

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

NOTIFICATION

New Delhi the 24th April, 2009

Preliminary Findings

Subject:- Anti-Dumping Investigations concerning imports of 'Front Axle Beam and Steering Knuckles meant for heavy and medium commercial vehicles' originating in or exported from China PR.

No. 14/19/2008-DGAD: - Having regard to the Customs Tariff Act 1975 as amended from time to time (hereinafter referred as the Act) and the Customs Tariff (Identification, Assessment and Collection of Anti- Dumping Duty on Dumped Articles and for Determination of Injury) Rules thereof, as amended from time to time (hereinafter referred as the AD Rules);

A. PROCEDURE

2. The procedure described herein below has been followed:
 - i. The Designated Authority (hereinafter referred to as the Authority), under the above Rules, received a written application from M/s Bharat Forge Ltd., Pune on behalf of the domestic industry, alleging dumping of Front Axle Beam and Steering Knuckles meant for heavy and medium commercial vehicles (hereinafter also referred to as the subject goods); originating in or exported from China PR (hereinafter also referred to as the subject country).
 - ii. The Authority notified the Chinese Embassy in India about the receipt of the anti-dumping application before proceeding to initiate the investigation in accordance with sub-rule (5) of Rule 5 supra;
 - iii. The Authority on the basis of sufficient evidence submitted by the applicant on behalf of the domestic industry issued a public notice dated 8th December, 2008

published in the Gazette of India, Extraordinary, initiating Anti-Dumping investigations concerning imports of Front Axle Beam and Steering Knuckles meant for heavy and medium commercial vehicles originating in or exported from China PR, in accordance with the sub-Rule 6(1) of the Rules to determine the existence, degree and effect of alleged dumping and to recommend the amount of anti-dumping duty, which, if levied, would be adequate to remove the injury to the domestic industry.

iv. The Designated Authority sent a copy of initiation notification dated 8th December, 2008 to the Embassy of China PR in India, known exporters from China PR, known importers/ users and the domestic industry as per the addresses made available by the applicant and requested them to make their views known in writing within 40 days of the initiation notification.

v. Request for extension of time to file the questionnaires' response was received from some interested parties. The Authority granted the time extension, keeping in view the time constraints.

vi. The Authority provided a copy of the non-confidential version of the application to the known exporters and to the Embassy of the China PR in India in accordance with Rule 6(3) supra.

vii. The Embassy of China PR in India was informed about the initiation of the investigation in accordance with Rule 6(2) with a request to advise the exporters/producers from their country to respond to the questionnaire within prescribed time limit. A copy of the letter and questionnaire sent to the exporters was also sent to them along with the names and addresses of the known exporters.

viii. The Authority sent questionnaires to elicit relevant information to the following known exporters in subject country in accordance with Rules 6(4).

S.N.	Company's Name
	Hubei Tri-Ring Forging Co, 34 Chengguanzhenhou Road,
1.	Gucheng County, Hubei Province, People's Republic China Hubei Tri-Ring Forging Co, No. 8 Zhuyang Road,
2.	Gucheng County, Xiangfan, Hubei Province, People's Republic of China Hubei Tri-Ring Motor steering, 175 YOUNG AN AVENUE,
3.	XIANNING, HUBEI, People's Republic of CHINA

ix. In response to the above notification, following exporters/producers have responded:

S.N.	Company's Name
	Hubei Tri-ring Auto-Axle Co., Ltd.,
1.	No.34, Hou Street, Chengguan town, Gucheng City, Hubei Province, China PR Hubei Tri-Ring Forging Co., Ltd
2.	No 8. Zhuyang Road, Chengguan, Gucheng country, Hubei province, China PR

x. Questionnaires were sent to the following known importers / users of subject goods in India calling for necessary information in accordance with Rule 6(4).

Sr.No. Company' name

1. M/s Ashok Leyland Ltd.,
2. M/s Tata Motors,
3. M/s Asia Motor Works Ltd.,
4. M/s Eicher Motors,
5. M/s Force Motors,
6. M/s Tata Cumins,
7. M/s Mahindra & Mahindra,

8. M/s Automotive axles Ltd.,
9. M/s Cummins India
10. M/s Amtek Auto Limited
11. M/s Amtek Auto Ltd,
12. M/s Harig Crankshaft
13. M/s Tata Motors Ltd.
14. M/s Mahindra Forgings Ltd.
15. Society of Indian Automobile Manufacturers,

xi. In response thereof, following have responded:

1. Ashok Leyland Ltd.
2. Asia Motor Works Ltd
3. M/s Amtek Auto Limited

M/s Amtek Auto Limited, a manufacturer of the subject goods has supported the application, *inter alia*, stating that they are feeling the heat of cheap imports as their volumes have reduced during the last one year.

M/s. Ashok Leyland has filed their importer's questionnaire providing details of the imports of the subject goods by them.

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

xiii. Optimum cost of production and cost to make & sell the subject goods in India based on the information furnished by the applicant on the basis of Generally Accepted Accounting Principles (GAAP) was worked out so as to ascertain if anti-dumping duty lower than the dumping margin would be sufficient to remove injury to Domestic Industry.

xiv. Investigation was carried out for the period starting from 1st April 2008 to 30th September, 2008 (POI). The examination of trends, in the context of injury analysis, covered the periods April 2005-March 2006, April 2006-March 2007, April 2007-March 2008 and the POI. For assessing the threat of material injury, post POI data was also looked into.

xv. *** in this notification represents information furnished by an interested party on confidential basis, and so considered by the Authority under the Rules.

B. PRODUCTS UNDER CONSIDERATION AND DOMESTIC LIKE ARTICLES

3. The products under consideration in the present investigation are the following parts and accessories of medium and heavy commercial vehicles, whether forged and/or machined: -

1. Front Axle Beam (FAB)
2. Steering knuckles (also known as axle arm or stub axle)

Hereinafter also referred to as the "subject products" or "subject goods" originating in or exported from China PR.

FRONT AXLE BEAM (FAB):

3.1 Front axle beam is an axle over which front wheels of the commercial vehicle are mounted which is then further connected to the chassis of the vehicle by spring leaves. FAB is a safety critical item as it carries the load of the vehicle and also keeps the steering in place. Failure of FAB will mean risking lives of people in the vehicle and also on the road.

Front axle beam is made of carbon steel/alloy steel, which is heat-treated or control cooled after forging. The heat treatment carried out is mostly hardened and tempered depending upon the material specification of the front axle beam. In a front axle beam, the section of the beam is changed depending upon the stresses induced. A front axle beam is composed of end portion called as king pin, the section and the gooseneck area, also called as cobra portion. At the king pin location; the steering knuckles are mounted through kingpin. Front Axle Beam is used in medium & heavy commercial vehicles to carry the front weight of the vehicle, the horizontal and vertical loads on bumpy roads and to act as a cushion through spring leaves for a comfortable ride.

STEERING KNUCKLES:

3.2 Steering knuckle is a part which fits at the end of the front axle beam. A steering knuckle has jaws, also called as arms, flange and stem. The steering knuckles fits on the axle beam through the arms. The fitment is through a kingpin and the axle arm turns on the pin, which is a light drive, fit in the axle beam eye located and locked by a taper pin or some similar arrangement.

By using nuts and bolts, the hub is mounted on the steering knuckles on which the parts such as brake drum, brakes are fitted. On the brake drums, the wheel is fitted. Steering knuckles are a very critical component, as it controls the steering of the vehicle. Any breakage or damage of steering knuckles will affect the steering of the vehicle, leading to loss of control that may cause an accident.

