

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

**NOTIFICATION**

New Delhi the 3<sup>rd</sup> March, 2009

**Preliminary Findings**

**Subject:- Anti-Dumping Investigations involving imports of Nylon Tyre Cord Fabric originating in or exported from Belarus.**

No. 14/09/2008-DGAD:- Having regard to the Customs Tariff Act 1975 as amended in 1995 and the Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury) Rules, (hereinafter referred as Rules) 1995 thereof;

**A. PROCEDURE**

2. The procedure described below has been followed:
  - i. The Designated Authority (hereinafter referred to as Authority), under the above Rules, received a written application from Association of Synthetic Fiber Industry for and on behalf of the domestic industry, alleging dumping of Nylon Tyre Cord Fabric originating in or exported from Belarus (hereinafter also referred to as subject country).
  - ii. The Authority notified the Embassy/Representative of the Belarus in India about the receipt of dumping application made by the petitioner before proceeding to initiate the investigation in accordance with sub-rule (5) of Rule 5 supra;
  - iii. The Authority on the basis of sufficient evidence submitted by the applicant on behalf of the domestic industry, issued a public notice dated 30<sup>th</sup> Sept, 2008 published in the Gazette of India, Extraordinary, initiating Anti-Dumping investigations concerning imports of Nylon Tyre Cord Fabric originating in or exported from the Belarus, in accordance with the sub-Rule 6(1) of the Rules to determine the existence, degree and effect of alleged dumping and to recommend the amount of anti dumping duty, which, if levied, would be adequate to remove the injury to the domestic industry.

- iv. The Designated Authority sent copy of initiation notification dated 30<sup>th</sup> September 2008 to the Representative of the Belarus in India, known exporters from the Belarus, importers, consumers and the domestic industry as per the addresses made available by the applicant and requested them to make their views known in writing within 40 days of the initiation notification.
- v. The Authority provided a copy of the non-confidential version of the application to the known exporters and to the Representative of the Belarus in India in accordance with Rule 6(3) supra.
- vi. The Representative of the Belarus in India was informed about the initiation of the investigation in accordance with Rule 6(2) with a request to advise the exporters/producers from their country/country to respond to the questionnaire within the prescribed time. A copy of the letter and questionnaire sent to the exporters was also sent to them along with the names and addresses of the known exporters.
- vii. The Authority sent questionnaires to elicit relevant information to the following known exporters in subject country and the surrogate country proposed by the domestic industry in accordance with Rules 6(4).

- a) M/s. Grodno Khimvolokno  
Slavinskogo Street,  
4, Grodno  
BY-230026,  
Republic of Belarus.

- b) Thai Baroda Industries Ltd  
Maptaphut Industrial Estate I-1 Road Maptaphut, Muang Rayong,  
Rayong, 21150, Thailand.

- c) Formosa Taffeta Company, Ltd.  
2F, 201, Tung Hwa North Road  
Taipei, Taiwan.

- viii. In response to the above notification, the following exporter filed its questionnaire response.

- M/s. Grodno Khimvolokno  
Slavinskogo Street,  
4, Grodno  
BY-230026,  
Republic of Belarus

M/s Thai Baroda of Thailand submitted its costing information.

ix. Questionnaire was sent to the following known importers and/or consumers of subject goods in India calling for necessary information in accordance with Rule 6(4).

- a) APOLLO TYRES LTD.  
Apollo House, 7, Institutional Area, Sector 32  
GURGAON-122001 (HARYANA)
  
- b) FALCON TYRES LTD.  
KRS Road, Metagalli Post,  
MYSORE-570016
  
- c) BIRLA TYRES  
Shivam Chamber, 53, Syed Amir Ali Avenue,  
KOLKATA-700019
  
- d) GOODYEAR INDIA LTD.  
Mathura Road,  
Ballabgarh,HARYANA-121004
  
- e) BRIDGESTONE INDIA PVT. LTD.  
Plot No. 12, Kheda Growth, Centre,  
Post Sagore 454 774. Dist Dhar  
MADHYA PRADESH
  
- f) JK TYRE & INDUSTRIES LTD.  
Link House, 3, Bahadur Shah Zafar Marg,  
NEW DELHI-110002
  
- g) CEAT LTD.  
463, Dr. Annie Besant Road,  
MUMBAI-400030
  
- h) MRF LTD.  
124, Greams Road,  
CHENNAI-600006

i) Balkrishna Industries Limited  
421-422 – Creative, 72-NM Joshi Marg  
Mumbai 400 011.

j) Automotive Tyre Manufacturers' Association  
PHD House, 4<sup>th</sup> floor,  
Siri Fort Institutional Area  
Opp. Asian Village  
New Delhi

x In response, information has been received following importers/consumers, which has been considered in the present findings.

a) M/s Apollo Tyres Ltd. Gurgaon.

xi. The Authority made available non-confidential version of the evidence presented by various interested parties in the form of a public file kept open for inspection by the interested parties;

xii. Request was made to the Directorate General of Commercial Intelligence and Statistics (DGCI&S) to arrange details of imports of subject goods for the past three years and the period of investigation.

