

**No.14/25/2004-DGAD**  
**GOVERNMENT OF INDIA**  
**MINISTRY OF COMMERCE & INDUSTRY**  
**DEPARTMENT OF COMMERCE**  
**(DIRECTORATE GENERAL OF ANTI-DUMPING &**  
**ALLIED DUTIES)**

**NOTIFICATION**

NEW DELHI, the 25th January 2005

**Final Findings**

**Subject:** Antidumping investigation involving import of Sodium Formaldehyde Sulphoxylate (SFS) exported from or originating in China PR – Final Findings.

**NO.14/25/2004-DGAD** : - Having regard to the Customs Tariff Act 1975 as amended in 1995 (hereinafter referred to as the Act) and the Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, (hereinafter referred to as the Rules) thereof:

2. Whereas M/s Transpek-Silox Industry limited, Kalaji Road, Atladra Road, Vadodara, Gujarat, M/s. Demosha Chemicals Pvt. Limited, 105 A, Mittal Towers, 210, Nariman Point, Mumbai and M/s. T.C.P. Limited, TCP Saphthagiri Bhavan, No. 4 (Old No. 10) Karpagambal Nagar, Mylapore, Chennai. (herein after referred to as the Applicants) have filed an application before the Designated Authority (hereinafter referred to as the Authority), in accordance with the Customs Tariff Act, 1975 as amended in 1995 and Customs Tariff (Identification, Assessment and Collection of Anti Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995 (herein after referred as Rules), alleging dumping of Sodium Formaldehyde Sulphoxylate (SFS) (herein after referred to as subject goods), originating in or exported from China PR (herein after referred to as subject country) and requested for initiation of Anti Dumping investigations for levy of anti dumping duties on the subject goods. The Authority notified the Embassy of China PR about the receipt of dumping allegation in accordance with sub rule 5(5) of Rules.

3. WHEREAS, the Authority on the basis of sufficient evidence submitted by the applicant on behalf of the domestic industry, issued a public notice dated 28th January 2005 published in the Gazette of India, Extraordinary, initiating Anti-Dumping investigations concerning imports of the subject goods originating in or exported from

the subject country 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 antidumping duty, which if levied would be adequate to remove the injury to the domestic industry.

4. And whereas the Designated Authority notified preliminary findings vide notification No. 14/25/2004-DGAD dated 26.8.2005 and recommended imposition of anti-dumping duty concerning imports of SFS originating in or exported from China PR.

## **A. Procedure**

5. Procedure described below has been followed with regard to this investigation after issuance of the public notice notifying the Preliminary Findings of the above investigations by the Authority:

- i. The Authority forwarded a copy of the preliminary findings to known interested parties who were interested to furnish their views, if any, on the preliminary findings within 40 days from the issue of the letter.
- ii. The Authority also forwarded copy of the preliminary findings to Embassy of the subject country in New Delhi with a request to furnish their views on the preliminary findings.
- iii. The Authority held an oral hearing on 22.9.2005 to hear the interested parties. The party attending the Public Hearing was requested to file written submissions of the views expressed orally. The Designated Authority considered the submissions as received from the interested parties in the findings.
- iv. The Authority has considered all views expressed in submissions made by various interested parties subsequent to the preliminary findings.
- v. The Authority verified the information provided by the domestic industry to the extent considered necessary.
- vi. The Authority also verified the information provided by the cooperating producer/exporter to the extent considered necessary.
- vii. 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 investigations;
- viii. The Authority made available non-confidential version of the evidence presented by various interested parties in the form of a public file (duly indexed) kept open for inspection by the interested parties. The acknowledgements of interested parties inspecting files and taking copies of the record have been kept in the public file.

- ix. Optimum cost of production and cost to make and 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;
- x. In accordance with Rule 16 of Rules Supra, the essential facts/basis considered for these findings were disclosed to known interested parties and comments received thereon have also been duly considered in these findings.
- xi. \*\*\* in this Notification represents information furnished by the applicant on confidential basis and so considered by Authority under the Rules;
- xii. Investigation was carried out for the period starting from 1.10.2003 to 30.9.2004 (POI). The examination of trends in the context of injury analysis covered the period from April 2001-March 2002, April 2002-March 2003, April 2003-March 2004 and the POI.

## **B. Product under Consideration**

6. The product under consideration is Sodium Formaldehyde Sulphoxylate (SFS).

7. It is an inorganic chemical, in the form of white chips, powder, rice- pea sized granules with slight characteristic odour. SFS is produced by chemical reaction of zinc dust, water and sulphur dioxide. There is no material difference in the different forms of the product. Production of different forms depends on requirement of end application of the customer and different forms serve the same general purpose.

8. Sodium Formaldehyde Sulphoxylate (SFS) is mainly used as powerful discharging agent in textile printing. It can also be used as white discharging agent or colour discharging agent. In the rubber industry it is used as an activating agent in the production of styrene-butadiene rubber. It also finds uses in Food, Polymers, Pharmaceuticals and Miscellaneous industries.

9. Sodium Formaldehyde Sulphoxylate (SFS) is classified under Chapter 28 of the Customs Tariff Act, 1975 under sub-headings No 28311020. The Custom classification is indicative only and not binding on the scope of investigations.

### **B.1 Like Article**

10. The domestic industry is producing SFS in different forms such as powder, flake, rice, etc. Material imported from China is in powder and lump form. The applicant states that though SFS is produced in different forms, however, there is no material difference in the different forms and different forms serve the same general purpose.

11. Importer M/s Associate Chemicals Corporation claims that lumps and powder form of the product which is being imported from China is not manufactured in India and only chips form is manufactured in India.