The applicant has claimed that the products under consideration can be imported under the following Customs classifications:

Products	Customs Classification
Front Axle Beam	73269099, 73261910, 73261990, 87085000, 87089900
Steering Knuckles	73269099, 73261910, 73261990, 87085000, 87089900

ISSUES RAISED BY THE IMPORTERS

3.3 M/s. AMW (Asian Motor Works Limited, Gujarat) in its response has stated that they do not import the subject goods but import complete assembly of (a) Front Axle Assembly (Non-Driven) from First Automotive Works (FAW), China (or affiliates); and (b) Hub Reduction Tandem Axle Assembly from Shaan Xi Hande Axle, China (or affiliates). It has further been contended by them that these goods are significantly different from the subject goods and have no resemblance/similarity either in terms of technical specifications or costs to the subject goods as stated in the application and therefore, are not like articles. It is further stated that to the best of their information and belief, M/s. Bharat Forge Limited, Pune does not manufacture the goods imported by them. Essentially, it has been contended they import the entire axle assembly and that there is no domestic industry for Hub reduction tandem axle assembly.

M/s AMW has requested the Authority to hold that Front Axle Assembly and Hub Reduction Tandem Assembly being imported by them from China PR are not covered by this investigation.

EXAMINATION BY THE AUTHORITY

3.4 The Authority has considered the above submissions. It is clarified that ambit and scope of the present investigation is restricted to imports of 'Front Axle Beam and Steering Knuckles meant for heavy and medium commercial vehicles' originating in or exported from China PR only and the entire axle assembly is not a part of the scope of the investigation.

With regard to like articles, Rule 2(d) of the AD Rules provides as under: -

"like article " means an article which is identical or alike in all respects to the article under investigation for being dumped in India or in the absence of such article, another article which although not alike in all respects, has characteristics closely resembling those of the articles under investigation;

With regard to the possible difference between the products sold by the exporters in the Indian market and the products sold by the domestic industry, the Authority notes that there is no dispute by the exporters that there is any difference in the two products. After considering the information on record, the Authority holds that there is no known difference in products under consideration exported from China PR and the products produced by the Indian industry. Products under consideration produced by the domestic industry are comparable to the imported subject products in terms of characteristics such as physical & chemical characteristics, functions & uses, product specifications, distribution & marketing and tariff classification of the goods. The two are technically and commercially substitutable. The consumers are using the two interchangeably. None of the opposing interested parties has raised any objection in this regard, except in respect of manufacturing process & technology.

3.5 Thus, the Authority is of the view that products under consideration produced by the applicant domestic industry are like articles to the subject products under consideration in accordance with the AD Rules.

C. SCOPE OF DOMESTIC INDUSTRY & STANDING

4 Rule 2(b) of the AD Rules defines domestic industry as under:-

(b) "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 which case such producers may be deemed not to form part of domestic industry;

The application has been filed by M/s Bharat Forge Limited (BFL) for both products under consideration. The applicant has provided information relevant to the present investigation. In case of Front Axle beam, the applicant is sole producer; for Steering knuckles, apart from the applicant, there are other producers namely Manendra Forging Ltd., Amtek Auto Ltd. and Harig Crankshaft, who also produce the Steering knuckles. However, Manendra Forging Ltd., Amtek Auto Ltd. and Harig Crankshaft have fully supported the application, filed by M/s Bharat Forge Ltd. The production of each of the subject goods by the applicant company along with the supporters constitutes more than 50% and a major proportion of the Indian production.

4.1 The Authority notes that (a) production of each of the subject goods by the applicant constitute a major proportion of the Indian production (b) Production of each of the subject goods by the applicant along with that of the supporters constitute more than 50% of the Indian production (c) that the application has been made by or on behalf of the domestic industry in terms of the AD Rules. Thus, M/s Bharat Forge Limited constitutes domestic industry for each of the products under consideration within the meaning of the Rule 2(b) read along with Rule 2(d) of the AD Rules.

D. ISSUES RAISED BY INTERESTED PARTIES

5. Captive consumption of Tata Motors Ltd

5.1 The Chinese producers have contended that the applicant has made a wrong claim regarding captive consumption of Tata Motors Ltd. It was contended by them that M/s HV Axles Jamshedpur also produces the subject goods and therefore, the injury and NIP should be seen in respect of this unit as well.

5.2 The Authority sought clarification from the applicant. The applicant has countered the above claim by stating that M/s HV Axles Jamshedpur is a wholly owned subsidiary of Tata Motors Ltd. It has been stated by them that the forging is produced by Tata Motors Ltd and M/s HV Axle does machining and assembly operations and supplies back to Tata Motors Ltd. M/s HV Axles Ltd does not supply these products to any other customers. Similarly, Tata Motors' Forging Plant does not supply forgings to any other customers. Although these are two different legal entities, M/s HV Axles Jamshedpur is a 100% owned subsidiary (and not merely a related company). Further, major operations of forging are done by Tata Motors Ltd. in its plant only. It has been further contended by them that possibly, the machining and assembly operations are "job work" between the two companies and there does not appear a sale & purchase between the two, even though this issue also would not make any material difference. M/s HV Axles Jamshedpur is effectively a part of and captive suppliers to only Tata Motors Ltd.. Given the business arrangements between the two parties, dumping by the Chinese and proposed investigations by the Designated Authority, in any case, would have no impact on both parties.

5.3 Reference was invited to the decision of the CESTAT in the matter of PIG IRON MFRS. ASSCN. v/s DESIGNATED AUTHORITY, MIN. OF COMMERCE (Final Order Nos. 6 to 15/2000-AD, dated 21-1-2000 in Appeal Nos. C/692 to 697/98-AD and C/63 to 66/99-AD), wherein the Hon'ble Tribunal had, *inter-alia*, ruled that captive consumption is to be treated as separate market while computing domestic industry..

5.4 The Authority has noted that M/s Tata Motors Ltd. has not made any claim on the subject. It is further observed that the decision of the Designated Authority to exclude captive consumption has been sustained by the Hon'ble Tribunal in the matter of PIG IRON MFRS. ASSCN. v/s DESIGNATED AUTHORITY, MIN. OF COMMERCE.

5.5 Imports made by the Applicant: It has been contended by the Chinese producers that the applicant has indirectly imported the subject goods from the subject country through M/s Automotive Axles Ltd. This claim too has been countered by the applicant by stating that M/s Automotive Axles Ltd. is a Joint Venture between Arvin Meritor, USA and M/s Bharat Forge, and supplies Front Axle Assemblies to Asia Motor Works for some model of vehicles, for which forgings are supplied by M/s Bharat Forge. M/s Asia Motor Works, as per the applicant's information, imports complete Axle for some models of vehicles directly from China PR. There is no connection between M/s Asia Motors Works and M/s Bharat Forge. The applicant has claimed that they have confirmed with M/s Automotive Axles that they have not imported any Front Axle Beams or

Steering Knuckles from China PR and has submitted a certificate issued by M/s Automotive Axles clarifying that no imports of Front Axle Beams or Steering Knuckles have been made by them from China PR.

5.6 Difference in investment – The Chinese producers have contended that there is a difference in investment for producing the subject goods. The Applicant has disputed this claim by primarily stating that the issue is irrelevant unless the Chinese companies establish that they are operating under market economy environment. What the Chinese companies claim as “cheap” may in fact, be an issue of “non market economy symptom”.

