

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 26th August 2005

Preliminary Findings

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

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. AND 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.

A. Procedure

4. Procedure described below has been followed with regard to this investigation after issuance of the public notice notifying the initiation of the above investigations by the Authority.

- i. The Designated Authority sent copies of initiation notification dated 28th January 2005 to the Embassy of the subject country in India, known exporters from the subject country, importers and the domestic industry as per the addresses made available by the applicants and requested them to make their views known in writing within 40 days of the initiation notification.
- ii. The Authority provided copies of the non-confidential version of the application to the known exporters and to the Embassy of China PR in accordance with Rule 6(3) supra.
- iii. The Embassy of the People's Republic of China 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 to respond to the questionnaire within the prescribed time. A copy of the letters and questionnaire sent to the exporters was also sent to them, alongwith the names and addresses of the exporters.
- iv. A questionnaire for according market economy treatment was forwarded to all the known exporters and the Embassy of the Peoples' Republic of China and Bureau of Fair Trade China (BOFT) China PR. While, for the purpose of initiation, the normal value in China PR was considered based on the constructed cost of production of the subject goods in China PR, the authority informed the known exporters that it proposed to examine the claim of the applicant in the light of para (7) & (8) of Annexure-I of the Anti-Dumping Rules as amended. The concerned exporters / producers of the subject goods from China PR were therefore requested to furnish necessary information / sufficient evidence as mentioned in sub-paragraph (3) of paragraph 8 to enable the Designated Authority to consider whether market economy treatment could be granted to cooperating exporters / producers who could demonstrate that they satisfied the criteria stipulated in the said paragraph.
- v. The Authority sent a questionnaire, to elicit relevant information to the following known exporters in China PR in accordance with Rule 6(4);

1. Wuxi Greenapple Chemical Industry Company Limited
274-Xichang Road
Wuxi City
Jiangsu Province
China
 2. Zhengzhou Bestchem Imp. & Exp. Co. Limited
No. 7, Cuihua Road, Zhengzhou,
Henan China,
China – 450 053
- vi. In response to the above notification the following exporters from the subject country filed their responses to questionnaire:
1. M/s Wuxi City Dongtai Fine Chemical Co Ltd.
No.889, Tongjiang Road,
Wuxi
Jiangsu Province,
China PR
 2. Wuxi Greenapple Chemical Industry Company Limited
274-Xichang Road
Wuxi City
Jiangsu Provinc
China
- vii. Questionnaires were sent to following known importers and Consumers of subject goods in India calling for necessary information in accordance with Rule 6(4).
1. M/s Usha Chemical Company, Mumbai.
 2. M/s S D Fine Chemicals Ltd., Mumbai
 3. M/s Anupam Traders, Mumbai
 4. M/s N R Chemicals, Mumbai
 5. M/s Sedco Forex International, Mumbai
 6. M/s Associated Chemical Corporation, Mumbai
- viii. In response to above notification M/s Associated Chemical Corporation, Mumbai filed response to questionnaire.
- ix. 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;

- x. 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;
- xi. 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;
- xii. *** in this Notification represents information furnished by the applicant on confidential basis and so considered by Authority under the Rules;
- xiii. 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

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

6. 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.

7. 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.

8. 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

9. 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.

10. 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.

11. 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.

12. The authority 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 2(d) of the Rules.

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

13. 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.

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

D.1 Views of the domestic industry

14. 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.

15. 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.

16. 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 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

17. 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.

18. 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.

19. 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

20. 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.

21. 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.

22. 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.

23. 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'.

24. 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. From the information provided in Appendix 1 – Domestic Sales, it is also noticed that payment for certain sales have not been received, the relevant column mentions remark as – 'strike a balance' indicating some sort of compensatory/barter trade arrangements.

25. 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. Further, there exist doubts on the independent functioning of the company considering the complicated cross holdings among shareholders, suppliers and utility providers. From the available information it cannot be inferred, how the evaluation of shares were made for transferring it to natural persons and whether the shares to the natural persons have been effectively transferred as the shares are still pledged with the State owned financial institution. Therefore, State interference in the management of the company cannot be ruled out.

26. In view of the reason explained above, 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 provisionally regard the responding producer/exporter as operating in non-market economy conditions. The Authority however, will draw a final conclusion only after a detailed verification of the MET response and after providing ample opportunity to the responding companies to rebut this presumption.

27. 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.

28. 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, at this stage, to explore the possibility to determine normal value in 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

29. 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

30. 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 for the purpose of this preliminary finding pending verification of the data. The

authority has taken weighted average CIF price as \$*** of imports from the producer and after considering adjustment on account of inland freight as \$ ***, inland insurance as \$ ***, 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.)

D5. Other exporters/producers from China PR

Export Price

31. 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 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.	\$***	\$***	86.85%
Other exporter/producers from China PR	\$***	\$***	183.81%

32. The dumping margins so determined provisionally are significant and above de minimis

E. METHODOLOGY FOR injury determination AND EXAMINATION OF CAUSAL LINKS

E.1 Views of the domestic industry

33. 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.

