

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

NOTIFICATION

New Delhi, the 14<sup>th</sup> June 2007

Final Findings  
(Sunset Review)

**Subject: Anti-Dumping (Sunset Review) investigations concerning imports of Hexamine originating in or exported from Russia and Saudi Arabia.**

No.8/1/2001(SSR)-DGAD - Having regard to the Customs Tariff Act, 1975, (hereinafter referred to as Act.) as amended in 1995 and the Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995 (hereinafter referred to as Rules.);

**A. BACKGROUND**

2. WHEREAS, having regard to above Rules the Designated Authority (hereinafter also referred to as the Authority) notified final findings vide Notification No.8/1/2001-DGAD dated 15.2.2002 recommending imposition of anti-dumping duties on all imports of Hexamine originating in or exported from Russia and Saudi Arabia. In the original investigation the Preliminary findings were notified by the Designated Authority vide Notification No. 8/1/2001-DGAD dated 15.5.2001. Final findings of the Authority were notified by the Designated Authority vide Notification No. 8/1/2001-DGAD dated 15.2.2002 and the final duty was imposed on the subject goods vide Customs Notification No.31/2002-Cus. dated 27.3.2002.

3. The Designated Authority, in terms of section 9A (5) of said Act. received a substantiated application from M/s Simalin Chemicals Industries Pvt. Ltd., Vadodara and M/s Kanoria Chemicals & Industries Ltd., Ankleshwar requesting for review and continuation of the anti-dumping duties levied on the subject

goods, for another five years on the grounds that the dumping had continued in spite of imposition of anti-dumping duty on imports of subject goods from subject countries and the domestic industry continued to suffer injury on account of dumping by the subject countries. It was also claimed that the anti-dumping duty was not sufficient to provide due relief to the domestic industry and cessation of anti-dumping duty would result in intensified injury to the domestic industry. The Designated Authority issued a public notice No. 8/1/2001(SSR)-DGAD dated 15.6.2006, published in the Gazette of India, Extraordinary, initiating anti-dumping (Sunset Review) investigations, to examine whether the expiry of anti dumping duty would lead to continuation or recurrence of dumping, injury or both.

## **B. PROCEDURE**

4. In the proceedings the procedure described below has been followed:

- i) After initiation of the review the Authority sent questionnaires, along with the initiation notification, to the known exporters/producers in the subject country in accordance with the Rule 6(4), to elicit relevant information.
- ii) Notices were also sent to the domestic industry in India seeking relevant information in accordance with the Rules;
- iii) The Embassy of the subject countries in New Delhi were informed about the initiation of the investigation, in accordance with Rule 6(2), with a request to advise the exporters/producers in their country to respond to the questionnaire within the prescribed time.
- iv) Royal Embassy of Saudi Arabia, New Delhi forwarded a letter from M/s Saudi Formaldehyde Co. Ltd. stated that opportunity should have been given to them before extension of duty on subject goods. The Embassy was requested to advise the exporter to submit required information on the prescribed format. The Embassy vide their letter dated 22.2.2007 informed that the concerned exporter has been advised. No information from the exporter or the Embassy was submitted thereafter.
- v) Questionnaires were sent to the known importers and consumers of subject goods in India calling for necessary information in accordance with Rule 6(4),
- vi) No exporter/producer from subject countries and importer responded to the questionnaires.
- vii) The exporters, importers/users and domestic manufacturers who have not submitted any information in respect of this investigation have been

treated as non-cooperating exporters, importers/users and domestic manufacturers.

- viii) 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. The data provided by the domestic industry sourced from International Business Information Services (IBIS) was verified from IBIS.
- ix) Copies of the initiation notification were also sent to FICCI, CII and ASSOCHAM for wider circulation.
- x) M/s. Simalin Chemicals Industries Pvt. Ltd., Vadodara, and M/s Kanoria Chemicals & Industries Ltd., Ankleshwar the domestic producers of the subject goods submitted the information/data;
- xi) The Authority verified the information furnished by the domestic industry to the extent possible on the basis of Generally Accepted Accounting Principles (GAAP) to examine the injury suffered, to work out optimum cost of production , cost to make and sell the subject goods in India and so as to ascertain if Anti-Dumping duty lower than the dumping margin would be sufficient to remove injury to Domestic Industry;
- xii) The Authority held a public hearing on 20<sup>th</sup> December,2006 to hear the interested parties orally, which was attended by representatives of the domestic industry. The parties attending the public hearing were requested to file written submissions of views expressed orally. The written submissions received from interested parties have been considered by Designated Authority in this disclosure;
- xiii) The Authority made available the public file to all interested parties containing non-confidential version of all evidence submitted by various interested parties for inspection, upon request.
- xiv) The views expressed by various interested parties in response to the initiation notification and subsequent to the public hearing are discussed in the relevant paragraphs to the extent these are relevant as per rules and have a bearing upon the case. The arguments raised by the interested parties have been examined, considered and, wherever appropriate, dealt in relevant paragraphs.
- xv) In accordance with Rule 16 supra, the essential facts/basis considered for these findings were disclosed on to known interested parties and comments received have been duly considered in the findings.
- xvi) Investigations were carried out for the period of investigation (POI) from 1<sup>st</sup> April 2005 to 31<sup>st</sup> March 2006 (12 months). However injury analysis have been carried out for the years April 2002 – March 2003, April 2003 – March 2004, April 2005 – March 2006 and the period of investigation.

xvii) \*\*\*\* in this notification represents information furnished by an interested party on confidential basis and so considered by the Authority under the AD Rules.

