as per the list available in the findings of the original anti-dumping investigation and requested them to make their views known in writing within 40 days of the initiation of this review investigation. A copy of the application filed by the domestic industry along with the relevant questionnaires were also sent to all interested parties in terms of anti dumping rules requesting them to respond in the form and manner as per the relevant questionnaires. None of the exporters responded to the initiation notification as well as to the application filed by the domestic industry requesting continuation of anti dumping duty. None of the importers except M/s Arvind Mills have filed the response to the importers questionnaire in the form and manner as prescribed therein. However, some of the importers have submitted some arguments, which have been analyzed in detail by the designated Authority to the extent they have been found relevant to the investigation.

5. The investigation of dumping and injury covered the period from 1st April 2004 to 31st March 2005 also called the Period of Investigation or POI. The examination of trends in the context of injury analysis covered the period from 1st April 2001 to the end of the period of investigation (also called the period under consideration or injury period). The import data has been examined from the transaction wise data made available by the DGCI&S and secondary sources namely Eximkey and the import quantity and value of imports from subject countries have been determined through the transaction wise DGCI&S data and secondary sources namely Eximkey. (Wrongly mentioned as Eximnet in the Disclosure Statement).

6. **** in this notification represents information furnished by the interested parties on confidential basis and so considered by the Authority under the rules.

7. The Authority kept available the 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.

8. The Authority sought and verified all the information it deemed necessary for the purpose of final finding with regard to dumping, injury and causal link. The Authority conducted on-the-spot investigation of the domestic industry to the extent considered necessary. The cost of production of domestic industry was also analyzed to work out the best cost of production and the cost to make and sell the subject goods in India on the basis of GAAP based on the information furnished by the applicant so as to ascertain if anti-dumping duty lower than the dumping margin would be sufficient to remove injury to the domestic industry.

9. In accordance with Rule 6(6), the Authority also provided opportunity to all interested parties to present their views orally in a public hearing held on 1st March 2006. The parties, which presented their views in the public hearing, were requested to file written submissions of the views expressed. In accordance with Rule 16 of the anti-dumping Rules, the essential facts/basis considered for these findings were disclosed to the known interested parties and comments received on the same are duly examined in the final findings. It may also be mentioned that subsequent to the issue of the disclosure statement. One of the importer M/s Arvind Mills sought more time to reply to the disclosure statement and also sought the permission to examine the public file. The Authority after examining the request allowed the importer an extension of time by one week and also allowed the examination of the public file. The response of M/s Arvind Mills is duly taken into account in this final finding.

B. Product Under Consideration

10. The product under consideration involved in the original investigation and also in the present sunset review investigation is Sodium Hydrosulphite. Sodium Hydrosulphite is a white or grayish white crystalline powder, free from visible foreign particles with pungent odour. Its chemical formula is $\text{Na}_2\text{S}_2\text{O}_4$. Sodium Hydrosulphite is being produced by applying two manufacturing processes namely "Zinc Process" and "Sodium Formate Process". Cost of production and the value of the output in both these processes are different. Cost of production and sales realisation in Zinc Process is on the higher side as compared to that of Sodium Formate Process. However, there is no difference in the consumer perception for

the output of these two processes. Consumers use both products interchangeably. The producers in China also use "Zinc Process" and "Sodium Formate Process" for the manufacturing of Sodium Hydrosulphite. Sodium Hydrosulphite is an inorganic chemical classified under Chapter 28 of the Customs Tariff Act. The product is generally imported under subheading numbers 28311010 and 28321020. Sodium Hydrosulphite is widely used in diverse industrial sectors like Textiles, Soap, Molasses, Glue and reducing agent, disulphide of metal ions to metals, linkage in wool hair etc.

11. One of the importers, M/s Arvind Mills Ltd, has filed their submissions regarding product scope. It was argued by Arvind Mills that the difference in production process and difference in raw material renders different products and that Sodium Hydrosulphite produced by using Sodium Formate Route and Zinc Process need to be treated as two different products. Only producers in India adopted Zinc Process for the manufacture of subject goods which is costlier as compared to Sodium Formate Process. Accordingly Arvind Mills has requested a product scope review. Further it was submitted that for the purpose of fixation of NIP (Non Injurious price), the cost of production of Zinc Process should be discarded, as it is an expensive process. It was also submitted that separate NIP need to be fixed for subject product produced through different production processes. On the other hand, the domestic industry has alleged that the difference in the production process does not render the two products as dislike product. It has been further added by the domestic industry that M/s Arvind Mills itself has been buying products made from two processes from them. It has also been submitted by the domestic industry that the producers in China also use similar production process in the manufacturing of Sodium Hydrosulphite and have also set up capacity to produce Sodium Hydrosulphite through Zinc route process. It further establishes the fact that the production process used by Indian producers and Chinese producers are comparable and the subject product domestically manufactured and imported from subject country are "like articles" with in the meaning of anti dumping law. It was further added that the difference in the product types is a matter of price comparison. However, this is not feasible unless the Foreign Producers respond to the Designated Authority, as there is no way goods produced through two different process and exported to India can be segregated. The users also procure the products irrespective of the process adopted in the manufacturing of subject product.

12. The matter was examined and it was noted that the product under consideration involved in the original investigation and the present sunset

review investigation is Sodium Hydrosulphite. Sodium Hydrosulphite is a white or grayish white crystalline powder, free from visible foreign particles with pungent odour. Its chemical formula is $\text{Na}_2\text{S}_2\text{O}_4$.

13. After examination of all the submissions and records, it is noted that internationally, different production process are used in the manufacture of Sodium Hydrosulphite. Zinc Route process and Sodium Formate process are prominent in India. In Zinc route, zinc dust constitute the main raw material and in Sodium Format route, Sodium Formate constitute the main raw material. The differentiation in these two process is derived based on the difference in major raw material applied. It has been alleged by the domestic industry that producers in China too applies these two production processes and this submission has not been countered by any exporters from the subject country. Sodium Hydrosulphite is an inorganic chemical classified under Chapter 28 of the Customs Tariff Act. The product is further classified under subheading numbers 28311010 and 28321020.

14. It is further recognized that no single factor is conclusive in determining product scope and like goods. In determining like goods, the Authority generally considers technical specifications, manufacturing process, functions and uses and tariff classification, prices, inter changeability, customer perceptions etc. Thus, it is clear that difference in production process applied to produce a product alone can not be sufficient to determine the output of these two process are unlike products. The end use of the subject product produced by applying different production process is same and there is no difference in the consumer perception for the output of these two processes. It was evident from the information submitted by the domestic industry along with evidence that the exporters in China applies these two production process in the manufacture of subject product. Thus, it is noted that the segregation of imported subject product into that produced by the particular production process may not be possible, as the exporters/importers have not provided the relevant information to the Authority. Moreover, it is equally not possible to identify from the import transaction the production process applied to produce the imported material. It is also noted that none of the exporters have responded in this investigations. On the basis of the foregoing, it is noted that the subject goods manufactured from both the processes mentioned above are included within the scope of the product under consideration.