34. 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.

E.2 Examination by the Authority

35. The Authority has taken note of various arguments raised by various parties in their submissions.

36. 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.

37. 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.

38. 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

39. 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.

40. 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
		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%

41. 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
	Mt	Volume	Volume	Volume	Volume
Demand	Mt	***	****	****	****
Trend	Indexed	100	128	143	151

42. Growth in demand is 51% 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
Installed capacity					
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
Production					
Transpek- silox	Mt	****	***	***	***
Demosha	Mt	****	***	***	***
TCP	Mt	****	***	***	****
Production Domestic industry	Mt	****	***	***	***
Trend	Indexed	100	129	130	143
Capacity Utilization					
Transpek- silox	%	***	***	***	***
Demosha	%	***	***	***	***
TCP	%	***	***	***	***
Domestic industry	%	***	***	***	***
Trend	Indexed	100	129	121	127

43. 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
Domestic Sales	Mt	***	***	***	***
Trend	Indexed	100	127	123	127
Transpek- silox	Mt	***	***	***	***
Demosha	Mt	***	***	***	***
TCP	Mt	***	***	***	***
Export Sales	Mt	***	***	***	***
Trend	Indexed	100	121	127	173
Transpek- silox	Mt	***	***	***	***

Demosha	Mt	***	***	***	***
TCP	Mt	***	***	***	***
Captive Sales	Mt	***	***	***	***
Trend	Indexed	100	265	1195	980
Transpek- silox	Mt	***	***	***	***
Demosha	Mt	***	***	***	***
TCP	Mt	***	***	***	***

44. Production has increased by 43% during POI as compared to base year whereas domestic sales increased by 27% 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
Output/Production					
Domestic Industry	Mt	***	***	***	***
Trend	Indexed	100	129	130	143
Imports - China	Mt	40	90	1010	1222
Trend	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
Domestic Sales	Mt	***	***	***	***
Trend	Indexed	100	127	123	127
Captive consumption	Mt	***	***	***	***
Trend	Indexed	100	265	1195	980
Demand	Mt	***	***	***	***
Trend	Indexed	100	128	143	151
Share in demand					
Domestic industry	%	***	***	***	***
Trend	Indexed	100	99	86	84
China	%	***	***	***	***
Trend	Indexed	100	176	1,769	2,025
Other Countries	%	-	-	0.28	0.53

45. 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.

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

46. 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

China PR	2001-02	2002-03	2003-04	POI
Rs/MT	42507	36771	30404	29511
Indexed	100	87	72	69

47. 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

Cost of Production	Unit	2001-02	2002-03	2003-04	Oct'03-Sep'04
Domestic Industry	Rs/ MT	***	***	***	***
Trend	Indexed	100	94	95	100
Transpek- silox	Rs/ MT	***	***	***	***
Demosha	Rs/ MT	***	***	***	***
TCP	Rs/ MT	***	***	***	***
Selling price	Rs/ MT	***	***	***	***
Trend	Indexed	100	99	96	88
Transpek- silox	Rs/ MT	***	***	***	***
Demosha	Rs/ MT	***	***	***	***
TCP	Rs/ MT	***	***	***	***
Net Sales Realisation Value (NSR x Sales)					
Trend	Indexed	100	126	118	111
Domestic Industry	Rs. Lacs	***	***	***	***
Transpek- silox	Rs. Lacs	***	***	***	***
Demosha	Rs. Lacs	***	***	***	***

Landed value					
Customs Duty	%	35.00	30.00	25.00	21.25
China	Rs./MT	51725	46618	41335	36019
Price Undercutting	Rs./MT	***	***	***	***
Price Undercutting Range	%	***	***	***	23-33%
NIP					***
Price underselling					***
Price underselling Range	%				28-38%

48. 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 base year.

49. 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.

50. 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.

51. 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.

52. 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:

53. 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 countries.

54. The trend of cost of production shows that cost of production remained same during POI as compared to the 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

55. 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) Productivity

	Unit	2001-02	2002-03	2003-04	Oct'03-Sep'04
Employment					
Domestic industry	Nos.	***	***	***	***
	Indexed	100	106	102	102
Transpek- silox	Nos.	***	***	***	***
Demosha	Nos.	***	***	***	***
TCP	Nos.	***	***	***	***
Productivity per Employee					
Domestic industry	MT	***	***	***	***
	Indexed	100	122	127	140
Transpek- silox	MT	***	***	***	***
Demosha	MT	***	***	***	***
TCP	MT	***	***	***	***

56. 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.

ii) Profits and actual and potential effects on the cash flow

	Unit	2001-02	2002-03	2003-04	Oct'03-Sep'04
Profits Cost of Sales					
Domestic Industry	Rs/ MT	***	***	***	***
Trend	Indexed	100	94	96	100
Transpek- silox	Rs/ MT	***	***	***	***
Demosha	Rs/ MT	***	***	***	***
TCP	Rs/ MT	***	***	***	***