## **C. PRODUCT UNDER CONSIDERATION AND LIKE ARTICLE**

5. The product involved in the original investigation was Hexa Methylene Tetramine also known as 'Hexamine'. This being a Sunset review, therefore, the investigation covers the product covered in the original investigation.

6. Hexamine is a white crystalline powder with a sweet metallic tests. In the pure form, it is colourless and odourless. Hexa Methylene Tetramine compound is also known as Ammoform, Methenamine, Cystamine, Cystogen, Urotropine. The most important use of Hexamine is for production of solid phenolic resins. It is also used as a Urinary Antiseptic, Adhesives, Coating, Dye fixture, fuel tablets for camping stoves.

7. It is an organic chemical falling under heading No. 29212901 in Chapter 29 of the First Schedule to the said Customs Tariff Act and ITC HS Classification. This classification however, is indicative only and in no way binding on the scope of the present investigation.

8. The domestic industry also produces Hexamine having similar characteristics and specifications. No argument has been extended, by any interested party, on the issue of product under consideration or like article and therefore, the Authority holds that the product being manufactured by the domestic industry and the product being manufactured and exported from the subject countries are like article as per Rule 2(d) of Anti-Dumping Rules.

## **D. DOMESTIC INDUSTRY**

9. In the original investigation the application for anti-dumping investigation was filed by M/s. Simalin Chemicals Industries Pvt.Ltd. Vadodara, and M/s Rockford petro chemical Industries Ltd., Indore on behalf of the domestic industry. In the present sunset review the information/data has been provided by M/s Simalin Chemicals Industries Pvt. Ltd. , Vadodara and M/s Kanoria Chemicals & Industries Ltd, Ankleshwar. The data and information submitted by M/s Simalin Chemical Industries Pvt. Ltd and M/s Kanoria Chemicals & Industries Ltd. have been considered for analyzing the injury to the domestic industry.

## **E. INITIATION OF THE REVIEW AND ARGUMENTS RAISED**

### **E.1 Views of Applicant Domestic Industry**

10. Domestic industry has submitted that despite anti-dumping duty on Hexamine, dumping continued from the subject country. 'Given the volume of imports and level of prices at which the goods have been exported to India in spite of existence of anti-dumping duty, it is likely that volume of import would further increase in case anti-dumping duties are withdrawn.' Regarding present state of performance, the domestic industry submitted that imposition of anti-dumping duty has helped the domestic industry to maintain and increase their production and utilize capacity at an optimal level and maintain its sales volume. Landing price of imports is significantly below the net sales realization of the domestic industry. Regarding profitability, the industry is facing significant per unit losses over the years. Imports are already undercutting the prices of domestic industry to a significant extent, should the present duty be revoked, the extent of price undercutting would further increase. Further, the performance of domestic industry was already adverse during the period under consideration and it is likely that revocation of anti-dumping measure would result in intensified injury to the domestic industry. It has also been submitted that as per understanding of the domestic industry the production capacity in Russia and Saudi Arabia for the product under consideration is higher than their domestic demand. Should the current measure be allowed to lapse, there is a threat that significant proportion of the unused production capability would be used to flood the Indian market.

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

11. The Authority takes note of arguments raised by the domestic industry regarding continued injury to the domestic industry. These arguments have been taken into account while analyzing the injury to the domestic industry, threat of recurrence of dumping and injury to the domestic industry.

## **F. METHODOLOGY FOR CALCULATION OF DUMPING MARGIN**

### **F.1 DUMPING DETERMINATION: NORMAL VALUE, EXPORT PRICE AND DUMPING MARGIN**

#### **F.2 Normal Value for Russia**

12. No exporter from Russia has cooperated and provided information relating to exports and domestic sales on exporter's questionnaire. The presumption of non-market economy as para 8(2) of Annexure-1 of Anti-dumping Rules also remain un rebutted. In absence of relevant information about the other options as per para 7 of Anti-dumping Rules, the Authority has constructed normal value by adopting method 'other reasonable basis' as per facts available as per Rule 6(8) of Anti-dumping Rules.

13. In view of the above, the Authority has constructed the normal value by considering the raw material and utilities for manufacture of Hexamine at the international prices, the consumption norms, conversion cost and other costs of the efficient Indian producer of the domestic industry. In addition profit @5% has been added to construct the normal value. Based on above information available, the normal value has been calculated as Rs.\*\*\*/MT or USD \*\*\*/MT. by considering the average exchange rate during POI of 1USD=Rs.44.41

### **F.3 Export Price for non-cooperating Russian exporters**

14. In absence of any information about export price from Russian exporters, the export price has been determined on the basis of transaction-wise details provided by IBIS. During POI the CIF price was Rs.\*\*\*/MT (US\$701.21/MT.) for Russia. After making adjustments on account of inland freight, ocean freight, marine insurance, Commission, port expenses and bank charges the ex-factory export price has been calculated as US\$ \*\*\*/MT for Russia (1 US\$ = Rs.44.41 during the POI).

