

To be published in the Gazette of India, Extraordinary, Part 1 Section 1

F. No.6/32/2019-DGTR
Government of India
Ministry of Commerce & Industry
Department of Commerce
(Directorate General of Trade Remedies)
4th Floor, Jeevan Tara Building, 5, Parliament Street, New Delhi 110001

Dated 13th April, 2020

NOTIFICATION

PRELIMINARY FINDINGS

CASE NO. (OI) 24/2019

Sub: Preliminary Findings in the Anti-dumping investigation concerning imports of “1-Phenyl-3-Methyl-5-Pyrazolone” originating in or exported from China PR.

A. BACKGROUND OF THE CASE

1. M/s Prima Chemicals (hereinafter also referred to as “Applicant”) has filed an application before the Designated Authority (hereinafter also referred to as the “Authority”) on behalf of the domestic industry, in accordance with the Customs Tariff Act, 1975 as amended from time to time (hereinafter also referred to as the “Act”) and the Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995 as amended from time to time (hereinafter also referred to as the “Rules”) for Original Investigation of Anti-dumping Duty concerning imports of “1-Phenyl-3- Methyl-5-Pyrazolone” (hereinafter also referred to as “subject goods” or “product under consideration” or “PUC” or “Pyrazolone”), originating in or exported from China PR (hereinafter also referred to as the “subject country”).
2. The Authority, on the basis of prima facie evidence submitted by the Applicant, issued a public notice vide Notification No. 6/32/2019 - DGTR dated 23rd December, 2019, published in the Gazette of India Extraordinary, initiating the subject investigation in accordance with Section 9A of the Act read with Rule 5 of the Rules to determine existence, degree and effect of the alleged dumping of the subject goods, originating in or exported from the subject countries, and to recommend the amount of anti-dumping duty, which if levied, would be adequate to remove the alleged injury to the Domestic Industry.

B. PROCEDURE

3. The procedure described herein below has been followed with regard to the subject investigation:

- a) The Authority notified the Embassy of the Subject Country in India about the receipt of the present anti-dumping application before proceeding to initiate the investigation in accordance with Sub-Rule (5) of Rule 5 supra.
- b) The Authority issued a public notice dated 23rd December 2019 published in the Gazette of India Extraordinary, initiating anti-dumping investigation concerning imports of the subject goods from the subject country.
- c) The Authority sent a copy of the initiation notification to the Embassy of the subject country in India, known producers/exporters from the subject country, known importers/users and the domestic industry as well as other domestic producers as per the addresses made available by the Applicant and requested them to make their views known, in writing, within the prescribed time limit.
- d) The Authority provided a copy of the non-confidential version of the application to the known producers/exporters and to the Embassy of the subject country in India in accordance with Rule 6(3) of the Rules.
- e) The Embassy of the subject country in India was also requested to advise the exporters/producers from its country to respond to the questionnaire within the prescribed time limit. A copy of the letter and questionnaire sent to the producers/exporters was also sent to them along with the names and addresses of the known producers/exporters from the subject country.
- f) The Authority sent Exporter's questionnaires to the following known producers/exporters in the subject country in accordance with Rule 6(4) of the Rules:
 - i. M/s Goldlink Industries Co. Ltd.
 - ii. M/s Jiangsu Changyu Chemical Co. Ltd.
 - iii. M/s Qingdao Bangli Fine Chemical Co. Ltd.
 - iv. M/s Qingdao Double-Peach Specialty Chemicals (Group) Co. Ltd.
 - v. M/s Wenzhou Meieruo Chemical Co. Ltd.
 - vi. M/s Jinan Xiangrui Chemical Co. Ltd.
 - vii. M/s Shandong Xinhua Pharmaceutical Co. Ltd.
 - viii. M/s Shouguang Nuomeng Chemical Co. Ltd.
- g) The Authority sent Importer's Questionnaire to the following known importers/users of subject goods in India calling for necessary information in accordance with Rule 6(4) of the Rules:
 - i. M/s Apex Dyes & Intermediates, Ahmedabad
 - ii. M/s Associated Drug Co., Bangalore
 - iii. M/s Pidlite Industries Ltd., Mumbai
 - iv. M/s Asiatic Colours Chem. Ind. Ltd., Ahmedabad
 - v. M/s Ankur Dyestuff Industries, Ahmedabad
 - vi. M/s Jansons International, Mumbai
 - vii. M/s K. Rasiklal & Co., Mumbai

