F. No. 6/3/2022-DGTR
Government of India
Department of Commerce
Ministry of Commerce & Industry
(Directorate General of Trade Remedies)
4th Floor, Jeevan Tara Building
5, Parliament Street, New Delhi – 110001

Dated: 30th September 2022

INITIATION NOTIFICATION
Case No. AD(OI) – 03/2022

Subject: Initiation of anti-dumping investigation concerning imports of "Metronidazole" originating in or exported from China PR.

F. No. 6/3/2022-DGTR - An application has been filed by Aarti Drugs Limited [hereinafter referred to as the 'applicant' or the 'domestic industry'], before the Designated Authority, in accordance with the Customs Tariff Act, 1975 [hereinafter referred to as the 'Act'] as amended in 1995 and thereafter, and the Customs Tariff [Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury] Rules, 1995, as amended from time to time [hereinafter referred to as the 'AD Rules'], for the initiation of an anti-dumping investigation and the imposition of appropriate anti-dumping duty on imports of "**metronidazole**" [hereinafter referred to as the 'subject goods' or the 'product under consideration' (PUC)] originating in or exported from China PR.

2. The applicant has alleged that material injury is being caused to the domestic industry due to the alleged dumped imports, originating in or exported from China PR and has requested for the imposition of anti-dumping duties on the imports of the subject goods from China PR.

A. PRODUCT UNDER CONSIDERATION

3. The product under consideration is "metronidazole" originating in or exported from China PR.
4. Production process: The following stages describe the production process:
    a. An intermediate compound 2-Methyl 5-Nitro Imidazole undergoes condensation process with ethylene oxide in the presence of formic acid [85%] and sulphuric acid [98%].
    b. An esterification reaction is carried out with methanol which generates methyl formate [methyl methanoate]. This esterification reaction is mass precipitated with liquor ammonia @ [24%] to isolate the unreacted 2-MNI. This isolated 2-MNI is dried and reused in process.
    c. The washing mother liquor is transferred to a multiple-effect evaporator for recovery of ammonium sulphate and mix glycol.
    d. The filtered cake is transferred for separation, wherein caustic soda flakes and ice mix is used to isolate the crude metronidazole.

e. The wet crude metronidazole is decolorized with the help of charcoal and is further crystallized to isolate metronidazole. This isolated metronidazole is filtered. The wet material is dried in the drier, unloaded and labelled as dry pure metronidazole.

5. Uses: The product is used in treatment of bacterial infections and parasitic infections. It is used in cases of amoebiasis [amoebic dysentery], trichomoniasis [STD], giardiasis [beaver fever], gingivitis [gum inflammation], acute ulcerative, anaerobic vaginosis [vaginal inflammation] caused by overgrowth of natural bacterial found in the tracts.
6. Tariff **classification**: The product under consideration is classified under Chapter 29 of the Customs Tariff Act, 1975 under subheading 293329 of the Tariff Classification. The product under consideration is imported under the HS Code 2933 29 20. The classification is indicative only and is not binding on the scope of the investigation.
7. The parties to the investigation may provide their comments on the PUC within 15 days of the time mentioned in this initiation notification.

B. LIKE ARTICLE

8. The applicant has claimed that there are no known differences in the subject goods produced by the Indian industry and the product under consideration produced and exported from China PR. The two products are comparable in terms of essential product characteristics such as physical and chemical characteristics, manufacturing process and technology, functions and uses, product specifications, pricing, distribution and marketing and tariff classification of the goods. Consumers can use and are using the two products interchangeably. The two are technically and commercially substitutable. The goods produced by the applicant is a like article to the subject goods that is being imported from the China PR. For the purpose of the present investigation, the subject goods being produced by the domestic industry are being treated as the 'like article' to the subject goods imported from China PR in terms of Rule 2(d) of the AD Rules, 1995.

C. SUBJECT COUNTRY

9. The application has been filed in respect of the dumping of the product under consideration from China PR [hereinafter referred to as the 'subject country'].

D. PERIOD OF INVESTIGATION (POI)

10. The period of investigation (POI) for the present investigation is 1st April 2021 – 31st March 2022 for the determination of dumping and injury margin and the period from 1st April 2018 – 31st March 2019, 1st April 2019 – 31st March 2020, 1st April 2020 – 31st March 2021 and 1st April 2021 – 31st March 2022 (POI) as the injury investigation period.