### **F.4 Normal Value for Saudi Arabia**

15. No exporter from Saudi Arabia has provided any information about export and domestic sales. In absence of any information, the Authority has constructed the normal value on the basis of facts available as per Rule 6(8) of the Anti-dumping Rules.

16. In view of the above, the Authority has constructed the normal value by considering the raw material and utilities for manufacture of Hexamine at the international prices, the consumption norms, conversion cost and other costs of the efficient Indian producer of the domestic industry. In addition profit @5% has been added to construct the normal value. Based on above information available, the normal value has been calculated as Rs.\*\*\*/MT or USD \*\*\*/MT. by considering the average exchange rate during POI of 1USD=Rs.44.41

## **F.5 Export Price for non-cooperating exporters from Saudi Arabia**

17. In absence of any information about export price from exporters of Saudi Arabia, the export price has been determined on the basis of transaction-wise details provided by IBIS. During POI the CIF price was Rs.\*\*\*/MT (US\$ \*\*\*/MT) for Saudi Arabia. After making adjustments on account of inland freight, ocean freight, marine insurance, Commission, port expenses and bank charges the ex-factory export price has been calculated as US\$ \*\*\*/MT for Saudi Arabia (1 US\$ = Rs.44.41 during the POI).

## **F.6 DUMPING MARGIN**

18. Based on the normal value and export price as determined above, the Authority determined the dumping margin as under:

### **Dumping Margin**

<b>Exporter/Producer</b>	<b>Normal Value USD/MT</b>	<b>Export Price USD/MT</b>	<b>Dumping Margin USD/MT</b>	<b>Dumping Margin %</b>
All exporters from Russia	***	***	***	38.09%
All exporters from Saudi Arabia	***	***	***	34.57%

The above calculated dumping margins are more than de minimis.

## **G. METHODOLOGY FOR INJURY DETERMINATION AND EXAMINATION OF CAUSAL LINK**

### **INJURY DETERMINATION**

#### **G.1 CONTINUATION OF INJURY**

##### **Views of Domestic industry are summarized below**

19. Imposition of anti-dumping duty has helped the domestic industry to maintain, and increase its production, sales and utilize capacity at higher levels. The domestic industry would have been able to improve itself further had the dumped import not been available in the market place. Increase in production resulted in increase in productivity. The landed price of imports without anti-dumping duty was below the net realization of the domestic industry. The

domestic industry was not able to recover fair price from market even after imposition of duty as dumped imports from Russia and Saudi Arabia was available in market at significantly lower prices because of misuse/abuse of duty exemption scheme.

20. Domestic industry submitted that it did not have any benefit from imposition of Anti Dumping Duty against of imports of Hexamine from Russia as Customs Authorities continue to collect only US\$ 3.77 per MT from the Russian Exporters as the anti dumping duty in spite of CSTAT order for enhancing the duty to 204.08 US\$ . This has only resulted in continued injury of the domestic industry and removal of existing Anti Dumping Duty at this stage would force the domestic industry to suspend their production. The cash profit of domestic industry have deteriorated significantly during injury period similarly, return on investment shows considerably adverse situation.

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

21. The Authority has taken note of various arguments raised in regard to injury to the domestic industry. The Authority also notes that anti-dumping duty is in force against Russia and Saudi Arabia. In its final determination in respect of Russia and Saudi Arabia the Authority had determined that imports from subject country was at dumped prices. Therefore, for the purpose of injury and causal link analysis, the imports from subject country has been treated as dumped imports.

22. 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.

23. 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.

**(A) VOLUME EFFECT: Volume effect of dumped imports and impact on domestic industry:**

24. The effects of volume of dumped imports from subject country has been examined as follows:

**i) Import Volume and share of the subject country:**

Particulars	Units	2002-03	2003-04	2004-05	2005-06
Imports as per IBIS					
Russia	MT	20			660
Saudi Arabia	MT	-	60	440	558
Subject country	MT	20	60	440	1,218
Trend( Indexed taking 2002-03 as 100)	Indexed	100	300	2,200	6,092
Country already attracting duty( Iran)	MT	-	80	260	200
Other Country	MT	-	118	103	167
Total Imports	MT	20	258	803	1,586
Trend( Indexed taking 2002-03 as 100)	Indexed	100	1,290	4,015	7,928
Market share in Imports					
Russia	%	100	-	-	42
Saudi Arabia	%	-	23	55	35
Subject country	%	100	23	55	77
Country already attracting duty( Iran)	%	-	31	32	13
Other Country	%	-	46	13	11
Total	%	100	100	100	100
Demand	MT	8,365	10,108	11,356	12,224
Trend	Index	100	121	136	146
Production	MT	6,578	7,796	7,822	8,056
Trend	Index	100	119	119	122
Domestic Sales	MT	6,592	7,535	7,997	7,739
Trend	Index	100	114	121	117

25. The Authority has examined the transaction-wise details of imports provided by DGCIS and compared the same with the data provided by International Business Information Services (IBIS). On comparison it was found that all transaction of imports have not been captured in the data provided by DGCIS. The quantity of imports reported by DGCI&S is 1016 MT during POI. The transaction-wise details of imports provided by International Business Information Services (IBIS) shows that imports have been higher than what has been reported by the DGCI&S. Therefore, the data provided by the IBIS has

been relied upon for analysis. Information provided by IBIS shows that imports from the subject countries were 1218 MT and increased considerably during period of investigation as compared to 2004-05 (440 MT), and base year (20 MT). During the same period, total imports from all countries increased from 20MT to 1586 MT. Share of the subject countries in total imports during POI was 77%, and Iran (country already attracting antidumping duty) was 13% as compared to the other countries whose share was approximately 11%.