viii. M/s Nilkantha Chemicals, Surat

- h) The Authority, upon request, granted extension, to file Exporter Questionnaire Response (EQR) by 19.02.2020, which was placed in the public domain through DGTR's website.
- i) The Authority made available non-confidential version of the evidence presented/submissions made, in the form of a public file kept open for inspection by the interested parties.
- j) Request was made to the Directorate General of Commercial Intelligence and Statistics (DGCI&S) to provide the transaction-wise details of imports of subject goods for the past three years, and the period of investigation, which was received by the Authority. The Authority has relied upon the DGCI&S data for computation of the volume of imports and its analysis after due examination of the transactions.
- k) The Non-Injurious Price (NIP) has been determined based on the cost of production and cost to make & sell the subject goods in India based on the information furnished by the Domestic Industry on the basis of Generally Accepted Accounting Principles (GAAP) and Annexure III to the Rules so as to ascertain whether Anti-Dumping duty lower than the dumping margin would be sufficient to remove injury to the Domestic Industry.
- l) The information/data submitted by the Applicant has been examined during desk study and relied upon for the purpose of preliminary findings, which will be verified at the appropriate stage from the original records of the Applicant.
- m) The Period of Investigation for the purpose of the present anti-dumping investigation is from 1st April, 2018 to 30th June, 2019 (15 Months). The injury investigation period has, however, been considered as the period from April 2015 - March 2016, April 2016 - March 2017, April 2017 - March 2018, and the POI.
- n) ‘***’ in this preliminary findings represents information furnished on confidential basis and so considered by the Authority under the Rules.
- o) The exchange rate adopted by the Authority for the subject investigation is US\$ = Rs. 70.73.

C. PRODUCT UNDER CONSIDERATION AND LIKE ARTICLE

4. At the stage of initiation, the product under consideration was defined as:

“a) The product under consideration in the present investigation is 1-Phenyl-3-Methyl-5-Pyrazolone and has also been referred as Pyrazolone.

b) The subject goods are used as a dye intermediate. It is also used in pharmaceuticals for production of Analgin.

c) The subject goods are classifiable under Chapter 29 of the Customs Tariff Act, 1975 under sub-heading 2933. However, the custom classification is indicative only and in no way binding on the scope of this investigation.”

Submissions made by the Domestic Industry

5. The submissions made by the Domestic Industry with regard to product under consideration and like article are as follows:
 - a) The product under consideration in the present application is “1-Phenyl-3-Methyl-5-Pyrazolone”, also commonly referred to as “Pyrazolone”. Pyrazolone is used as a dye intermediate. It is also used in the Pharmaceutical industry for production of Analgin.
 - b) For the production of Pyrazolone, aniline is diazotised with hydrochloric acid and sodium nitrite at low temperature. It is thereafter reduced to phenyl hydrazine with bisulphite and sulphite mix. It is hydrolysed with sulphuric acid and the resulting phenyl hydrazine sulphate is filtered and centrifuged. Phenyl hydrazine is dissolved in water and condensed with Aceto Acetic Methyl Ester. Pyrazolone is filtered, dried and pulverized. Pyrazolone is manufactured as technical grade with 99.5% purity. Chemical Formula of Pyrazolone is C10H10N2O.
 - c) The product under consideration is imported under Chapter 29 of the Customs Tariff Act, 1975 under customs sub-heading 2933. The customs classification is indicative only and not binding on scope of the product under consideration.
 - d) There is no difference in product produced by the Applicant and exported from the subject country.

Submissions made by Other Interested Parties

6. No submissions have been made by any other interested party with regard to product under consideration.

Examination by the Authority

7. The submissions made by the Domestic Industry with regard to the PUC related issues are examined and addressed hereunder.
8. The product under consideration (PUC) in the present investigation is 1-Phenyl-3-Methyl-5-Pyrazolone, a chemical that is used as a dye intermediate and in the pharmaceutical industry for the production of Analgin.

9. It has been noted from the information available on record that the product under consideration produced by the domestic industry is like article to the goods imported from the subject country. Product under consideration produced by the domestic industry and imported from the subject country are comparable in terms of physical & chemical properties, functions & uses, product specifications, pricing, distribution & marketing and tariff classification of the goods. Even though there are different manufacturing process/technologies involved for production of the subject goods, the end product has comparable specifications and is used interchangeably. It is further noted that the imported and the domestically sold products are technically and commercially substitutable, and the consumers are using the two interchangeably.
10. PUC is classifiable under Chapter 29 of the Customs Tariff Act, 1975 under sub-heading 2933. However, the customs classification is indicative only and is in no way binding on the scope of the present investigation.”

D. SCOPE OF DOMESTIC INDUSTRY & STANDING

Submissions made by the Domestic Industry

11. The submissions made by the Domestic Industry during the course of the investigation with regard to scope of Domestic Industry & standing are as follows:
 - a) The Applicant, M/s. Prima Chemicals., is a producer of the subject goods in India. There is one another producer of the subject goods, i.e. M/s Nutan Chemicals. M/s Nutan Chemicals is also supporting this application.
 - b) Other Indian producers such as M/s Vani Chemicals and M/s Unichem, have now been shut for approximately 8-10 years and 5 years respectively.
 - c) The Applicant has not imported the product under consideration from China PR, and is also not related to any importer in India or any exporter from the subject country.
 - d) The Applicant along with supporter, holds a major proportion of total Indian production of the PUC. The Applicant's share in total Indian production of PUC is approximately 80% during the POI. Applicant along with supporter accounts for 100% of the total Indian production of PUC. Accordingly, the Applicant clearly satisfies the requirement of standing and thus constitutes 'Domestic Industry' in India for the product concerned in terms of Rule 2(b) read with Rule 5(3) of the Rules.