12. The Exporter states that the SFS sold to India are in forms of powder and lumps but serve the same general purpose, however, powder form dissolves more quickly than the lump form. It also states that the cost of production of two forms are different.

13. The authority notes that as per Rule 2(d), 'like article' means an article which is identical or alike in all respect to the article under investigation for being dumped in India or in the absence of such an article, another article which although not alike in all respects has characteristics closely resembling those of the articles under investigations. The Authority also notes that material produced by the domestic industry and imported from China are comparable. There is no difference in product imported from China PR and produced by the domestic industry and different forms of material serve the very same purpose. Therefore, the products produced by the domestic industry and imported from subject Country being identical in all essential characteristics are treated as like articles within the meaning of the term as per 2(d) of the Rules.

### **C. Standing of the Domestic Industry and initiation of the investigation**

14. The application was filed by M/s Transpek-Silox Industry limited, Kalaji Road, Atladra Road, Vadodara, Gujarat, M/s. Demosha Chemicals Pvt. Limited, 105 A, Mittal Towers, 210, Nariman Point, Mumbai and M/s. T.C.P. Limited, TCP Sapthagiri Bhavan, No. 4 (Old No. 10) Karpagambal Nagar, Mylapore, Chennai, which are the producers of the subject goods in India. The applicants account for 100% production of subject goods in India, therefore, constitute domestic industry within the meaning of the Indian Anti-dumping Rules. Other interested parties have not raised any argument in this regard at any stage of the investigation.

### **D. Methodology for calculation of dumping margin and examination of market economy**

#### **D.1 Views of the domestic industry**

15. The domestic industry submitted that China is a non-market economy. China has been treated as non-market economy by European Commission and USA in the past three years. In India the Designated Authority has treated China as non-market

economy practically in all the investigations initiated after the amendment dated 31.5.2002.

16. In this investigation, two Chinese companies, one producer and the other exporter have filed their response. Both the companies have filed their responses regarding exporters and non-market economy questionnaires. The domestic industry states that the producer itself claim that it has been privatised during the period of investigation and admits that it was not a private company at the beginning of the investigation. Even after the alleged privatisation the company continue to be significantly under State interference. The company restructured from the 'wholly State-owned enterprise' to become a 'mixed ownership' during POI and mixed ownership clearly implies that possibility of State interference is not ruled out. The domestic industry further argued that the company being wholly State owned at the start of the investigation follows that the company cannot claim market economy status.

17. The domestic industry also states that the prices of zinc or zinc dust, one of the main raw materials for production of SFS is not free from State interference as Govt. of China have imposed export duty on this product which have distorted the prices of product in China. The exporter is procuring liquid soda from State-owned supplier, therefore the company was required to establish that the prices substantially reflect the fair market values, however, there is no such information in this regard. This clearly which implies that the prices of major inputs do not reflect fair market values.

## **D.2 EXAMINATION OF RESPONSE TO MARKET ECONOMY TREATMENT QUESTIONNAIRE BY THE AUTHORITY**

18. The Designated Authority, as per para 8 (2) of the annexure 1 of AD rules for the purpose of assessing the normal value proceeded with the presumption that any country that has been determined to be or has been treated as a non-market economy for the purposes of anti-dumping investigations by the Designated Authority or by the competent authority of any WTO member country during the three years period preceding the investigation is a non-market economy country. In the past three years China PR has been treated as a non-market economy country in the anti-dumping investigations by WTO members such as EU and USA. In the instant case China PR has been proposed to be investigated as a non-market economy country.

19. As per Paragraph 8, Annexure I to the Anti Dumping Rules as amended, the presumption of a non-market economy can be rebutted if the exporter(s) from China provide information and sufficient evidence on the basis of the criteria specified in sub paragraph (3) in Paragraph 8 and prove the contrary. The cooperating exporters/producers of the subject goods from People's Republic of China are required to furnish necessary information/sufficient evidence as mentioned in sub-

paragraph (3) of paragraph 8 in response to the Market Economy Treatment questionnaire to enable the Designated Authority to consider the following criteria as to whether:-

- a. the decisions of concerned firms in China PR regarding prices, costs and inputs, including raw materials, cost of technology and labour, output, sales and investment are made in response to market signals reflecting supply and demand and without significant State interference in this regard, and whether costs of major inputs substantially reflect market values;
- b. the production costs and financial situation of such firms are subject to significant distortions carried over from the former non-market economy system, in particular in relation to depreciation of assets, other write-offs, barter trade and payment via compensation of debts;
- c. such firms are subject to bankruptcy and property laws which guarantee legal certainty and stability for the operation of the firms and
- d. the exchange rate conversions are carried out at the market rate.

20. The Authority sent copies of the questionnaires to all the known exporters for the purpose of determination of normal value. Responses have been received from one producer and related exporter and they have claimed Market Economy Treatment (MET). Response information to the questionnaire was filed by the following producer/exporter:

1. M/s Wuxi City Dongtai Fine Chemical Co. Ltd. - Producer
2. M/s Wuxi Greenapple Industry Co. Ltd. - Related Exporter

21. In response to questionnaire M/s Wuxi City Dongtai Fine Chemical Co. Ltd stated that the company is a limited liability company established under the Company Law of the PRC. The production facilities of the company was built in 1958 in the name of Wuxi Dazhong Chemical Factory. In December 1996 the factory was reformed into limited liability company called Wuxi Dazhong Chemical Company Ltd. As an independent legal person, the Dazhong enjoyed full autonomy in its business decision-making and daily operation and management free of Government interference. Further it is stated that on August 11, 2003 the company changed the name to Wuxi Dongtai Chemical Co. Ltd. On November 29, 2004 the company merged with another chemical company and increased its total registered capital. A new shareholder Xinyuan Machine Manufacturing Co. Ltd. joined the company with holding of 1.55% of the shares.