xiii. Optimum cost of production and cost of to make & sell the subject goods in India based on the information furnished by the applicant on the basis of Generally Accepted Accounting Principles (GAAP) was worked out so as to ascertain if anti-dumping duty lower than the dumping margin would be sufficient to remove injury to Domestic Industry.

xiv. Investigation was carried out for the period starting from 1<sup>st</sup> April 2007 to 31<sup>st</sup> March, 2008 (POI). The examination of trends, in the context of injury analysis, covered the periods April 2004-March 2005, April 2005-March 2006, April 2006-March 2007 and the POI.

xv. \*\*\* in this notification represents information furnished by the applicant on confidential basis, and so considered by the Authority under the Rules.

xvi. The Authority has considered the US \$ Rs exchange rate for the POI as 1\$= Rs 40.29.

B Product under consideration and like article

3 Product under consideration in the present investigation is Nylon Tyre Cord Fabric (NTCF), which is meant largely for reinforcement of tyre. NTCF finds application in different kinds of automotive tyres. Nylon Tyre Cord Fabric is

produced from Caprolactam. Caprolactam is processed to obtain nylon chips. The chips are processed further to obtain yarn. Yarn is processed further to obtain fabric. NTCF is produced in a number of deniers. NTCF is used for the reinforcement of tyres. The product is sold as “Grey fabric” or “Dipped fabric”. It is eventually consumed only in dipped form. In those cases where the product is purchased in grey form, dipping is done by the purchasers. All types of nylon tyre cord fabrics are within the scope of the product under consideration.

4. The product under consideration is classified under Customs Tariff Chapter 59 at sub-heading 59.02.10.00. The Custom classification is indicative only and not binding on the scope of investigation.
5. With regard to like article, Rule 2(d) provides as under: -

*"like article " means an article which is identical or alike in all respects to the article under investigation for being dumped in India or in the absence of such article, another article which although not alike in all respects, has characteristics closely resembling those of the articles under investigation;*

6. The Authority notes that there is no known difference in product under consideration produced by the Indian industry and exported from subject country. Product under consideration produced by the Indian industry and imported from subject country are comparable in terms of characteristics such as physical & chemical characteristics, manufacturing process & technology, functions & uses, product specifications, pricing, distribution & marketing and tariff classification of the goods. The two are technically and commercially substitutable. The consumers are using the two interchangeably. None of the opposing interested parties has raised any objection in this regard. Thus, the subject goods produced by the petitioners are being treated as like article to the subject goods imported from subject country in accordance with the anti-dumping Rules.

### **C Standing of the domestic industry and initiation of the investigation**

7. The petition for imposition of anti dumping duty was filed by Association of Synthetic Fibre Industry and supported by SRF Limited and Century Enka Limited. The Authority notes that there was one other company (M/s NRC) which was in production of product concern in POI. The company has however, suspended production and has not responded to the Authorities request for information. On the basis of the information received, the Authority notes that the applicant companies constitute a major proportion in Indian production. Therefore, the Authority holds that for the purpose of this investigation the petitioners command the standing in terms of Rule 5(3) and constitute the domestic industry in terms of Rule 2(b).

**D Import Volumes and De-Minimis Limits**

- 8 The Authority has examined the volume of imports of the subject goods as provided by (a) the petitioner (which is based on secondary source import data), (b) information procured by the Authority from the DGCI&S and (c) the responding exporter. It is noted that the volume of imports reported by the responding exporter is higher than the volume of imports reported in the DGCI&S and secondary source data. On the basis of various import data on record, the import volumes from the Belarus are found to be above the de-minimis levels.
- 8.1 M/s Apollo Tyres, Gurgaon have responded as an importer and have provided the following information in respect of imports (duty paid and duty free) made during the POI.

Country	Qty Kg	Rate \$ per Kg
China	***	***
Russia	***	***
Belarus	***	***
Taiwan	***	***
Thailand	***	***

The Authority notes that in respect of the imports from Belarus, the CIF price matches with the response of the exporter.

**E Arguments raised by interested parties**

- 9 Followings are the issues raised by the domestic industry
- a. The product under consideration in the present petition is Nylon Tyre Cord fabric (NTCF), hereinafter also referred to as "subject product or subject goods" originating in or exported from Belarus.
  - b. The product is a fabric of nylon, meant largely for tyre cord. NTCF finds application in different kinds of automotive tyres
  - c. Nylon Tyre Cord Fabric is used as reinforcement fabric in various kinds of tyres
  - d. Most of the producers produce their own chips and thereafter yarn to produce fabric. In fact, the producers consider these as integrated production activities. Nylon chips and nylon yarn, produced as intermediates in the production process, are normally produced only for consumption in NTCF production.
  - e. The subject goods are categorized under Chapter 59 of the Customs Tariff Act, which covers "Impregnated, Coated, Covered or Laminated Textile

Fabric". Subject goods are categorized under heading 5902, which cover "tyre cord fabric of high tenacity yarn of nylon or other polyesters or viscose rayon". Nylon Tyre Cord Fabric is classified under subheading 59021000