Submission of other interested parties

12. No submissions have been made by other interested parties with regard to scope of domestic industry and its standing.

Examination by the Authority

13. Rule 2(b) of the Rules provides as follows:

“domestic industry” means the domestic producers as a whole engaged in the manufacture of the like article and any activity connected therewith or those whose collective output of the said article constitutes a major proportion of the total domestic production of that article except when such producers are related to the exporters or importers of the alleged dumped article or are themselves importers thereof in such case the term ‘domestic industry’ may be construed as referring to the rest of the producers”.

14. It is noted that the application has been filed by M/s. Prima Chemicals. The Applicant has informed that currently there is only one other producer of the product under consideration in India, which is also supporting this application. The other producers of the product under consideration in India, that is, M/s Vani Chemicals Ltd. and M/s Unichem Ltd., have now been shut down and are no longer in production.
15. The production of the Applicant alone in the POI is about 80% of the total Indian production and constitutes a major proportion. It is noted that the Applicant has not imported the product under consideration and is not related to any importer in India or any exporter from the subject country.
16. Accordingly, the Authority provisionally holds that for the purpose of this investigation, the Applicant satisfies the standing requirement and constitutes the Domestic Industry in terms of Rule 2(b) and Rule 5(3) of the Rules.

E. MARKET ECONOMY TREATMENT (MET), NORMAL VALUE, EXPORT PRICE & DETERMINATION OF DUMPING MARGIN

Submissions by the Domestic Industry

17. The following submissions have been made by the Domestic Industry:
 - a) China should be treated as a non-market economy and normal value in case of the subject countries should be determined in accordance with para-7 and 8 of Annexure I of the Rules. In terms of Para 8 in Annexure 1 to the Rules, it is presumed that the producers of the subject goods in China are operating under non-market economy conditions. Therefore, normal value of the subject goods in China PR has been estimated in terms of Para 7 of Annexure 1 to the Rules.
 - b) In view of the above, normal value has been determined for the subject country on the basis of cost of production in India, based on the cost of the domestic industry duly adjusted with selling, general and administrative expenses. This methodology has been considered by the Designated Authority in the earlier investigations against China PR.
 - c) Export price from subject country has been determined considering volume and value of imports for the proposed period of investigation as per transaction wise data collected from the DGCI&S. Adjustments have been made for freight, insurance, port expenses, and bank charges.

d) Considering the normal value and export price as discussed above, the dumping margin has been determined, details of which can be seen from the petition on record. The dumping margins from the subject country are above de minimis levels and significant.

Submissions by the other interested parties

18. No interested parties have responded, and no submissions have been made with regard to Market Economy Claims, Normal Value, Export Price and Dumping Margin.

Examination by the Authority

Market Economy Status

19. Article 15 of China's Accession Protocol in WTO provides as follows: "Article VI of the GATT 1994, the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 ("Anti-Dumping Agreement") and the SCM Agreement shall apply in proceedings involving imports of Chinese origin into a WTO Member consistent with the following:

"(a) In determining price comparability under Article VI of the GATT 1994 and the Anti-Dumping Agreement, the importing WTO Member shall use either Chinese prices or costs for the industry under investigation or a methodology that is not based on a strict comparison with domestic prices or costs in China based on the following rules:

- (i) If the producers under investigation can clearly show that market economy conditions prevail in the industry producing the like product with regard to the manufacture, production and sale of that product, the importing WTO Member shall use Chinese prices or costs for the industry under investigation in determining price comparability;*
- (ii) The importing WTO Member may use a methodology that is not based on a strict comparison with domestic prices or costs in China if the producers under investigation cannot clearly show that market economy conditions prevail in the industry producing the like product with regard to manufacture, production and sale of that product.*

(b) In proceedings under Parts II, III and V of the SCM Agreement, when addressing subsidies described in Articles 14(a), 14(b), 14(c) and 14(d), relevant provisions of the SCM Agreement shall apply; however, if there are special difficulties in that application, the importing WTO Member may then use methodologies for identifying and measuring the subsidy benefit which take into account the possibility that prevailing terms and conditions in China may not always be available as appropriate benchmarks. In applying such methodologies, where practicable, the importing WTO Member should adjust such prevailing terms and conditions before considering the use of terms and conditions prevailing outside China.

(c) The importing WTO Member shall notify methodologies used in accordance with subparagraph (a) to the Committee on Anti-Dumping Practices and shall notify

methodologies used in accordance with subparagraph (b) to the Committee on Subsidies and Countervailing Measures.

(d) Once China has established, under the national law of the importing WTO Member, that it is a market economy, the provisions of subparagraph (a) shall be terminated provided that the importing Member's national law contains market economy criteria as of the date of accession. In any event, the provisions of subparagraph (a)(ii) shall expire 15 years after the date of accession. In addition, should China establish, pursuant to the national law of the importing WTO Member, that market economy conditions prevail in a particular industry or sector, the non-market economy provisions of subparagraph (a) shall no longer apply to that industry or sector."