22. In M/s Wuxi City Dongtai Fine Chemical Co. Ltd a very high percentage of shares are held by M/s Wuxi Chemical Industry Group Company Ltd. (Group). Other two companies M/s Wuxi Chemical Industry Group Huayun Trade and Shipment

Company Ltd. (Huayun) and Wuxi Chemical Industry Group Xinyuan Machine Manufacturing Co. Ltd. (Xinyuan) hold small percentages of shares in the company. As per information, 'Group' and 'Huayun' are mixed ownership companies whereas 'Xinyuan' is a privately owned company. As per explanation provided, 'Group' experienced a restructure on March 26, 2004 during which 50 natural persons subscribed all its capital shares. 28 of these natural persons took a very high percentage of equity interest in the 'Group'. For subscribing to the equity interest, these 28 natural persons borrowed money from a State-owned financial institution and pledged their equity interest with the institution. It is also clarified that no pledged interest has been realised. In 'Huayun', 'Group' holds a very high percentage of shares, therefore, it has also been defined as mixed ownership. In 'Xinyuan', apart from 'Group', 15 natural persons are also shareholders. As the natural person shareholders hold high percentage of shares, therefore, it has been defined as privately owned company.

23. In Wuxi Greenapple Chemical Co. Ltd., the exporter, the supplier of raw material and utility provider in this case, 'Group' holds a very high percentage of share, therefore, the ownership of the company has been defined as mixed ownership.

24. In Kunming Greenleaf Zinc Co. Ltd. who supplies the raw material and 'Huanyun' who provides the logistics, 'Group' holds the major shares and are subsidiaries of the 'Group'.

25. In the post-preliminary submissions, it has been submitted that natural person shareholders borrowed funds and purchased the shares in the open market and paid the amount to 'State Asset Authority', therefore, the transformation of the 'Group' has been fully completed under market conditions. Explaining the meaning of 'mixed ownership' regarding 'Group', it has been stated that there is existence of trust relationship between shareholders, financial institutions and 'Group'. It further submitted that "trust company has to manage or dispose of property rights it manages for its trustor in its own name in accordance with the intentions of the trustor and for the benefit of the beneficiary or for specific purposes". "On the other hand, as per the actual exertion of the shareholders' rights, the 50 shareholders have completely and independently exerted their rights as shareholders in the governance of the 'Group' and the 'Group' has been independently carrying out its business under the framework of the company law. Therefore, from that point of view the 'Group' is substantially a complete privately-owned enterprise".

26. In the post-preliminary submissions and during on the spot verification, it was stated that M/s Wuxi Dongtai Find Chemical Industry Co. Ltd. has relocated its factory to another place as old site was declared as residential.

27. The Authority notes that the 'Group' which is a holding company for producer, exporter, supplier of the raw material and utilities is a 'mixed ownership' company. The capital contribution by the 'Group' is comprised of two components 'kind' and 'cash'. The Authority observes that as per Article of Association, the shareholders are entitled to a proportionately higher share in the net assets value of the company as compared to their total capital contribution.

28. During verification, the producer/exporter company could not produce any report about valuation of 'Group' prior to divestment. Neither could they provide any information about interest paid by the major shareholders to the financial institutions. Rather it was stated that it is a private matter between shareholder and the financial institutions.

29. About the relocation of the factory, the transaction was not clearly stated in the cash flow and it was informed that decision of relocation was taken by the 'Group' as earlier land belonged to it and even now land has been provided by the 'Group'. However, the company i.e. M/s Wuxi Dongtai Fine Chemical Industry Co. Ltd. was not aware of the process of decision with reference to land transaction indicating very clearly that the decision making with reference to the company lies in the hand of 'Group' and not in the hands of the company.

30. The claim of transformation of the 'Group' from State-owned to mixed ownership is not sufficient to establish that the 'Group' is eligible to be treated as operating under market economy conditions. From the information provided and verified, it is apparent that transformation, if any, from State-owned to mixed ownership had not taken place in accordance with market economy conditions indicating significant distortion in the financial working of the 'Group'. It is also apparent that decision-making of the producer company is controlled by the 'Group'. As the respondent company could not establish that 'Group' is operating under market economy conditions, therefore, it cannot be inferred that producer-exporter and other supplier companies whose decisions making are controlled by the 'Group' are operating under market conditions.

31. The Authority also notes that domestic industry has stated that the prices of zinc or zinc dust, one of the main raw material for the production of SFS is not free from State inference as Government of China PR has imposed export duty on this product which have distorted the prices of the product in China. The exporter in reply has commented that export duty on zinc powder etc. are neither countervailable nor are any indicator of a NME. However, it has not been denied that zinc prices are determined by the market signals.

32. As the working of 'Group', the holding company, according to market conditions is not established, therefore, it also cannot be inferred that decisions of the producer, exporter and supplier companies in respect of prices, cost and inputs including raw materials, cost of technology and labour, output sales and investment are made in response to market signals reflecting supply and demand and without significant State interference, and whether costs of major inputs substantially reflect market values. The Authority is, therefore, constrained to regard the responding producer/exporter as operating in non-market economy conditions.

33. The Authority is, therefore, unable to apply the principles set out in paragraph 1 to 6 of Annexure 1 for determination of normal value for the Chinese exporters. The normal value in respect of all exporters/producers from China PR is determined as per Rules relating to non-market economy as contained in para 7 of Annexure 1 of AD Rules.