5.7 Steel consumption – The Chinese producers have contended that there is a difference in steel consumption while producing the subject goods. The Applicant has countered this claim by stating that M/s Bharat Forge produces Axle Beams in its plants in India, Sweden, Scotland and China PR. The equipment and processes used in all its plants in India and abroad are similar. It has been further stated that M/s Bharat Forge supplies directly and through its subsidiaries, Axle Beams to all leading manufacturers of automotive industry such as Volvo, Renault, Mercedes, Iveco, DAF, MAN, Meritor, Dana (through them to all major US manufacturers of Trucks) and have over 50% share of business worldwide. The company could not have been competitive and enjoying such large market share, if its processes were not efficient and cost effective. M/s Bharat Forge products are the benchmark in global industry for quality and reliability. Company has therefore been able to achieve leading market share in all markets where it operates and supplies. The same does not apply to any Chinese manufacturers. It is unfair pricing of Chinese producers that have reduced their market share to such a low level, as would be seen from the information given below separately. They compete in the market based on their products and services. However, Chinese producers have offered materially lower prices and have taken away a very significant share of Indian market, as would be seen from the table below. The decline in the market share of the domestic industry is not because of “other Indian Producers”. The same is because of imports from China PR. Further, in Steering Knuckles, even other Indian Producers have lost market share.

Market Share %	2005-06	2006-07	2007-08	Apr-Sep '08	Oct-Dec '08
Front Axle Beam					
China PR	-	-	1.29	21.83	61.80
Domestic industry	100	100	98.71	78.17	38.20
Steering Knuckles					
China PR	-	-	6.14	15.97	98.95
Domestic industry	35.35	43.76	39.84	32.42	1.05
Other Indian Producers	64.65	56.24	54.02	51.60	0.00

5.8 The Authority would verify the claims and counter claims made by various interested parties during the course of the investigation.

E. NORMAL VALUE, EXPORT PRICE AND DUMPING MARGIN

Normal Value

6. The Authority sent questionnaires to the known exporters from China PR, advising them to provide information in the form and manner prescribed. Responses to the questionnaires have been filed by Hubei Tri-ring Auto-Axle Co., Ltd., and Hubei Tri-ring Forging Co., Ltd.

Views of the exporters, importers, consumers & other interested parties

6.1 Various interested parties have advanced the following arguments:

M/s Hubei Tri-ring Auto-Axle Co. Ltd.

6.2 M/s Hubei Tri-ring Auto-Axle Co., Ltd., China PR has stated that FAB is made from carbon steel / alloy steel. Indian manufacturer uses hot press process. Hot press process requires a high capacity press, usually of *** MT press. Under this process, forging or pressing waste is significant. On the other hand, they use a new 'Roll forming –cum- hot press' process. They invented this new process in which they first use 'rolling' to convert the hot steel billet into the required shape and then use a relatively lower capacity press to give finishing touches. They use three or four steps of rolling and then the rolled product is forged using a *** MT press. Though 'roll forming' process has been in vogue for many years for producing small parts, their company is the first company to combine 'roll forming' and 'hot press' together to manufacture FAB, that too, on a large scale. Their process is indigenously developed by their company and they own the patent for the same. It has been contended by them that in their patented process, more than ***% of the forming is completed in the rolling stage and only finishing touches are given using the forging press.

6.3 It has also been stated by the exporter that the Hot press process used by Indian manufacturer requires a *** MT press whereas their process requires only a *** MT press. The capital investment required for their process (including rolling machine plus lower capacity press) is approximately *** of the investment required for the hot press process for same production capacity. Under their process, wastage is lower compared to the process used by Indian manufacturer. Cost of die, rollers and other tooling costs are also significantly lower in their process. Consumption of electricity is also lower compared to the hot press process.

6.4 As regards Front Axle beam, the exporter has acknowledged the differences between the product exported to India and that sold in the domestic market of China PR on the basis of material/load/ Forging weight/ difficulties of process etc.

M/s Hubei Tri-Ring Forging Co Ltd., China PR

6.5 M/s Hubei Tri-Ring Forging Co Ltd, China PR, a manufacture and exporter of 'Steering Knuckles' has stated that the production process employed by them is quite different from the one employed by M/s Bharat Forge – the Indian manufacturer, such as: at BHARAT FORGE, *** Axle arm is forged on the ***T screw press machine (the price of the equipment is *** RMB), but in their company, it is forged on ***T stamping hammer (the price of the equipment is *** RMB). Thus, investment required for their process is significantly lower and the cost is also lower. In India also, another company who supplies the same product to Ashok Leyland namely Ahmednagar Forging Ltd (of AMTEK group) uses the stamping hammer process and their selling prices are lower than their selling prices. It has been further stated with over 20 years of experience, they have designed a process that can give more precise shape and size at the forging state leaving lower allowances for machining. This has improved raw material consumption ratio. For the same finished weight of ***kg, they use *** kg of steel while M/s Bharat Forge uses *** kg of steel. The saving of *** kg leads to significant reduction in cost. Indian manufacturers use steel specification *** whereas they use steel specification ***. The steel specification used by Indian manufacturer is costlier than the steel specification used by them though both of them have identical properties. They use advanced die repair method using different welding material that enhances the life of the die resulting into lower running cost per unit of finished product.

6.6 As regards Steering Knuckles, the exporter has claimed similarities between the product exported to India and that sold in the domestic market on the basis of similarities such as Outer shape, Material used, Forging Style, Machining Process and the Forging Equipment used. However, it is also acknowledged by the exporter that there are differences in the Steering knuckles sold to India and those sold in China PR, on account of physical characteristics.

Views of the domestic industry

6.7 It has been contended by the domestic industry that China PR should be treated as non market economy country, *inter alia*, stating that:

- **Market economy status cannot be given in a situation where one of the major shareholders is a State owned/controlled entity** – It has been contended by the Domestic industry that the European Commission has consistently held that possibilities of State interference cannot be ruled out in cases, where there is significant share of a State owned/controlled entity. It has been contended that it is not only the question of past interferences alone, but also possibilities of potential State interference in the future after the imposition of anti dumping duties that is relevant for granting market economy treatment.
- **Market economy status cannot be given unless the responding Chinese exporters establish that the prices of major inputs substantially reflect market values**: It has been contended by the Domestic industry that “substantially reflect market values” has been widely interpreted to mean that the price of these inputs must be comparable to the prices prevailing in the international market. The Domestic Industry contends that the fact that such prices are comparable to the price prevailing in China PR is grossly insufficient.
- **Major inputs include utilities**: It has been contended by the Domestic industry that production of the products concerned require power and fuel as a major item of utility. Admittedly, while the power supplier is a State owned entity, insufficient information is available with regard to fuel supplier. It has not been established by the exporters that the price of utilities reflect fair market values.
- **Market economy status cannot be given unless the responding exporters establish that their books are audited in line with international accounting standards**: It has been contended by the Domestic industry that Chinese exporters have repeatedly disputed the treatment of European Commission to reject market economy treatment in such situations where Chinese exporters are unable to establish that their books are consistent with Chinese GAAP. Chinese companies in such cases have been contending that the requirement of insisting on compliance with International Accounting Standards is beyond law. The European Commission has held that the requirement on insisting compliance with International Accounting Standards is to ensure accuracy and adequacy of revenues and expenses, assets and liabilities expressed in the annual report. To quote the European Commission, reliability of the accounts is not established with regard to this aspect unless the books are consistent with International Accounting Standards.
- **Market economy status cannot be granted even if one of the parameters is not satisfied**: It has been contended by the Domestic industry that the European Commission has repeatedly insisted that market economy status cannot be granted unless the responding Chinese exporters pass the test in respect of each and every parameter laid down under the Rules.
- **Onus/obligations**: It has been contended by the Domestic industry that it is not for the Authority to establish that the responding companies are indeed operating under market economy environment and are entitled for market economy treatment. On the contrary, it is for the responding Chinese exporters to establish that they are operating under market economy conditions.
- **Response from group as a whole**: It has been contended by the Domestic industry that Market economy status cannot be granted unless the responding company and its group as a whole makes the claim. If one or more companies forming part of the group have not filed the response, the market economy status must be rejected, regardless of the fact whether or not the other companies of the group are involved in production or sale of the products under consideration. Even the Designated Authority has applied such a test in the matter of Vitrified Tiles where the whole group has filed response in order to seek market economy status.