20. It is noted that while, the provision contained in Article 15 (a) (ii) have expired on 11.12.2016, the provision under Article 2.2.1.1 of WTO read with obligation under 15 (a) (i) of the Accession protocol require criterion stipulated in para 8 of the Annexure I of the India's Rules to be satisfied through the information/data to be provided in the supplementary questionnaire on claiming the market economy status. It is noted that since neither of the responding producer and the exporter from China PR have submitted supplementary questionnaire response, the normal value computation is required to be done as per provisions of para 7 of Annexure I of the Rules.
21. Accordingly, the normal value and export price for all the producers/exporters from the subject country have been determined as below.

Normal Value

22. At the stage of initiation, the Authority, after evaluating the options under Para 7 to Annexure I of the Rules, had *prima facie* concluded that options other than Constructed Normal Value are not feasible for the determination of Normal Value in this case since entire imports are from China.Upon initiation, the Authority advised the producers/exporters in China PR to respond to the notice of initiation and provide information relevant to determination of whether their data/information could be adopted for the purpose of normal value determination. The Authority sent copies of market economy treatment/supplementary questionnaire to all the known producers/ exporters for providing relevant information in this regard. But none of the producers/exporters have co-operated in this investigation by filing the prescribed questionnaire responses. In view of this position and in absence of rebuttal of non-market economy presumption, it may be considered appropriate to proceed with Para-7 of Annexure-I to the Rules for determination of Normal Value for China PR. The Authority has therefore computed Normal Value on the basis of CNV method by taking into account the cost of production in India based on the cost of the domestic industry duly adjusted with selling, general and administrative expenses with reasonable profit.

Export Price

23. It is noted that none of the exporters/producers of subject goods from the subject country have responded to the Authority. In the absence of exporter's questionnaire response from the producers/exporters from the subject country the export price has been determined in respect of the subject county on the basis of best available

information in terms of Rule 6(8) of the Rules. Adjustments have been made for freight, insurance, port expenses, and bank charges.

Dumping Margin

24. Considering the normal value constructed as provided above, and export price as determined, the dumping margin determined for the subject country is as follows:

| Dumping margin | Rs./Kg | USD/KG |
|--------------------------|--------|--------|
| Constructed Normal value | *** | *** |
| Net Export Price | *** | *** |
| Dumping Margin | *** | *** |
| Dumping Margin % | *** | *** |
| Dumping Margin % Range | 10-20% | |

F. INJURY ASSESSMENT AND CAUSAL LINK

Submissions made by the Domestic Industry

25. The submissions made by Domestic Industry are as follows:

- a. Demand for the subject goods increased significantly over the injury period. Whereas market share of the domestic industry is declining, that of imports is increasing in relation to demand.
- b. Imports from the subject country have seen a significant increase in POI, post cessation of duty. Increase in imports is absolute and material. Market share of imports in relation to production of the subject goods, has increased over the injury period.
- c. Subject imports are undercutting the domestic industry and that too is significantly positive.
- d. Comparison of cost of production and selling price shows that cost of production has seen a steady increase over the injury period. While the increase in selling price was commensurate till 2017-18, however in the POI the selling price is below cost. The landed price is below selling price and cost of production. Hence, there is Price suppression/depression on account of imports.
- e. Considering the increasing demand, the capacity of the domestic industry has increased over the injury period. Accordingly, production and domestic sales increased. However, in comparison to the increase in capacity and demand, domestic industry was not able to increase its capacity utilization.
- f. Post cessation of AD duty, market share held by the domestic industry has consistently declined over the injury period and that of subject imports has increased significantly. The market share in demand of subject imports had declined in base year and immediately after, due to imposition of duty. Since cessation, subject imports have re-captured the market share.
- g. The profit earned by the domestic industry increased upto 2017-18, but declined severely resulting in the financial losses suffered by domestic industry in the POI. There has also been an adverse impact on return on investment as well.
- h. Inventories with the domestic industry has increased.

- i. Number of employees, considering increase in capacity also increased. However, wages in POI have declined.
- j. Performance of the domestic industry declined after cessation of anti dumping duty. Cessation of AD duty has also resulted in increase of significant volume of Chinese imports, displaying the nature of Chinese exporters of dumping and the threat under which the domestic industry is. Considering positive growth post-imposition of duty, and negative growth post cessation of duty, besides suffering injury, domestic industry is also under threat.
- k. As per determined normal value and export price, calculated dumping margin is substantial.
- l. If imports from the subject country further increase, the Domestic Industry would be forced to reduce the prices of the product concerned significantly.
- m. There exists a causal relationship between dumped imports of the subject goods from China. The imports are undercutting and underselling the domestic price in the POI and volume of imports has also increased significantly.
- n. Injury, both material and threat, to the Domestic Industry has been caused only by the dumped imports, thus establishing the causal link. The Applicant has no objection to the Authority choosing to segregate the imports made by the Applicant while assessing the injury.