34. As per para 7 of Annexure 1 of AD Rules, the DA is required to determine normal value on the basis of 'price or constructed value in the market economy third country or the price from such a third country to other countries, including India or where it is not possible, or on any other reasonable basis, including the price actually paid or payable in India for the like product.' No data/information is available, to explore the possibility to determine normal value in appropriate market economy third country. In this regard the domestic industry in the post-preliminary submissions stated that the Designated Authority would require verifiable information on all domestic sales by cooperating producers in the third country and its cost of production to examine the ordinary course of trade. However, they could not procure such information from the producers of market economy third country. In the post preliminary and post disclosure submissions the exporter has submitted that the Authority should invite comments about choice of surrogate country. However, the exporter could have offered such information about the market economy third country while rebutting the presumption of non-market economy. No such offer was made at any stage. In view of the aforesaid it was not possible to invite comments about choice of appropriate market economy third country, The prices from third country to India is also not possible to determine as imports from other countries (other than subject country) to India is so small to permit any meaningful conclusion of the normal value. Therefore, the Authority has determined the normal value by resorting to method 'any other reasonable basis'.

### **D3 Normal Value**

35. Under the circumstances, the authority has constructed the normal value by considering the raw material for manufacture of SFS at the international prices, the consumption norms of the domestic industry and reasonable profit. Based on above

information available, the normal value has been calculated as USD \*\*\* per MT after considering the average exchange rate during POI of 1USD=Rs 45.45

**D4. Response of M/s Dongtai Fine Chemical Co. Ltd. and M/s Wuxi Greenapple Chemical Co. Ltd. to the Exporters Questionnaire**

Export Price

36. Though the normal value has been constructed considering China PR as a non-market economy, however, the data provided by the producer/exporter and the information given by the producer/exporter regarding inland transportation, insurance, ocean freight and marine insurance has been used to determine ex-factory export price. The authority has taken weighted average CIF price as USD \*\*\* of imports from the producer and after considering adjustment on account of inland freight as US\$ \*\*\*, inland insurance as US\$ \*\*\*, ex-factory export price for SFS comes to USD \*\*\* per MT. (The average exchange rate of Rs. 45.45=1USD during the period of investigation has been adopted.) (The relevant data disclosed to exporter in the Disclosure Statement as a confidential information)

**D5. Other exporters/producers from China PR**

Export Price

37. The ex-factory export price has been determined as per data available with the authority. The authority has taken CIF price as \$\*\*\* of imports. After considering adjustment on account of inland freight as \$ \*\*\*, inland insurance as \$ \*\*\*, ocean freight \$\*\*\*, marine insurance as \$\*\*\* and commission as the average ex-factory export price for SFS comes to USD \*\*\* per MT. (The average exchange rate of Rs 45.45=1USD during the period of investigation has been adopted.)

**Dumping Margin**

Exporter/Producer	Normal Value	Export Price	Dumping Margin
M/s Dongtai Fine Chemicals Co. Ltd. and M/s Wuxi Greenapple Chemical Co. Ltd.	\$***	\$***	87.66%
Other exporter/producers from China PR	\$***	\$***	185.05%

38. The dumping margins are significant and above de minimis.

**E. METHODOLOGY FOR injury determination AND EXAMINATION OF CAUSAL LINKS**

## **E.1 Views of the domestic industry**

38. The domestic industry in its submission before the Authority has argued Domestic industry is suffering injury because of dumping of subject goods from the China PR. Domestic Industry submitted that they have been forced to benchmark the prices on the basis of landed price of imports from China. Even when the domestic industry has been attempting benchmarking its prices on the basis of imports, the imports from China were undercutting the prices of the domestic industry. Existence of price undercutting and benchmarking of prices has been based on imports resulted in domestic industry being forced to reduce prices, resulting in reduction in profitability of the domestic industry. The inability of the domestic industry to effect legitimate price increases were not successful due to presence of dumped imports, thus, domestic industry suffered reduction in prices. Deterioration in profits suffered by the domestic industry is clearly due to dumped imports and deteriorating profits have had very adversely impact on cash flow and return on capital employed.

39. Even though the domestic industry has posted higher sales volumes, the growth of domestic industry is negative as regards profits. Market share of imports from China in demand in India increased significantly and as a consequence of that the Indian industry's market share declined. Though the sales volume of domestic industry has increased, its market share has declined and decline in market share of the domestic industry was due to dumped imports from China. Even though sales volume increased, the domestic industry was faced with sub-optimal capacity utilization.

### **Views of the Producer-Exporter (M/s Wuxi Dongtai Fine Chemical Co. Ltd. and M/s Wuxi Greenapple Chemical Co. Ltd.)**

40. The producer-exporter has inter alia argued that there are improvements in a number of key parameters like demand, capacity, production, capacity utilization, sales, exports, employment, productivity, wages. Market share of domestic industry remains at a high 84% in the POI compared to 86% in the prior year. However, the Authority has found improvement inadequate. As the Hon'ble Tribunal has held that for material injury determination, the Authority is not to proceed on the basis of the ideal conditions. This means that if during POI the Authority has found improvements in many indices this cannot then be treated as inadequate compared to some ideal situation. It has also been submitted that there is no adverse effect.

## **E.2 Examination by the Authority**

41. The Authority has taken note of various arguments raised by various interested parties in their submissions including submissions made after Preliminary Findings.