## ii) Demand, Output and Market shares

### a) Production & capacity utilization of the Domestic Industry

Particulars	Units	2002-03	2003-04	2004-05	2005-06
Capacity	MT	7000	8000	8000	8000
Trend( Indexed taking 2002-03 as 100)	Indexed	100	114	114	114
Production	MT	6,578	7,796	7,822	8,056
Trend( Indexed taking 2002-03 as 100)	Indexed	100	119	119	122
Capacity Utilisation	%	94	97	98	101
Trend( Indexed taking 2002-03 as 100)	Indexed	100	104	104	107

26. It has been noted that capacity of domestic industry has increased by 14% during POI as compared to the base year.. The production shows the rising trend, as compared to base year it had increased by 22% during POI. It has also been noted that the domestic industry has improved capacity utilization from base year to POI. During POI the domestic industry fully utilized its capacity.

### b) Sales of Domestic Industry

Particulars	Units	2002-03	2003-04	2004-05	2005-06
Sales Domestic					
Simalin	MT	3,084	3,345	3,717	3,467
Kanoria	MT	3,508	4,190	4,280	4,273
Total	MT	6,592	7,535	7,997	7,739
Trend( Indexed taking 2002-03 as 100)	Indexed	100	114	121	117
Sales Export	MT				
Simalin	MT				
Kanoria	MT	20	40	116	-
Total	MT	20	40	116	-
Trend( Indexed taking 2002-03 as 100)	Indexed	100	200	580	-

27. The data shows that domestic sales of the domestic industry had been rising during injury period, As compared to base year it grew by 17% during POI. Kanoria chemical had some export from 2002-03 to 2004-05, however, during the POI no exports has been effected.

### c) Demand and Market Share

Particulars	units	2002-03	2003-04	2004-05	2005-06
Demand					
Sale of Domestic Industry	MT	6,592	7,535	7,997	7,739
Sale of Other Producers	MT	1,753	2,315	2,556	2,899
Import from Subject Countries	MT	20	60	440	1,218
Import from Country already attracting duty	MT	-	80	260	200
Import from other countries	MT	-	118	103	167
Demand	MT	8,365	10,108	11,356	12,224
Trend( Indexed taking 2002-03 as 100)	Indexed	100	121	136	146
Market share in Demand					
Domestic Industry	%	79	75	70	63
Other Producers	%	21	23	23	24
Subject Countries	%	0	1	4	10
Country already attracting duty	%	-	1	2	2
Other country	%	-	1	1	1
Total	%	100	100	100	100

28. The demand of subject goods has been calculated by addition of domestic sales of domestic industry, other producers and imports from all the countries. The data shows that growth in demand shows positive trend, it increased by 46% during POI as compared to the base year. Data also shows that the share of the domestic industry in demand was 63% during POI as compared to 79% in the base year. The share of other producers grew from 21% in base year to 24% during POI. The share of subject countries increased to 10% during POI as compared to 2004-05 and 2003-04 when it was 4% and 1% respectively. It has been noted that the share of domestic industry declined to 63% during POI, however, the domestic industry had utilized its full capacity during the POI.

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

#### Price Undercutting

Particulars	units	2002-03	2003-04	2004-05	2005-06
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Landed price of Imports					
Russia	RS./MT	27,190	-	-	35,857
Saudi Arabia	RS./MT	-	36,562	39,730	38,363
Subject Country	RS./MT	27,190	36,562	39,730	37,006
Net sales Realisation- Domestic Industry	RS./MT	***	***	***	***
Price Undercutting					
Russia	RS./MT	***			***
Saudi Arabia	RS./MT		***	***	***
Subject Countries	RS./MT	***	***	***	***
Subject countries - Range					5-15%

29. The impact on the prices of the domestic industry on account of dumped imports from the subject countries have 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 Realisation (NSR) and the Non-Injurious Price (NIP) of the domestic industry have been compared with landed cost of imports from the subject countries.

30. In determining the net sales realization of the domestic industry, the discounts offered by the domestic industry and the Central Excise Duty have been adjusted.

31. The landed value of imports from the subject countries was lower than the net sales realization of the domestic industry for the subject goods during the POI thereby, undercutting the selling price of the domestic industry. The undercutting margin was in the range of 5-15% during the POI.

### Price Underselling

Price Underselling	Rs./MT
Non Injurious Price	***
Landed Value (Russia)	***
Landed Value (S. Arabia)	***
Landed Value (Subject countries)	***
Price Underselling (Russia)	***
Price Underselling (S. Arabia)	***
Price Underselling (Subject countries)	***
Price Underselling (%)	***
Price Underselling range	15-25%

32. 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.