Submission by other interested parties

26. Since none of the interested parties have responded, no submissions in this regard have been received.

Examination by the Authority

27. The submissions made by the Domestic Industry with regard to the injury assessment and causal link has been examined in light of various parameters in accordance with the Rules, as under:

28. Rule 11 of Rules read with Annexure II provides that an injury determination shall involve examination of factors that may indicate injury to the Domestic Industry, “.... *taking into account all relevant facts, including the volume of dumped imports, their effect on prices in the domestic market for like articles and the consequent effect of such imports on domestic producers of such articles....*”. In considering the effect of the dumped imports on prices, it is considered necessary to examine whether there has been a significant price undercutting by the dumped imports as compared with the price of the like article in India, or whether the effect of such imports is otherwise to depress prices to a significant degree or prevent price increases, which otherwise would have occurred, to a significant degree. For the examination of the impact of the dumped imports on the Domestic Industry in India, indices having a bearing on the state of the industry such as production, capacity utilization, sales volume, inventory, profitability, net sales realization, the magnitude and margin of dumping, etc. have been considered in accordance with Annexure II of the Rules.

Volume Effect of Dumped Imports on the Domestic Industry

(a) Assessment of Demand/Apparent Consumption

29. For the purpose of the present investigation, demand or apparent consumption of the product in India as the sum of domestic sales of the Indian Producers and imports from all sources has been taken into consideration. The demand so assessed has increased consistently during the injury investigation period and the POI.

| Demand | Unit | 2015-16 | 2016-17 | 2017-18 | POI | POI (A) |
|--------------------------------|-------------|----------------|----------------|----------------|------------|----------------|
| Sales of Domestic Industry | MT | *** | *** | *** | *** | *** |
| Trend | Indexed | 100 | 106 | 124 | 143 | 114 |
| Sales of Other Indian Industry | MT | *** | *** | *** | *** | *** |
| Trend | Indexed | 100 | 96 | 95 | 98 | 78 |
| Subject country-Imports | MT | 216 | 178 | 262 | 1,102 | 881 |
| Trend | Indexed | 100 | 72 | 121 | 510 | 407 |
| Other Countries-Imports | MT | - | - | - | - | - |
| Trend | Indexed | - | - | - | - | - |
| Total demand/consumption | MT | 1,536 | 1,535 | 1,796 | 2,825 | 2258 |
| Trend | Indexed | 100 | 100 | 117 | 184 | 147 |

30. As can be seen from the above table, the dumped imports from subject country have significantly increased during the POI as compared to previous year. The Applicant has not been able to increase the sales of product concerned commensurate with the increase in demand because of the significant volume of imports coming from the subject country during POI. It can be seen from the above that the increase in demand of the PUC is more than the domestic sales of the Applicant from 2015-16 to POI. Moreover, import quantity of the PUC from the subject country has increased from 216 MT in base year to 881 MT in POI (A). Most of the increase in demand has been captured by the imports from subject country in POI.

(b) Import Volumes from the subject country

31. With regard to the volume of the imports, it may be noted that there has been a significant increase in imports from the subject country, both in absolute terms and relative terms to production or consumption in India.

| Country | 2015-16 | 2016-17 | 2017-18 | POI | POI (A) |
|--------------------|----------------|----------------|----------------|------------|----------------|
| China PR | 216 | 178 | 262 | 1,102 | 881 |
| % of total imports | 100% | 100% | 100% | 100% | 100% |

32. It is noted from above table that imports of the subject goods from the subject country have increased in absolute terms from 216 MT in 2015-16 to 881 MT in POI (A).

(c) Subject Country Imports in relative terms

33. It is noted that the imports of PUC from the subject country, in relation to production and demand, have increased in the POI as compared to the base year and the year preceding the POI.

| Subject Country imports in relation to | Unit | 2015-16 | 2016-17 | 2017-18 | POI |
|--|---------|---------|---------|---------|-----|
| Production | % | *** | *** | *** | *** |
| Trend | Indexed | 100 | 86 | 90 | 376 |
| Demand | % | 14% | 12% | 14% | 39% |

(d) Market Share in demand

34. It may be noted that the market share of the domestic industry has declined in the POI as compared to previous year. The Applicant has lost market share in POI despite increase in demand of the product under consideration.

| Particulars | Unit | 2015-16 | 2016-17 | 2017-18 | POI |
|-------------------------|---------|---------|---------|---------|-------|
| Market Share in Demand | | | | | |
| Domestic Industry | % | *** | *** | *** | *** |
| Trend | Indexed | 100 | 105 | 107 | 78 |
| Other producer | % | *** | *** | *** | *** |
| Trend | Indexed | 100 | 95 | 82 | 53 |
| Subject country-Imports | % | 14.17 | 12.44 | 14.49 | 39.33 |
| Other Country-Imports | % | 0 | 0 | 0 | 0 |
| Total | % | 100 | 100 | 100 | 100 |

Price Effect of Dumped Imports on the Domestic Industry

35. With regard to the effect of the dumped imports on prices, it is required to be analyzed whether there has been a significant price undercutting by the alleged dumped imports as compared to the price of the like products in India, or whether the effect of such imports is otherwise to depress prices or prevent price increases, which otherwise would have occurred in the normal course. The impact on the prices of the Domestic Industry on account of the dumped imports from the subject country has been examined with reference to price undercutting, price suppression and price depression, if any. For the purpose of this analysis, the cost of production, net sales realization (NSR) and the non-injurious price (NIP) of the Domestic Industry have been compared with landed price of imports of the subject goods from the subject country.

