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

NOTIFICATION

New Delhi, 25th July 2005

Final Findings

Subject: Anti-dumping investigation concerning imports of Polytetrafluoroethylene (PTFE) originating in or exported from the China PR - Final Findings.

No. 14/25/2003-DGAD - Having regard to the Customs Tariff Act, 1975 as amended in 1995 and the Customs Tariff (Identification, Assessment and Collection of Anti Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, thereof;

A. PROCEDURE:

1. The procedure described below has been followed:-

i. On 27th July 2004, the Designated Authority (hereinafter referred to as Authority), under the above Rules, issued a public notice (initiation notification) publicised in the Gazette of India , initiating an anti dumping investigation with regard to imports of PTFE originating in or exported from China PR (Also referred to as subject country). The Anti dumping proceeding was initiated following a complaint received from M/s Hindustan fluorocarbons Ltd, Hyderabad (the applicant) on behalf of the domestic industry representing the entire domestic production of said product. The complaint contained evidence of dumping of the said product and of material injury resulting there from, which was considered sufficient to justify the initiation of the proceedings.

ii. Before initiation, the Authority notified the Embassy of subject country in India about the receipt of fully documented petition made by the petitioner before proceeding to initiate the investigation in accordance with sub-rule (5) of Rule 5 supra;

iii. According to sub rule (2) of the rule 6 supra, the Authority forwarded copy of the said public notice to the known exporting producers, importers, industry associations, embassy of the country concerned and to the complainant and gave them an opportunity to make their views known in writing.

iv. According to sub-rule (3) of Rule 6 supra, the Authority provided a copy of the application to all the known exporters and Embassy of subject country in India. According to sub-rule (4) of Rule 6 supra, the Authority provided a copy of the relevant questionnaire to all the known exporters and Embassy of subject country in India and other interested parties. The Embassy of subject country in New Delhi were also informed about the initiation of investigation and requested to advise the exporters/producers from their country to respond to the questionnaire within the prescribed time

v. The Authority sent questionnaires, to elicit relevant information, to the following known exporters from subject country.

1. M/s. Shandong Dongyue Chemical Co Ltd, China PR.
2. M/s. Zhengxin Flurocarnons, Jiangu, China PR
3. M/s. Changzhou Xiangtong Chemical Co Ltd, China PR.

vi. The following producers/exporters from China PR have responded to the exporter's questionnaire and notice of initiation.

1. M/s. Shandong Dongyue Polymer Material Company Ltd
2. M/s. Taizhou Meilan Resin Process Co. Ltd.
3. M/s. Taizhou Meilan Fluorine Material Company. Ltd.

vii. The following importers have responded to the notice of initiation.

1. M/s. Plastic Products Engineering Co, Ahmedabad
2. M/s. Aflon Engineering Corporation, a unit of Afloan Engineering Pvt. Ltd, Ahmedabad
3. M/s. Dip-Flon Engineering & Co.
4. M/s. Poly Fluoro Products
5. M/s. Fluoro Plast
6. M/s. Kapendra Fluoro Polymers Pvt. Ltd.
7. M/s. Amruta Industries
8. M/s. Duflon Polymers Pvt. Ltd.
9. M/s Automat Industries, Ahmedabad
10. M/s Garg Associates Private Ltd, Ghaziabad.
11. M/s Sanghvi products, Ahmedabad.

However, none of the importers has responded to the importers questionnaire. Their submissions, however, have been taken into account to the extent considered relevant to the investigation.

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

viii. In this notification **** represents information furnished by the interested parties on confidential basis and so considered by the Authority under the Rules;

ix. The investigation of dumping and injury covered the period from 1st January 2003 to 31st December 2003 (Also called the period of investigation or POI). The examination of trends in the context of injury analysis covered the period from 1st April 2000 to the end of period of investigation.

x. The Authority provided an opportunity to all interested parties to present their views orally on 17th January 2005. All parties presenting views orally were requested to file written submissions, of the views expressed orally. The parties were advised to collect copies of the views expressed by the opposing parties and offer rebuttals, if any. A disclosure containing essential facts of the case was issued on 7th July 2005 and interested parties were requested to comment upon it within the specified time. The Final findings include examination by the Authority of the submissions made by the interested parties within the specified time frame following issuance of disclosure statement subject to being relevant to this investigation.

xi. The Authority sought and verified all the information it deemed necessary for the purpose of final determination of dumping and resulting injury. The Authority conducted on the spot investigation of the domestic industry as well as the cooperating exporters to the extent considered necessary. The cost of the production of the domestic industry was also analysed to work out the best cost of the production and the cost to make and sell the subject goods in India on the basis of Generally Accepted Accounting Principles based on the information furnished by the petitioner so as to ascertain if anti Dumping duty lower than dumping margin would be sufficient to remove injury to the domestic Industry.

B. Product under Consideration.

2. The product under consideration in the present case is "Polytetrafluoroethylene (PTFE) originating in or exported from China PR" (also referred to as subject goods hereinafter). The subject goods are classified under subheading no 390461 under Customs tariff Act and at subheading no. 39046100 in the Indian Trade Classification (ITC) based on Harmonized System. Customs classifications are indicative only and,

in no way, binding on the scope of the investigations. PTFE is produced in various grades like moulding grade, fine powder, aqueous dispersions compound grades and filled grades. All grades are within the scope of the product under consideration. PTFE is primarily used in electrical, electronic, mechanical and chemical industries for their unique characteristics which are chemical inertness, electrical and thermal insulation, low coefficient of friction, non-toxic, non-flammable, resistance to radiation, low level of static and dynamic friction and outstanding electrical properties over a wide frequency range.

C. Like Article.

3. The petitioner has claimed that goods produced by it are like articles to the goods originating in or exported from subject countries. There is no significant difference in the subject goods produced by the petitioner and those exported from subject countries. Petitioner claims that the two are technically and commercially substitutable.