- f. The subject goods are in fabric form. Commercially manufactured Nylon Tyre Cord Fabric is available in two forms (a) Grey Fabric; and (b) Dipped Fabric
- g. There are no restrictions on imports of subject product. The product can be imported freely from any country in any quantity
- h. The producers/exporters from Belarus have recently started exporting NTCF in the Indian market. Significant increase in dumped imports from Belarus occurred over the injury period
- i. Production of the participating company constitutes total Indian Production. The petition is being made by the Association of the subject goods. It may kindly be considered that the petition is being made on behalf of the domestic industry
- j. There is one more producer of the product in India, However, NRC Limited has stopped production in the proposed period of investigation.
- k. M/s. Century Enka Limited is a B K Birla Group Company. M/s. Birla Tyres (A unit of Kesoram Industries Limited) is also a B K Birla Group Co. Birla Tyres and Century Enka are related companies. M/s. Birla Tyres is importing NTCF regularly.
- l. Petitioner companies do not have significant export activities with regard to the product under consideration.
- m. There is no known difference in subject goods (NTCF) exported from Belarus and that produced by the petitioner companies
- n. Subject goods (in various grades) produced by the domestic industry and imported from Belarus are comparable in terms of essential product characteristics such as physical & chemical characteristics, manufacturing process & technology, functions & uses, product specifications, pricing, distribution & marketing and tariff classification of the goods. Consumers can use and are using the two interchangeably. The two are technically and commercially substitutable
- o. There is no known difference in the technology adopted by the petitioner companies and by the producer in the subject country.

10. No other issues have been raised by other interested parties.
11. The arguments of the domestic industry have been taken into account while notifying the present findings and have been addressed at appropriate places in these findings.

**F Dumping determination**

- 12 The Authority sent questionnaire to following known exporter/producer from Belarus, advising them to provide information in the form and manner prescribed:

M/s. Grodno Khimvolokno, Slavinskogo, Grodno, Republic of Belarus.

- 13 This company has responded to the Authority and has provided questionnaire response. Since the company has responded to the Authority, individual dumping margin has been determined in respect of the company.

- 14 Following submissions has been made by the domestic industry.

- 1) Belarus is a non market economy.
- 2) There is only one producer of product concern in Belarus i.e. also state owned company, the company therefore is not eligible for market economy treatment.
- 3) Taiwan or Thailand may be considered as appropriate surrogate country for Belarus and cost of production including SGA in these countries may be considered as normal value.
- 4) Domestic industry is not been able to get any price or information from these country, normal value is therefore, determined based on constructed cost of production in India.

**G Normal Value in case of Grodno Khimvolokno**

- 15 The questionnaire response filed by M/s Grodno Khimvolokno has been examined. The company has admitted that the ownership/ principal shareholder in the company is the State Committee on property of Republic of Belarus, which is a state entity at the Republican ( National ) level. The company was created on the basis of order no.127 dated 10.09.2002 of the Ministry of Economic Affairs of the Republic by reorganization of Republican Unitary Enterprise “ Production Association Khimvolokno Grodno”. Such being the situation, possibility of significant state interference cannot be denied. It has been stated that prior to this reorganization in 2002, the plant and equipment was established in 1978 as a state entity. The details in respect of transfer pricing of assets, in line with the market acquisition etc. have not been provided. Further, the procurement of raw material/

utilities etc are also procured through the companies stated to be state entities. In view of the above, the authority treats the company to be operating under non economy market conditions for the provisional determination subject to verification of their records and final rebuttal by the company in this regard.

16 Accordingly, the normal value is determined on the basis of para 7 of Annexure 1, which states as under:

7. *In case of imports from non-market economy countries, normal value shall be determined on the basis of the price or constructed value in a market economy third country, or the price from such a third country to other countries, including India, or where it is not possible, on any other reasonable basis, including the price actually paid or payable in India for the like product, duly adjusted if necessary, to include a reasonable profit margin. An appropriate market economy third country shall be selected by the Designated Authority in a reasonable manner keeping in view the level of development of the country concerned and the product in question and due account shall be taken of any reliable information made available at the time of selection. Account shall also be taken within time limits where appropriate, of the investigation if any made in similar matter in respect of any other market economy third country. The parties to the investigation shall be informed without unreasonable delay the aforesaid selection of the market economy third country shall be given a reasonable period of time to offer their comments.”*

17 The Authority notes that the normal value can not be determined based on price of market economy third country as relevant information is not available. Though, the petitioner has suggested Taiwan or Thailand as appropriate market economy country, however, no comments are filed by any interested party in this regard. The Authority therefore has no option but to determine normal value as per the prices paid or payable in India.

18 Normal value, therefore, is determined considering cost of production in India including Selling general and administration expenses and reasonable profit margin. Normal value so determined comes to US \$ \*\*\*per kg for grey fabric.