33. The trend of cost of production shows that cost of production increased by 10% in 2003-04, 14% in 2004-05 and 12% during POI as compared to base year. The selling price increased by 16% in 2003-04, 13% in 2004-05 and POI as compared to base year. The imports from subject countries increased to 440 MT in 2004-05 as compared to 60 MT in 2003-04 and 20 MT in 2002-03. The selling price increased by 16% in 2003-04 as compared to increase of cost of production by 10% during the same period. The suppressing effect of imports on the selling price becomes apparent in 2004-05 when cost of production increased as compared to 2003-04 whereas the selling price declined in 2004-05 as compared to 2003-04.

34. The price underselling is an important indicator of assessment of injury; thus, the Authority has worked out a non injurious price and compared the same with the landed value to arrive at the extent of price underselling. The non-injurious price has been evaluated for the domestic producer by appropriately considering the cost of production for the product under consideration during the POI. The analysis shows that the weighted average landed value of the subject goods from subject countries is less than the non injurious price determined for the domestic industry during the period of investigation. The underselling margin was in the range of 15-25% during the POI.

### G.3 Examination of other Injury Parameters

35. After having examined the effect of dumped imports on the volumes and prices of the domestic industry and major injury indicators like volume, 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) Profits and Actual and Potential Effects on Cash Flow

Particulars	Units	2002-03	2003-04	2004-05	2005-06
Cost of Production- Domestic Industry	RS./MT	***	***	***	***
Trend( Indexed taking 2002-03 as 100)	Indexed	100	110	114	112
Selling Price- Domestic Industry	RS./MT	***	***	***	***

Trend( Indexed taking 2002-03 as 100)	Indexed	100	116	113	113
Profit/(Loss)- Domestic Industry	RS./MT	***	***	***	***
Trend( Indexed taking 2002-03 as 100)	Indexed	(100)	289	(195)	(55)
Profit/(Loss)- Domestic Industry	RS. Lacs	***	***	***	***
Trend( Indexed taking 2002-03 as 100)	Indexed	(100)	330	(236)	(65)
Cash Profit- Domestic Industry	RS. Lacs	***	***	***	***
Trend( Indexed taking 2002-03 as 100)	Indexed	(100)	4,004	(1,186)	275

36. The data shows that cost of sales increased by 10% in 2003-04, 14% in 2004-05 and 12% during POI as compared to base year. The net selling price increased by 16% in 2003-04, 13% in 2004-05 and POI as compared to base year. The loss per MT in 2002-03 turned in to profit in 2003-04, however, it again became loss in 2004-05 and 2005-06. Similarly, the losses on domestic sales in 2002-03 turned to profits in 2003-04 and again became loss in 2004-05 and 2005-06. The same trend is exhibited in the cash profits. The Authority notes that the loss per unit in 2004-05 and 2005-06 are relatable to impact of the increased in imports of subject goods in 2004-05 and 2005-06.

## ii) Employment and Wages

Particulars	Units	2002-03	2003-04	2004-05	2005-06
Employment					
Simalin	Nos	***	***	***	***
Kanoria	Nos	***	***	***	***
Total	Nos	***	***	***	***
Trend( Indexed taking 2002-03 as 100)	Indexed	100	97	100	103
Wages					
Simalin	RS. Lacs	***	***	***	***
Kanoria	RS. Lacs	***	***	***	***
Total	RS. Lacs	***	***	***	***
Trend(Indexed taking 2002-03 as 100)	Indexed	100	103	104	107
Wages per MT of production					
Simalin	RS	***	***	***	***
Kanoria	RS	***	***	***	***
Domestic Industry	RS	***	***	***	***
Trend( Indexed taking 2002-03 as 100)	Indexed	100	87	87	88

37. The data shows that number of employees of the domestic industry had increased by 3% during POI as compared to base year. The wages during the same period had increased by 7%.

### iii) Productivity

Particulars	Units	2002-03	2003-04	2004-05	2005-06
Employment					
Simalin	Nos	***	***	***	***
Kanoria	Nos	***	***	***	***
Total	Nos	***	***	***	***
Trend( Indexed taking 2002-03 as 100)	Indexed	100	97	100	103
Production					
Simalin	MT	***	***	***	***
Kanoria	MT	***	***	***	***
Total	MT	***	***	***	***
Trend( Indexed taking 2002-03 as 100)	Indexed	100	119	119	122
Productivity per Employee					
Simalin	MT	***	***	***	***
Kanoria	MT	***	***	***	***
Domestic Industry	MT	***	***	***	***
Trend( Indexed taking 2002-03 as 100)	Indexed	100	122	119	119

38. The data shows that the productivity i.e. production per employee of the domestic industry increased by 19% during POI as compared to base year.

### iv) Inventories

Particulars	Units	2002-03	2003-04	2004-05	2005-06
Average Inventory					
Simalin	MT	***	***	***	***
Kanoria	MT	***	***	***	***
Domestic Industry	MT	***	***	***	***
Trend( Indexed taking 2002-03 as 100)	Indexed	100	152	133	140
Average Inventory equivalent to the No. of sale days	Days	10	13	10	11

39. The average inventory in absolute term shows rising trend. As compared to base year it had increased by 40% during POI. The average inventory

measured in terms of sale days shows that it was equivalent to 10 days in 2003 and increased to 11 days in 2004-05.