4. Rule 2(d) relating to the definition of like article specifies that like article means as article that is" identical" or alike in all respects to the articles under investigation or in the absence of such an article, another articles having characteristics closely resembling those of the article under investigation. The product considered in this investigation is Polytetrafluroethylene (PTFE)). The basic raw material for manufacture of this product is Anhydrous Hydrochloric Acid and chloroform. It is produced in the moulding grade, fine powder grade, aqueous dispersions and compound grades of filled grades.

5. It has been argued by various interested parties consisting of exporters and importers that there are many grades of the subject goods which are not manufactured by the domestic industry and these grades are used mainly for high end electronics such as in nuclear and space establishments. It has also been argued that grades used for making the wires and cables have not been manufactured in a consistent quality by the domestic industry and therefore, the same is required to be imported. It has been further argued that PTFE is produced as per ASTM standards or specifications and domestic industry is not producing PTFE as per all ASTM standards.

6. The Designated Authority examined the claim of opposing interested parties. It was noted that PTFE is produced under various ASTM standards and domestic industry is producing various grades, which fall under various ASTM standards as is evident from the table below.

ASTM Type	No of Grades	HFL Grades Name	Production (POI) in Kg		Sales (POI) in Kg	
			Qty Kg	Share %	Qty Kg	Share %

Type I	2	H51A, H51AC	162467	65.52	195727	64.94
Type III	4	H620, H620E, H630, H630E	21326	8.60	26994	8.96
Type IV	1	H71	18089	7.30	22947	7.61
Type V	1	H81F	0	-	0	0
Type VI	1	H5PS	20	0.01	40	0.01
Type VII	1	H81G	0	-	0	0
Total			201902	81.43	245708	81.53
Others Filled Grade			46044	18.57	55677	18.47
Total			247947	100.00	301385	100.00

Grade wise imports of the product under consideration in the investigation period are as follows:-

ASTM Type	**No. of Grades**	**Import volumes POI**	
		Imports Kg	**Share %**
Type I	2	178741	76.63
Type III	4	18897	8.10
Type IV	1	-	-
Type V	1	-	-
Type VI	1	6000	2.57
Type VII	1	2000	0.85
Others filled grades		27597	11.83
Total		233235	100.00

7. It is noted that domestic industry has neither produced nor sold grade equivalent to ASTM type V in the period of investigation. However, Grade 81F, is in product range of the domestic industry and is shown in product brochure also. It has been further claimed that due to continuous dumping from one after another sources, domestic industry have suspended production of 81F. Further, some interested parties have claimed that various grades of PTFE are not like article as various grades can not be used interchangeably. After examining the contention of the various submissions, it is noted that the product is not solely defined in terms of specific end-application. The parameters defining product are its characteristics such as physical & chemical properties, manufacturing process, technology, functions & uses, product specifications, pricing, distribution & marketing and tariff classification of the goods. Further, mere difference in specific properties of different grades do not render them different like products. It is further noted that production substitutability is equally important while determining the like product. Further a variety of different end applications are produced from a single chemical compound in a single setup of plant and equipment. It is not difficult for any producer to switch among different grades of the PTFE in terms of production process. It is also relevant that producers can shift

from one grade to another grade quickly and without significant cost or time loss. Therefore all the grades form a single domestic like product notwithstanding different specific end applications.

8. The Authority collected transaction-wise information of imports from DGCI&S. The Authority noted that the subject goods exported by Chinese producers and those supplied by the domestic industry are being used by same set of consumers. Both are largely comparable in terms of physical characteristics, chemical properties, manufacturing process, technology, functions and uses, pricing, distribution and marketing and tariff classification of the goods. With regard to the end use of the subject goods, the Authority notes that the subject goods manufactured by domestic industry have been consistently supplied to the manufacturers of high-end electronics. There is no known significant difference in PTFE imported from China PR and produced by the domestic industry. Few importers have brought the attention of the Authority towards to the fact that domestic like products are inferior in quality than the imported subject goods and therefore these two products may not be comparable and therefore are not like products. The Authority has examined the contention of all the interested parties and notes that no substantive information has been submitted by any importers towards the fact that the domestic industry produces inferior quality like products apart from the one correspondence with the domestic industry which was submitted by the one importer. It is further noted that no response to the importers questionnaire has been submitted by any importers till date which would give useful information pertaining to the investigation. On basis of the examination, it is held that imported subject goods and domestic like product are technically and commercially substitutable and the consumers are using the two interchangeably. On the basis of the above examination, the Authority concludes that the PTFE produced by the domestic industry is a like article to PTFE imported from China PR in accordance with the rules.

D. Domestic Industry

9. M/s Hindustan Fluorocarbon Limited, Hyderabad, is only producer of the PolyTetraFluroEthylene (PTFE) in India and account for 100% of the Indian production. Therefore, the petitioner has the required standing to file the application in accordance to the rules.

E. Dumping Margin

Normal Value

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

i. the comparable price, in the ordinary course of trade, for the like article when meant for consumption in the exporting country or territory as determined in accordance with the rules made under sub-section (6); or
ii. when there are no sales of the like article in the ordinary course of trade in the domestic market of the exporting country or territory, or when because of the particular market situation or low volume of the sales in the domestic market of the exporting country or territory, such sales do not permit a proper comparison, the normal value shall be either-

a. comparable representative price of the like article when exported from the exporting country or territory or an appropriate third country as determined in accordance with the rules made under sub-section (6); or
b. the cost of production of the said article in the country of origin along with reasonable addition for administrative, selling and general costs, and for profits, as determined in accordance with the rules made under sub-section (6):

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

Normal value in case of Non Market Economy Countries
Legal provisions in India

11. In anti dumping investigations concerning imports from China PR, normal value shall be determined in accordance with paragraphs 1-6 of the Annexure 1 of the anti dumping rules for those producers which were found to meet the criteria laid down in para 7 and 8 of the Annexure I of the Antidumping Rules. Para 7 of the Annexure I of the Antidumping Rules states that

"7. In case of imports from non-market economy countries, normal value shall be determined on the basis of the price or constructed value in a market economy third country, or the price from such a third country to other countries, including India, or where it is not possible, on any other reasonable basis, including the price actually paid or payable in India for the like product, duly adjusted if necessary, to include a reasonable profit margin.