E. DOMESTIC INDUSTRY AND STANDING

11. The application has been filed by Aarti Drugs Limited which is a manufacturer of the like article in India. The applicant has submitted that there is one other manufacturer, namely, M/s Unichem Laboratories which also produces the like article in India. However, as per the

applicant, M/s Unichem Laboratories does not sell the like article in the domestic market of India and exports its entire production.

12. The applicant has imported the PUC during the POI which is not significant in comparison to its production of the like article in India. Further, the applicant has claimed that such imports have been made under advance authorization scheme and that the imports have been made solely for the purpose of meeting their export obligations.
13. It is noted that the nature of the business of the applicant remains as that of a manufacturer and it has not turned into a trader, and therefore, the applicant in terms of Rule 2(b) of the AD Rules, 1995 qualifies as the domestic industry and fulfils the criteria for standing as stipulated in Rule 5(3) of the AD Rules, 1995.

F. BASIS OF ALLEGED DUMPING

Normal value

14. The applicant has claimed that in terms of Article 15(a)(i) of China's Accession Protocol and para 7 of the Annexure-I to the AD Rules, 1995, the normal value of producers from China PR may be determined based on the cost or domestic selling price prevailing in China PR only if the responding producers from the subject country demonstrate that their cost and price information are based on market driven principles and allow for fair comparison in terms of paras 1 to 6 of Annexure I to the AD Rules, 1995, failing which, normal value for the producers from the subject country must be determined as per based on paras 7 and 8 of Annexure I to the AD Rules, 1995.
15. The applicant has claimed that the data relating to cost or price in a market economy third country or recourse to other alternative methods is not available at this stage. Accordingly, the normal value has been, therefore, constructed based on the best estimates of the cost of the production of the subject goods as per the best information available after duly adjusting the selling, general and administrative expenses with reasonable profit margin. The constructed normal value has been computed based on the cost of production of the domestic industry duly adjusted for selling, general and administrative expenses, and a reasonable profit margin.

Export Price

16. The export price for the subject goods have been computed based on the import data with due adjustments [freight, insurance, port expenses, bank charges, inland freight, and commission] to arrive at the net export price.

Dumping Margin

17. The normal value and the export price have been compared at the ex-factory level, which *prima facie* establishes that the dumping margin is above the *de-minimis* level and is significant in respect of the product under consideration from the subject country. Thus, there is sufficient *prima facie* evidence that the product under consideration from the subject country is being dumped in the domestic market of India by the exporters from the subject country.

G. INJURY AND CAUSAL LINK

18. The applicant has provided *prima facie* evidence with respect to the injury suffered by the domestic industry because of the alleged dumped imports. The volume of the subject imports from the subject country has increased in both absolute as well as relative terms. The subject imports have had an adverse impact on the profitability parameters of the domestic industry due to which the cash profit, PBIT, and ROCE have registered a very significant decline. There has also been a significant increase in the inventory levels of the domestic industry.

H. INITIATION OF ANTI-DUMPING INVESTIGATION

19. On the basis of the duly substantiated written application submitted by the applicant and having reached satisfaction based on the *prima facie* evidence submitted by the applicant concerning the alleged dumping of the product under consideration originating in or exported from the subject injury, the consequential injury to the domestic industry as a result of the alleged dumping of the subject goods and the causal link between such injury and the dumped imports, and in accordance with Section 9A of the Act read with Rule 5 of the AD Rules, the Authority, hereby, initiates an anti-dumping investigation to determine the existence degree and effect of the alleged dumping with respect to the product under consideration originating in or exported from the subject country and to recommend the amount of anti-dumping duty, which if levied, would be adequate to remove the injury to the domestic industry.