- **Transformation:** It has been contended by the Domestic industry that in a situation where the current shareholders have not set up their production facilities themselves but have acquired the same from some other party, market economy status cannot be granted unless process of transformation has been completely established through documentary evidence.

It has been contended by the Domestic industry that failure to satisfy a number of conditions mentioned above by the responding Chinese exporters, is sufficient to hold that market economy status cannot be granted to responding Chinese companies and thus the Normal value should be determined in accordance with Para-7 of the Rules.

Examination of Market Economy claims

6.8 The Authority notes that in the past three years China PR has been treated as a non-market economy country in anti-dumping investigations by India and other WTO Members. China PR has been treated as a non-market economy country subject to rebuttal of the presumption by the exporting country or individual exporters in terms of the AD Rules.

6.9 As per Paragraph 8 of Annexure I to the AD Rules, the presumption of a non-market economy can be rebutted, if the exporter(s) from China PR provide information and sufficient evidence on the basis of the criteria specified in sub paragraph (3) of Paragraph 8 and establish the facts to the contrary. The cooperating exporters/producers of the subject goods from People's Republic of China are required to furnish necessary information/sufficient evidence as mentioned in sub-paragraph (3) of paragraph 8 in response to the Market Economy Treatment questionnaire to enable the Designated Authority to consider the following criteria as to whether:-

- a) the decisions of concerned firms in China PR regarding prices, costs and inputs, including raw materials, cost of technology and labour, output, sales and investment are made in response to market signals reflecting supply and demand and without significant State interference in this regard, and whether costs of major inputs substantially reflect market values;
- b) the production costs and financial situation of such firms are subject to significant distortions carried over from the former non-market economy system, in particular in relation to depreciation of assets, other write-offs, barter trade and payment via compensation of debts;
- c) such firms are subject to bankruptcy and property laws which guarantee legal certainty and stability for the operation of the firms and
- d) the exchange rate conversions are carried out at the market rate.

6.10 The Authority notes that two Chinese exporters have submitted their questionnaire responses including the market economy questionnaire responses, consequent upon the initiation notice issued by the Authority and sought to rebut the non-market economy presumption. The questionnaire responses and the market economy responses of the responding producers and exporter have been examined for determination of Normal value of the responding producers/exporter of the subject goods from the subject country as follows:

6.11 The Authority notes that in a situation where one of the shareholders in the company is a State owned/controlled entity having significant share in the company, possibilities of State interference cannot be ruled out, requiring further investigation, including spot verification. Further, the exporters have not provided any evidence to establish that prices of basic inputs substantially reflect market values. The producers have named the raw materials suppliers and identified their legal status. The companies have not provided any evidence to establish that the inputs have been procured at prevailing international prices. At the same time, domestic industry has claimed that, in fact, price of steel in China PR does not substantially reflect market values. This also calls for further investigations, including spot verification.

6.12 Thus, the Authority is unable to grant market economy treatment to the two Chinese exporters at this stage, pending further investigations including spot verification.

6.13 In case of M/s Hubei Tri Ring Auto Axle Co. Ltd, it is admitted that exports to India were made through a related entity also, namely M/s. Hubei Tri Ring Motor Steering Gear Co. Ltd. during the POI. However, M/s Hubei Tri Ring Motor Steering Gear has not filed response to the questionnaire. The Authority notes that the fact that such sales were for a very short period of the POI, does not imply that response to the questionnaire need not be filed by such company. The prescribed questionnaire clearly provides for filing of questionnaire responses by all those entities that have exported the subject goods to India during the POI. Thus, the questionnaires response is deficient in this regard. Further, since the onus of filing the questionnaires response is on the exporter and since the response has not been filed at all, this is not an issue that requires to be addressed through a deficiency letter, which is issued for seeking additional information or seeking rectifications wherever apparent errors or deficiencies have been observed.

6.14 It is also noted that no questionnaire responses have been filed by entities other than the two Chinese exporters specified above.

6.15 In view of the above, pending examination of the above issues regarding ownership and control, its impact on the cost and prices and business decisions of the enterprise etc, and verification of the same, the Authority is of the view that the producers - exporters from China PR cannot be granted market economy status for the preliminary determination of their Normal Value.

6.16 Considering the China PR as NME for the purposes of these preliminary findings, the Authority has determined Normal values for the products that are like articles to the exported products; thus, the alleged differences between the products sold by the exporters in their domestic market and the products exported by them to India are irrelevant.

Determination of Normal value in respect of Co-operative Exporters/Producers

7. The Authority has noted that the two products have been sold to India as per buyer's specifications and that the exporters do not sell the identical product either in their domestic market or export to third countries. As regards, another article which although not alike in all respects, but has characteristics closely resembling those of the articles under investigation; the exporters have claimed certain similarities and as well as certain differences between the two products that have been sold to India and the products sold in their domestic market. The Explorers have claimed Normal values on the basis of similar products sold in their domestic market. However, the Authority notes that it must determine Normal value for the products that are like articles to the exported products. The differences in the products sold by the exporter in its domestic market and exported to India are relevant for determination of Normal values and dumping margins.

7.1 But as noted above, there are significant issues of market economy determination in respect of the responding exporters from the subject country that requires further examination and verification. Therefore, pending further examination and verification of the claims made by the responding exporters and producers from China PR, in respect of their market economy claims and individual treatment claims; for the purposes of the preliminary finding, the Authority has provisionally estimated the Normal value in China on the basis of Para-7 to Annexure-I to the Rules.

7.2 Para 7 of Annexure I of the AD Rules provides that

In case of imports from non-market economy countries, normal value shall be determined on the basis of the price or constructed value in the market economy third country, or the price from such a third country to other countries, including India or where it is not possible, or on any other reasonable basis, including the price actually paid or payable in India for the like product, duly adjusted if necessary, to include a reasonable profit margin. An appropriate market economy third country shall be selected by the designated authority in a reasonable manner, keeping in view the level of development of the country concerned and the product in question, and due account shall be taken of any reliable information made

available at the time of selection. Accounts shall be taken within time limits, where appropriate, of the investigation made in any similar matter in respect of any other market economy third country. The parties to the investigation shall be informed without any unreasonable delay the aforesaid selection of the market economy third country and shall be given a reasonable period of time to offer their comments.

7.3 The Authority indicated, in the initiation notification that the applicant claimed that China PR is a non market economy and European Union could be considered as a market economy as an appropriate surrogate country. The applicant had determined Normal value based on both cost and price in Europe. The Authority invited comments from all interested parties in accordance with para 7 of Annexure I. However, none of the interested parties, other than the applicant, have placed any material fact before the Authority to select an appropriate market economy third country for the purpose. The Authority notes that European Union is a developed territory and consideration of European Union as an appropriate surrogate country/territory would lead to much higher Normal value and resultant dumping margin.