C. Like Article

15. The applicants claimed that goods produced by Indian Producers are like article to the goods originating in or exported from subject country. Responding importers and/or consumers also did not dispute that the

goods produced in India are like article to the imported product. The Authority in the original investigation also found that goods produced by domestic industry were like article to the goods originating in or exported from subject country. Even though it has been argued that zinc route and sodium formate route Sodium Hydrosulphite are different products, there is no argument that goods produced by the domestic industry are not like article to the imported article. Having examined all the available information on record, the Authority notes that subject goods produced by domestic industry have characteristics closely resembling to those of the goods imported from subject country. There is no significant difference in the subject goods produced by the applicants and those exported from subject country within the meaning of like articles under Rule 2(d).

16. On the basis of the investigation, the Authority notes that subject goods produced by domestic industry has characteristics, which are similar to those imported from subject country and to those sold in the market of exporting country. There is no significant difference in the subject goods produced by the applicants and those exported from subject country. With regards to the like article, the Authority further notes that 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 country, characteristics such as technical specifications, manufacturing process, functions and uses and tariff classification, prices etc have been considered by the Authority. After detailed examination, the Authority holds that Sodium Hydrosulphite produced by the domestic industry and those being imported from and sold in the subject country are like articles within the meaning of the rules.

D. Domestic Industry

17. There are four producers of subject product in India, namely M/s Transpek Silox Industry Ltd., M/s Demosha Chemicals Pvt. Ltd., M/s TCP Ltd. and M/s Gulshan Chemicals Ltd. Petition for review, continuance and enhancement of anti dumping duty was filed jointly by M/s. Transpek Silox Industry Ltd. and M/s. Demosha Chemicals Pvt. Ltd. Other two producers, M/s TCP Ltd. and M/s Gulshan Chemicals Ltd. supported the petition. Subsequent to initiation, M/s TCP Ltd. has provided all relevant information with regard to injury to the Authority, which was subsequently verified. It is noted that production by Transpek Silox Industry Ltd., Demosha Chemicals Pvt. Ltd. and TCP Ltd. command significantly higher than 50% in Indian production. A number of arguments were raised that Gulshan Chemicals Ltd. had not suffered any injury and the Authority should call for relevant information from this company also. Annual reports

of the company were also made available to the Authority. The Authority requested M/s Gulshan Chemicals to provide relevant information. However, no reply was received from the company.

Rule 2(b) under the Rules provides as follows:-

"(b) "domestic industry" means the domestic producers as a whole engaged in the manufacture of the like article and any activity connected therewith or those whose collective output of the said article constitutes a major proportion of the total domestic production of that article except when such producers are related to the exporters or importers of the alleged dumped article or are themselves importers thereof in which case [such producers may be deemed] not to form part of domestic industry"

Thus, in a situation where information with regard to domestic producers as a whole is not available, the Rules require the Authority to consider those producers whose collective output constitutes a major proportion of the total domestic production. Therefore, having regard to the legal provisions and facts & circumstances of the present case, the Authority considers that M/s Transpek Silox Industry Ltd., M/s Demosha Chemicals Pvt. Ltd., and M/s TCP Ltd. constitute domestic industry for the purpose of the present investigations within the meaning of the Rules. It may be mentioned here that the disclosure statement inadvertently states TCP as one of the petitioner companies. It is clarified that TCP is not one of the petitioner companies. TCP had supported the petition prior to initiation and provided sufficient injury information after initiation.

E. Continuation of Dumping

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

- (i) the comparable price, in the ordinary course of trade, for the like article when meant for consumption in the exporting country or territory as determined in accordance with the rules made under sub-section (6); or
- (ii) when there are no sales of the like article in the ordinary course 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-
 - (a) comparable representative price of the like article when exported from the exporting country or territory or an appropriate third

country as determined in accordance with the rules made under sub-section (6); or

- (b) the cost of production of the said article in the country of] origin along with reasonable addition for administrative, selling and general costs, and for profits, as determined in accordance with the rules made under sub-section (6):

Provided that in the case of import of the article from a country other than the country of origin and where the article has been merely transshipped through the country of export or such article is not produced in the country of export or there is no comparable price in the country of export, the normal value shall be determined with reference to its price in the country of origin. According to the above, normal value means the price of like article in the domestic market of exporting country in ordinary course of trade.

a) Cooperation

19. None of the Chinese producers/exporters have responded to the exporters' questionnaire nor provided any other information with regard to the present investigations.

(b) Normal Value & Export Price

Arguments by interested parties

20. The petitioners requested Authority to treat China as a non-market economy under the provisions of the Rules. The applicants proposed USA as an appropriate surrogate country and normal value was estimated on the basis of export price from USA to Belgium. Factors like the fact that USA is the second largest producer of Sodium Hydrosulphite in the world, existence of significant competition in the US market, significant exports from USA, availability of relevant information for the purpose of normal value etc. were cited to claim that USA is an appropriate surrogate country. It was also argued by the domestic industry that other investigating agencies like European Union have treated USA as an appropriate surrogate country in a number of investigations concerning China. Alternatively applicants have submitted that price paid or payable in India, duly adjusted to include profit margin can be used to determine normal value in China. With regard to determination of export price, domestic industry has argued that Chinese materials are being transshipped through Malaysia, Thailand and Indonesia and the same should be included for determination of volume and value of imports. M/s Arvind Mills, one of the importers & consumers who responded to the

Authority contended that it is inappropriate to treat USA as a surrogate country as USA is a developed country and has suggested instead to treat the export price of Transpek Silox as an evidence of normal value. Arvind Mills has also argued that claim of transshipment by domestic industry are without evidence and are aimed at exaggerating the import volumes. Arvind Mills has also argued that possibilities of transshipments of materials of countries attracting anti dumping duties is not ruled out. No evidence to support the arguments have however been provided by Arvind Mills.