(a) Price Undercutting

36. For the purpose of price undercutting analysis, the selling price of the Domestic Industry has been compared with the landed value of imports from the subject country. Accordingly, the undercutting effects of the dumped imports from the subject country works out as follows:

| Particulars | Unit | 2015-16 | 2016-17 | 2017-18 | POI |
|--------------------|---------|---------|---------|---------|------|
| Landed value | Rs. /Kg | 283 | 265 | 334 | 343 |
| Trend | Indexed | 100 | 94 | 118 | 121 |
| Selling price | Rs. /Kg | *** | *** | *** | *** |
| Trend | Indexed | 100 | 103 | 120 | 121 |
| Price undercutting | Rs. /Kg | *** | *** | *** | *** |
| Trend | Indexed | 100 | 345 | 155 | 100 |
| Price undercutting | % | *** | *** | *** | *** |
| Price undercutting | Range | 0-10 | 10-20 | 0-10 | 0-10 |

37. From the aforesaid table, it can be observed that the imports from the subject country are coming at prices below the domestic selling price of the Applicant. Thus, price undercutting during the period of investigation is positive for the subject country.

(b) Price Suppression and Depression

38. In order to determine whether the dumped imports are depressing the domestic prices and whether the effect of such imports is to suppress prices to a significant degree or prevent price increases which otherwise would have occurred in normal course, the changes in the costs and prices over the injury period, are compared as below:

| Particulars | Unit | 2015-16 | 2016-17 | 2017-18 | POI |
|---------------|---------|---------|---------|---------|-----|
| Cost of sales | Rs./Kg | *** | *** | *** | *** |
| Trend | Indexed | 100 | 103 | 116 | 127 |
| Selling price | Rs./Kg | *** | *** | *** | *** |
| Trend | Indexed | 100 | 103 | 120 | 121 |
| Landed Value | Rs. /Kg | 283 | 265 | 334 | 343 |
| Trend | Indexed | 100 | 94 | 118 | 121 |

39. From the above table, it may be observed that the imports from the subject country were coming at prices lower than the cost of sales of the Domestic Industry. This has forced Domestic Industry to reduce its prices during POI and has led to a situation wherein the Domestic Industry has been forced to sell below its cost of sales during POI. It may be observed that the cost of sales have increased by ***Rs/KG in POI as compared to previous year, whereas the selling price of domestic industry has increased by just ***Rs./kg in POI as compared to previous year. The increase in cost of sales is more than the increase in selling price of subject goods in POI as compared to previous year, thereby resulting in Price suppression.

Economic Parameters of the Domestic Industry

40. Annexure II to the Rules requires that the determination of injury shall involve an objective examination of the consequent impact of dumped imports on domestic

producers of such products. With regard to consequent impact of dumped imports on domestic producers of such products, the Rules further provide that the examination of the impact of the dumped imports on the Domestic Industry should include an objective and unbiased evaluation of all relevant economic factors and indices having a bearing on the state of the industry, including actual and potential decline in sales, profits, output, market share, productivity, return on investments or utilization of capacity; factors affecting domestic prices, the magnitude of the margin of dumping; actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital investments.

41. The injury parameters has been examined objectively taking into account various facts and submissions made.

(a) Production, Capacity, Sales and Capacity Utilization

42. Capacity, production, sales and capacity utilization of the Domestic Industry over the injury period is given in the following table: -

| Particulars | Unit | 2015-16 | 2016-17 | 2017-18 | POI | POI (A) |
|----------------------|---------|---------|---------|---------|-----|---------|
| Capacity | MT | *** | *** | *** | *** | *** |
| Trend | Indexed | 100 | 133 | 144 | 180 | 144 |
| Production | MT | *** | *** | *** | *** | *** |
| Trend | Indexed | 100 | 104 | 136 | 138 | 110 |
| Capacity Utilization | % | *** | *** | *** | *** | *** |
| Trend | Indexed | 100 | 78 | 94 | 77 | 77 |
| Domestic Sales | MT | *** | *** | *** | *** | *** |
| Trend | Indexed | 100 | 106 | 124 | 143 | 114 |

43. The production, domestic sales and capacity utilisation of the Applicant have declined in POI (A) as compared to previous year. The same appears to be due to the significant volume of dumped imports coming from the subject country.