7.4 Pending further examination of the issues, for the purpose of preliminary determination, the Authority proceeds to provisionally determine the Normal value in China PR on available reasonable basis, in terms of second proviso of para 7 of Annexure 1 to the AD Rules. Accordingly, the ex-works Normal Value of the products under consideration have been provisionally determined based on costs of production in India, duly adjusted. Since the exporters have not established any difference in the characteristics of the products under consideration exported to India and goods sold by the domestic industry, the Normal Values have been constructed taking into account international price of major inputs, consumption norms, conversion costs, and SGA expenses of the domestic industry and a reasonable profit margin of 5%.

Determination of Normal value

8. The constructed normal values worked out are as under:

US\$/ KG

	Front Axle Beam	Steering knuckles	
	Machined	Forged	Machined
Normal Value in INR	***	***	***
Exchange Rate \$/Rs.	42.26	42.26	42.26
Constructed Normal Value in US\$	***	***	***

Determination of Normal value in respect of Non-Co-operative Exporters / Producers

8.1 Since, no other response has been received from any other Chinese producer/exporter of the subject goods; the Authority has decided to determine their Normal Value as per facts available in terms of Rule 6(8) of the AD Rules.

8.2 As stated, the Normal Values have been constructed taking into account international price of major inputs, consumption norms, conversion costs, and SGA expenses of the domestic industry and a reasonable profit margin of 5%.

EXPORT PRICE in respect of Co-operative Exporters/Producers

9. The Authority has considered all exports made by the responding exporters for determination of export price for each of the product under consideration as per their submissions. The exporters have claimed adjustments towards inland freight, Packing Exp., credit cost, port handling charges, bank charges to arrive at ex-factory export price. Pending further clarification and verification of the claims made, the Authority has determined the export price after deduction for these expenses

	Front Axle Beam	Steering knuckles
(M/s Hubei Tri-ring Auto-Axle Co. (M/s Hubei Tri-Ring Forging Co Ltd., Ltd.)		China PR)
	Machined	Forged
Export volume-MT	***	***
Export value-US\$	***	***
FOB export price per unit	***	***
Price adjustments	***	***
• P ₁ Packing Exp.	***	***
• P ₂ Inland freight	***	***
• P ₃ Credit cost	***	***
• P ₄ Port handling charges	***	***
• P ₅ Bank charges	***	***
• P ₆ Total adjustment	***	***
Ex-factory export price	***	***

Determination of Export Price in respect of Non-Co-operative Exporters/Producers

9.1 Since, no other response has been received from any other Chinese producer/exporter of the subject goods; the Authority has decided to determine their Export Price as per facts available in terms of Rule 6(8) of the AD Rules. The data has been collated as per the information provided by the applicant and the information provided by the co-operative exporters. It is seen that apart from the co-operative exporters, the available data on record does not show any imports of the subject goods in machined form.

US\$/ KG

	Front Axle Beam	Steering knuckles
(All other exporters/producers of China PR)	(All other exporters/producers of China PR)	
Forged	Machined	Forged
No	No	No
CIF export price per unit	Exports as per available data	*** Exports as per available data
	No	No
Price adjustments	exports as per available data	*** exports as per available data
	No	No
Ex-factory export price	exports as per available data	*** exports as per available data

DUMPING MARGIN

10 Considering the normal values and export prices as determined above separately for each product subject to investigation, the dumping margin% has been determined as follows:

US\$/ KG									
Front Axle Beam				Steering knuckles		Front Axle Beam		Steering knuckles	
(M/s Hubei Tri-ring Auto- Axe Co. Ltd.)				(M/s Hu Bei Tri-Ring Forging Co Ltd., China PR)		(All other exporters/producers of China PR)		(All other exporters/producers of China PR)	
Forged Machined Forged Machined				Weighted average (Forged and machined)		Forged Machined Forged Machined		Weighted average (Forged and machined)	
Normal value	***	***	***	***	***	***	***	***	***
	No				No	No	No	No	
Export price	exports as *** per available data No	***	***	***	exports as *** per available data No	exports as *** per available data No	***	exports as *** per available data No	
Dumping margin amount	exports as *** per available data No	***	***	***	exports as *** per available data No	exports as *** per available data No	***	exports as *** per available data No	
Dumping margin %	exports as per available data	25.75			22.60	exports as per available data	48.28	exports as per available data	

F. INJURY

11 Annexure-II of the AD Rules provide for an objective examination of both, (a) the volume of dumped imports and the effect of the dumped imports on prices, in the domestic market, for the like articles; and (b) the consequent impact of these imports on domestic producers of such products. While examining the volume effect of the dumped imports, the Authority is required to examine whether there has been a significant increase in dumped imports, either in absolute terms or relative to production or consumption in India. With regard to the price effect of the dumped imports, the Authority is required to examine whether there has been significant price undercutting by the dumped imports as compared to the price of the like product in India, or whether the effect of such imports is otherwise to depress the prices to a significant degree, or prevent price increases, which would have otherwise occurred to a significant degree.

As regards the impact of the dumped imports on the domestic industry para (iv) of Annexure-II of the AD Rules states as follows.

"The examination of the impact of the dumped imports on the domestic industry concerned, shall include an evaluation of all relevant economic factors and indices having a bearing on the state of the Industry, including natural and potential decline in sales, profits, output, market share, productivity, return on investments or utilization of capacity; factors

affecting domestic prices, the magnitude of margin of dumping actual and potential negative effects on cash flow, inventories, employment wages growth, ability to raise capital investments.”

11.1 The Authority has examined the injury parameters objectively taking into account the facts and the arguments of the interested parties.

Demand

11.2 Demand or apparent consumption of each of the subject products in the Country has been assessed as the sum of domestic sales of the domestic producers and imports from all sources.

	In MT				
	2005-06	2006-07	2007-08	POI	Apr-Sep'08 (annualized)
Front Axle Beam	10,123	16,572	17,238	6,801	13,601
Steering Knuckles	5,723	7,112	7,525	2,788	5,577

11.3 It is noted that compared to previous year, the demand for the products have shown significant decline. Simultaneously, considering that the products under consideration are consumed in production of medium and heavy commercial vehicles, information with regard to production of medium and heavy commercial vehicles in the Country was also collected. It was seen that SIAM, Society of Indian Automobile Manufacturers at their website maintains information with respect to production of vehicles in the Country. It is found that commercial vehicle production has shown a decline. Therefore, the decline in demand of the products may be because of decline in production of medium and heavy commercial vehicles. The applicant was therefore asked to advise the reasons for the decline in the demand of the products and why this decline in demand should not be considered as a factor of injury.

11.4 In a situation where demand for the products under consideration has declined, the Authority is required to determine whether injury to the domestic industry is because of dumped imports or because of decline in demand for the products under consideration. This may be established by considering market share of various parties in the demand for the subject products in the Country. The market shares of Indian producers are given below:

Market Shares %	2005-06	2006-07	2007-08	Oct- Dec.-08	
				Apr-Sep'08 (POI)	(Post POI)
Front Axle Beam					
Imports from China PR	-	-	1.29	24.66	61.80
Domestic industry	100.00	100.00	98.71	75.34	38.20
Other Indian Producers	-	-	-	-	-
Steering Knuckles					
Imports from China PR	-	-	6.14	16.66	98.95
Domestic industry	35.35	43.76	39.84	32.92	1.05
Other Indian Producers	64.65	56.24	54.02	50.42	-

11.5 It is seen from the above that market share of the domestic industry has declined in the period of investigation. As per the data made available by the applicant, further decline is seen in its market share in October-December 2008. Thus, within the available demand, the domestic industry has lost its market share, thus establishing that the sales volume of the domestic industry has declined because of dumping as well as

decline in demand. It also establishes that whereas the domestic industry was already facing the problem of declining demand of the subject goods, the same was compounded by the dumped imports.