## **H Export Price**

19 The Exporter has provided information relating to export to India in Appendix 2. It has been stated that for Indian market the product is shipped to India but sold on a principal to principal basis to unaffiliated firm M/s Kapsco Private Ltd. (Kapsco) Singapore which pays to Grodno Khimvolokno in advance. During the POI, the company has exported \*\*\*MT of grey fabric to India. There is also an export of \*\*\*MT purported to be dipped fabric, however subject to verification, the same has been considered in Grey. The information in respect of gross invoice value, net invoice value and total cost on account of delivery etc has been

provided. Separate details in respect of overseas freight, insurance, commission etc have not been provided; however, consolidated adjustments have been claimed. It is noted from the response that the exports have been facilitated through M/s Kapsco, Singapore. Details of adjustment on their behalf have not been provided. For the purpose of preliminary determination, the authority has considered 2% of the export price as the commission/ expenses on account of Kapsco. The authority, for the purpose of preliminary findings and subject to verification of the amount of adjustments claimed, has allowed the net export price as claimed by the company after adjusting the expenses on account of Kapsco. The net export price comes to US \$ \*\*\*per kg for Grey Fabric.

**I Dumping Margin in case of responding exporter**

20 Considering the normal value and export price determined, as explained above, the Authority has determined the dumping margin.

**J Dumping margin in case of other non cooperating exporters**

21 The Authority notes that only Grodno Khimvolokno has responded to the Authority and has provided questionnaire response. No other exporter from Belarus has responded to the Authority. In case of non cooperative exporters from Belarus, export price is taken considering lowest export price of Grodno Khimvolokno. Accordingly dumping margin determined comes to as under:

US \$ per Kg.

	Grodno Khimvolokno	Residual
Normal value	***	***
Export price	***	***
Dumping margin amount	***	***
Dumping margin %	28.00	31.50

**K Injury and causal link**

22 Article 3.1 of the WTO Agreement and Annexure-II of the Rules provide for an objective examination of both, (a) the volume of dumped imports and the effect of the dumped imports on prices, in the domestic market, for the like products; and (b) the consequent impact of these imports on domestic producers of such products. With regard to the volume effect of the dumped imports, the Authority is required to examine whether there has been a significant increase in dumped imports, either in absolute term or relative to production or consumption in India. With regard to the price effect of the dumped imports, the Authority is required to examine whether there has been significant price undercutting by the dumped imports as compared to the price of the like product in India, or whether the effect of such imports is otherwise to depress the prices to a significant degree, or

prevent price increases, which would have otherwise occurred to a significant degree.

As regards the impact of the dumped imports on the domestic industry para (iv) of Annexure-II of the Anti Dumping Rules states as follows.

*“ The examination of the impact of the dumped imports on the domestic industry concerned, shall include an evaluation of all relevant economic factors and indices having a bearing on the state of the Industry, including natural and potential decline in sales, profits, output, market share, productivity, return on investments or utilization of capacity; factors affecting domestic prices, the magnitude of margin of dumping actual and potential negative effects on cash flow, inventories, employment wages growth, ability to raise capital investments.”*

The Authority has taken note of the arguments of the interested parties on injury examination and addressed the issues raised at appropriate places. The Authority has examined the injury parameters objectively taking into account the facts and the arguments of the interested parties.

### **23. Assessment of demand**

Authority has defined, for the purpose of the present investigation, demand or apparent consumption of the product in India as the sum of domestic sales of the Indian Producers and imports from all sources. The demand so assessed is given in the table below.

Demand	Unit	2004-05	2005-06	2006-07	POI
Sales of Domestic industry	MT	46,117	46,897	54,273	58,984
Sales of other Producers	MT	7,592	6,050	7,037	3,530
Subject Country	MT	18	1707	3208	4273
Other Countries	MT	41427	46312	42571	37751
Demand	MT	95154	100966	107089	104538

It is seen that the demand for the product under consideration has shown an increase. The authority notes that as per the submissions of the exporters the exports during the POI from Belarus was 4273 Mt as against 3923 MT reported by DGC&IS, which shows even higher exports than as reported by DGC&IS. However, subject to verification of the exports, the authority has relied upon the data of DGC&IS.

(A) **VOLUME EFFECT: Volume Effect of dumped imports and Impact on domestic Industry**

**23.1 Volume and market share in dumped imports**

Imports volume from subject country and other countries has been as under:-

Imports in MT	Unit	2004-05	2005-06	2006-07	POI
Belarus	MT	18	1707	3208	4273
China PR –Attracting Anti Dumping Duty	MT	21594	28021	23339	17204
Other Countries	MT	19833	18292	19232	20547
Total Imports	MT	41445	48019	45779	42024
Market Share in Imports					
Belarus	%	0.04	3.55	7.01	10.17
China	%	52.10	58.35	50.98	40.94
Other Countries	%	47.85	38.09	42.01	48.89

It is noted that imports from Belarus increased during the injury period. In the base year, the imports were negligible, which increased upto significant levels. The Authority notes that after the imposition of anti dumping duty against China, the imports have started from a new avenue Belarus. The Authority also notes that product is imported in India from different sources in dipped and grey form, however, mainly grey is being imported from Belarus.