12. Further, "Para 8 of Annexure 1- Amended on 04.01.2002 states as

1. The term "non market economy country" means any country which the Designated Authority determines as not operating on market principles of cost

or pricing structures, so that sales of merchandise in such country do not reflect the fair value of the merchandise, in accordance with the criteria specified in sub-paragraph (3)

2. There shall be a presumption that any country that has been determined to be, or has been treated as a non-market economy country for the purpose of an anti dumping investigation by the Designated Authority or by the competent authority of any WTO member country during the three-year period preceding the investigation is a non-market economy country.

Provided, however, that a non-market economy country or the concerned firms from such country may rebut such a presumption by providing information and evidence to the Designated Authority that establishes that such country is not a non market economy country on the basis of criteria specified in sub-paragraph (3)

3. The Designated Authority shall consider in each case the following criteria as to whether:

a. *the decision of concerned firms in such country 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;*

Provided, however, that where it is shown by sufficient evidence in writing on the basis of the criteria specified in this paragraph that market conditions prevail for one or more such firms subject to anti-dumping investigations, the Designated Authority may apply the principles set out in paragraphs 1 to 6 instead of the principles set out in this paragraph.

13. Three exporting producers in the China PR requested market economy treatment pursuant to Para 7 and 8 of the annexure I of the Anti dumping rules and replied to the market economy questionnaires for exporting producers. The Authority sought and verified at the premises of these companies all information submitted in the response to the MET questionnaire and response to the exporter’s questionnaire as deemed necessary.

Shandong Dongyue Polymer Material Company Ltd (Shandong), China PR

14. With regard to the first criteria i.e. the decision of the concerned firms in such country regarding prices, costs and inputs including raw material, cost of technology, output sales and investment are made in response to market signals and without significant state interference, the Authority examined the share holding pattern of the exporting producers. During the process of verification, it was noted that total share capital is subscribed by **** shareholders and of these M/s. **** is the second biggest stakeholder in this firm and is a state owned company. Further, another state company M/s. **** which has significant state holding controls more than ****% in **** which subsequently holds significant stake in the ****. With regards to the M/s. ****, which is a state owned; the company did not provide any explanation, as to why the state owned trust fund was its actual shareholder during the verification. It was argued that they held it on entrustment basis without having any operational control or day-to-day management control. With regard to the another criteria that costs of the major inputs substantially reflect market values, no evidence was submitted during the verification visit to show that the purchases of raw materials were made at prices which were aligned with the market values. With regards to the other criteria examined by the Authority, it was noted that the exporting producer could not rebut the presumptions in accordance with para 8 of the Annexure 1 of the Anti dumping rules.

M/s Taizhou Meilan Resin Process Co Ltd and M/s Taizhou Meilan Fluorine Material Company Ltd (Tuzhou Meilan)

15. Initially, **** [chemical factory] was set up on ****. In ****, Chlorine Alkali (NaOH) manufacturing division was carved out from Chemical factory into a separate company by name **** [chemical stock company]. Chemical Stock Company had **** other promoters along with Chemical Factory. Initially, the registered capital was **** RMB. Chemical Factory was converted into a company incorporated under the Chinese Company Law in June 2003 in the name of ****l [Chemical Group Company]. In 2000, Chemical Stock Company entered into a Joint Venture Agreement with M/s. **** of USA to start a new joint venture company by name **** [Resin Process Company] for manufacturing PTFE. The new company was incorporated on ****. However, Resin Process Company started operations from **** only. The Resin Process Company was held by **** [****%] and **** (USA) [****%].

16. A separate company by name **** [Business] Company Ltd owned by **** private individuals was started on ****. **** was engaged in the purchase and sale of chemicals. **** purchased the PTFE manufacturing assets from Chemical Stock Company in ****. For this purpose, the assets of Chemical Stock Company were got

evaluated by an independent consultancy firm named **** Asset Evaluation Office Co Ltd. Name of **** was changed into Taizhou Meilan Fluorine Material Company Ltd [Fluorine Material Company] with effect from 24 December 2002. The name of Fluorine Material Company was changed into **** with effect from 3 March 2003. The name was again changed into Taizhou Meilan Fluorine Material Company Ltd [Fluorine Material Company] with effect from 31st August 2004. Fluorine Material Company procured the ****% shares of Resin Process CO held by ****. The transfer took place on ****.

17. During the verification visit, the website of the Jiangsu Meilan Group was visited. The Website was the same as the one referred to in the submissions made by the domestic industry in India. The Web site showed the organization chart of **** in English and in Chinese. The English version of the chart was the same as the one presented by the Indian domestic industry. However, the Chinese version of the organization chart was quite different. Fluorine Material Company owns the plant and machinery for the manufacture of PTFE. Fluorine Material Company manufactures PTFE. It was also manufacturing PTFE Fluorine Material Company till 30.6.2003. Till 30.6.2003, PTFE produced by was sold in the domestic market to unrelated parties or to Resin Process Company. It did not have any authorization to export the goods out of China. The Resin Process Company has the necessary export authorization. Therefore, Resin Process Company purchased PTFE from Fluorine Material Company and exported them out of China PR.

18. Thus, during the first half of IP, Fluorine Material Company produced the product concerned, made domestic sales and Resin Process Company made exports. During the second half of POI, Resin Process Company produced the product concerned and made both domestic sales and exports.

19. With regard to the first criteria i.e. the decision of the concerned firms in such country regarding prices, costs and inputs including raw material, cost of technology, output sales and investment are made in response to market signals and without significant state interference, the authority examined the share holding pattern of the exporting producers as mentioned above. It was seen that till June 2003, the state owned shareholder owned the majority shareholding in the Resin process company and therefore a significant state interference always existed during the POI. Further, With regard to the fact that costs of the major inputs substantially reflect market values; no evidence was submitted during the verification visit to show that the purchases of raw materials were made at prices which were aligned with the market values. With regards to the other criteria examined by the Authority, it was noted that the exporting producer could not rebut the presumptions in accordance with para 8 of the Annexure 1 of the Anti dumping rules.

20. Thus, it may be concluded that exporting producer did not provide sufficient information that it was operating under market economy conditions.