42. Article 3.1 of the ADA and Annexure II of the AD 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 authorities are 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 member. With regard to the price effect of the dumped imports, the authorities are required to examine whether there has been significant price undercutting by the dumped imports as compared to the price of the like product in the importing country, or whether the effect of such imports is otherwise to depress prices to a significant degree, or prevent price increase, which would have otherwise occurred to a significant degree.

43. For the purpose of injury analysis the Authority has examined the volume and price effects of dumped imports of the subject goods on the domestic industry and its effect on the prices and profitability to examine the existence of injury and causal links between the dumping and injury, if any.

44. Since positive dumping margin has been established for the exports from the subject country, entire exports from the subject country has been treated as dumped imports for the purpose of injury analysis and causal links examination.

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

45. The domestic industry stated that the imports of the subject goods are being reported under heads other than 28311020. DGCI&S has provided data after making correction, however, it still shows imports on the lower side. The domestic industry has provided transaction-wise details from International Business Information Services (IBIS) and stated that this data should be relied upon as it gives the correct picture.

46. The Authority has examined data from DGCI&S, IBIS and information about the exports provided by the co-operating exporter. Data from DGCI&S shows imports less than that of reported by the exporter. It has also been verified that imports of subject goods are being reported under different sub-headings. The authority also notes that imports reported by IBIS is closer to the information about exports provided by the exporter. The Authority, therefore, relies on data reported by IBIS.

**i) Import Volumes and share of subject country**

Country	Unit	2001-2002	2002-03	2003-04	Oct'03-Sep'04
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		Volume	Volume	Volume	Volume
		MT	MT	MT	MT
China	Mt	40.00	90.00	1,010.00	1,222.40
Trend	Indexed	100	225	2,525	3,056
Other Countries	Mt	-	-	20.00	40.00
Total known Imports	Mt	40.00	90.00	1,030.00	1,262.40
Trend	Indexed	100	225	2575	3156
Market Share of subject country		100%	100%	98.05%	96.83%

47. Imports data shows that imports from subject country have increased significantly during period of investigation as compared to the base year i.e. 2001-02. It increased to 1222MT during period of investigation as compared to 40 MT in 2001-02. As compared to this, imports from other countries is mere 40 MT during period of investigation as compared to 'NIL' imports in 2001-02. The market shares in imports of the subject country is 96.83% during POI.

## ii) Demand, Output and Market shares

### a) Growth In Demand

	Unit	2001-2002		2002-03		2003-04		Oct'03-Sep'04	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Demand	Mt	***	***	***	***	***	***	***	***
Trend	Indexed	100	100	128	127	143	129	151	124

48. Demand has been calculated by addition of domestic sales of the domestic industry and imports of subject goods from all the countries. Growth in demand is 51% (demand including captive sales increased by 60%) during POI from the base year as compared to imports from the subject country which has increased by 3056% during the same period.

### b) Production of the Domestic Industry

	Unit	2001-02	2002-03	2003-04	Oct'03-Sep'04
<b>Installed capacity</b>					
Domestic industry	Mt	8900	8900	9500	10000
Transpek- silox	Mt	6000	6000	6600	7100
Demosha	Mt	2400	2400	2400	2400
TCP	Mt	500	500	500	500
Trend	Indexed	100	100	107	112
<b>Production</b>					
Transpek- silox	Mt	***	***	***	***
Demosha	Mt	***	***	***	***
TCP	Mt	***	***	***	***

Production Domestic industry	Mt	***	***	***	***
<b>Trend</b>	<b>Indexed</b>	<b>100</b>	<b>129</b>	<b>130</b>	<b>143</b>
<b>Capacity Utilization</b>					
Domestic industry	%	***	***	***	***
<b>Trend</b>	<b>Indexed</b>	<b>100</b>	<b>129</b>	<b>121</b>	<b>127</b>

49. Data of the domestic industry on capacity, production and capacity utilisation reveals that capacity of the domestic industry increased during 2003-04 and particularly during POI by way of the de-bottlenecking of the existing capacity. Production increased consistently during the entire period, it increased by 43% during POI as compared to the base year. The capacity utilisation also improved by 27% during POI as compared to base year however the capacity utilisation remained less than the desired level keeping in view growth in demand of the subject goods.

### c) Sales of Domestic Industry

	Unit	2001-02	2002-03	2003-04	Oct'03-Sep'04
<b>Domestic Sales</b>	Mt	***	***	***	***
Trend	Indexed	100	127	123	127
<b>Export Sales</b>	Mt	***	***	***	***
Trend	Indexed	100	121	127	173
<b>Captive Sales</b>	Mt	***	***	***	***
Trend	Indexed	100	265	1195	980

50. Production has increased by 43% during POI as compared to base year whereas domestic sales increased by 27% (domestic sales including captive sales increased by 35%) during the same period. During the same period average inventory has increased by 98% as compared to the base year indicating that the growth in demand has not benefited the domestic industry. Increase of 98% of average inventory during period of investigation and sales growth of 27% as compared to growth in demand of approximately 51% shows that growth in demand has not benefited the domestic industry in commensurate with growth rate.