**23.2 Market share in demand**

Considering imports from various sources and sales of the Indian Producers, market share of subject country in demand in India is as shown in table below.

		2004-05	2005-06	2006-07	2007-08
Demand	MT	95154	100966	107089	104538
Market Share in Demand					
Domestic industry	%	48.47	46.45	50.68	56.42
Other Indian Producers	%	7.98	5.99	6.57	3.38
Indian Industry	%	66.45	52.44	57.25	59.80
Belarus	%	0.02	1.69	3.00	4.09
Other Countries	%	43.54	45.87	39.75	36.11

It is observed that the market share of dumped imports in demand from Belarus increased from negligible during base year to 4.09% during the POI.

### 23.3 Share of dumped imports in relation to production:

It is observed that the dumped imports from subject country have increased in relation to the production of the domestic industry, as is evident from the following table: -

		2004-05	2005-06	2006-07	POI
Imports from Belarus	MT	18	1707	320824273,717	4,086
Production of domestic industry	MT	46,958	48,637	56,240	60,605
Imports in relation to production of domestic industry.	%	0.04	3.51	5.70	7.05

### 24 Capacity & Capacity utilization

Capacity and capacity utilization of the domestic industry over the injury period is given in the following table:-

	Unit	2004-05	2005-06	2006-07	POI
Capacity MT	MT	44,650	45,289	51,008	61,789
Capacity Utilization %	%	105.17	107.39	110.26	98.08
Demand	MT	95154	100966	107089	104538

It is observed that domestic industry has enhanced capacities over a period of time to be in line with the increasing demand of the product. The domestic industry has even utilized its capacity more than the installed level; however, imports from Belarus coupled with China forced the domestic industry to restrict the production. It is noted that the Capacity utilization in 2007-08 remained at levels below 2004-05.

### 25 Production

Production of the domestic industry is given in the following table:-

	Unit	2004-05	2005-06	2006-07	POI
Production MT	MT	46,958	48,637	56,240	60,605
Demand	MT	86,401	105,180	110,882	111,913
Production in relation to Demand	%	49.34	48.17	52.52	57.97

It is observed that production of the domestic industry shows positive trend. At the same time, demand growth also shows positive trend. Production of the domestic industry showed declining trend (in relation to demand) in 2005-06 over base year, which started increasing again in 2006-07 and POI. However, it remained lower than base year. It is

observed that the demand of product in India is more than capacity. Though the domestic industry has increased capacity but was not able to increase its production proportionately due to dumped imports.

## 26 Sales

Sales volume of the domestic industry is given in the following table:

	Unit	2004-05	2005-06	2006-07	POI
Sales	MT	46,117	46,897	54,273	58,984
Trend	Indexed	100.00	101.69	117.68	127.90
Demand	MT	95154	100966	107089	104538
Trend	Indexed	100	106	112	110
Market Share of domestic industry in demand	%	48.46	46.44	50.68	56.42
Market Share of Indian industry in demand	%	66.45	52.44	57.25	59.80

It is observed that sales of the domestic industry increased in absolute term. It is however noted that the increase in sales volumes was less than increase in demand, resulting in decline in market share of the domestic industry. It was seen that the lost market share was not gained by other Indian producers.

## 27 **Price Effect of the Dumped imports on the Domestic Industry**

The impact of dumped imports on the prices of the domestic industry has been examined with reference to the price undercutting, price underselling, price suppression and price depression, if any. For the purpose of this analysis, the weighted average cost of production (COP), weighted average Net Sales Realization (NSR) and the Non-Injurious Price (NIP) of the domestic industry have been compared with the landed cost of imports from the subject country.

The product under consideration is sold in India in two grades - grey and dipped. However, while consumption it is consumed in dipped form only. When, customer purchases grey fabric, it is dipped by consumer itself. It is seen that the product imported from Belarus is mainly in grey form. In view of cost and price difference between grey and dipped form of the product and because the imports from subject country are mainly in grey, comparison of the domestic selling price with the landed value of imports for the grey form has been done. The net sales realization was arrived after deducting all rebates and taxes. Landed value of imports has been calculated by adding 1% handling charge and applicable basic customs duty (10%) to the CIF value of subject imports. The landed value of imports was compared with net sales realization of the domestic industry and it was found that the dumped imports are undercutting the prices of the domestic industry.

		Grey
Import volumes	MT	4273
Import Price	Rs./KG	131.38
Landed Price	Rs./KG	145.96
Selling price of Domestic industry	Rs./KG	***
Price Undercutting	Rs./KG	***
% Undercutting range	%	15-20

It is observed that the subject exporters have sold the product at significantly lower than selling price of domestic industry.

### 27.1 Price Underselling

The Authority notes that the price underselling is an important indicator of assessment of injury. Non injurious price has been worked out and compared with the landed value of the subject goods to arrive at the extent of price underselling. The non-injurious price has been evaluated for the domestic producers by appropriately considering the cost of production for the product under consideration during the POI in accordance with the practice of the Authority and also by taking into account the decision of Hon'ble Supreme Court. Non-injurious price has been determined separately for the Grey and Dipped form of the product.