Examination by Authority

21. The Authority notes that none of the exporters have cooperated with the Authority. It is also noted that no claim has been made by Chinese producers with regard to market economy status nor any evidence provided as required by the Authority under para 8(3) of the Annexure I to the Rules. In the absence of relevant information from the Chinese producers, the Authority has proceeded in accordance with para 7 of the Annexure I to the Rules for all producers/exporters from China PR. With regard to various options available to the Authority to determine normal value in accordance with provisions of para 7, the Authority notes that it may not be appropriate to treat USA as surrogate country, as sufficient information is not available in this regard. Price or constructed value in a market economy third country is thus not available to the Authority. Export price from third countries to other countries, including India are also not adequately available. It is noted that the information provided by the applicant with regard to price from US to Belgium is not sufficient to determine normal value on this basis. In view of the above, the Authority holds that the normal value can be determined only on the basis of price payable in India, duly adjusted to include a reasonable addition for profit margin. This has been determined considering the cost of production of Indian Producers and adjusting the same appropriately. Reasonable profit has been added to the cost of production so determine to arrive at normal value in China.

22. With regard to export price, the Authority notes the arguments of various interested parties with regard to transshipments. The Authority notes that the domestic industry kept complaining before various authorities in Government of India about such transshipment of goods. An email apparently from a Thai trader is also provided to the Authority, which shows attempts to export the Chinese goods after change in the country of origin. Efforts were also made to ascertain whether or not the subject goods were indeed produced in these third countries by extensive web searches which did not show that there was production facilities in these third countries.. Having regard to various facts & circumstances of the case and having regard to the information on record, the Authority

considers it appropriate to exclude these transshipped goods for the purpose of determination of export price. However, their impact (both alleged volume as well as price) has been separately dealt with by the Authority. Accordingly, weighted average export price from subject country has been determined for China.

23. It has been contended by Arvind Mills that imported material is Sodium Hydrosulphite through sodium formate route. The Authority however notes that there is no evidence that the imported material is only from sodium formate route. No exporter from China PR has submitted any data or information about the production of the product in China PR and its exports to India. Evidence on record shows that goods are being produced through both the routes in China. The domestic industry provided transaction by transaction information with regard to exports from China, which also shows exports from China by a number of producers. It was also shown with evidence that producers in China PR produce the subject goods through both the routes. The Authority therefore holds that it would not be appropriate to hold that the imported material was only of sodium formate route.

24. The export price has been adjusted for Ocean Freight, Marine Insurance, Commission, inland freight, Port expenses, bank charges to determine ex-factory export price. The export price so determined comes as under:-

	CIF export price	Ex-factory export price
Exports from China (US\$/MT)	****	****

c) Dumping Margin:

25. Considering the normal value and export price determined so determined, dumping margin was established on the basis of a comparison of the weighted average normal value with the weighted average export price. The comparison showed the existence of dumping, as shown in the table below: -

	Dumping margin amount US \$	Dumping margin as % of ex-factory export price
Exports from China	****	91.25

26. It has been argued that normal value should be based on Gulshan's cost of production or export price of Transpek to third countries or export

price from Malaysia, Indonesia or Thailand to India. It is also the argument of these interested parties that export price from USA to Belgium can not be taken. The Authority notes in this regard export price from USA to Belgium has not been considered for determination of normal value. Further, export price from Malaysia, Indonesia or Thailand to India could not be adopted in view of lack of evidence that there is in fact production in these countries. On the contrary, the domestic industry repeatedly argued that the goods were not being produced in these countries and exports reported from these countries were nothing but transshipment of Chinese material. Further, the Designated Authority could not adopt Gulshan's cost of production in the absence of sufficient cooperation from the company. In any case, the Authority notes anti dumping rules allow the construction of normal value consideration of cost of production in India along with reasonable addition for SGA expenses and profits as one of the reasonable basis and the Authority has adopted cost of production in India as the basis for determination of normal value.

Likelihood of dumping

27. In order to examine whether the dumping of the product under consideration is likely to continue or intensify with the revocation of anti dumping duties, the Authority has considered the following information/evidence.

Continued Dumping

a. The subject goods are continued to be imported at very low and dumped prices from China even after imposition of duties. There are no changes in the parameters/ circumstances prevailing at the time of original investigation and at present. In view of the above, the Chinese producers are likely to continue dumping of the product in the event of revocation of duties.

Surplus capacities with Chinese producers

b. The Capacities created by Chinese producers are claimed to be significantly higher than demand in their local market. Freely disposable capacities with the known Chinese producers as claimed are as follows:-

Name of the producer	Capacity (MT)
Guandong Zhongcheng Chemicals Co Ltd.	260000
Kingboard	50,000
Yantai Chloralkali	40,000
Anhui Chlor-Alkali Chemical Group Ltd. Co.	30000
Zhejiang Jai-sun chemical company Ltd.	80000
Wuxi Greenapple Chemical Industry Ltd.	18000

Total Known Capacity	478000
Exports (A)	85937
Domestic Demand (B)	165000
Excess Capacity	227063
Operating rate assumed considering the capacity utilization achieved by the Indian Producers	80%
Production (C)	382400
Excess Production (C-A-B)	131463
Freely disposable capacities	313000
Indian Demand (in POI)	33000

(from web site of individual companies as claimed by the domestic industry)

c. Since there is no rebuttal of the claim of the domestic industry by any of the exporters from China PR and in view of the records available with the Authority, it is considered that the freely disposable capacities in China are significantly higher than Indian demand.

Export Orientation of Chinese producers

d. Producers in China have capacities far in excess of their domestic demand. There are large-scale producers, claiming to be exporting to a large number of countries. One of the Chinese producers claimed to be exporting to more than 60 destinations in the world (www.zhongcheng.gd.cn/english). The information available with regard to Chinese exports are as follows:-

Country	2002-03		2003-04		2004-05	
	MT	Rate US\$/MT	MT	Rate US\$/MT	MT	Rate US\$/MT
World	70684	535.52	84681	477	85937	547
India	563	517.45	1175	437	972	544

The above shows increasing trends in Chinese exports. The Authority considers that the Chinese producers are export oriented and have significant freely disposable capacities.

Allegations of Transshipments to absorb ADD in force.

e. Indian Producers alleged that the Chinese goods were being transshipped from Malaysia, Thailand and Indonesia. Extensive web-search made by the Authority did not show an evidence that the subject goods are being produced in Malaysia, Thailand and Indonesia. There is

sufficient reason to suspect that the Chinese goods might be transshipped from Malaysia, Thailand and Indonesia. This is indicative of likelihood of increased importation with the revocation of measures.

28. The Authority examined various arguments advanced by all interested parties and on the basis of the examination made above, the Authority has determined that the subject goods have been exported to India at dumped prices and the dumping margin continues to be significant from China PR and the dumping is likely to continue if the anti dumping duty is withdrawn.