**v) Return on Capital Employed and Ability to Raise Capital**

Particulars	Units	2002-03	2003-04	2004-05	2005-06
Capital Employed - Net Fixed Assets basis					
Simalin	RS. Lacs	***	***	***	***
Kanoria	RS. Lacs	***	***	***	***
Domestic Industry	RS. Lacs	***	***	***	***
Trend( Indexed taking 2002-03 as 100)	Indexed	100	142	130	122
Profit before interest and Tax					
Simalin	RS. Lacs	***	***	***	***
Kanoria	RS. Lacs	***	***	***	***
Domestic Industry	RS. Lacs	***	***	***	***
Trend( Indexed taking 2002-03 as 100)	Indexed	100	1,650	(451)	151
Return on Capital Employed					
Simalin	%	***	***	***	***
Kanoria	%	***	***	***	***
Domestic Industry	%	***	***	***	***
Trend( Indexed taking 2002-03 as 100)	Indexed	100	1,159	(346)	124

40. The data shows that the capital employed (Net Fixed Asset basis) of the domestic industry increased by 22% during POI as compared to base year. The return on capital employed of the domestic industry turned negative in 2003-04. However, it was positive during POI.

**vi) Factors affecting prices**

41. The cost of sale increased by 10% in 2003-04, 14% in 2004-05 and 12% during POI as compared to base year. The export price from Russia declined in 2002-03, however, it was higher during POI as compared to 2001-02. The export price from Saudi Arabia shows rising trend and increased in 2004-05 and 2005-06 as compared to 2003-04. The customs duty declined from 30% in 2002-03 to 15% during POI. The combined effect of export price and reduced customs duty consequently impacted the landed value of subject goods. Landed value from Russia was higher during POI as compared to 2002-03. The landed value from S. Arabia increased in 2004-05 as compared to 2003-04, however, it declined during POI. The price undercutting from Russia was positive in 2002-03 and 2005-06. There was no imports from Russia during

2003-04 and 2004-05. The price undercutting from S. Arabia remained positive during 2003-04, 2004-05 and POI. The imports from subject countries increased considerably during 2004-05 and 2005-06, and impacted the net selling price of the domestic industry.

#### **vii) Magnitude of Dumping**

42. The dumping margin for the subject countries have been found out to be 42.66% and 39.02% for Russia and Saudi Arabia respectively.

#### **viii) Growth**

43. The evaluation of data shows there was positive growth in demand, production, sales and productivity of the subject goods. However, it shows negative growth in inventories, cost of production, profit and return on capital employed.

### **G.4 Conclusion on Injury Parameters**

44. The demand of subject goods grew by 46% during POI as compared to base year. The domestic industry increased its capacity and production by 14% and 22% respectively during the same period. During the POI, the domestic industry utilized its full capacity. The sales of domestic industry increased by 17% during POI as compared to base year, however, the sale was higher during 2004-05 as compared to POI. The average inventory (equivalent to No. of sale days) was higher during POI as compared to 2004-05 and base year. The share in demand of domestic industry declined to 63% during POI as compared to 79% in the base year. The share of other producers, however, increased to 24% during POI as compared to base year. The domestic industry utilized its full capacity during the POI. However, sale during POI was less than that of 2004-05 and average inventory risen during POI indicating constraints in sales.

45. The cost of sale increased by 10% in 2003-04, 14% in 2004-05 and 12% during POI as compared to base year. The net selling price increased by 16% in 2003-04 and 13% in 2004-05 and POI as compared to base year. In 2004-05, though there was increase in cost of sale, the net selling price declined. The profitability which was positive in 2003-04 turned negative in 2004-05 and POI. Similarly, profits which was positive in 2003-04 turned into losses in 2004-05 and POI. The return on capital employed turned negative in 2004-05, however, it was slightly positive during the POI. The above mentioned economic factors indicate that though there was improvement in utilization of

the capacity, production and sales, the domestic industry after improving in 2003-04 started suffering losses in 2004-05 and 2005-06 because of decline in selling price and increase in the cost of production as compared to previous years. The above mentioned parameters indicate that performance of the domestic industry after showing improvement deteriorated from 2004-05 onwards indicating that domestic industry continued to suffer material injury despite the imposition of anti-dumping duty.

## **G.5 OTHERS KNOWN FACTORS**

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

46. During the POI the imports have taken place mainly from Russia and Saudi Arabia. Out of total imports of 1586 MT during POI, 77% of imports have taken place from Subject country. There was imports of 200 MT from Iran (Country already attracting duty) and 167 MT from other countries.

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

47. The total demand of the subject goods shows significant growth. It increased by 46% during POI as compared to the base year, therefore, this factor is not possible reason which could have caused injury to the domestic industry.

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

48. The subject goods are freely importable and there are no trade restrictive practices in the domestic market. Therefore, this factor could not have been reason to cause injury to the domestic industry

### **iv) Development of technology and export performance**

49. Technology or technology related issues have not been raised by any interested party as cause of injury to the domestic industry. It is noted that the domestic industry was exporting some quantity during the base year 2002-03 to 2004-05 however, during the POI there was no exports. As exports constitute very small portion of the domestic sales, therefore, this factor is not causing injury to the domestic industry.