### d) **Demand and Market Share**

	Unit	2001-2002	2002-03	2003-04	Oct'03-Sep'04
<b>Output/Production</b>					
Domestic Industry	Mt	***	***	***	***
<b>Trend</b>	Indexed	100	129	130	143
Imports - China	Mt	40	90	1010	1222
<b>Trend</b>	Indexed	100	225	2525	3056
Other Countries	Mt	00	00	20	40
Total known Imports	Mt	40	90	1030	1262

Trend	Indexed	100	225	2575	3156
<b>Domestic Sales</b>	Mt	***	***	***	***
Trend	Indexed	100	127	123	127
Captive consumption	Mt	***	***	***	***
Trend	Indexed	100	265	1195	980
Demand	Mt	***	***	***	***
Trend	Indexed	100	128	143	151
<b>Share in demand</b>					
Domestic industry	%	***	***	***	***
Trend	Indexed	100	99	86	84
China	%	***	***	***	***
Trend	Indexed	100	176	1,769	2,025
Other Countries	%	-	-	0.28	0.53

51. Total domestic demand of the subject goods increased by approximately 51% during period of investigation as compared to base year 2001-02. The domestic industry raised their production by approximately 43% during the same period, however, sales increased only by 27%. Share in demand of the domestic industry came down to 84 during POI as compared to base of 100 in 2001-02 whereas share of the subject country increased to 2025 during the same period as compared to 100 from base year. (Share in demand including captive sales of the domestic industry came down to 85 during POI as compared to share of the subject country which increased to 1915 from 100 of the base year).

### **(B) Price Effect of the Dumped imports on the Domestic Industry**

52. The impact on the prices of the domestic industry on account of the dumped imports from the subject country 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, weighted average Net Sales Realization (NSR) and the Non-injurious Price (NIP) of the Domestic industry (worked out after normating the costing information of the Domestic Industry) have been compared with the landed cost of imports from the subject countries.

#### **(i) Evaluation of price over period under consideration**

<b>China PR</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
Rs/MT	42507	36771	30404
Indexed	100	87	72

53. The data on prices reveals that prices from subject country were consistently declining from base year. During POI it declined to 69 (indexed) from 100 in the base year.

**(ii) Price undercutting and underselling effects**

<b>Cost of Production</b>	Unit	2001-2002	2002-03	2003-04	Oct'03-Sep'04
Domestic Industry	Rs/ MT	***	***	***	***
<b>Trend</b>	<b>Indexed</b>	<b>100</b>	<b>94</b>	<b>95</b>	<b>100</b>
Selling price-DI	Rs/ MT	***	***	***	***
<b>Trend</b>	<b>Indexed</b>	<b>100</b>	<b>99</b>	<b>96</b>	<b>88</b>
<b>Net Sales Realisation Value (NSR x Sales)</b>					
<b>Trend</b>	<b>Indexed</b>	100	126	118	111
Domestic Industry	Rs. Lacs	***	***	***	***
<b>Landed value</b>					
<b>Customs Duty</b>	%	35.00	30.00	25.00	21.25
<b>China</b>	Rs./MT	51725	46618	41335	36019
<b>Price Undercutting</b>	Rs./MT	***	***	***	***
<b>Price Undercutting (Range)</b>	%	***	***	***	23-33%
<b>NIP</b>					***
<b>Price underselling</b>					***
<b>Price underselling (range)</b>	%				28-38%

54. Selling price (Net Sales Realisation) of the domestic industry shows decline from base of 100 in year 2001-02 to 88 during the period of investigation as compared to the cost of production which did not change during POI as compared to the base year.

55. Price undercutting has been determined by comparing the weighted average landed value of dumped imports from the subject country over the entire period of investigation with the weighted average net sales realization of the domestic industry for the same period. For this purpose landed value of imports has been calculated by adding 1% handling charge and applicable basic customs duty to the value reported in the IBIS data of import prices from the subject country.

56. In determining the net sales realization of the domestic industry, the rebates, discounts and commissions offered by the domestic industry and the central excise duty paid have been rebated.

57. For the purpose of price underselling determination the weighted average landed prices of imports from subject country have been compared with the Non-injurious selling price of the domestic industry determined for the POI.

58. The Authority notes that Imports from the subject country have been significantly below the net sales realization of the domestic industry as well as the non-injurious price estimated for the domestic industry thus resulting in significant price undercutting and underselling. Price undercutting is in the range of 23-33% and price underselling is in the range of 28-38 % during POI.

**(iii) Price suppression and depression effects of the dumped imports:**

59. The price suppression effect of the dumped imports has also been examined with reference to the cost of production, net sales realization and the landed values from the subject country.

60. The trend of cost of production shows that cost of production remained same during POI as compared to base year whereas net sales realization shows marked decline of realization to 88 during POI from 100 of the base year. Landed prices have declined to 70 during POI from 100 of the base year resulting in depression in prices to 88 during POI from the 100 of the base year.

**E.3 Examination of other Injury Parameters**

61. 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 in the earlier section, other economic parameters which could indicate existence of injury to the domestic industry have been analysed hereunder as follows:

**i) Growth**

62. Growth analysed from year to year change basis, growth was positive in terms of production, capacity utilization, cost of production, imports volume and demand, whereas the growth was negative in terms of net sales realization, profits, market share of the domestic industry, return on investment.

**ii) Productivity**

	Unit	2001-02	2002-03	2003-04	Oct'03-Sep'04
<b>Employment</b>					
Domestic industry	Nos.	***	***	***	***
	<b>Indexed</b>	<b>100</b>	<b>106</b>	<b>102</b>	<b>102</b>
<b>Productivity per Employee</b>					
Domestic industry	MT	***	***	***	***
	<b>Indexed</b>	<b>100</b>	<b>122</b>	<b>127</b>	<b>140</b>

63. The employment level has not changed significantly and have increased only to 102 during POI from 100 of the base year. Whereas productivity of the employees has shown marked improvement to 140 during POI from 100 of the base year. But this improved productivity has not benefited the domestic industry in term of profitability.