F. Injury

VIEWS OF EXPORTERS, IMPORTERS, USERS

29. There has been no response from any Chinese producer/exporter, nor has any arguments been advanced on any aspect of the present investigations, including on injury & causal link from any exporters. Only M/s Arvind Mills, an importer, has filed response and raised a number of arguments, which are summarized below. The main arguments of the importers are that

- a) Domestic industry has not suffered any injury at all. It has also been submitted that a number of parameters affecting the domestic industry have shown improvements.
- b) The Indian Producers are suffering from internal competition and the injury may not be on account of dumped imports.
- c) Gulshan Chemicals is earning profits, whereas petitioner companies have reported financial losses.
- d) Indian Producers are faced with excess capacity resulting in injury to the domestic industry.
- e) Volume of imports during the period is negligible and remained insignificant in total demand in the Country, even after including transshipments.

- f) Applicant companies are multi product companies and therefore allocation and apportionment of expenses might have been incorrectly done to inflate injury.
- g) There is no causal link between dumping and injury.
- h) The industry would not have added capacity given financial losses situation.

F.2 VIEWS OF THE DOMESTIC INDUSTRY

30. The domestic industry has raised a number of arguments with regard to injury and causal link, which are summarized below. The main arguments are that

- a) The domestic industry has suffered continued injury due to dumping from China, which got aggravated with transshipment of goods from third countries.
- b) Performance of the domestic industry improved in respect of Sales, Production, Productivity and Capacity Utilization but deteriorated in respect of Sales Realization, Profits, Return on Investments, Market Share and Inventories. Overall, performance of the domestic industry did not materially improve after imposition of anti dumping duties.
- c) The performance of the domestic industry was expected to improve with the imposition of anti dumping duties. The same did happen sometime. However, practices such as circumvention caused continued injury to the domestic industry.
- d) Arvind Mills has not filed a response to questionnaire in the form and manner prescribed.
- e) Domestic industry is not suffering from internal competition, nor Indian Producers are faced with such huge utilized capacities that this could have caused injury to the domestic industry. Further, even if it is assumed that there was internal competition, the same only shows that the performance of the domestic industry would deteriorate further significantly should the present duties be withdrawn. It is also argued that fair internal competition should be distinguished with unfair competition caused due to dumping practices. Existence of significant differences in prices in respect of material sold to various customers also establishes that the Indian Producers are not faced with cut throat internal competition. Above

all, domestic industry disputed that the Designated Authority is required to examine whether internal competition caused injury to the domestic industry, as, according to the domestic industry, this is not a listed parameter. The listed parameter under the Rules is "competition between the foreign & domestic producers".

- f) Rules require the Designated Authority to consider "injury to the domestic industry". Assuming though not admitting that one or more of Indian Producers are earning profits while others are suffering financial losses, what is relevant to be noted is whether "domestic industry" is suffering material injury. The fact whether or not Gulshan Chemicals has suffered injury is wholly irrelevant, as the three companies constitute domestic industry. It has also been argued that Gulshan Chemicals has also suffered injury, as can be seen from the decline in profits of the company over the injury period.
- g) There is no situation of huge capacity imbalance. Further, capacity additions must be seen in the light of huge capacity additions announced by Arvind Mills.
- h) Volume of imports from China is neither de-minimus, nor insignificant. Further, transshipped imports can not be ignored. Above all, Rules do not require the Authority to determine whether imports were more than de-minimus or significant.
- i) Given the present situation and the facts that the Chinese producers are holding significant disposable capacities, Chinese imports would be significantly undercutting the prices of the domestic industry in the event of revocation of anti dumping duties and transshipment method used to export the material, it is evident that the exports would increase significantly, should the present anti dumping duties be withdrawn.
- j) Difference in starting raw material or production process has not adversely impacted the domestic industry. In fact, the domestic industry is faced with higher financial losses in case of sodium formate route product. Even though the goods produced through different processes are like articles, still, the producers are able to fetch different price realizations.
- k) Allegations with regard to possible inaccuracies in allocation/apportionment of expenses are without any basis. Not only that the Designated Authority conducted detailed verification, but also the methodology followed in this case by Transpek-Silox

was the same as was followed by the company in the case of investigations relating to sodium formaldehyde sulphonylate.

Examination by the Authority

Import statistics

31. The Authority notes that while the domestic industry alleged transshipments of Chinese goods and brought various evidence on record, M/s Arvind Mills disputed the claim of transshipment and even stated that such transshipment could be from other countries. The Authority recognizes that possibilities of transshipment of Chinese goods from other countries is not ruled out in view of the information made available by domestic industry. Also, Authority examined the claim of domestic industry with regard to transshipment from the viewpoint of assessment of both the actual and likely volume of dumped imports. Having regard to facts & circumstances of the case, the Authority has considered it appropriate to exclude the transshipments i.e imports reported from Thailand, Indonesia and Malaysia in import volumes reported from China in the analysis of the volume and price injury. This has been done taking into account the fact that the Authority does not have concrete evidence or data before it to enable it to take a view that all the imports from these countries are in fact originated in China PR. However, the Authority has separately examined the imports made from Thailand, Malaysia and Indonesia, as there are no known producers in those countries and also because of the fact that no exporters have come forward to rebut the claims of the domestic industry on transshipment. However, these exports have not been added to the exports from China PR in terms of volume or price. Further, the information on imports was called from the DGCI&S and also the secondary source information was made available by the domestic industry. Thus, Authority has taken into account the import volumes from subject country reported by DGCIS and secondary source information i.e eximkey (www.eximkey.com).

32. It has been claimed that the Authority might have considered the same import entry twice. It is however clarified that possibility of use of the same import entry twice are ruled out, given that the Authority has relied upon transaction wise import data on the basis of clearance of the goods. It is also noted that there is no basis for the argument that the import volumes determined by the Authority should be the same as determined by the applicants in their application as as the import volume and value has been reexamined in the light of the data received from DGCIS (updated)

and secondary sources. It is noted from the response filed by Arvind Mills that the company has reported some import transactions which are not reported in the DGCI&S data but included in Eximkey data.

33. It has been argued that transshipped imports can not be included. It is once again clarified that transshipped imports have not been taken into account in determining the demand and injury to the domestic industry.

34. It has been argued by some interested parties that the Authority has wrongly included TCP within the scope of the domestic industry. It has also been argued that the Authority should have included Gulshan Chemicals within the scope of the domestic industry. The Authority notes that inclusion of TCP within the scope of domestic industry is fully justified in view of the definition of domestic industry under Rule 2(b). It is confirmed that the information provided by TCP has been verified by calling further information and conducting on the spot investigations. The Authority also holds that Gulshan Chemicals could not be included within the scope of the domestic industry for the reason that the company has not responded to the Authority in spite of specific requests from the Authority. The Authority also notes that the Rules do not authorize the Authority to include those domestic producers who are unwilling to cooperate with the Authority.