The analysis shows that the landed value of Grey form of subject imports were significantly below the non-injurious price determined.

		Grey
<b>Import volumes</b>	MT	4273
Landed Price	Rs./KG	145.96
Non-injurious price	Rs./KG	***
Price underselling	Rs./KG	***
% underselling range	%	30-35

### 27.2 Price suppression/depression

The Authority examined whether the effect of the dumped imports was to depress the prices of the like article in India, or prevent price increases, which would have otherwise

occurred. For the purpose, the Authority examined the trends in cost to make & sell and compared the same with selling price & landed price of imports.

	Unit	2004-05	2005-06	2006-07	POI
Landed price of imports	Rs./KG	169.24	179.56	170.78	154.54
Selling price of the domestic industry (Grey)	Rs./KG	***	***	***	***
Trend		100	109	100	95
Cost of production of the domestic industry	Rs./KG	***	***	***	***
Trend		100	112	110	107
Profit/loss	Rs./KG	***	***	***	***
Trend		100	83	16	(9)

It is noted that whereas the cost of production increased between 2004-05 and 2005-06, the same declined thereafter. Selling prices of the domestic industry also have shows same trend of increasing in 2005-06 and declining thereafter. Thus, between 2005-06 and POI, whereas both cost of production and selling price declined, the decline in the selling price was far more pronounced than decline in the cost of production. The imports were thus depressing the prices of the domestic industry in the market.

## 28 Profit/Loss

The profitability of the domestic industry is given in the following table

	Unit	2004-05	2005-06	2006-07	POI
Profit before tax	Rs. Lacs	***	***	***	***
Trend		100	75	9	(39)
Profit before interest	Rs. Lacs	***	***	***	***
Trend		100	82	33	(10)
Profit per unit of sales					
Before interest	Rs./KG	***	***	***	***
Trend		100	80	3	(0.08)
After interest	Rs./KG	***	***	***	***
Trend		100	73	8	(0.30)
Sales of domestic industry	MT	46,117	46,897	54,273	58,984
Landed price of imports	Rs./KG	169.24	179.56	170.78	154.54

The Authority observes that profits of the domestic industry declined significantly over the injury period and industry made losses in the investigation period. The decline in profits is inspite of continued significant increase in the sales volumes. The Authority determined profits per unit of sale earned by the domestic industry and noted that there is dramatic erosion of profits in POI. Therefore, the Authority examined in detail the reasons for such a steep fall in the profitability. For the purpose, the trends in profitability were compared with the trends in import prices. Landed price of imports from Belarus

declined significantly over the injury period, which directly impacted the profitability of domestic industry. The Authority thus notes that profitability of the domestic industry is directly linked with the import prices. Further, the decline in the landed price of imports was most pronounced in the POI with consequent impact on the profitability of the domestic industry.

## **L Examination of other Injury Parameters**

29 After having examined the effect of dumped imports on the volumes and prices of the domestic industry and major injury indicators like volume and value of imports, capacity, output, capacity utilization and sales of the domestic industry as well as demand pattern with market shares of various segments, other economic parameters which could indicate existence of injury to the domestic industry have been analyzed by the Authority as follows:

### 30 Inventories

Inventories with the domestic industry moved as follows –

	Unit	2004-05	2005-06	2006-07	POI
Inventories	MT	***	***	***	***
Trend	Indexed	100.00	121.10	168.21	167.73

It is noted that inventories with the domestic industry have shown significant increase.

### 31 Productivity

The Authority notes that productivity of the domestic industry has increased with the increase in capacity and production in absolute term.

	2004-05	2005-06	2006-07	POI
Productivity per employee	***	***	***	***
Trend	100	100.4	102.8	108.9

### 32 Employment and Wages

The Authority notes that employment and wages does not show material injury.

	Unit	2004-05	2005-06	2006-07	POI
Number of employee	Nos	***	***	***	***
Wages	Rs.Lacs	***	***	***	***

33 Cash Flow

Information regarding cash profit of the domestic industry is given in the following table.

Rs. Lacs	2004-05	2005-06	2006-07	2007-08
Cash Profit	9,515	8,122	5,233	3,518
Trend	***	***	***	***
Cash flow	***	***	***	***

The Authority notes that both the constituents of the domestic industry are multi product companies. Therefore, it would be more appropriate to assess the effect of dumped imports on cash flow by considering the trends in cash profits. It is seen that the cash profits of the domestic industry steeply declined over the injury period.

34 Factors affecting domestic prices:

Change in cost structure, competition in the domestic industry and prices of competing substitutes have been examined for analyzing the factors other than dumped imports that might be affecting the prices in the domestic market. The Authority notes that the domestic market for the product under consideration is growing. The landed price of subject imports is below the selling price of both the constituents of the domestic industry. It could not therefore be concluded that inter-se competition is to such an extent that the same led to decline in the prices by the domestic industry.