Conclusions on the determination of normal values

21. Keeping in view of the submissions made and the arguments during the on the spot verification, it is proposed to conclude that in accordance with a consistent practice, where the state has the possibility to exert significant influence on the company's decision, whether legally or de facto, it is considered that the basic criteria rebutting Para 8 of the annexure I of the Anti dumping rules have not been met. Hence it is concluded that M/s Shandong and M/s Tuzhou Meilan could not rebut the presumptions as mentioned in the annexure 1 of the anti dumping rules and hence normal value cannot be determined as per Para 1-6 of the Annexure 1 of the Anti dumping rules. Thereafter, normal value has been determined as per the provisions pertaining to the Para 7 of the Annexure 1 of the anti dumping rules which state that

"7. In case of imports from non-market economy countries, normal value shall be determined on the basis of the price or constructed value in a market economy third country, or the price from such a third country to other countries, including India, or where it is not possible, on any other reasonable basis, including the price actually paid or payable in India for the like product, duly adjusted if necessary, to include a reasonable profit margin.

22. In this case, it is determined that other countries (countries other than subject country and Russia) exports to India during the POI (and also earlier years) comprised more than 60% of the imports of subject goods into India. In accordance with the para 7 of the Annexure 1 of the Anti dumping rules as mentioned above, normal value has been determined as the price from a market economy third country to India during the POI. For determining the appropriate third country, an examination was conducted from the transaction wise data of imports from third countries to India and it was seen that volume of imports from Netherlands was 240 MT during the POI as against imports of 233 MT from the subject country. Thus the quantum of exports from Netherlands to India was considered comparable to the exports made from China PR to India. Thus a country wide normal value was determined for China PR as the price from Netherlands to India during the POI. The normal value was normated with suitable adjustments with regard to freight, commissions, insurance etc to arrive at the ex factory normal value.

Export prices

Shandong Dongyue Polymer material company Ltd (Shandong), China PR, M/s Taizhou Meilan Resin Process Co Ltd (Resin process) and M/s Taizhou Meilan Fluorine Material Company Ltd (Fluorine Material).

23. Appendices pertaining to the exports to India by above mentioned firms were examined with the original records kept by the exporters and the adjustments claimed by the exporters with regard to the freight, bank charges etc were verified and export price at the ex factory level were determined for all the three cooperating exporters which submitted the information and for which data was verified.

Dumping margin

24. The country wise normal value determined in the earlier paragraphs have been compared with the weighted average export price at the ex factory level of cooperating exporters to determine individual dumping margin for cooperating exporters. With regards to the requests from various interested parties to examine the dumping margin on grade wise basis, it is noted that the Authority has examined the transaction wise data from Netherlands (third country) to India and also China PR to India but could not decide conclusively about the grade wise quantity and price of imports to India during the POI. It is also noted that there were divergent claim about the certain grades being part of ASTM classifications from the domestic industry and also from the exporting producers. Thus, it was decided that a weighted average export price of the subject goods during the POI would be more appropriate in the case of imports into India from China PR as well as from Netherlands.

Dumping margin for other producers and exporters

25. For other exporters which did not submit the information to the Authority, the export price was determined by taking the lowest export price during the POI from China PR to India. The country wide normal value determined in the earlier paragraphs have been compared with the export price at the ex factory level to determine the dumping margin for other producers and exporters.

Dumping Margin:

Country	Name of the Producer/exporter	Normal value US $	Export Price US $	D.M %
China PR	Shandong Dongyue Polymer Material Company Ltd	****	****	37%
	Taizhou Meilan Resin Process Co Ltd and Taizhou Meilan Fluorine Material Company Ltd	****	****	40%
	All Other Producers/exporters	****	****	46.8%

F. Injury

Domestic Consumption/Demand

26. Domestic consumption/demand

For the calculation of the Domestic consumption/demand of the product under consideration, the sales volume of the domestic industry has been added with total imports of the subject goods into India. On this basis, it is seen that the domestic demand or consumption of the subject goods in the domestic market increased as shown in the table below.

(Unit MT)

Year	2000-01	2001-02	2002-03	POI
Imports – China	7.35	10.65	52.60	233.24
Indexed	100.00	144.78	715.27	3171.54
Year by year change		44.78	394.05	343.40
Imports – Russia	118.49	155.90	171.78	137.00
Year by year change		31.57	10.19	-20.25
Imports – Other Countries	266.55	410.32	548.41	638.35
Year by year change		53.94	33.65	16.40
Indexed	100	102.3	80.6	81
Demand	764	958	1073	1310
Year by year change		28.94	4.4	4.9

27. It is also noted that demand of the product under consideration has been increasing year by year. It is also noted that that Russia is also exporting subject goods at dumped prices (as per the findings issued in the earlier review investigations) and the Designated Authority has already recommended Anti Dumping duty for a further period of five years. The Authority has examined imports from Russia and other countries and found that imports from Russia and other countries show declining trend in POI, whereas China shows significant growth in POI.

Imports originating in the subject country and other countries

Volume of imports

28. The volume of dumped imports of the subject goods from China PR and other countries are given in the table below.

Unit: MT

Year	2000-01	2001-02	2002-03	POI
Imports – China PR	7.35	10.65	52.60	233.24
Indexed	100.00	144.78	715.27	3171.54

Year by year change		44.78	394.05	343.40
Imports – Russia	118.49	155.90	171.78	137.00
Year by year change		31.57	10.19	-20.25
Imports – Other Countries	266.55	410.32	548.41	638.35
Year by year change		53.94	33.65	16.40
Total Imports	392.40	576.87	772.79	1008.58
Indexed	100	147.01	196.94	257.03
Demand	764	958	1073	1310
Indexed	100	125.27	140.33	171.36
Year by year change		25.27	12.02	22.11

29. It is evident from the above that imports from China PR. have increased manifold. It is further noted that the domestic consumption increased by 71% during the period under consideration as comparison of base year. There has been steady and significant increase in demand. The volume of dumped imports increased significantly over the period under consideration.