(b) Profitability, return on investment and cash profits

44. Profitability, return on investment and cash profits of the Domestic Industry over the injury period is given in the table below: -

| Particulars | Unit | 2015-16 | 2016-17 | 2017-18 | POI | POI (A) |
|-------------------------|---------|---------|---------|---------|------|---------|
| Cost of sales | Rs./Kg | *** | *** | *** | *** | *** |
| Trend | Indexed | 100 | 103 | 116 | 127 | 127 |
| Selling price | Rs./Kg | *** | *** | *** | *** | *** |
| Trend | Indexed | 100 | 103 | 120 | 121 | 121 |
| Profit/(Loss) per unit | Rs./Kg | *** | *** | *** | *** | *** |
| Trend | Indexed | 100 | 150 | 400 | -300 | -300 |
| Total Profit/(Loss) | Rs/Lacs | *** | *** | *** | *** | *** |

| | | | | | | |
|--------------------------------|-----------|-----|-----|-----|------|------|
| Trend | Indexed | 100 | 180 | 533 | -472 | -378 |
| Cash Profit | Rs/Lacs | *** | *** | *** | *** | *** |
| Trend | Indexed | 100 | 156 | 384 | -140 | -112 |
| Profit before Interest and Tax | Rs/Lacs | *** | *** | *** | *** | *** |
| Trend | Indexed | 100 | 116 | 247 | 26 | 20 |
| Return on Capital Employed | % | *** | *** | *** | *** | *** |
| Trend | % Indexed | 100 | 75 | 111 | 12 | 9 |

45. From the above table, it is noted that:

- a) In spite of continuous increase in demand of PUC, the Domestic Industry suffered losses in POI due to following reasons:
 - i Though the cost in POI has increased by 27 points, the Domestic Industry could raise sale price by only 21 points due to dumped prices of imports.
 - ii The sales volume has declined in POI(A) by 10 points in comparison to 2017-18 whereas demand has increased by 30 points in the same period due to dumped imports.
- b) Similarly, the cash profits of the Domestic Industry have reduced substantially from 384 indexed points in 2017-18 to (-)112 indexed points during the POI(A).
- c) Return on capital employed during POI has also reduced significantly to 9 indexed points in POI(A) from 111 indexed points in 2017-18.

(c) Employment, productivity and wages

46. Employment, productivity and wages of Domestic Industry over the injury period is given in the table below.

| Particulars | Unit | 2015-16 | 2016-17 | 2017-18 | POI |
|-----------------|---------|---------|---------|---------|-----|
| No of Employees | Nos | *** | *** | *** | *** |
| Trend | Indexed | 100 | 116 | 130 | 130 |
| Wages | Rs/Lacs | *** | *** | *** | *** |
| Trend | Indexed | 100 | 91 | 118 | 127 |
| Wages per Unit | Rs./Kg | *** | *** | *** | *** |
| Trend | Indexed | 100 | 100 | 100 | 100 |

47. It may be noted that the employment of the Domestic Industry has increased throughout the injury investigation period and during the POI, considering the increase in capacity.

(d) Inventories

48. Inventory position with the Domestic Industry over the injury period is given in the table below:

| Particulars | Unit | 2015-16 | 2016-17 | 2017-18 | POI |
|-------------------|---------|---------|---------|---------|-----|
| Average Inventory | MT | *** | *** | *** | *** |
| Trend | Indexed | 100 | 117 | 304 | 496 |

49. It may be noted that the inventories with the Domestic Industry have increased to 496 indexed points during POI as compared to 100 indexed points in 2015-16. Due to increasing imports, the market share of the Domestic Industry has come down in POI as compared to previous year and the increased demand has been significantly captured by dumped imports. As a result, the Domestic Industry is having significant accumulated inventories.

(e) Growth

50. It may be noted that growth of the Domestic Industry with regard to market share in demand, and capacity utilisation, have declined in the POI as compared to previous year.

(f) Factors affecting domestic prices

51. The examination of the import prices from the subject country, change in the cost structure, competition in the domestic market, factors other than dumped imports that might be affecting the prices of the Domestic Industry in the domestic market, etc. shows that the landed value of imported material from the subject country is below the selling price and the cost of production of the Domestic Industry, causing significant price undercutting as well as price suppression in the Indian market. It is also noted that the demand for the subject goods was showing significant increase during the injury period including the POI and therefore it could not have been a factor affecting domestic prices. Thus, it can be provisionally concluded that the principal factor affecting the domestic prices is the dumped imports of subject goods from the subject country.

Magnitude of Injury and Injury Margin

52. The Authority has determined Non-Injurious Price for the Domestic Industry on the basis of principles laid down in Rules read with Annexure III, as amended. The NIP of the product under consideration has been determined by adopting the desk study information/data relating to the cost of production for the period of investigation. The NIP of the Domestic Industry has been worked out and it has been compared with the landed price from the subject country for calculating injury margin.

| Country | NIP | Landed value | Injury Margin | Injury Margin | Trend |
|----------|----------|--------------|---------------|---------------|---------|
| | (USD/Kg) | (USD/Kg) | (USD/Kg) | (%) | (Range) |
| China PR | *** | 4.85 | *** | *** | 0-10 |

G. NON-ATTRIBUTION ANALYSIS

53. As per the Rules, it is, *inter alia*, required to be examined that any known factors other than the dumped imports which at the same time are injuring the Domestic

Industry, so that the injury caused by these other factors may 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 dumped 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. It has been examined below whether factors other than dumped imports could have contributed to the injury to the Domestic Industry.

Volume and price of imports from third countries

54. The imports from countries other than the subject country are non-existent and hence, are not causing or threaten to cause injury to the Domestic Industry.