Import volumes and market shares

11.6 It is seen that: -

- a. A quarterly comparison with the corresponding period of previous year shows that the imports have significantly increased in absolute terms, except for a dip in Apr.-June 08 period as regards Steering Knuckles.

Unit in MT	Front Axle Beam	Steering Knuckles
Apr.-June 07	-	-
July-Sept.07	-	10
Oct.-Dec., 07	14	112
Jan.-March 08	207	340
Apr.-June 08	530	200
July-Sept.08	1147	264

It is seen that large volume of imports of subject goods started in 2007-08 and increased in a relatively short period.

- b. Imports have increased in relation to production and consumption in India.

	2005-06	2006-07	2007-08	POI	Apr-Sep'08 (annualized)
Increase in Imports in relation to Production (%)					
Axle Beam	-	-	1.30	32.98	32.98
Steering Knuckles	-	-	15.44	52.46	52.46
Increase in Imports in relation to Consumption (%)					
Axle Beam	-	-	1.29	24.66	24.66
Steering Knuckles	-	-	6.14	16.66	16.66

- c. While market share of the subject country has increased, that of the Indian industry has declined. It is noted that in addition to a major consumer/importer of the products under consideration, there are a number of other consumers who are sourcing their requirement from Indian market. Since other consumers have not yet reportedly imported the products under consideration so far, the actual impact of dumping on the domestic industry is reflected only in terms of share gained by the imports made by limited consumers.

Market Share %	2005-06	2006-07	2007-08	Apr-Sep'08 (POI)
Front Axle Beam				
Subject imports	-	-	1.29	24.66
Domestic industry	100.00	100.00	98.71	75.34

Other Indian Producers	-	-	-	-
Steering Knuckles				
Subject imports	-	-	6.14	16.66
Domestic industry	35.35	43.76	39.84	39.84
Other Indian Producers	64.65	56.24	54.02	54.02

Price effect of imports

11.7 With regard to the effect of the dumped imports on prices, the Designated Authority is required to consider whether there has been a significant price undercutting by the dumped imports as compared with the price of the like products 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. It is seen that the landed price of imports of the subject goods are significantly below the selling prices of the domestic industry, resulting in significant price undercutting. The position is as follows:

	Rs./KG
Front Axle Beam	
Landed Price	102.74
Net Selling Price	***
Price Undercutting	***_
Price Undercutting% range	18-24
Steering Knuckles	
	Machined
Landed Price	90.76
Net Selling Price	***
Price Undercutting	***
Price Undercutting% range	18-24
	Forged
Landed Price	160.02
Net Selling Price	***
Price Undercutting	***
Price Undercutting% range	10-15
	Total
Landed Price	140.33
Net Selling Price	***
Price Undercutting	***
Price Undercutting% range	8-13

Examination of Economic parameters of the domestic industry

11.8 It is noted that neither the subject products have a past history of dumping, nor there were significant imports during the current injury period up to 2007-08. In fact, significant imports have been reported only during the period of investigation. Therefore, even when the domestic industry has presented the information for injury period, the applicant has claimed that the performance of the domestic industry in the period of investigation should be compared with immediately preceding period in order to examine whether the same deteriorated as a result of dumping from subject country. It would be seen that performance of the domestic industry deteriorated materially during the relevant period.

The various injury parameters relating to the domestic industry are discussed herein below:

Sales volumes	Figures in MT			
	2005-06	2006-07	2007-08	POI
				Oct- Dec,08
				(Post POI)
Front Axle Beam	10,123	16,572	17,016	5,124
				353

Steering Knuckles	2,023	3,112	2,998	918	3
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11.9 It is noted that the sales of the subject goods have increased up to 2007-08 and then declined significantly in POI. As per the data made available by the applicant, the sales in the third quarter of 2008-09 (Oct-Dec '08) also show steep decline as compared to the period of investigation. There is credence to the claim of the domestic industry that there is no reason to assume a situation more favourable than this in subsequent period.

11.10 As stated before in the para relating to demand, sales volumes of the domestic industry have declined for two reasons – dumping from China PR and decline in demand. The decline in demand has also led to decline in sales volumes. The sales volumes that the domestic industry could have achieved in the absence of dumped imports were estimated by them as follows:

In MT	2005-06	2006-07	2007-08	POI	Apr-Sep'08 (annualized)
Sales of Indian Industry					
Front Axle Beam	10,123	16,572	17,016	5,124	10,247
Steering Knuckles	2023	3112	2998	918	1,836
Possible Sales of Indian Industry in absence of Dumped Imports					
Front Axle Beam	10,123	16,572	17,238	6,801	13,601
Steering Knuckles	5,723	7,112	7,525	2,788	5,577

It is seen from the above that sales volume of the domestic industry would have been far higher in the absence of dumped imports.

Capacity and Capacity Utilization

	2005-06	2006-07	2007-08	POI	Apr-Sep'08 (annualized)
Plant Capacity - MT	200,000	240,000	240,000	120,000	240,000
Plant Production - MT	136,790	165,239	191,738	94,662	189,324
Plant Utilization - %	68.40	68.85	79.89	78.89	78.89

11.11 It is noted that the plant utilization has increased up to 2007-08 and then declined marginally in the POI.

Since the applicant produces a number of products in the same plant, effect of dumping on the capacity utilization was examined after including production of other products. It is seen that the extent to which available capacities have been utilized for production of products under consideration show a declining trend resulting in overall decline in the capacity utilization of the domestic industry.

Production for Domestic market

Figures in MT

	2005-06	2006-07	2007-08	POI	Oct- Dec,08 (Post POI)
Front Axle Beam	10,073	16,572	17,034	5,085	337
Steering Knuckles	2,023	3,115	2,995	885	3

11.12 It is observed that the production of Front Axle Beam showed improvement up to 2007-08 and that of Steering knuckles up to 2006-07. However, the production shows significant decline in the POI in respect of both the products. As per the data made available by the applicant, a steeper decline is observed in the post POI period commensurate with sharp decline in sales in the third quarter of 2008-09; considering the fact that the products are “made to order” items.

Market Share

Market Share %	2005-06	2006-07	2007-08	Apr-Sep'08 (POI)	Oct-Dec-'08 (Post POI)
Front Axle Beam					
Subject imports	-	-	1.29	24.66	61.80
Domestic industry	100.00	100.00	98.71	75.34	38.20
Other Indian Producers	-	-	-	-	-
Steering Knuckles					
Subject imports	-	-	6.14	16.66	98.95
Domestic industry	35.35	43.76	39.84	32.92	1.05
Other Indian Producers	64.65	56.24	54.02	50.42	0

11.13 The market share of domestic industry declined significantly in the period of investigation apparently as a result of dumping, even though the domestic industry is having unutilized production capacities. The above table reflects a significantly high market share captured by the imports from China PR in a short span of time. Further, significant share has been captured by these imports in Oct-Dec'08 period (post POI). There has been a significant increase in the volume of imports within a short period whereby the domestic industry has lost significant market share. As per the Domestic industry's claim, the potential picture appears bleak and that it would be difficult for the domestic industry to sustain its vitality on these products.