Share of subject country in total imports:

30. Over the period under consideration, the share of the dumped imports from China PR increased significantly as shown below:

Year	2000-01	2001-02	2002-03	POI
Market Share in Imports %				
China PR (MT)	7.35	10.65	52.60	233.24
Share (%)	1.87	1.85	6.81	23.13
Russia (MT)	118.49	155.90	171.78	137.00
Share (%)	30.20	27.03	22.23	13.58
Other Countries (MT)	266.55	410.32	548.41	638.35
Share (%)	67.93	71.13	70.96	63.29

31. It is seen that Chinese share in total imports as also in relation to Indian production and consumption is not only significant but also have increased at the same time. It is further noted that Russia and other countries have lost their market share. It is also noted that the decline in market share of countries other than China PR and increase in market share of China could be due to decline in prices from China as the exporters from China have reduced their prices significantly and continuously.

Market share of dumped imports in total demand

32. The Designated Authority examined the share of dumped imports from China in demand/consumption of the subject goods in India. It would be seen that share of China, which was just 0.96% in 2000-01 increased to 18% in period of investigation.

Year	2000-01	2001-02	2002-03	POI
Market share in Demand (%)				
Domestic industry	48.67	39.76	27.96	23.01
China	0.96	1.11	4.90	17.80
Russia	15.50	16.28	16.01	10.46
Other Countries	34.87	42.85	51.12	48.73
Changes in market share – from base year				
China PR	-	0.15	3.79	12.90
Russia	-	0.78	-0.27	-5.56
Other countries	-	7.98	8.28	-2.39

33. It is evident from the above that the domestic industry has lost significant market share over the years, which is captured by dumped imports from subject country. Moreover, Chinese growth in market share is significant and continuous, whereas growth in countries other than China PR which was positive till 2002-03, became negative in period of investigation.

Dumped imports in relation to production in India

34. Dumped imports from subject country increased significantly in relation to production of the domestic industry. For this purpose, the Authority has considered production of the domestic industry and dumped imports separately. This clearly shows that the volume of dumped imports has increased in relation to production of the domestic industry in India, as would be seen from the table below.

Year	2000-01	2001-02	2002-03	POI
Production MT	362.98	342.92	401.39	247.95
China PR Imports MT	7.35	10.65	52.60	233.24
Russia Imports MT	118.49	155.90	171.78	137.00
Imports from China PR in relation to production	2.03	3.25	13.23	88.65
Year by year change		1.22	9.98	75.42
Imports from Russia in relation to production	32.64	45.46	42.80	55.25

35. On the basis of above examination, it can be concluded that there has been a significant growth in the dumped imports from China during the period under consideration. Imports from Russia also show positive growth in relation to production of domestic industry.

Evolution of import price

36. During the period under consideration, the average CIF prices of the imports originating in China declined significantly. The decline occurred steadily over the period under consideration as is evident from the following table.

Rs. Per Kg	2000-01	2001-02	2002-03	POI
CIF export price – China	380.57	310.62	252.96	238.43
Indexed	100	81.62	66.47	62.65
Year by year change		-18.38	-18.56	-5.75
CIF export price – Russia	364.04	355.63	322.97	305.86
Indexed	100	97.69	88.72	84.02
Year by year change		-2.31	-9.18	-5.30

37. It may be seen that as a result of decline in CIF import price, landed price of imports from China PR declined significantly.

Price Undercutting (Price UC) and Price depression

38. A comparison is made between the net sales realisation of domestic industry and landed price of imports from China. Net sales realisation of domestic industry in the domestic market in respect of unrelated customers was considered net of freight & transportation, discounts & commission and rebates & taxes. The CIF prices of China were added for post importation basic customs duties to arrive at landed price.

Rs. Per Kg	2000-01	2001-02	2002-03	POI
CIF export price – China PR	380.57	310.62	252.96	238.43
Indexed	100	81.62	66.47	62.65
Landed Value – China	532.37	407.84	332.14	301.01
Indexed	100	76.61	62.39	56.54
CIF export price – Russia	364.04	355.63	322.97	305.86
Indexed	100	97.69	88.72	84.02
Landed Value – Russia	509.24	466.94	424.06	386.15
Indexed	100	91.69	83.27	75.83
Net Sales Realization	****	****	****	****
Indexed	100	105.20	96.37	88.91
Price undercutting - China				Significant
% Price Undercutting				25-35%
Price undercutting - Russia				significant
% Price Undercutting				5.92
Landed value from countries other than subject country and Russia				446
Price Undercutting from countries other than subject country and Russia.				Negative

Rs. Per Kg	POI
Shandong landed Price	****
Taizhou Meilan landed Price	****
Price UC Shandong	significant
Price UC % Shandong	25-35%

Price UC Taizhou	significant
Price UC % Taizhou	20-30%

This comparison showed that during the period of investigation, the subject goods originating in China were sold in the domestic market at prices, which were significantly undercutting the domestic industry's prices. The price undercutting in the POI was very significant. It is also noted that the domestic industry has suffered significant price depression as the selling price shows a continuous downward trend during the period of injury examination.

Situation of the Domestic Industry

<u>Preliminary remarks</u>

39. For the examination of the impact of the imports on the domestic industry in India, the Authority considered all indices having a bearing on the state of the industry as production, capacity utilisation, sales quantum, stock, profitability, net sales realisation, the magnitude and margin of dumping, etc. in accordance with Annexure II (iv) of the Rules supra.

<u>Sales Volumes (MT)</u>

Year	2000-01	2001-02	2002-03	POI
Sales	372.07	380.8	299.96	301.4
Trend	100	102.35	80.62	81.01
Demand	764	958	1073	1310
Trend	100	125.27	140.33	171.36
Market share of domestic industry	48.67	39.76	27.96	23.01

40. It is noted from the above that sales volumes of the domestic industry declined significantly from 380 MT to 301 MT. At the same time, demand of the product has shown significant positive improvement. From the above, it appears that the domestic industry not only lost existing sales but also lost the sales, which it should have captured with increase in demand.