Export Performance

55. The data for domestic operations only has been considered for the injury analysis.

Development of Technology

56. None of the interested parties have participated and furnished any evidence to demonstrate significant changes in the technology that could have caused injury to the Domestic Industry.

Performance of other products of the company

57. It may be noted that the performance of other products being produced and sold by the Domestic Industry does not appear to be a possible cause of injury to the Domestic Industry.

Trade Restrictive Practices and Competition between the Foreign and Domestic producers

58. The import of the subject goods is not restricted in any manner and the same are freely importable in the country. No evidence has been submitted by any interested party due to non-participation, to suggest that the conditions of competition between the foreign and the domestic producers have undergone any change.

Contraction in Demand and Changes in pattern of consumption

59. It is noted that the demand of the subject goods has increased consistently over the entire injury period. Thus, it can be provisionally concluded that the injury to the Domestic Industry was not due to contraction in demand.

H. CONCLUSION ON INJURY & CAUSAL LINK

60. In view of above, it has been noted that:

- a) Imports of the subject goods from the subject country have increased in absolute terms over the entire period of investigation.

- b) Imports of the subject goods have increased in relation to its production and consumption in India.
- c) There is price suppression due to low priced dumped imports coming in to India.
- d) Market share of the Domestic Industry has decreased in POI as compared to previous year even though demand for the subject goods has risen during the same period. This is due to the increase in percentage share of imports in total demand of PUC.
- e) The Domestic Industry's profits and return on capital employed has been negatively affected in POI as compared to previous year due to increase in imports of the subject goods from the subject country in absolute terms during the POI.
- f) The price undercutting from the subject country during the POI is positive.

I. CONCLUSION & RECOMMENDATIONS

- 61. After examining the submissions made and considering the facts available on record, it is noted that:
 - a) There is substantial increase in imports of subject goods from the subject country in absolute terms as well as in relation to its production & consumption in India, during the POI as compared to the previous year.
 - b) The product under consideration has been exported to India from the subject country below the normal value.
 - c) The Domestic Industry has suffered material injury.
 - d) Material injury has been caused by the dumped imports of subject goods from the subject country.
- 62. It is noted that the investigation was initiated and notified to all interested parties and adequate opportunity was given to the Domestic Industry, exporters, importers and other interested parties to provide positive information on the aspect of dumping, injury and causal link. Having initiated the investigation into dumping, injury and causal link in terms of the provisions laid down under the Rules, it is felt that imposition of provisional duty is required to offset dumping and injury, pending completion of the investigation. Therefore, imposition of provisional anti-dumping duty on imports of subject goods from the subject country is required to be considered.
- 63. In terms of provision contained in Rule 4(d) of the Rules, the Authority recommends imposition of provisional anti-dumping duty equal to the lesser of margin of dumping and margin of injury, so as to remove the injury to the domestic industry. Since the import prices of PUC are varying in POI and showing declining trend in general, that is, from 313 Rs/Kg in April, 2018 to 291 Rs/Kg in June, 2019, the Authority, therefore, considers it appropriate to recommend imposition of provisional anti-dumping duty on the basis of Reference/Benchmark Price on the imports of the subject goods, originating in or exported from the subject country, from the date of notification to be issued in this regard by the Central Government. Reference Price is computed as "Landed Value+ Lower of [(1) Dumping Margin and (2) Injury

Margin]". **Provisional anti-dumping duty shall be equal to the difference between the Reference Price indicated in column 7 of the table below and the landed value.** The landed value of imports for this purpose shall be the assessable value as determined by the customs under Customs Tariff Act, 1962 and applicable level of custom duties except duties levied under Section 3, 3A, 8B, 9, 9A of the Customs Tariff Act, 1975.

Duty Table

| S.No. | HS Code | Description of goods | Country of origin | Country of Export | Producer | Reference Price | Unit | Currency |
|-------|---------|---------------------------------|--------------------------|--------------------------|----------|-----------------|------|----------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1. | 2933 | 1-phenyl-3-methyl -5-pyrazolone | China PR | China PR | Any | 5.01 | Kg | USD |
| 2. | 2933 | 1-phenyl-3-methyl -5-pyrazolone | China PR | Any, other than China PR | Any | 5.01 | Kg | USD |
| 3. | 2933 | 1-phenyl-3-methyl -5-pyrazolone | Any, other than China PR | China PR | Any | 5.01 | Kg | USD |

J. FURTHER PROCEDURE

64. The procedure as below would be followed subsequent to notifying the preliminary findings:

- i. Comments on these preliminary findings from all the interested parties will be invited and the same, if considered relevant, would be considered in the final findings.
- ii. Domestic Industry, exporters, importers and other interested parties known to be concerned will be addressed separately, who may make their views known, within thirty days from the date of the publication of these preliminary findings.
- iii. Any other interested party may also make known its views within thirty days from the date of publication of these findings.
- iv. Further verification would be conducted to the extent deemed necessary.
- v. The essential facts, as per the Rules, would be disclosed before announcing the final findings.



(Bhupinder. S. Bhalla)
Additional Secretary and Designated Authority