Factors affecting prices:

	Rs./KG
Front Axle Beam	Machined
Landed Price	102.74
Net Selling Price	***
Price Undercutting	***
Price Undercutting% range	18-24

Steering Knuckles	Forged	Machined	Total
Landed Price	90.76	160.02	140.33
Net Selling Price	***	***	***
Price Undercutting	***	***	***
Price Undercutting% range	18-24	5-10	8-13

11.14 It is observed that the landed price of imports of the subject goods is significantly below the selling price of these products by the domestic industry. As a result of significant price difference between the imported products' price and domestic industry' price, some consumers have switched over to the imported product. The applicant has claimed that the Chinese producers are apparently able to sell at these prices for a number of other factors, such as support by the Govt. of China PR in terms of making steel available to them at prices substantially below the international prices, huge subsidies in terms of cheap power, etc. It has been stated by them that barring such factors, there is no other reason for the Chinese producers being able to sell at present prices.

Profit/Loss

11.15 Profits before tax in respect of the products under consideration were as under:

Rs. Millions	2005-06	2006-07	2007-08	POI	Apr-Sep'08 (annualized)
Front Axle Beam	***	***	***	***	***
Indexed	100	172	194	60	60
Steering Knuckles	***	***	***	***	***
Indexed	100	176	214	57	57

11.16 It is observed that decline in sales volumes and consequently production & capacity utilization led to substantial decline in profits as seen in the above table. The applicant has claimed that even if they have been able to get price changes necessitated as a result of changes in the input costs, the volumes lost have led to substantial reduction in profits of the domestic industry. The applicant has claimed that its cost of production would substantially increase as a result of decline in the sales volumes. The applicant claims a situation of losses, if they continue to lose market share.

Return on Investments

Return on Investment - % (NFA basis)	2005-06	2006-07	2007-08	POI
Front Axle Beam	***	***	***	***
Indexed	100	89	132	52

Steering Knuckles	***	***	***	***
Indexed	100	93	143	55

11.17 It is seen that the return on investments has declined in respect of both the subject goods viz. Front Axle Beam and Steering Knuckles.

Cash Profit

Cash Profit (Rs. Millions)	2005-06	2006-07	2007-08	POI	Apr-Sep'08 (annualized)
Front Axle Beam	***	***	***	***	***
Indexed	100	169	200	87	87
Steering Knuckles	***	***	***	***	***
Indexed	100	168	210	101	101

11.18 It is seen that the cash profit on both the products has declined in the period of investigation.

Inventories:

11.19 The products under consideration are tailor-made items. The applicant produces the subject goods only if there are orders from the customers. Therefore, inventories may not be an appropriate parameter to assess injury to the domestic industry.

Employment

Employment	2005-06	2006-07	2007-08	POI
No. of Employees	***	***	***	***
Indexed	100	100	102	103

11.20 It is seen that since the applicant is a multi-product company, having significant domestic and export markets, and also because the imports of the subject goods commenced only recently, employment has not got affected so far.

Wages

Wages – Rs. Per KG	2005-06	2006-07	2007-08	POI
Front Axle Beam	***	***	***	***
Indexed	100	94	120	191

Steering Knuckles	***	***	***	***
Indexed	100	94	139	253

11.21 It is seen that the wage cost per KG of production of the subject goods have declined in 2006-07 and then increased.

Productivity

	In MT			
Productivity Per day	2005-06	2006-07	2007-08	POI
Front Axle Beam	94	112	118	96
Steering Knuckles	29	29	23	20

11.22 It may be seen that the productivity has declined in line with the decline in production.

11.23 Magnitude of Dumping Margin:

a. Based on third country costs, as claimed by the applicant, the dumping margins are as follows:

Dumping margin per KG in US\$	Front Axle Beam				Steering Knuckles	
	Forged		Machined		Forged	Machined
	Cost-Scotland	Cost-Sweden	Cost-Scotland	Cost-Sweden	Cost-Germany	Cost-Germany
49.46	54.98	61.91	67.58	60.82	45.93	
Weighted average Dumping margin %			64.59		49.06	

b. Based on third country prices, the dumping margin is as follows:

Dumping margin per KG in US\$	Front Axle Beam				Steering Knuckles	
	Forged		Machined		Forged	Machined
	Price-Scotland	Price-Sweden	Price-Scotland	Price-Sweden	Price-Germany	Price-Germany
41.84	63.79	54.08	76.63	58.34	44.32	
***	***	***	***	***	***	***

Weighted average Dumping margin %	65.20	61.83
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(c) Based on price payable in India, the dumping margin is as follows:

US\$ per KG	Front Axle Beam			Steering Knuckles		
	Forged	Machined	Weighted average Dumping margin %	Forged	Machined	Weighted average Dumping margin %
Dumping Margin	***	***	***	***	***	***
Dumping Margin %	20.43	47.92	47.58	38.78	34.79	35.95

It is observed that dumping margins in respect of Chinese exports of the subject goods are significantly positive.

Ability to raise funds:

11.24 Being a multi-product company; the applicant has stated that its ability to raise funds has not been seriously affected so far.

Conclusion on material injury

11.25 An examination of performance of the domestic industry reveals that the domestic industry has suffered material injury. It is seen that performance of the domestic industry has deteriorated during the period of investigation in terms of sales, production, capacity utilization, market share, profits, return on investment and cash profit. Imports of the subject goods are significantly undercutting the prices of the domestic industry. The deterioration in the performance during the current period is quite significant and material.

Threat of material injury

12 The applicant has claimed threat of material injury as well. The claim of the applicant has been examined herein below:

- 1. There has been quite a steep increase in imports in a relatively short period, as is evident from the table below, particularly from the relative market share of imports of the subject goods:**

	2007-08	2008-09 Q1	2008-09 Q2	2008-09 Q3
Imports Volume - MT				
Front Axle Beam	222	358	1,073	571
Steering Knuckles	462	154	300	310

Market Share of imports (%)

Front Axle Beam	1.29	10.19	35.31	61.80
Steering Knuckles	6.14	9.24	27.09	98.95

2. The price undercutting is significant. The imports of the subject goods are entering at such prices that there is a likelihood of further importation:

			Rs./KG
Front Axle Beam		Machined	
Landed Price		102.74	
Net Selling Price		***	
Price Undercutting		***	
Price Undercutting% range		18-24	
Steering Knuckles	Forged	Machined	Total
Landed Price	90.76	160.02	140.33
Net Selling Price	***	***	***
Price Undercutting	***	***	***
Price Undercutting% range	18-24	5-10	8-13

3. The websites information of the Chinese producers show that capacities created by the producers in China PR are more than their domestic demand. Therefore, there is a likelihood of increased volume of dumped imports flowing in to the country from China PR.

4. It is seen that in a short span of time, significant share in the domestic market of the subject goods is already held by the dumped imports from the subject country and such shares are increasing.

As per the material available on record, various parameters relating to domestic industry collectively and cumulatively establish that the domestic industry has suffered material injury and there appears to be a threat of material injury as well.

G. CAUSAL LINK

13 It was examined whether other parameters listed under the AD Rules could have contributed to injury to the domestic industry. It was found as follows:

Imports from Third Countries: - The subject goods are not being imported from third countries.