### iii) Profits and actual and potential effects on the cash flow

	Unit	2001-02	2002-03	2003-04	Oct'03-Sep'04
<b>Profits</b>					
<b>Cost of Sales</b>					
Domestic Industry	Rs/ MT	***	***	***	***
Trend	Indexed	100	94	96	100
<b>Net Sales Realisation</b>					
Domestic Industry	Rs/ MT	***	***	***	***
Trend	Indexed	100	99	96	88
<b>Profit/Loss Per MT</b>					
Domestic Industry	Rs/ MT	***	***	***	***
Trend	Indexed	100	288	124	-299
<b>Profit/Loss on Domestic Sales (PBT X Domestic Sales)</b>					
Domestic industry	Rs Lacs	***	***	***	***
Trends	Indexed	100	367	153	-379
<b>Cash Profit</b>					
Domestic Industry	Rs. lacs	***	***	***	***
Trend	Indexed	100	290	152	-191

64. The cost of production remained same during the POI as compared to the base year whereas selling price declined significantly to 88 during the same period. The losses per unit during POI is a -299 as compared to profit of 100 in 2001-02. The cash profit shows losses of -191 as compared to profit of 100 in 2001-02.

### iv) Employment and wages

	Unit	2001-2002	2002-03	2003-04	Oct'03-Sep'04
<b>Employment</b>					
Domestic industry	Nos.	***	***	***	***
Trend	Indexed	100	106	102	102
Wages	Rs. Lacs	***	***	***	***
Trend	Indexed	100	126	85	136

65. The employment level has not changed. It is 102 during POI from the 100 of the base year. The wages has grown to 136 during POI from the 100 of the base year. However, wages per unit of production increased only by 2%.

## v) Return on investment and ability to raise capital

	Unit	2001-02	2002-03	2003-04	Oct'03-Sep'04
<b>Net Fixed Assets</b>					
Domestic industry	Rs. Lacs	***	***	***	***
	<b>Indexed</b>	100	90	93	92
<b>Working Capital</b>					
Domestic industry	Rs. Lacs	***	***	***	***
	<b>Indexed</b>	100	111	110	109
<b>Capital Employed - NFA</b>					
Domestic industry	Rs. Lacs	***	***	***	***
	<b>Indexed</b>	100	101	102	100
<b>Return on Capital Employed</b>					
Domestic industry	%	***	***	***	***
	<b>Indexed</b>	100	177	48	-134

66. The capital employed remained at the same level during POI from the base year.

Return on the investment on NFA basis turned negative to -134 from the 100 of the base year.

## vi) Investment

67. The authority notes that the domestic industry has raised the capacity from 6920 MT in the base year to 8964 MT in 2003-04 by de-bottlenecking the existing capacity. There has been no fresh investment by the domestic industry during the period of investigation and there are no plan for further investment as submitted by them.

## vii) Magnitude of Dumping

68. Magnitude of dumping as an indicator of the extent to which the dumped imports can injure the domestic industry shows that the dumping margin determined against the subject country named, for the POI, is significant.

## viii) Factors affecting prices

69. Change in cost structure if any, 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 cost of production remained same. However, the decline in selling price was significant. The Authority notes that Landed values of imported material from subject country is significantly below the selling price of the domestic industry, causing severe price undercutting in the Indian market.

## ix) Inventories

	Unit	2001-02	2002-03	2003-04	Oct'03-Sep'04
Average stock	Mt	***	***	***	***
	Indexed	100	156	191	198

70. The data indicates the increase of inventory by 98% during POI from the 100 of the base year. Translated in to number of days it shows that the inventory increased from 23days of sale in the base year to 36 days of sales during POI.

### E.4 Conclusion on injury parameters

71. The examination of above injury parameters indicates that growth in demand was 51% during POI as compared to base year. The domestic industry increased its production by approximately 43% but sales increased only by 27%. During the same period, imports of subject goods increased significantly and it was 1222 MT during POI resulting in increase of imports shares in demand to 2025 (indexed) from the 100 of base year, whereas share of domestic industry declined to 84 during the same period.

72. The price undercutting during POI is in the range of 23-33%. The price underselling during the same period is in the range of 28-38%. The cost of production remained the same during POI as compared to the base year. The price depression is evident from the trend of net sales realization, it shows decline of NSR to 88 during POI as compared to 100 of the base year. Though the sales volume increased by 27% the sales value could increase only by 11%. Average inventory increased the same period, it was 198 during POI as compared to 100 of the base year. Profitability shows losses of -299 (indexed) during POI as compared to 100 of the base year. Similarly, cash profit shows losses of -191 (indexed) during the same period. The return on investment on NFA basis shows negative return of 134 during POI as compared to 100 of the base year.

73. The productivity has increased but despite increase in productivity, profits did not increase rather it declined.

### E.5 Other Known factors and Causal Link

74. The foregoing analysis indicates that the volume of dumped imports from the subject countries have increased substantially both in absolute terms as well as in relation to the share in demand. The growth of imports from subject country have significantly displaced the market share of the domestic industry. The landed value of dumped imports from the subject country also show a significant price undercutting

and underselling on the prices of the domestic industry compelling the domestic industry to benchmark its prices to imports in order to retain its market share and volume of sales in the domestic market. It also shows that improvement in volume of production and sales has not translated into profit for the domestic industry due to the pulling pressure of the prices of the dumped imports establishing a clear causal link between the dumped imports and the injury suffered due to volume and price effects.

75. The Authority has also examined the issue of causal link and other non-attribution 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.

**i) Volume and prices of imports from other sources**

76. The authority notes that the volume of imports from other country is insignificant. Imports from the subject country is having share of 97% of total imports during Period of Investigation. Thus, imports from other countries have not contributed to the injury to the domestic industry.