Profits

41. Profit/loss of the domestic industry per unit of production and for the quantities sold was as under:

Indexed	2000-01	2001-02	2002-03	POI
PBIT (Rs./Kg)	(100.00)	(61.57)	(250.73)	(876.87)
Interest (Rs./kg)	100.00	104.96	104.18	119.75

Net Profit/loss (Rs./kg) after interest – on sales	(100.00)	(94.00)	(141.20)	(311.00)
Net Profit/Loss after interest Rs. Lacs	(100.00)	(88.93)	(156.37)	(212.76)
Net Profit/Loss before interest Rs. Lacs	(100.00)	(58.15)	(277.23)	(518.25)

42. The above analysis includes an amount of Rs. ****Lacs being provided by the company in its account towards interest payment to its holding company, HOCL. It is however, found that the company has consistently provided for this amount in all the years over the injury period and no amount has actually been paid to HOCL. The interest represents substantially the amount of interest on the loan given by HOCL to the petitioner company to repay the foreign currency loan taken by the company at the time of setting up the plant, actual repaid amount of which increased very substantially due to significant devaluation of Rupee. The Authority considers that the loan and the interest payable thereon represents injury suffered by the domestic industry due to factors other than dumping and therefore the loan and principal amount should be segregated for determining injury to the domestic industry. After segregating this impact , profits of the domestic industry would show as follows.

Indexed	2000-01	2001-02	2002-03	POI
PBT	(100.00)	(88.80)	(156.15)	(212.45)
Interest	100.00	99.49	113.84	108.38
PBIT	(100.00)	(2.04)	(499.66)	(1,057.43)
Depreciation	100.00	91.16	92.64	79.99
PBIDT	100.00	122.12	(48.74)	(259.54)

43. It is evident from the above that the company was in cash profit till 2001-02. In 2002-03, it made small loss, which increased significantly in POI.

Production, capacity and capacity utilization

44. Production, capacity and capacity utilization of the domestic industry have been as under.

Year	2000-01	2001-02	2002-03	POI
Capacity MT	500	500	500	500
Production MT	362.98	342.92	401.39	247.95
Indexed	100.00	94.47	110.58	68.31
Capacity Utilization	72.59	68.58	80.27	49.59
Year by year Change in utilization	-	-4.01	11.69	-30.69

It is seen from the above that the production of the domestic industry was increasing till 2002-03. The same, however, declined in period of investigation. The capacity utilization shows a similar trend and has reduced by more than 50% during the injury period.

Market share of the domestic industry

45. The share of the domestic industry and dumped imports in demand/consumption in India is given in the table below:

(Unit – MT)

	2000-01	2001-02	2002-03	POI
Demand (MT)	764	958	1073	1310
Sales of Domestic industry (MT)	372.07	380.8	299.96	301.4
Imports from China PR	7.35	10.65	52.60	233.24
Imports from Russia	118.49	155.90	171.78	137.00
Imports – Other Countries	266.55	410.32	548.41	638.35
Market share in Demand (%)				
Domestic industry	48.67	39.76	27.96	23.01
Imports – China PR	0.96	1.11	4.90	17.80
Imports – Russia	15.50	16.28	16.01	10.46
Imports – Other Countries	34.87	42.85	51.12	48.73
Changes in market share (year by year changes)				
China PR		0.15	3.79	12.90
Russia		0.78	-0.27	-5.56
Other imports		7.98	8.28	-2.39
Domestic industry		-8.91	-11.80	-4.95

46. It is seen that the demand shows positive trend and at the same time, sales of the domestic industry shows negative trend. Resultantly, share of domestic industry in demand declined significantly.

Employment and Wages

47. There are no significant changes in employment levels of the domestic industry. Wages paid by the domestic industry show positive trend. Incidence of wages per unit of production declined between 2000-01 to 2002-03 and increased in period of investigation as a result of steep fall in the production level.

	2000-01	2001-02	2002-03	POI
Employment (numbers)	220	220	218	218
Wages (per unit of production)	364.62	366.32	371.26	403.67

Productivity:

Year	2000-01	2001-02	2002-03	POI
Production	362.98	342.92	401.39	247.95
Production per Day/MT	1.04	0.98	1.15	0.71

Year by Year Change		-0.06	0.17	-0.44
Employees	220	220	218	218
Productivity per Employee / MT per Day	1.65	1.56	1.84	1.14

48. It is evident from the above that productivity of the domestic industry was increasing up to 2002-03 and declined significantly in period of investigation. The decline in productivity could be due to inability of the domestic industry to sell the prodcut.

Factors affecting domestic prices

Rs. Per Kg	2000-01	2001-02	2002-03	POI
Net Sales Realization Indexed	100.00	105.20	96.37	88.91
Landed Price – China	232.37	407.84	332.14	301.01
Price undercutting-China	Negative	Significant	Significant	Significant
Landed price - Russia	509.24	466.94	424.06	386.15
Price undercutting - Russia	Negative	Significant	Significant	Significant

49. It is noted that the import prices of subject goods from the subject country is continuously coming at lower prices. It is noted that the level of imports amongst other factors determines the domestic prices. The market prices in the domestic market appear to have been driven down by the higher volumes of dumped imports at dumped prices. It is further noted that price undercutting from the subject countries is very significant and there is significant price depression also on account of dumped imports from subject countries.

Return on investments

%	2000-01	2001-02	2002-03	POI
Considering interest provided in the books				
Profit before interest	(100.00)	(58.15)	(277.23)	(518.25)
Profit after interest	(100.00)	(88.93)	(156.37)	(212.76)
Capital Employed	100.00	103.10	102.65	82.68
Return – before interest	(100.00)	(56.36)	(270.34)	(627.33)
Return –after interest	(100.00)	(86.15)	(152.09)	(256.95)
Excluding interest payable to HOCL but not paid over entire injury period				
Profit before interest	100	138.13	-61.48	-281.06
Return – before interest	100	133.91	-59.92	-339.69

50. It is seen that the domestic industry's return on capital employed has been severely deteriorated.

Effects on cash flow:

51. The petitioner is involved in production of CFM also, which is a intermediate product for production of CFM and is being sold in the market. Cash flow of the domestic industry is reflective of operations relating to company as a whole, which include CFM operations also, in which company is making profits. However, the Authority has examined performance of the domestic industry in terms of cash profits in relation to the product under consideration alone. Since interest to its promoter M/s HOCL has not been paid over the entire injury period, the cash profit has been determined after excluding interest payable to HOCL. Further, cash flow has also been determined for the product under consideration alone, position of which is given below.