35. It has been argued by some interested parties that injury to the domestic industry should be separately examined considering TCP and petitioners. The Authority however holds that the argument is without legal basis. Under Rule 2(b), domestic industry is defined as "domestic producers a whole" or those "whose collective output constitutes a major proportion". Thus, the Authority is required to consider all the companies collectively as rules do not envisage a distinction between petitioner and supporter in this regard.

36. It is claimed by some interested parties that injury to the domestic industry is due to zinc route production as cost from that route is higher. These interested parties have however failed to provide any evidence in support of this claim. Investigations have in fact revealed that Transpek which is engaged in production of both zinc route and hydro route product has suffered higher injury from production and sale of hydro route product.

Assessment of demand

37. For the calculation of the domestic consumption/demand of the product under consideration, the Authority added the sales volume of the domestic industry and other Indian producers to the total imports into India.

	2001-02	2002-03	2003-04	2004-05
Sales of Domestic industry	21287	22900	23413	24014
Sales – Indexed	100.00	107.57	109.98	112.81
Sales of Other Indian Producers	5000	7000	7500	7500
Total Imports	1840	1683	1518	1365
Indexed	100.00	91.50	82.49	74.22
Demand	28127	31583	32430	32880
Demand – Indexed	100	112.29	115.30	116.90

The Authority notes that the demand has shown a positive trend and grew @ 16.90% over the injury period.

Import volumes and market share

38. With regard to the volume of the dumped imports, it has been examined whether there has been a significant increase in dumped imports, either in absolute terms or relative to production or consumption in India. Annexure-II (ii) of the Anti-dumping rules provides as under :-

“While examining the volume of dumped imports, the said Authority shall consider whether there has been a significant increase in the dumped imports, either in absolute term or relative to production or consumption in India

39. After examination of the import data, it is noted that volume of dumped imports declined sharply in 2002-03 with the imposition of anti dumping duties. The volume however increased continuously in 2003-04 and 2004-05, as may be seen from the table below.

	UNIT MT	2001-02	2002-03	2003-04	POI
Imports					

Exports from China	1095.00	121.00	516.80	764.80
Alleged Transshipments	1.00	0.00	407.67	378.16
Other Countries attracting Anti Dumping Duty	0	0	371.05	222.47
Other Countries	743.65	1562.35	222.06	0
Total Imports	1839.65	1683.35	1517.58	1365.38
Market Share in Imports				
Exports from China	59.52	7.19	34.05	56.01
Alleged Transshipments	0.05	0.00	26.86	27.70
Other Countries attracting Anti Dumping Duty	0.00	0.00	24.45	16.29
Other Countries	40.42	92.81	14.63	0.00
Demand				
Market Share in Demand				
Exports from China	3.89	0.38	1.59	2.33
Alleged Transshipments	0.004	0	1.26	1.15
Other Countries attracting Anti Dumping Duty	0.00	0.00	1.14	0.68
Other Countries	2.64	4.95	0.68	0.00
Production of Domestic industry				
Imports in relation to production of domestic industry				
Exports from China	4.88	0.47	2.05	2.90
Alleged Transshipments	0.004	0.00	1.62	1.43
Other Countries attracting Anti Dumping Duty	0.00	0.00	1.47	0.84
Other Countries	3.32	6.07	0.88	0.00

40. It is noted that starting 2003-04, volume of dumped imports has increased significantly as compared to previous year. However, the total share of dumped imports from China PR in the investigation period reached back to the same level as that of the base year. It is also noted that in 2001-02, imports from China were significant. The domestic industry has provided letters filed by them with various Govt. authorities complaining misuse of the exemption granted to the EOUs from payment of anti dumping duties.

Price effect of imports

41. With regard to the effect of the dumped imports on prices, it has been examined whether there has been a significant price undercutting by the dumped imports as compared with the price of the like product in India, or whether the effect of such imports is otherwise to depress prices to a significant degree or prevent price increases, which otherwise would have occurred, to a significant

degree. In order to assess the effect of imports on the domestic market an analysis of import prices over the injury period was made, as shown below

	2001-02	2002-03	2003-04	2004-05
CIF export price Rs/MT				
Exports from China	28547	28078	29079	25024
Other Countries attracting Anti Dumping Duty			32931	34392
Other Countries	32208	31140	27414	
Customs duties	35%	30%	25%	20%
Landed price of imports				
Exports from China	38639	36586	36421	30079
Other Countries attracting Anti Dumping Duty			41247	41340
Other Countries	43594	40575	34336	
Net sales realization of the domestic industry	****	****	****	****
Indexed	100.00	98.32	96.13	89.15
Cost of production of the domestic industry	****	****	****	****
Indexed	100.00	97.87	102.11	104.78

Price undercutting

42. It is noted that the imports were significantly undercutting the prices of the domestic industry in the market. Thus, it is noted that the present anti dumping duties are withdrawn, it is evident that the imports would significantly undercut the prices of the domestic industry in the market. The extent of price undercutting is shown in the table below: -

	2001-02	2002-03	2003-04	2004-05
Price undercutting amount Rs/MT				
Exports from China	****	****	****	****
Other Countries attracting Anti Dumping Duty			****	****
Other Countries	****	****	****	****
Price undercutting percentage				
Exports from China	15-25%	20-30%	15-22%	25-35%
Other Countries attracting Anti Dumping Duty			8%	1%
Other Countries	-6.61	-11.60	-23.48	

43. While the above price undercutting were determined after excluding the level of present anti dumping duties in order to determine the likely impact of withdrawal of anti dumping duties, the Authority also examined the level of price undercutting with the current anti dumping duties in force. The position is as shown below:-

	2001-02	2002-03	2003-04	2004-05
Price undercutting amount Rs/MT				
Exports from China	_*****	****	_*****	****
Other Countries attracting Anti Dumping Duty			_*****	_*****
Price undercutting percentage %				
Exports from China	-5-10%	-2-8%	-2-10%	3-10%
Other Countries attracting Anti Dumping Duty			-5-10%	-10-20%

44. It is seen that dumped imports from China PR were undercutting the prices of the domestic industry in the investigation period even after adding the present level of anti dumping duties.

Price suppression/depression

45. In order to assess whether the imports from the subject countries were suppressing/ depressing the prices of the domestic industry, the Authority compared the trends in selling prices and cost of production, as seen in the table below.

	2001-02	2002-03	2003-04	2004-05
Net sales realization of the domestic industry	****	****	****	****
Indexed	100.00	98.32	96.13	89.15
Cost of production of the domestic industry	****	****	****	****
Indexed	100.00	97.87	102.11	104.78

46. It is found that the selling prices of the domestic industry were declining over the injury period. Thus, the prices of the domestic industry were depressed. At the same time, it is found that the cost of production had increased over the injury period. Thus, whereas the selling prices should have increased as a result of increase in cost of production, the same has rather declined. It is therefore concluded that the prices of the domestic industry were suppressed.