**ii) Contraction in demand and / or change in pattern of consumption**

77. The subject goods have shown consistent growth during the injury period. The total demand of subject goods have shown growth of 51% during Period of Investigation as compared to the base year. There is also no significant change in consumption pattern of the product in the domestic market which could be attributed to the injury to the domestic industry.

**iii) Trade restrictive practices of and competition between the foreign and domestic producers**

78. The Authority notes that there is no restricted practice prevalent in the industry which could be attributed to the injury to the domestic industry.

**iv) Development of technology**

79. The Authority notes that technology for production of the product has not undergone any change. Development of any other technology, therefore, cannot be attributed to the injury to the domestic industry.

**v) Export performance & Captive Consumption**

80. The Authority notes that the export volume of the domestic industry have shown consistent growth. The volume has increased significantly during the period of investigation as compared to the base year. Therefore, this factor is not attributable to the injury to the domestic industry. Regarding captive sales, the Authority notes that the domestic industry has a very small percentage of captive sales, however, it has shown increasing trend. Whereas demand including captive sales increased by 60% during POI, the domestic sales including captive sales increased only by 35% from the base year. Share in demand of domestic industry declined to 85 (indexed) whereas share of subject country increased to 1915 (indexed) on the base of 100 from the base year. Since captive consumption had been used for production and sales of other downstream products, no adverse price effect of dumping appeared on such captive consumption. Further since the Authority has determined average cost of production after including production meant for captive consumption, injury to the domestic industry determined is not due to possible adverse performance of the downstream products.

**vi) Productivity of the Domestic Industry**

81. Productivity of the domestic industry in terms of production per employee has shown significant improvement. Therefore, productivity is not a factor which can be attributed to the injury of the domestic industry. In fact domestic industry has tried to reduce its losses in its domestic operation through improvement in productivity.

82. No other factor which could have possibly caused injury to the domestic industry has been brought to the knowledge of Authority.

83. On the basis of the above examination it is concluded that the subject goods exported from the subject country are at prices far below their normal value, Non Injurious Price of the domestic industry and the average sales realization of the subject goods of the applicants, and the dumping, injury and causal links has been clearly established

**F. Magnitude of Injury Margin**

84. The non-injurious price determined by the Authority has been compared with the landed value of the exports for determination of injury margin. The weighted average landed price of the exports from the subject country and the injury margins have been worked out as follows:

**Injury margin Calculations**

Name of company	Injury Margin
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Dongtai Fine Chemical Co. Ltd. and M/s Wuxi Greenapple Chemical Co. Ltd.	***
Others from China PR	***

## **G. Indian Industry's interest & Other Issues**

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

86. The Authority recognizes that the imposition of anti dumping duties might affect the price levels of the subject goods or the products manufactured using subject goods and consequently might have some influence on relative competitiveness of these products. However, fair competition on the Indian market will not be reduced by the anti dumping measures. On the contrary, imposition of anti dumping measures would remove the unfair advantages gained by dumping practices, would prevent the decline of the domestic industry and help maintain availability of wider choice to the consumers of subject goods. With a view to minimize the impact on the downstream industry, the Authority has considered it appropriate to recommend anti dumping duty based on the lower of the dumping and injury margins. The Authority notes that the imposition of anti dumping measures would not restrict imports from subject country in any way, and therefore, would not affect the availability of the product to the consumers.

## **H. Conclusions**

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

- a. The subject goods have been exported to India from the subject country below its normal value;
- b. The domestic industry has suffered material injury;
- c. The injury has been caused by the dumped imports from subject country.

## **I. Recommendations**

88. It is considered necessary to impose definitive anti-dumping duty on the imports of subject goods. Accordingly, the Authority recommends imposition of anti dumping duty on the imports of Sodium Formaldehyde Sulphoxylate (SFS).

89. It is decided to recommend the amount of anti-dumping duty equal to the margin of dumping or less, which if levied, would remove the injury to the domestic industry. The landed price of imports was also compared with the non-injurious price

of the domestic industry, determined for the period of investigation. Accordingly, anti-dumping duty equal to the amount indicated in Col 8 of the table below is recommended to be imposed by the Central Government, on all imports of subject goods originating in or exported from the subject country.

### Duty Table

Sl. No	Sub-Heading Or Tariff Item	Description of Goods	Country of Origin	Country of Export	Producer	Exporter	Amount	Unit of Measurement	Currency
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	28311020 or Any other Head of Customs	Sodium Formaldehyde Sulphoxylate (SFS)	China PR	China PR	Wuxi City Dongtai Fine Chemical Co Ltd.	Wuxi Greenapple Chemical Industry Company Limited	471.91	MT	USD
2.	Do	Do	China PR	China PR	Wuxi City Dongtai Fine Chemical Co Ltd.	Any	471.91	MT	USD
3.	Do	Do	China PR	China PR	Any	Any	657.87	MT	USD
4.	Do	Do	China PR	Any country other than China	Any	Any	657.87	MT	USD
5.	Do	Do	Any country other than China PR	China PR	Any	Any	657.87	MT	USD

90. Landed value of imports for the purpose shall be the assessable value as determined by 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.

91. Subject to the above, the Authority confirms the preliminary findings dated 26th August, 2005.

92. An appeal against this order shall lie before the Customs, Excise and Service Tax Appellate Tribunal in accordance with the Customs Tariff Act, 1975 as amended in 1995 and Customs Tariff Rules, 1995.

**Christy L. Fernandez**  
The Designated Authority