Net Sales Realisation					
Domestic Industry	Rs/ MT	***	***	***	***
Trend	Indexed	100	99	96	88
Transpek- silox	Rs/ MT	***	***	***	***
Demosha	Rs/ MT	***	***	***	***
TCP	Rs/ MT	***	***	***	***
Profit/Loss Per MT					
Domestic Industry	Rs/ MT	***	***	***	***
Trend	Indexed	100	288	124	-299
Transpek- silox	Rs/ MT	***	***	***	***
Demosha	Rs/ MT	***	***	***	***
TCP	Rs/ MT	***	***	***	***
Profit/Loss on Domestic Sales (PBT X Domestic Sales)					
Domestic industry	Rs Lacs	***	***	***	***
Trends	Indexed	100	367	153	-379
Transpek- silox	Rs Lacs	***	***	***	***
Demosha	Rs Lacs	***	***	***	***
TCP	Rs Lacs	***	***	***	***

57. 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.

iii) Employment and wages

	Unit	2001-2002	2002-03	2003-04	Oct'03-Sep'04
Employment					
Domestic industry	Nos.	***	***	***	***
Trend	Indexed	100	106	102	102
Wages	Rs. Lacs	***	***	***	***
Trend	Indexed	100	126	85	136
Transpek- silox	Rs. Lacs	***	***	***	***
Demosha	Rs. Lacs	***	***	***	***
TCP	Rs. Lacs	***	***	***	***

58. 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%.

iv) Return on investment and ability to raise capital

	Unit	2001-2002	2002-03	2003-04	Oct'03-Sep'04
Net Fixed Assets					

Domestic industry	Rs. Lacs	***	***	***	***
	Indexed	100	90	93	92
Transpek Silox	Rs. Lacs	***	***	***	***
Demosha	Rs. Lacs	***	***	***	***
TCP	Rs. Lacs	***	***	***	***
Working Capital					
Domestic industry	Rs. Lacs	***	***	***	***
	Indexed	100	111	110	109
Transpek Silox	Rs. Lacs	***	***	***	***
Demosha	Rs. Lacs	***	***	***	***
TCP	Rs. Lacs	***	***	***	***
Capital Employed - NFA					
Domestic industry	Rs. Lacs	***	***	***	***
	Indexed	100	101	102	100
Transpek Silox	Rs. Lacs	***	***	***	***
Demosha	Rs. Lacs	***	***	***	***
TCP	Rs. Lacs	***	***	***	***
Profit/Loss (PBIT)					
Domestic industry	Rs. Lacs	***	***	***	***
	Indexed	100	179	87	-116
Transpek Silox	Rs. Lacs	***	***	***	***
Demosha	Rs. Lacs	***	***	***	***
TCP	Rs. Lacs	***	***	***	***
Return on Capital Employed					
Domestic industry	%	***	***	***	***
	Indexed	100	177	48	-134
Transpek Silox	%	***	***	***	***
Demosha	%	***	***	***	***
TCP	%	***	***	***	***

59. The capital employed remained at the same level during POI from the base year. It turned into losses of -116 during POI from the 100 of the base year. Return on the investment on NFA basis turned negative to -134 from the 100 of the base year.

v) Investment

60. 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.

vi) Magnitude of Dumping

61. 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.

vii) Factors affecting prices

62. 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.

viii) Inventories

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

63. The data indicates the increase of inventory by 98% during POI from 100 of the base year.

E.4 Conclusion on injury parameters

64. 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 100 of the base year, whereas share of domestic industry declined to 84 during the same period.

65. 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 during 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 -230 (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.

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

E.5 Other Known factors and Causal Link

67. 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.

68. 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

69. 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

70. 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

71. 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

72. 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

73. 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.

vi) Productivity of the Domestic Industry

74. 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.

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

76. 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

77. 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
Dongtai Fine Chemical Co. Ltd. and M/s Wuxi Greenapple Chemical Co. Ltd.	***
Others from China PR	***

G. Conclusions

78. 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.

H. Indian industry's interest & other issues

79. 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 country in any way, and, therefore, would not affect the availability of the products to the consumers.

I. Recommendations

80. 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 against the subject country, 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.

81. Therefore, Authority considers it necessary and recommends provisional anti-dumping duty on imports of subject goods from the subject country in the form and manner described hereunder.

82. 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 8 of the table below is recommended to be imposed from the date of notification to be issued in this regard 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.	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	469.17	MT	USD
2.	Do	Do	China PR	China PR	Wuxi City Dongtai Fine Chemical Co Ltd.	Any	469.17	MT	USD
3.	Do	Do	China PR	China PR	Any	Any	655.13	MT	USD
4.	Do	Do	China PR	Any country other than China PR	Any	Any	655.13	MT	USD
5.	Do	Do	Any country other than China PR	China PR	Any	Any	655.13	MT	USD

J. Further Procedures

83. 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 conduct further verification to the extent deemed necessary;
- d. The Authority would disclose essential facts before announcing final findings.

Christy L Fernandez
The Designated Authority