Economic Parameters relating to the Domestic Industry

47. Annexure II to the Rules requires that a determination of injury shall involve an object examination of the consequent impact of these imports on domestic producers of such products. With regard to consequent impact of these imports on domestic producers of such products, the Rules further provide that the examination of the impact of the dumped imports on the domestic industry should include an objective and unbiased evaluation of all relevant economic factors and indices having a bearing on the state of the industry, including actual and potential decline in sales, profits, output market share, productivity, return on investments or utilization of capacity; factors affecting domestic prices, the magnitude of the margin of dumping; actual and potential negative effects on cash flow inventories, employment, wages, growth, ability to raise capital investments.

Production, sales, capacity and capacity utilization and market share

Year	Unit	2001-02	2002-03	2003-04	2004-05 (POI)
Capacity	MT	28600	29000	31000	31000
Production	MT	22433	25758	25169	26371
Sales volumes	MT	21287	22900	23413	24014
Capacity Utilization	MT	78.44	88.82	81.19	85.07
Unutilized Capacity	MT	6167	3242	5831	4629

48. It is noted that production, sales, capacity and capacity utilization of the applicant has increased. Thus, the domestic industry has been able to improve its volumes after imposition of anti dumping duties. It is however found that the subsequent increase in import volumes prevented further growth in production, sales and capacity utilization. As is seen below, the market share of the domestic industry has declined marginally during the POI as compared to the base year.

Year	Unit %	2001-02	2002-03	2003-04	2004-05 (POI)
Domestic industry	%	75.68	72.51	72.19	73.04
Supporter	%	17.78	22.16	23.13	22.81
China	%	3.89	0.38	1.59	2.33
Alleged transshipments	%	3.90	0.38	2.85	3.48
Other Countries Attracting ADD	%	0.00	0.00	1.14	0.68
Other Countries	%	2.64	4.95	0.68	0.00
Total	%	100	100	100	100

Profit

Year	Unit	2001-02	2002-03	2003-04	2004-05 (POI)
Profit Before Tax per unit	Rs/MT	****	****	****	****
	Indexed	100.00	106.49	-11.65	-192.29
Total Profit before tax	Rs/Lacs	****	****	****	****
	Indexed	100.00	128.84	-12.58	-223.65
Profit before interest & taxes	Rs/Lacs	****	****	****	****
	Indexed	100.00	97.75	16.99	-116.09
Selling price	Rs/MT	****	****	****	****
	Indexed	100.00	98.32	96.13	89.15
Imports – from China PR	MT	1095.00	121.00	516.80	764.80

49. The profit of the domestic industry, which declined during the original investigation improved significantly after imposition of duty. The positive impacts of ADD are visible up to the period 2002-03. Thereafter, after 2003-03, whereas dumped imports from subject country started increasing, the profits of the domestic industry started declining and the domestic industry was once again faced with huge financial losses in the investigation period. The Authority does not rule out the possibility of the some of the transshipments from subject country aiding the adverse effects on the domestic industry.

Employment

Source	Unit	2001-02	2002-03	2003-04	2004-05 (POI)
No. of employees	Nos	****	****	****	****
	Indexed	100	102	83	84

50. The domestic industry reduced employment, primarily in 2003-04, in spite of which the domestic industry has increased

financial losses once again in this year from a situation of profit in the preceding year.

Wages

Source	Unit	2001-02	2002-03	2003-04	2004-05 (POI)
Wages	Rs/Lacs	****	****	****	****
	Indexed	100	115.93	114.42	114.13
Wages per unit of production	Per MT	****	****	****	****
	Indexed	100	100.96	101.98	97.08

51. While the total wages paid increased, wage per unit of production declined. This was despite the fact that profits declined in 2003-04 and POI and industry incurred losses from a situation of profits.

Productivity

Source	Unit	2001-02	2002-03	2003-04	2004-05 (POI)
No. of employees	Nos	****	****	****	****
	Indexed	100	102.54	83.94	84.10
Production	MT	22433	25758	25169	26371
Productivity	MT	****	****	****	****
	Indexed	100	111.98	133.66	139.78

52. Reduction in number of employees and increase in production resulted in increase in productivity. Though the domestic industry could achieve improvements in productivity, the same did not impact favorably on profitability. On the contrary, while productivity improved maximum in 2003-04, profits declined from positive to negative in this period.

Profit and Return on investments

Source		2001-02	2002-03	2003-04	2004-05 (POI)
Profit/loss (PBIT)	Rs/Lacs	****	****	****	****
	Indexed	100.00	97.75	16.99	-116.09

Return on investment (GFA)	%	****	****	****	****
	Indexed	100	95	15	-107
Return on investment (NFA)	%	****	****	****	****
	Indexed	100	94	15	-96

53. The domestic industry was faced with negative return on investment in the original investigation. The situation improved significantly after imposition of anti dumping duties. However, return on investment declined sharply in 2003-04 and once again became negative in the investigation period.

Cash Flow and cash profit

54. All the domestic producers are multi product companies and cash flow situation of subject product would not be indicative of the situations in the subject product. Hence the Authority has examined the cash profits over the years and the same is as shown below:-

Source		2001-02	2002-03	2003-04	2004-05 (POI)
Cash Profit	Rs Lacs	****	****	****	****
	Indexed	100.00	128.19	9.38	-163.25

55. The position with regard to cash flow shows the same trend as that of profits and return on investments. Cash profits declined sharply in 2003-04 and once again became negative in the investigation period. It is noted that while transshipments were first claimed in 2003-04, the incidence of dumped imports from subject country increased significantly in 2004-05.

Inventories

Source	Unit	2001-02	2002-03	2003-04	2004-05 (POI)
Average stock	MT	1193	1379	1733	1549
	Indexed	100	116	145	130
No. of days sales in stocks		20	22	27	24

56. Average stock of finished products with the domestic industry showed 30% increases while comparing to the base year and showed 10.6% declines over the immediate previous year.

When correlated with other parameters, it is found that the inventories increased significantly in 2003-04 when the surge in dumped imports from subject country were first noticed.

Growth and ability to raise capital

57. Large number of the injury parameters show adverse trend during the period under examination. It is thus noted from table below that the domestic industry's performance has been adversely affected. It is seen that the domestic industry shows negative growth in respect of a number of parameters in the investigation period. With regards to ability to raise capital, it is noted that the domestic industry has added capacity during the investigation period for which fresh investments were also made. However, it is also noted that the all the companies forming part of the domestic industry are multi product companies and therefore it would be difficult to conclude injury or lack of it on account of this parameter.