Comparison of landed price of imports with selling price of the domestic industry over the injury period showed as follows –

	Units	2004-05	2005-06	2006-07	POI
Import volumes	MT	18	1707	3208	4273
Landed Price	Rs/KG	169.24	179.56	170.78	154.54
Selling price of Domestic Industry	Rs/KG	***	***	***	***
% Undercutting range	%	8-12	14-18	8-12	16-20

It is noted that selling price of the domestic industry moved in tandem with the landed price of imports.

35 Return on capital employed

Information regarding return on capital employed is given in the table below.

	2004-05	2005-06	2006-07	2007-08
ROCE - GFA basis	***	***	***	***
Trend	100	69	22	(0.07)
ROCE - NFA basis	***	***	***	***
Trend	100	63	18	(0.06)

The Authority notes that return on capital employed for domestic industry has deteriorated significantly over the injury period.

### 36 Growth

It is observed that there is a growth in volume parameters viz. in production, capacity utilization sales, and demand etc in absolute term. However, it is noted that the market share of the domestic industry has declined during the POI and the return on capital employed has deteriorated significantly, market share of the dumped imports has increased both in absolute terms and in total demand.

### 37 Ability to raise capital investment

Authority notes that fresh investments were made by the domestic industry upto 2006-07. However, the domestic industry was having better profitability till that stage. Further, both the companies are multi product companies. However, continued dumping of the product would certainly have adverse impact on the ability of the domestic industry to raise capital investment.

### 38 Conclusions on Injury

On examination of various injury parameters, the Authority came to following preliminary conclusions with regard to injury to the domestic industry.

- (a) Imports from subject country have increased in absolute terms as also in relation to production and consumption in India. Increase in volume of imports is in Grey form, where the price undercutting was significant.
- (b) Dumped imports are significantly undercutting the selling prices of the domestic industry.
- (c) Selling price of the domestic industry declined. Even when there was a decline in the cost of production, the decline in the selling price was far more pronounced than decline in the cost of production.
- (d) Sales volumes of the domestic industry improved. However, in spite of increase in sales volume, market share of domestic industry declined.
- (e) The profitability of the domestic industry has deteriorated over the injury period. The decline was most pronounced in the POI. In spite of much higher sales volumes, profits earned by the domestic industry were much lower.
- (f) The return on capital employed and cash profits have deteriorated and show the same trend as that of profits.

It is thus provisionally concluded that the domestic industry has suffered material injury.

### **39 Causal Link and Other Factors**

The Authority has examined existence of causal link between the dumped imports and injury suffered by the domestic industry in the light of the arguments of the interested parties and having regard to the Rules in this regard.

### **40 Effect of other known listed parameters**

The Authority examined the issue of causal link and other non-attributive factors as laid down in the Rules to segregate injury, if any, caused by other factors. In this regard, the following indicative factors as laid down in the Rules have been examined.

#### **(a) Volume and Prices of imports not sold at the dumped prices**

The Authority notes that China is also a major exporter of product concerned. China is already attracting duty and the Authority is conducting sunset review investigation against China PR. Imports from third countries could not have therefore caused injury to the domestic industry.

#### **(b) Trade restrictive practice and competition between the foreign and domestic producers**

The Authority has not found any trade restrictive practice followed by the domestic industry and Indian industry. The Authority notes that the subject goods are freely importable and there are no trade restrictive practices in the domestic market. Authority notes that the landed price of imports is materially lower than the selling price of the domestic industry. Further, the landed price of imports declined very significantly over the injury period. In a situation where the import prices are substantially lower than the selling prices of the Indian Producers and inspite of the same, the Foreign Producers substantially reduced the prices, it cannot be concluded that the price reduction in the market were triggered by the domestic producers.

#### **(c) Contraction of demand or Changes in the pattern of consumption**

There is no contraction in the overall demand during the period under consideration. On the contrary, the demand has increased by 39% over the injury period. Therefore, any possible decline in demand is not a factor, which could have caused injury to the domestic industry. There is no argument by interested parties regarding the change in the pattern of consumption, nor it appears that

changes in the pattern of consumption could have inflicted the injury to the domestic industry.

(d) Developments in Technology,

There is no difference in technology adopted by the domestic industry and exporter/producer from subject country. The investigation has not shown that technology for production of the subject goods has undergone any significant change. With regard to the difference in technology, the Authority notes that the domestic industry and the Foreign Producers were producing and selling the goods with the same technology over the injury period and the profitability of the domestic industry was much better in earlier years and declined sharply in the POI. Such being the case, the Authority holds that the difference in technology has not caused injury to the domestic industry. Therefore, it is provisionally concluded that possible developments in technology has not caused injury to the domestic industry.

(e) Export performance

Domestic industry does not have significant export sales for product concern. Possible decline in exports is not a possible cause of injury to the domestic industry.

(f) Productivity of the Domestic Industry

Productivity of the domestic industry has improved. Possible decline in productivity is not a possible cause of injury to the domestic industry.

From the foregoing, the Authority provisionally concludes that there is no evidence of injury being caused due to other factors.