	2000-01	2001-02	2002-03	POI
Cash profit – Indexed	100.00	177.41	(493.59)	(1,124.18)
Cash flow – Company	-196.08	-211.65	-329.77	-37.65

52. It is evident from the above that cash profit situation of the domestic industry deteriorated continuously in period under consideration.

Inventories

	2000-01	2001-02	2002-03	POI
Opening Stock	83.65	74.56	36.68	132.43
Closing Stock	74.56	36.68	138.12	78.98
Production of the domestic industry	362.98	342.92	401.39	247.95
Avg. Stocks	79.11	55.62	87.40	105.71
Sales	372.07	380.8	299.96	301.4
Per Day Sales	(100.00)	(102.83)	(81.13)	(81.13)
Stock sufficient for No. of days sales	(100.00)	(68.70)	(137.05)	(164.96)
Stock as % of production	21.79	16.22	21.77	42.63

53. It is seen from the above that inventories with the domestic industry declined between 2000-01 and 2001-02. However, it increased thereafter significantly in 2002-03 and in the POI.

Ability to raise capital investments:

54. The company is suffering financial losses and could find difficult to raise capital.

Growth

55. The domestic industry is faced with negative growth in respect of production and sales, even though the demand of the product has increased significantly, as would be seen from the table below.

	2000-01	2001-02	2002-03	POI
Sales Indexed	100.00	102.35	80.62	81.01
Demand Indexed	100.00	128.94	134.61	141.20
PBIDT Indexed	100.00	122.12	(48.74)	(259.54)
Market share of domestic industry in demand	100.00	122.12	(48.74)	(259.54)
Avg. Inventories	100.00	70.31	110.48	133.62

56. It is thus seen from the above that domestic industry is faced with negative growth in respect of a number of parameters.

Conclusions

57. There has been significant increase in the volume of dumped imports from subject country at the absolute level and also in relation to total imports and also in relation to total demand of subject goods into India. There has been significant price effect on account of dumped imports resulting into price depression, price undercutting and price suppression. The undercutting margin as well as the price depression have been determined and are considered to be significant. It is further noted that significant decline in sales volumes, continuous deterioration in the financial performance, decline in market share in demand (significant decline after showing increase up to 2001-2002), positive price undercutting in POI, positive price depression, decline in return on capital employed on a year to year basis, increase in average stock etc shows significant deterioration in the performance of the domestic industry over the injury period. The margin of dumping from subject country is very significant. On the basis of the above analysis, it is concluded that the domestic industry has suffered material injury.

G. Causal link

(a) **Introduction**

58. In order to reach its conclusions on the cause of the injury suffered by the domestic industry and in accordance with Article 3.5 of Agreement of Anti Dumping and as per para (v) of Annexure II under Rule 11under Customs Tariff Act as amended, the Authority examined the impact of all known factors and their consequences on the situation in that industry. Known factors other than the dumped imports, which could at the same time have injured the domestic industry, were also examined to ensure that the possible injury caused by these other factors was not attributed to the dumped imports.

(b) **Effect of dumped imports**

59. Manifold increase in volume of imports (by more than 3000%) between 2000-01 and POI lead to increase in share of Chinese imports in demand/consumption (by 1750%) in India. As a direct consequence, the market share of domestic industry declined (by 52.72%). Imports from subject country have increased in the total imports (from 1.87% to 23.13%) as well as in total demand (from 0.96% to 17.80%). It has also increased as a proportion to the sales made by domestic industry during the period under consideration (subject imports were 1.97% of sales of domestic industry in 2000-01, which increased to 77.38% in POI). As a direct consequence, share of domestic industry declined. Imports from the subject country were significantly undercutting the prices of the domestic industry. As a direct consequence, the domestic industry was prevented from selling the product at a price, which would have enabled it to recover its cost of production and earn a reasonable profit. Further, the sales of the domestic industry declined in spite of reduction in the selling price, in view of huge price difference between the imported product and domestic product. This led to deterioration in the performance of the domestic industry in terms of production, capacity utilization, profits, cash profits and return on investment.

Effect of Other factors

(a) Performance of Other Domestic producers:

60. There was no other domestic producers of the subject goods during the period under consideration apart from the domestic industry. Accordingly, injury on account of other producers in the domestic market could not have been a cause of injury to the domestic industry.

(b) Contraction of demand or Changes in the pattern of consumption

61. The Authority notes that there is no contraction in the overall demand during the period under consideration. On the contrary, the overall demand has increased significantly during the injury period. The Authority also concludes that there is no apparent change in the pattern of consumption.

(c) Volume and Prices of imports not sold at the dumped prices

62. According to the available information, the total import volume of the product concerned originating in countries other than subject countries are more than 60% of the total imports during the POI. However, their price are considerably higher than export prices from subject country and Russia and there is no claim of normal value being more than export prices from these countries and they have not undercut the domestic industry prices (in fact there is a significant negative price undercutting from

imports of non subject country) and therefore, they are considered not to have had any impact on the injury to the domestic industry.

(d) Trade Restrictive practices of and competition between foreign and domestic producers and issues relating to the quality and types of the subject goods

63. The Authority notes that there is a single market for the subject goods where dumped imports from the subject countries compete directly with the subject goods produced by the domestic industry. The authority further notes that the imported product is sold to meet the similar commercial grades and specification as domestically produced subject goods. It is further noted that the imported subject goods and domestically produced goods are like articles and are used for similar applications/end uses. With regard to argument of importer about the quality, rate and availability of the subject goods manufactured by the domestic industry, it is noted that the domestic industry produces a very large no. of different grades of the domestic like product. It therefore does not appear that the petitioner does not produce and supply wide variety of the product.