Contraction in Demand: - It is noted that demand for the products have shown significant decline. The applicant was therefore asked to

advise the reasons for the decline in the demand and why this decline in demand should not be considered as a factor of injury. Simultaneously, considering that the products under consideration are consumed in production of medium and heavy commercial vehicles, information with regard to production of medium and heavy commercial vehicles in the Country was also collected. SIAM, Society of Indian Automobile Manufacturers at their website maintains information with regard to production of vehicles in the Country. It is found that commercial vehicle production has shown a decline. Therefore, the decline in demand of the products appears to be on account of decline in production of medium and heavy commercial vehicles in the country. This may be established by considering market share of various parties in the demand for the products in the Country. Market share of various producers are as follows:

Market Share %	2005-06	2006-07	2007-08	Apr-Sep '08	Oct-Dec '08
				(POI)	(Post POI)
Front Axle Beam					
Imports from China PR	-	-	1.29	24.66	61.80
Domestic industry	100.00	100.00	98.71	75.34	38.20
Other Indian Producers	-	-	-	-	-
Steering Knuckles					
Imports from China PR	-	-	6.14	16.66	98.95
Domestic industry	35.35	43.76	39.84	32.92	1.05
Other Indian Producers	64.65	56.24	54.02	50.42	0

It is observed from the above that market share of domestic industry has significantly declined in the period of investigation. The data furnished by the applicant shows further decline in its market share in period October-December 2008(post POI). Thus, within the available demand, the domestic industry has lost its market share, thus establishing that the sales volumes of the domestic industry have declined because of dumping and decline in demand. It also establishes that whereas the domestic industry was already facing the problem of declining demand, the same was compounded by the dumped imports.

Pattern of consumption: - No significant change in the pattern of consumption is observed.

Conditions of competition: - The applicant has claimed that conditions of competition or trade restrictive practices are not responsible for the claimed injury to the domestic industry. No interested party has refuted this claim.

Developments in technology: - The applicant has claimed that there is no significant change in technology, which could have caused injury to the domestic industry. Though the Chinese producers have claimed a different technology and have contended that another domestic producer uses a different technology but the same has not been substantiated. The Authority proposes to examine the claims and counter claims during the course of the investigation.

Export performance of the domestic industry: - The domestic industry has provided price and profitability in the domestic and export market on segregated basis. Therefore, the analysis on injury is not impacted due to export performance.

13.1 Following parameters show the Causal Link: -

- It is observed that the imports of the subject goods from China PR were non-existent earlier. However, these imports from China PR have captured significant market shares in a short period. As a direct consequence thereof, the market shares of the domestic industry have declined. The decline in the market shares of the domestic industry appears to be a direct consequence of dumping of the products in the Indian market. The applicant has claimed that this decline in the market shares are in spite of the fact that only one customer has started buying from China PR as yet.
- The domestic industry lost sales volumes. Consequently their profits, return on investment and cash profits have deteriorated materially.

13.2 From the above, it appears that injury to the domestic industry has been caused by dumped imports.

Other injury parameters: -

13.3 Since the applicant is a multi-product company, having significant domestic and export markets, and further since the dumping commenced only recently, employment & wages have not been impacted so far. However, the productivity has declined in line with the decline in production.

H. Conclusions:

14 After examining the submissions made by the interested parties and issues raised therein; and considering the facts available on record, the Authority provisionally concludes that:

- (a) The products under consideration have been exported to India from China PR below associated Normal values.
- (b) The domestic industry has suffered material injury in both the products under consideration. Besides, there appears to be threat of a material injury as well.

(c) The material injury and threat thereof has been caused by the dumped imports from China PR.

I. Indian industry's interest & other issues

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

15.1 It is recognized that the imposition of anti-dumping duties might affect the price levels of the products manufactured using the subject goods and consequently might have some influence on relative competitiveness of these products. However, fair competition in the Indian market will not be reduced by the antidumping measures, particularly if the levy of the anti- dumping duty is restricted to an amount necessary to redress the injury to the domestic industry. 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 the subject goods.

J. Recommendations

16 The Authority notes that the investigation was initiated and notified to all interested parties and adequate opportunity was given to the exporters, importers and other interested parties to provide positive information on the aspects of dumping, injury and causal link. Having initiated and conducted a preliminary investigation into dumping, injury and the causal link thereof in terms of the AD Rules and having provisionally established positive dumping margins as well as material injury and threat thereof to the domestic industry caused by such dumped imports, the Authority is of the view that imposition of provisional duty is required to offset dumping and injury pending completion of the investigation. Therefore, the Authority considers it necessary and recommends imposition of provisional anti-dumping duty on imports of subject goods from the subject country in the form and manner described hereunder.

16.1 Having regard to the lesser duty rule followed by the Authority, the Authority recommends imposition of provisional anti-dumping duty equal to the lesser of the margin of dumping and the margin of injury, so as to remove the injury to the domestic industry. Accordingly, provisional antidumping duty as per amount specified in Col 8 of the table below is recommended to be imposed from the date of this notification in the event of acceptance of these recommendations by the Central Government, on all imports of subject goods originating in or exported from China PR.

Sl. No	Heading / Subheading	Description of goods	Country of Origin	Country of Exports	Producer	Exporter	Duty Amount	Unit	Currency
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

73269099

	73261910	People's	People's					
1	73261990	Front Axle Beam for Medium or heavy commercial vehicle	Republic of	Republic of	Hubei Tri-ring Auto Axe Co. Ltd.	Hubei Tri-ring Auto Axle Co. Ltd.	0.50	Per KG
	87085000	China	China					US\$

87089900

73269099

	73261910	People's	People's					
2	73261990	Front Axle Beam for Medium or heavy commercial vehicle	Republic of	Republic of	Any other than at s no 1 above	Any other than at s no 1 above	0.50	Per KG
	87085000	China	China					US\$

87089900

73269099

	73261910	People's						
3	73261990	Front Axle Beam for Medium or heavy commercial vehicle	Republic of	Any	Any	Any	0.50	Per KG
	87085000	China						US\$

87089900

73269099

	73261910	Any other than People's	People's					
4	73261990	Front Axle Beam for Medium or heavy commercial vehicle	Republic of	Republic of	Any	Any	0.50	Per KG
	87085000	China	China					US\$

87089900

73269099

	73261910	People's	People's					
5	73261990	Steering Knuckles for Medium or heavy commercial vehicle	Republic of	Republic of	Hubei Tri-ring Forging Co. Ltd.	Hubei Tri-ring Forging Co. Ltd..	0.63	Per KG
	87085000	China	China					US\$

87089900

73269099

	73261910	People's	People's	Any other			
	Steering Knuckles						
6	73261990	for Medium or heavy commercial vehicle	Republic of	Republic of	Any other than at s no. 5 above	than at s no. 5 above	0.69
	87085000	China	China				Per KG

87089900

73269099

	73261910	People's					
	Steering Knuckles						
7	73261990	for Medium or heavy commercial vehicle	Republic of	Any	Any	Any	0.69
	87085000	China					Per KG

87089900

73269099

	73261910	Any other than People's	People's				
	Steering Knuckles						
8	73261990	Medium or heavy commercial vehicle	Republic of	Any	Any	Any	0.69
	87085000	Republic of China	China				Per KG

87089900

K. Further Procedure

17 The following procedure would be followed subsequent to notifying the preliminary findings: -

- (a) The Authority invites comments on these findings from all interested parties and the same would be considered in the final findings;**
- (b) Exporters, importers, the applicant and other interested parties known to be concerned are being addressed separately by the Authority, who may make known their views, within forty days from the date of the dispatch of the these Preliminary findings. Any other interested party may also make known its views within forty days from the date of publication of these findings;**
- (c) The Authority would hold a hearing to hear the views of various interested parties orally;**
- (d) The Authority would conduct further verification to the extent deemed necessary;**
- (e) The Authority would disclose essential facts as per the AD Rules before announcing final findings.**

(R. Gopalan)
Designated Authority)