M

		2002-03	2003-04	2004-05
Growth in Sales Volume	%	7.57	2.24	2.57
Growth in Turnover	%	5.77	-0.04	-4.88
Growth in Selling Price per unit	%	-1.68	-2.23	-7.26
Growth in COP per unit	%	-2.13	4.34	2.61
Growth in Profit/Loss per unit	%	6.49	-110.94	-1550.55
Growth in Profits (PBIT)	%	-2.25	-82.62	-783.43
Growth in Production	%	14.82	-2.29	4.77
Growth in Cash Profit	%	28.19	-92.68	-1840.01
Growth in Inventories	%	15.55	25.69	-10.64

Magnitude of dumping Margin

58. The Authority has found significantly positive dumping margins in case of imports from China. The producers/exporters from China continued to dump their material in the Indian market even after imposition anti dumping duties. In fact, level of dumping margin has rather increased, as may be seen from the table below.

	Dumping margin %
Original investigations	71.5-85.68
Present review investigations	91.25

59. Causal link and other issues raised by interested parties and examination by the Authority

- a) It has been submitted that injury to the domestic industry is due to exports. It has been further added that volume of exports of the domestic industry have increased and therefore there is no injury to the domestic industry in terms of volumes. However, it is considered that the Authority has examined price parameters only in respect of domestic sales and export profits of the domestic industry have been segregated for determination of profits earned by the domestic industry.
- b) It has been submitted that injury to the domestic industry is due to outdated and expensive production process. In this connection, it is noted that the Designated Authority has determined non injurious price separately for each company. Further, in respect of Transpek, the Authority has determined non-injurious price separately for the two plants. The non-injurious price determined by the Authority does not show that injury to the domestic industry is due to zinc route production.
- c) It has been submitted that injury to the domestic industry is due to internal competition between the Indian Producers. After examination, it is noted that investigation has not shown that the injury to the domestic industry is due to alleged internal competition. The Authority notes that the Indian Producers are able to charge significantly different prices for the goods produced from the two processes. It is also noted that the landed price of imports is significantly below the selling price of the domestic industry. In fact, within the investigation period, it is found that the landed price of imports after adding prevailing anti dumping duties is also below the net sales realization of the domestic industry. Response filed by Arvind Mills also show that the landed price of imports made by the Company is significantly lower than the selling price of the domestic industry.
- d) It has been submitted that capacity, consumption and surplus in China is without any evidence. After examination, it is noted that the Authority has based findings with regard to capacity, consumption and surplus in China on the best information available. It is noted that neither the Chinese producers, nor Indian importers/consumers nor Arvind Mills has provided any evidence which could have established that the information provided by the petitioners was incorrect. The following websites were visited in order to

check the factual position. It may also be noted that this information may not be exhaustive and therefore actual capacity in China and surplus available may be far higher than what is assessed from this information.

<http://www.greenapple.net.cn/english/index.htm>

<http://www.greenapple.net.cn/english/Sodium%20Hydrosulfite.htm>

<http://www.zhongcheng.gd.cn/english/product.htm>

<http://www.zhongcheng.gd.cn/english/supplying.htm>

<http://www.zhongcheng.gd.cn/english/about.htm>

<http://www.zhongcheng.gd.cn/english/sodium.htm>

<http://www.zhongcheng-chem.com/index.html>

<http://www.zhongcheng-chem.com/chanpine.htm>

- e) It has been submitted that the Designated Authority should determine separate non injurious price for the goods produced through different production process. In this connection, it is noted that the Designated Authority has in fact determined separate non-injurious price for each company and for each plant. Thus, the non-injurious price determined is separate for the two processes.
- f) It has been submitted that there is no difference in the selling price of the subject goods produced through zinc route and hydro route. After examination of the data, it is considered that the statement is factually incorrect. The verified information clearly shows that the domestic industry has been able to get different prices of subject goods produced through zinc route and hydro route. In particular, the Authority examined in detail transaction wise information on sales provided by Transpek for the investigation period and the same shows that there is a significant variation in the selling price of the subject goods produced through different process.
- g) It has been submitted that developments in technology has caused the injury to the domestic industry. In this connection, it is noted that that production through hydro process is not a development in technology. At the time of original investigations also, the domestic industry coexisted with both the technologies. In spite of alleged advantage in the hydro process, the investigation has not shown that production through zinc route has declined either in India or in

China or in other countries. The Authority considers that existence of hydro process is not a development in technology. In fact, it is found that Transpek has suffered higher extent of injury in the product produced through hydro process.

Likelihood of continuation or recurrence of injury

60. The Authority examined likelihood of continuation or recurrence of injury to the domestic industry, for which the following information/claims was considered.

Significant price undercutting and underselling by imports with current measures

61. It is noted that dumped imports from subject country are significantly undercutting the prices of domestic industry in the Indian market even with the duty in force. It is likely that should the present anti dumping duties be revoked, the extent of price undercutting might increase significantly.

Vulnerability of the domestic industry

62. In examining the vulnerability of the domestic industry, the Authority considered the trends in import and consequent impact of the same on the domestic industry in terms of various injury parameters. The Authority notes that with the appearance of alleged transshipped imports and increase in direct shipments, the domestic industry reported significant deterioration in profits, cash flow and return on investments. With significant increase in both direct and alleged transshipped imports in the POI, profits, cash flow and return on investments deteriorated significantly.

Freely disposable production capacity with Chinese producers

63. The excess capacity available with the Chinese producers as per the information on record is summarized as follows:

Total known capacity	478000
Exports (A)	85937
Domestic Demand (B)	165000
Excess Capacity	227063
Reasonable expected operating rate	80%
Production (C)	382400
Excess Production (C-A-B)	131463

It is noted that there are significant freely disposable capacities with the Chinese producers. The disposable available capacity is far excess of entire Indian demand.

Level of current dumping margin

64. Dumping margin is very significant even when antidumping duties are in force. In the previously concluded investigation also, the Authority found significant dumping margin.

Export orientation of foreign producers

65. It has been submitted that the producers in China have built capacities far in excess of its domestic demand. Further, there are several large scale producers of subject goods who are competing very aggressively with each other, not only in their domestic market but in export markets as well and are sparing no efforts to gain market share in third country markets. From one of the websites, it was noted that one of the producers in China claimed that they are exporting to more than 60 world countries (www.zhongcheng.gd.cn/english). Capacities after reducing domestic consumption are significantly higher than domestic demand, which clearly shows that huge capacities have been created considering export markets. Further, the information made available to the Authority with regards to exports from China is tabulated below:

Country	2002-03		2003-04		2004-05	
	MT	Rate US\$/MT	MT	Rate US\$/MT	MT	Rate US\$/MT
World	70684	535.52	84681	477	85937	547
India	563	517.45	1175	437	972	544

66. It is thus considered that even when Chinese exports are increasing, the Chinese producers are faced with unutilized freely available disposable capacities.