(e) Developments in Technology, Export performance and productivity of the Domestic Industry

64. One importer has submitted that plant and technology purchased by M/s HFL was obsolete even at the time it was purchased. However, the same importer has not produced any supporting evidence that non developments of technology have been a factor of injury to the domestic industry. On the basis of the examination of the records of the petitioner, the authority holds that developments in technology, has not been a relevant factor for the injury to the domestic industry. There have been no exports of the like products by the domestic industry during the POI.

(f) Other factor: BIFR status and loss making

65. It has been argued by other interested parties that injury to the domestic industry could be due to the reasons other than dumped imports from subject country. Reasons such as high interest burden and high cost of production have been cited as reasons for the injury to the domestic industry. The Authority has verified the data pertaining to the cost structure of the domestic industry and can analyze the effect of the interest component on the state of the domestic industry. The Domestic Industry was referred to BIFR in April, 1994. BIFR in its Order No.507/94 dated 19.12.1996 approved the merger of Hindustan Fluorocarbons Ltd. (HFL) with Hindustan Organic Chemicals Ltd. (HOCL). As reported in its Annual Report for the year 2002-2003, it is mentioned that the company is still in the BIFR. HOCL (the holding company) has submitted alternative viable proposal for revival of HFL and submitted the same to

IDBI and BIFR in respect of rehabilitation package. The final decision is awaited. It is further noted that the company is charging interest of Rs. **** lakhs in the books of accounts in all periods, which is due to HOCL but not being paid. In fact, the company have requested Government of India to write-off amount due to HOCL and interest thereon. However, the approval is awaited. It is further noted that the loan had been taken from HOCL to pay foreign currency loan, which had increased due to significant changes in value of Indian rupee with foreign currency. After taking loan from HOCL, such loan has been paid. However, interest on such loan is payable to M/s HOCL. The Authority has segregated the impact of such high interest cost from the performance of the domestic industry and analyzed the status of the domestic industry after excluding the same. The Authority notes that domestic industry has been making profits before interest and depreciation till 2001-02. The Domestic industry made small losses in 2002-03, which increased significantly in POI.

66. As regards improvement in productivity, the authority notes that during the period under consideration, the productivity measures as output per person employed per year has declined due to the decline in the output of the domestic industry.

Conclusions on Causal link

67. Significant increase in volume of imports between 2000-01 and POI led to increase in share of imports in demand/consumption. As a direct consequence, share of domestic industry declined between 2000-01 and POI after recording an increase between 2000-01 and 2001-02. Market share of the dumped imports gradually increased over the periods. As a direct consequence, the market share of the domestic industry declined significantly. Imports from the subject country were significantly undercutting the prices of the domestic industry. As a direct consequence, the domestic industry was prevented from selling the product at a price, which would have enabled it to recover its cost of production and earn a reasonable profit. This led to significant deterioration in the performance of the domestic industry in terms of profits, cash flows and return on investment.

68. Given the above analysis which has properly distinguished and separated the effects of all known factors on the situation of the domestic industry from the injurious effects of the dumped imports, it is concluded that these other factors as such did not reverse the fact that the material injury found may be attributed to the dumped imports.

69. It is, therefore, concluded that the dumped imports originating in the subject country have caused material injury to the domestic industry within the meaning of Rule 11 of Anti Dumping rules and article 3.5 of the Agreement of Anti Dumping.

H Indian Industry interest.

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

71. The Authority recognizes that the imposition of anti dumping duties might affect the price levels of the products manufactured using subject goods and consequently might have some influence on relative competitiveness of these products. However, fair competition on the Indian market will not be reduced by the anti dumping measures. On the contrary, imposition of anti dumping measures would remove the unfair advantages gained by dumping practices, would prevent the decline of the domestic industry and help maintain availability of wider choice to the consumers of subject goods.

72. 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.

I. CONCLUSIONS:

73. 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.

74. The Authority considers it necessary to impose an anti dumping duty on all imports of subject goods from subject country in order to remove the injury to the domestic industry. The margin of dumping determined by the Authority is indicated in the paragraphs above. The Authority proposes to recommend the amount of anti dumping duty equal to the margin of dumping or less, which if levied, would remove the injury to the domestic industry. For the purpose of determining injury, the landed value of imports is proposed to be compared with the non-injurious price of the petitioner company determined for the period of investigation.

75. Accordingly, the Authority recommends that the definitive anti dumping duties be imposed by the Central Government on all imports of Polytetrafluoroethylene (PTFE) from the date of notification to be issued in this regard by the Central Government

falling within Custom Heading 390461 originating in or exported from Peoples Republic of China. The Anti-Dumping duty shall be the difference between the amount mentioned in column 9 of the following table and the landed value of imports per Kg on imports of subject goods falling within Chapter 39 of the Customs Tariff, originating in or exported from the countries mentioned below: -

S. No.	Heading	Description of goods	Specification	Country of origin	Country of Export	Producer	Exporter	Amount	Unit of measurement	Currency
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1.	390461	Polytetrafluoroethylene (PTFE)	Any	China PR	China PR	Shandong Dongyue Polymer Material Company Ltd	Any	7.78	Kg	US Dollar
2.	390461	do	Any	China PR	China PR	Taizhou Meilan Resin Process Co Ltd	Any exporter	8.32	Kg	US Dollar
3..	390461	do	Any	China PR	Any	Any Except above	Any	8.50	Kg	US Dollar
4.	390461	do	Any	Any except China PR	China PR	Any producer	Any Exporter	8.50	Kg	US Dollar

76. Landed value of imports for the purpose shall be the assessable value as determined by the Customs under the Customs Act, 1962 and all duties of customs except duties under sections 3, 3A, 8B, 9 and 9A of the Customs Tariff Act, 1975.32.

77. An appeal against this order shall lie before the Customs Excise and Service Tax Appellate tribunal, in accordance with the Act.

78. The Authority may review the need for continuation, modification or termination of the definitive measures, as recommended herein, from time to time, as per the relevant provisions of the Act, and public notices issued in this respect from time to time. No request for such a review shall be entertained by the Authority unless the same is filed by an interested party within the time limit stipulated for this purpose.

(Christy L. Fernandez)
DESIGNATED AUTHORITY