#### **41 Factors establishing causal link**

Analysis of the performance of the domestic industry over the injury period shows that the performance of the domestic industry has materially deteriorated over the injury period. The causal link between dumped imports and the injury to the domestic industry is established on the following grounds:

1. Imports were resulting in price undercutting in the market. Further, the dumped import prices and consequently the landed price of imports declined significantly during the POI over the injury period. As a direct consequence, the domestic industry was forced to reduce the prices significantly;
2. Decline in prices by the domestic industry resulted in significant price depression faced by the domestic industry;
3. Reduction in the selling prices by the domestic industry has adversely affected its profits, cash flow and return on investments of the company;

4. Even when the domestic industry responded to decline in import prices, by reducing its selling prices, volume of imports increased, resulting in decline in its market share;

The above clearly establish existence of causal link between the dumped imports and injury to the domestic industry.

#### **42 Overall assessment**

The above analysis of various injury and causal link factors show that in spite of improvement in some parameters during the injury period, the performance of the domestic industry has materially deteriorated and the industry suffered injury in terms of sales volumes, capacity utilization, market share, profitability, cash flow and return on investment, while there was a healthy demand for the product in the domestic market. The injury suffered is material and significant. Therefore, the Authority provisionally concludes that the domestic industry has suffered material injury and such injury has been caused significantly by price and volume effects of dumped imports from Belarus. Injury, if any, caused due to other factors is not significant.

#### **43 Magnitude of injury and injury margin**

The Authority has determined non-injurious for the domestic industry taking into cost of production of the domestic industry. The non-injurious price has been determined separately for the loose and packed form of the product under consideration. This non-injurious price of the domestic industry has been compared with the weighted average landed values of the subject imports to determine injury margin. The injury margins have been worked out as follows:

	Rs/Kg	USD/Kg
Non-injurious price	***	***
<u>Responding Exporter</u>		
Landed price of imports	***	***
Injury margin range	45-50	1.15-1.20

#### **M Conclusions:**

44 After examining the issues raised and submissions made by the interested parties and facts made available before the Authority as recorded in this finding, the Authority provisionally concludes that:

- (a) The product under consideration has been exported to India from Belarus below its normal value.
- (b) The domestic industry has suffered material injury.
- (c) The injury has been caused by the dumped imports from Belarus.

**45 Indian industry's interest & other issues**

The Authority notes that the purpose of anti-dumping duties, in general, is to eliminate injury caused to the Domestic Industry by the unfair trade practices of dumping so as to re-establish a situation of open and fair competition in the Indian market, which is in the general interest of the Country. 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 products to the consumers.

It is recognized that the imposition of anti-dumping duties might affect the price levels of the products manufactured using the subject goods and consequently might have some influence on relative competitiveness of these products. However, fair competition 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 the subject goods. 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.

**46 Recommendations**

The Authority notes that the investigation was initiated and notified to all interested parties and adequate opportunity was given to the exporters, importers and other interested parties to provide positive information on the aspect of dumping, injury and causal links. Having initiated and conducted a preliminary investigation into dumping, injury and causal links between dumping and injury to the domestic industry in terms of the Rules laid down and having provisionally established positive dumping margin as well as material injury to the domestic industry caused by such dumped imports, the Authority is of the view that imposition of provisional duty is required to offset dumping and injury pending completion of the investigation. Therefore, the Authority considers it necessary and recommends imposition of provisional anti-dumping duty on imports of subject goods from the subject country in the form and manner described hereunder.

Having regard to the lesser duty rule followed by the Authority, the Authority recommends imposition of provisional anti-dumping duty equal to the lesser of margin of dumping and margin of injury, so as to remove the injury to the domestic industry. Accordingly, provisional antidumping duty equal to the amount indicated in Col 9 of the table below to be imposed from the date of this notification on all imports of subject goods originating in or exported from Belarus.

SN	Heading/ subheading	Description of goods	Specification	Country of origin	Country of export	Producer	Exporter	Duty amount	Unit	Currency
1	2	3	4	5	6	7	8	9	10	11
1	5902.10	NTCF	All Grades	Belarus	Belarus	Grodno Khimvolokno	Grodno Khimvolokno	0.84	Kg	USD
2	5902.10	NTCF	All Grades	Belarus	Belarus	Any	Any	0.92	Kg	USD
3	5902.10	NTCF	All Grades	Belarus	Any other than China PR	Any	Any	0.92	Kg	USD
4	5902.10	NTCF	All Grades	Any other than China PR	Belarus	Any	Any	0.92	Kg	USD

As the Sunset Review in respect of China PR is already in progress, the duty in case of China PR will be as recommended in the findings of the sunset review.

#### **47 Further Procedure**

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

- (a) The Authority invites comments on these findings from all interested parties and the same would be considered in the final finding;
- (b) Exporters, importers, applicants and other interested parties known to be concerned are being addressed separately by the Authority, who may make known their views, within forty days from the date of the dispatch of the letter. Any other interested party may also make known its views within forty days from the date of publication of these findings;
- (c) The Authority would hold a hearing to hear the views of various interested parties orally;
- (d) The Authority would conduct further verification to the extent deemed necessary;
- (e) The Authority would disclose essential facts before announcing final findings.

(R. Gopalan)  
Designated Authority