## **v) Productivity of the Domestic Industry**

50. Productivity of the domestic industry has shown improvement. It has improved by 19% during POI as compared to the base year.

### **G.6 CAUSAL LINK**

51. The submissions made by interested parties in respect of the issue of causal link have been examined. A detailed examination was made with regards to the issues pertaining to the material injury to the domestic industry and causal link between the material injury to the domestic industry and dumped imports. Paragraph (v) of Annexure II of the Anti-dumping Rules reads as under:

*" It must be demonstrated that the dumped imports are, through the effects of dumping, as set forth in paragraphs (ii) and (iv) above, causing injury to the domestic industry. The demonstration of a causal relationship between the dumped imports and the injury to the domestic industry shall be based on an examination of relevant evidence before the designated authority. The designated authority shall also examine any known factors other than the dumped imports which at the same time are injuring the domestic industry, and the injury caused by these other factors must not be attributed to the dumped imports. Factors which may be relevant in this respect include, inter alia, the volume and prices of imports not sold at dumping prices, contraction in demand or changes in the patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and the productivity of the domestic industry."*

52. As discussed above, the injury to the domestic industry is not caused by these other known factors. Though the anti-dumping duty was in force even then the imports from subject countries continued to be available in dumped prices which was undercutting prices of domestic industry and was being sold at prices below the non-injurious prices of the domestic industry. The imports from subject countries were negligible in 2002-03 (20 MT) and 2003-04 (60 MT), the performance of the domestic industry improved during the same period. In 2004-05 and 2005-06 with the increased imports from subject countries started impacting the net selling price of the domestic industry. Consequently, the domestic industry suffered in profitability, cash profits and return on investment. The above analysis indicate that there is causal link between dumped imports and material injury to the domestic industry.

## H. LIKELIHOOD OF RECURRENCE OF DUMPING AND INJURY

### H.1 Recurrence of Dumping

53. The domestic industry has made following submissions regarding recurrence of dumping:

#### 1. Level of current and past dumping margin

54. Given the dumping margin determined by the Authority in the previous investigation and the dumping margin now assessed by the domestic industry, it is evident that the dumping is likely to continue with revocation of anti dumping duties. In fact, dumping would only intensify, given that the exporters are largely engaged in exports of the product, given the following trend in import volumes.

Year	Imports from Subject Countries in MT
1999-00	88
2000-01	723
2001-02	344
2002-03	20
2003-04	60
2004-05	440
2005-06(POI)	1,238

55. It is evident from the above that (a) volume of imports in the current POI were already at such level so as to be labeled significant and causing material injury, thus requiring no further investigation that the imports are likely to increase further, (b) the volume of imports is likely to increase further in the event of revocation of anti dumping duties, given that imports from Saudi would increase further in the event of revocation of anti dumping duties, given the significant increase in price undercutting in the event of revocation of anti dumping duties.

#### 2. Price attractiveness of Indian market

56. The prices at which material is being exported by Russia and Saudi Arabia to India are also an indicator of the continuation of dumping. At the landed price (without anti dumping duty) there is significant undercutting, as would be seen from the table below:-

	CIF export price		Landed price		Selling price	Price undercutting			
	S. Arabia	Russia	S. Arabia	Russia		D. I.	With duty		Without duty
						S. Arabia	Russia	S. Arabia	Russia
1999-00	25.70	-	34.78	-	28.71	N.A.	N.A.	(4.54)	N.A.
Apr.- Sept., 2000	18.30								
		14.00	25.42	19.45	33.76	N.A.	N.A.	16.53	12.27
2000-01	25.79	22.02	35.82	30.58	37.67	N.A.	N.A.	1.86	7.09
2001-02	-	22.51	-	30.47	31.72	N.A.	(12.12)	N.A.	1.25
2002-03		21.08		27.46	36.14	N.A.	8.49	N.A.	8.67
2003-04	28.34	-	36.93	-	41.95	4.85	N.A.	5.03	N.A.
2004-05	33.38	-	40.13	-	40.82	0.53	N.A.	0.7	N.A.
2005-06	33.65	31.45	38.75	36.22	40.94	2.02	4.55	2.19	4.72

Thus, with the revocation of anti dumping duties, the Indian prices would be too attractive to the Foreign Producers and Indian Consumers to transact significant volumes.

### 3. Export orientation of foreign producers

57. Exporters in Russia and Saudi Arabia have built capacities far in excess of their domestic demand. Kind attention of the Designated Authority is invited to Appendix-7 of questionnaire response filed by M/s. Saudi Formaldehyde Chemical Company Ltd. (SFCCL) (in the original investigation) wherein they have shown their Installed Capacity as 5600 MT per annum and admitted that there is no market for domestic sales.

58. With regard to Russia, there is very limited published information available as the Russian producers have not been making available such information public. Nevertheless, the petitioner has been able to trace at least one producer and its capacity information. Desired information is enclosed with these submissions. It would be seen that the company is having significant 15,000 MT capacity.

59. It is thus evident that the exporters are largely engaged in exports of the product concerned and dumping would intensify with revocation of anti dumping duties.