Other comments made by interested parties and their examination by the Authority

67. It has been argued by Arvind Mills in their submissions that M/s TCP Ltd and M/s Gulshan Chemicals have shown profits whereas other participating companies have shown financial losses. It has also been submitted that the financial results

published by TCP Ltd for their chemical division and the annual report of Gulshan Chemicals show profits for the period of investigation. It has also been added that there is a clear contradiction in participating companies showing losses and the supporters showing profits. The reason for this could be the fact that the applicants are using Zinc route for production of subject goods whereas supporters are using Sodium Format route and, thus, making losses. It has also been added that though Gulshan chemicals shown decline in profits during 2004-05 this could be due to other reasons like higher depreciation cost and interest on term loan which was not in the previous year. The domestic industry has countered these remarks by stating that the performance of the Gulshan Chemicals may be verified by the Authority. They have also added that the performance of the supporting company i.e M/s Gulshan Chemicals have been adversely affected on account of dumping from subject country.

68. The Authority has examined the arguments of various interested parties. With regards to the submission of the importers, it is noted that the Authority wrote letters to M/s Gulshan Chemicals to submit the information as required in the domestic industry questionnaire. However, no such cooperation was forthcoming from M/s Gulshan Chemicals. It is further noted that the subject company being another multi product company (it manufactures sodium sulphite also in addition to the subject goods besides the byproducts) , it is not possible for the Authority to determine and verify the injury parameters pertaining to the subject goods as the information given in the balance sheet does not indicate the information pertaining to the subject goods only. On the basis of the above, a comprehensive examination of the M/s Gulshan Chemicals may not be possible due to the fact they have not cooperated in this investigations in spite of reminders sent to them in this regard.

Conclusions on continuation and recurrence of injury

69. After examination of the domestic industry in terms of various injury parameters, the Authority concludes that performance of the domestic industry deteriorated in terms of profits, cash profits, return on investments, inventories. Profits of the domestic industry declined so materially that profit before interest & depreciation became negative in the investigation period from a situation of positive upto 2003-04. Capacity utilization first improved and thereafter declined. Overall growth of the domestic industry was negative. Price undercutting was positive even after

including the prevailing level of anti dumping duties. Performance of the domestic industry improved in terms of production, domestic sales volumes, productivity, wages, etc. however, improvements in these parameters were more than off-set by negative improvements in profits, cash profits and return on investments. Having regard to the various requirements under Annexure-II, the Authority concludes that the domestic industry has suffered continued injury.

70. The present investigations are the sunset review investigations and continuation and recurrence of injury to the domestic industry is required to be examined in the context of the requirements under sunset Review. In this regard, it is noted that the dumped imports from subject country are already undercutting the prices of the domestic industry to a very significant extent and should the present duties be revoked, the extent of price undercutting would further increase, which would be most likely scenario which would result in further increased injury to the domestic industry. It is further noted that both price undercutting and underselling were positive even when duties are in force.

71. Further, the performance of the domestic industry was already adverse during the period under consideration and it is likely that without anti dumping measures in place considerable increased volumes of the product concerned would be shipped in the Indian market at very low prices, undercutting the domestic industry prices. It is also noted that the domestic industry is already suffering material injury as a result of dumped imports from other countries and removal of present anti dumping duty from China PR would cause a further price depression in the Indian market, as the domestic industry would have no other option but first to try to maintain its market share rather than reduce its production. This would in turn further erode the profitability of the domestic industry. Further, significant price difference between imported material and domestic material in the event of revocation of anti dumping duties and price sensitivity of the product would result in consumers largely switching over to the imports.

72. It is noted that the Authority is required to examine whether there has been a significant increase in imports, either in absolute term or relative to production or consumption in the importing country. However, given that the present investigation is sunset review what is relevant to examine here is whether the imports at dumped prices would continue in significant volume in the event of revocation of Anti-dumping duty. This is the most likely situation given the surplus capacity with exporter from China PR as

mentioned in the earlier paragraph in view of the fact that there are huge exports to the other countries by the Chinese exporters and exports to India continue to be small as compared to their exports to other markets. It is also noted that the level of their export prices to India also continue to depress the domestic industry's prices. Further, the profitability, cash flow and return on investment of the domestic industry may decline significantly should present anti dumping duty is revoked and thus situation of the domestic industry would be adversely affected.

73. On the basis of the above examination, it is held that domestic industry continues to suffer material injury on account of dumped imports from subject country and injury is likely to continue if anti dumping duty from subject country is withdrawn.

G Conclusions:

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

(a) The subject goods have been exported to India from the China PR below its normal value resulting into dumping and there is a likelihood of continued dumping of subject goods from China PR if anti dumping duty from subject country is withdrawn.

(b) The Domestic Industry continues to suffer material injury on account of the dumped imports of the subject goods from China PR.

(c) The Authority considers it appropriate that anti dumping duties is required to be imposed as modified in respect of imports from China PR, as withdrawal thereof would lead to continuation of dumping and injury.

75. The Authority therefore considers it appropriate to recommend the continuation of anti-dumping duty as modified on imports of Sodium hydrosulphite (SHS) originating in or exported from China PR. The amount of anti-dumping duty shall be equal to the margin of dumping or margin of injury, whichever is less and which if levied would remove the injury to the domestic industry. The Authority has determined that injury

margin is the lesser of the two margins. For the purpose of determining injury margin, the landed price of imports has been compared with the non-injurious selling price of the domestic industry determined for the period of investigation. The anti dumping duty shall be the difference between the amounts mentioned in column 9 below and the landed value of imports in US\$/MT provided the landed price per MT is less than the amount specified in the column 9 below.

S. No	Sub-Heading	Description of Goods	Specification	Country of Origin	Country of Export	Producer	Exporter	Amount	Unit of Measurement	Currency
1	2	3	4	5	6	7	8	9	10	11
1.	2831 and 2832	Sodium Hydrosulphite	All grades	China PR	Any Country	Any Producer	Any Exporter	1063.11	MT	US \$
2	2831 and 2832	Sodium Hydrosulphite	All grades	Any Country	China PR	Any Producer	Any Exporter	1063.11	MT	US \$

76. Landed value of imports for the purpose shall be the assessable value as determined by the Customs under the Customs Act, 1962 and all duties of customs except duties levied under sections 3, 3A, 8B, 9 and 9A of the Customs Tariff Act, 1975.

77. An appeal against the order of Central Government shall lie before the Customs, Excise and Service Tax Appellate Tribunal in accordance with the Act, supra.

(Christy L.Fernandez)

ADDITIONAL SECRETARY & DESIGNATED AUTHORITY