I. PROCEDURE

20. The principles as stipulated under Rule 6 of the AD Rules, 1995 shall be followed in the present investigation.

J. SUBMISSION OF INFORMATION

21. All communication should be sent to the Designated Authority via email at email address dd11-dgtr@gov.in and dd16-dgtr@gov.in with a copy to adg14-dgtr@gov.in and adv14-dgtr@gov.in . It must be ensured that the narrative part of the submission is in searchable PDF/MS-Word format and data files are in MS-Excel format.
22. The known producers/exporters in the subject country, the Government of the subject country through its Embassy in India, the importers and users in India who are known to be associated with the subject goods are being informed separately to enable them to file all the relevant information within the time limits mentioned in this initiation notification. All such information must be filed in the form and manner as prescribed by this initiation notification, the AD Rules, 1995 and the applicable trade notices issued by the Authority.
23. Any other interested party may also make submission relevant to the present investigation in the form and manner as prescribed by this initiation notification, the AD Rules, 1995 and the applicable trade notices issued by the Authority within the time limits mentioned in this initiation notification.
24. Any party making any confidential submission before the Authority is required to make a non-confidential version of the same available to the other interested parties.

25. Interested parties are further advised to keep a regular watch on the official website of the Designated Authority https://www.dgtr.gov.in/ for any updated information with respect to this investigation.

K. TIME LIMIT

26. Any information relating to the present investigation should be sent to the Designated Authority via email at email address dd11-dgtr@gov.in and dd16-dgtr@gov.in with a copy to adg14-dgtr@gov.in and adv14-dgtr@gov.in within 30 days from the date on which the non-confidential version of the application filed by the domestic industry would be circulated by the Designated Authority or transmitted to the appropriate diplomatic representative of the exporting country as per Rule 6(4) of the AD Rules. If no information is received within the stipulated time limit or the information received is incomplete, the Authority may record its findings based on the facts available on record and in accordance with the AD Rules, 1995.
27. All the interested parties are hereby advised to intimate their interest (including the nature of interest) in the instant matter and file their questionnaire responses within the above time limit as stipulated in this notification.
28. Where an interested party seeks additional time for filing of submissions, it must demonstrate sufficient cause for such extension in terms of Rule 6 (4) of the AD Rules, 1995 and such request must come within the time stipulated in this notification.

L. SUBMISSION OF INFORMATION ON CONFIDENTIAL BASIS

29. Where any party to the present investigation makes confidential submissions or provides information on a confidential basis before the Authority, it is required to simultaneously submit a non-confidential version of such information in terms of Rule 7(2) of the AD Rules and in accordance with the relevant trade notices issued by the Authority in this regard.
30. Such submissions must be clearly marked as "confidential" or "non-confidential" at the top of each page. Any submission which has been made to the Authority without such markings shall be treated as "non-confidential" information by the Authority, and the Authority shall be at liberty to allows other interested parties to inspect such submissions.
31. The non-confidential version of the information filed by the interested parties should essentially be a replica of the confidential version with the confidential information preferably indexed or blanked out (where indexation is not possible) and such information must be appropriately and adequately summarized depending upon the information on which confidentiality is claimed.
32. The non-confidential summary must be in sufficient detail to permit a reasonable understanding of the substance of the information furnished on confidential basis. However, in exceptional circumstances, the party submitting the confidential information may indicate that such information is not susceptible to summary, and a statement of reasons containing a sufficient and adequate explanation in terms of Rule 7 of the AD Rules, 1995 and appropriate trade notices issued by the Authority, as to why such summarization is not possible, must be provided to the satisfaction of the Authority.
33. The interested parties can offer their comments on the issues of confidentiality claimed by the domestic industry within 7 days of the receipt of the non-confidential version of the application.

34. Any submission made without a meaningful non-confidential version thereof or without a sufficient and adequate cause statement in terms of Rule 7 of the AD Rules, 1995 and appropriate trade notices issued by the Authority, on the confidentiality claim shall not be taken on record by the Authority.

M. INSPECTION OF PUBLIC FILE

35. A list of registered interested parties will be uploaded on the DGTR's website along with the request therein to all of them to email the non-confidential version of their submissions to all other interested parties.

N. NON-COOPERATION

36. In case any interested party refuses access to and otherwise does not provide necessary information within a reasonable period or within the time stipulated by the Authority in this initiation notification, or significantly impedes the investigation, the Authority may declare such interested party as non-cooperative and record its findings based on the facts available and make such recommendations to the Central Government as deemed fit.

(Anant Swarup)
Designated Authority