60. In view of the above, domestic industry submits that there is no reason to believe that the exporters/producers from Saudi Arabia and Russia would not continue exporting material to the Indian market in significant volumes at dumped prices. This would lead to continued dumping of the product in the market.

## **H.2 Examination by the Authority on Recurrence of Dumping**

61. The Authority has found that imports from the subject countries were coming at the dumped prices during the period of investigation and there is no material on the record to show that the dumping would not continue. The existence of dumping margin during the original investigation and in the present review indicate that there is a possibility of continuance of the dumping from the subject countries.

## **H.3 Recurrence of Injury**

62. Regarding recurrence of injury the domestic industry has made following submissions:

### **a) Vulnerability of the Domestic Industry**

63. Producers/exporters from Russia and Saudi Arabia have continued to export at dumping prices. Present investigation is a review investigation and the Designated Authority is required to examine whether revocation of duty is likely to lead to continuation or recurrence of dumping. In this case, as there are continued dumped imports, Designated Authority is required to examine whether revocation of duty is likely to lead to continued dumping of the product. Exporters and producers from the subject countries are exporting subject products to India for the past several years. The exports are not only being made to India but also are being made to other countries. The quantity being exported by these countries to world countries is significant. In fact, Saudi export is exporting entire volumes with zero domestic sales. Apparently, producers in Russia and Saudi Arabia are having significant surplus/excess capacity of the product under consideration.

64. Continued exports even after imposition of duty clearly show that the export volumes would at best increase after revocation of duty. There is no reason to believe that exports would decline or the export price would increase after revocation of duty. Following parameters shows that dumping is likely to continue in the event of revocation of anti dumping duties.

## **b) Significant price undercutting by imports with current measures**

65. Imports from subject country would be undercutting prices of domestic industry in the Indian market in case duty is revoked. There is a great likelihood of further injury to the domestic industry from dumped imports as the level of price difference between imported product and domestic industry's product is too significant even when domestic industry is charging unremunerative prices.

## **c) Level of dumping margin**

66. It has been submitted that the dumping margin is significant as per the calculation made by the domestic industry.

## **H.4 Examination by the Authority on Recurrence of Injury**

67. The Authority has already found the existence of material injury to the domestic industry and in view of the merits in the arguments of the domestic industry about vulnerability of the domestic industry, significant price undercutting and level of dumping margin, the Authority is of the view there is a possibility of continuance of injury because of dumping of the subject goods in case the anti-dumping duty is withdrawn on the subject goods.

## **I. FINAL FINDINGS**

68. The Authority after considering the foregoing concludes that:

- a. Subject goods originating in or exported from subject countries have been exported to India below their normal value, resulting in dumping;
- b. The domestic industry has suffered material injury due to dumped imports;
- c. And discontinuation of anti-dumping duties on the subject goods from subject countries may result in continuance of dumping and continuance or intensification of injury to the domestic industry.

## **J. Indian industry's interest & other issues**

69. The Authority recognizes that the imposition of anti dumping duties might affect the price levels of the product in India. 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. The Authority notes that the imposition of anti dumping measures would not restrict imports from subject countries in any way, and therefore, would not affect the availability of the product to the consumers. The consumers could still maintain two or even more sources of supply

70. The purpose of anti-dumping duties, in general, is to eliminate injury caused to the Domestic Industry by the unfair trade practices of dumping so as to re-establish a situation of open and fair competition in the Indian market, which is in the general interest of the country. Imposition of anti-dumping measures would not restrict imports from the subject countries in any way, and, therefore, would not affect the availability of the products to the consumers.

#### **K. Recommendations**

71. In view of positive determination of likelihood of dumping and injury on account of imports from subject countries the Authority is of the opinion that continuation of the measure is required against imports from subject countries. However, considering the current level of dumping from subject countries and injury suffered by the domestic industry, the Authority is of the opinion that the measure in force needs to be revised. Therefore, Authority considers it necessary and recommends anti-dumping duty on imports of subject goods from subject countries in the form and manner described hereunder.

72. Having regard to the lesser duty rule followed by the authority, the Authority recommends imposition of definitive anti-dumping duty equal to the margin of dumping or margin of injury whichever is lesser, so as to remove the injury to the domestic industry. The Authority recommends continuation of definitive antidumping duty, on all imports of subject goods originating in or exported from Russia and Saudi Arabia, as indicated in Col 8 of the table below.

Sl.No.	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.	29212901	Hexamine	Russia	Russia	Any	Any	201.70	MT	US\$
2.	29212901	Hexamine	Russia	Any other than Russia	Any	Any	201.70	MT	US\$
3.	29212901	Hexamine	Any other than subject country	Russia	Any	Any	201.70	MT	US\$
4.	29212901	Hexamine	Saudi Arabia	Saudi Arabia	Any	Any	145.29	MT	US\$

5.	29212901	Hexamine	Saudi Arabia	Any other than Saudi Arabia	Any	Any	145.29	MT	US\$
6.	29212901	Hexamine	Any other than subject country	Saudi Arabia	Any	Any	145.29	MT	US\$

73. 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.

74. An appeal against this order shall lie before the Customs, Excise and Service tax Appellate Tribunal in accordance with the relevant provisions of the Act.

(R. Gopalan)  
Designated Authority