

Ministry of Commerce

Notification

New-Delhi, the 15th May, 2001

Subject: Anti-Dumping investigations concerning imports of Hexamine from Saudi Arabia and Russia.....Preliminary Findings

12/1/2000-DGAD – Having regard to the Customs Tariff Act 1975 and the Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury), Rules 1995, thereof:

A. PROCEDURE:

1. The procedure given below has been followed with regard to the investigations:
 - i. The Designated Authority (hereinafter referred to as Authority), under the above Rules, received a written petition from M/s Simalin Chemicals Industries Ltd., Baroda and M/s Rockhard Petro Chemical Industries Ltd., Indore, alleging dumping of Hexamine originating in or exported from Saudi Arabia and Russia.
 - ii. The preliminary scrutiny of the application revealed certain deficiencies, which were subsequently rectified by the petitioner. The petition was thereafter considered as properly documented.
 - iii. The Authority on the basis of sufficient evidence submitted by the petitioner decided to initiate investigations against alleged dumping of imports of Hexamine originating in or exported from Saudi Arabia and Russia. The Authority notified the Embassies of the subject countries about the receipt of dumping allegation before proceeding to initiate investigations in accordance with sub-rule 5(5) of the Rules.
 - iv. The Authority issued a Public Notice dated 20/2/2001 published in the Gazette of India Extraordinary initiating anti-dumping investigations concerning imports of Hexamine classified under customs sub-heading no. 2921.2901 of Chapter 29 of the Customs Tariff Act, 1975, originating in or exported from Saudi Arabia and Russia.
 - v. The Authority forwarded a copy of the Public Notice to the known exporters (whose details were made available by the petitioner) and industry associations and gave them an opportunity to make their views known in writing within forty days from the date of the letter.

- vi. The Authority forwarded a copy of the Public Notice to the known importers (whose details were made available by the petitioner) of Hexamine and advised them to make their views known in writing within forty days from the date of the letter.
- vii. Request was made to the Central Board of Excise and Customs (CBEC) to arrange details of imports of Hexamine.
- viii. The Authority provided copies of the non-confidential Petition to the known exporters in accordance with Rule 6(3) supra.
- ix. The Authority sent a questionnaire, to elicit relevant information to the following known exporters in Saudi Arabia and Russia in accordance with Rule 6(4);

Saudi Arabia

- Saudi Formaldehyde Chemical Co. Ltd.,
P.O.Box 2101, LOT No. 4 & 6,
Tareel 198, Secondary Industries Park,
Saudi Arabia

Russia

- Zolt Company Limited,
62 – Karia Marksa Avenue,
Kamensk-Shakhtinsky,
Rostove Region,
Russia
- Trigon Gulf Fzoo (Trader),
P.O.Box 01408,
Jubei, Ali,
Dubai,
U.A.E.

The exporters did not respond to the questionnaire.

The Embassies of Saudi Arabia and Russia were informed about the initiation of the investigation in accordance with Rule 6(2) with a request to advise the exporters/producers from their countries to respond to the questionnaire within the prescribed time. A copy of the letter and questionnaire sent to the exporters was also sent to them, alongwith the name and addresses of the exporters.

- x. A questionnaire was sent to the following known importers/users of Hexamine calling for necessary information in accordance with Rule 6(4);

- National Chemical Industries
Kota, Rajasthan
- Mauri Chemicals,
Mumbai
- Rajasthan Coatings & Chemicals,
Rajasthan
- Demaco Polymers P.Ltd.,
Faridabad
- Indogulf Industries Ltd.,
New Delhi –66
- IVP Ltd (J),
Jamshedpur
- IVP Ltd. (T),
TA.Palghar, Distt. Thane
- Getwell Chem,
Mumbai
- Modichem Plast Materials P.Ltd.,
Mumbai
- Rupani Chemical Agencies,
Madras
- X 'Pro India Ltd.,
Mumbai
- Goodwill Rasayan,
Mumbai
- United Meta Chem Pvt. Ltd.,
P.O.Pune
- Prima Recipoles (Pune) P. Ltd.,
Maharashtra
- Surya Polymers,
Taloja, Dist. Raigad
- Resins & Plastics Ltd.,
Maharashtra
- Pragati Chemicals P.Ltd.,
Dist. Bharuch (Gujarat)
- Foseco India Ltd.,
Dist Pune
- Dujadwala Paperchem,
Bombay
- JespcO,
Sangli

- National Techno Industries,
Kota, Rajasthan
- Dattatarya Chemical Industries,
Dist. Valsad
- D.C.Chemicals,
Calcutta
- Promis Industries,
Jamshedpur
- Techno Waxchem P. Ltd.,
Calcutta
- Backeland India,
Calcutta
- P.Kumar & Co.,
Calcutta
- A.V.M. Sales Corpn.,
Calcutta
- T.R. Chemicals P.Ltd.,
Orissa
- Ordnance Factory Nagpur,
Bhandra
- Gova Chem Plastic P.Ltd.,
Rajasthan
- S.R.Plastics,
Delhi

No response to the questionnaire was filed by the importers/user industry.

- xi. The Authority made available the 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.
- xii. Cost investigations were conducted to work out optimum cost of production and cost to make and sell the subject goods in India on the basis of Generally Accepted Accounting Principles (GAAP) on the information furnished by the petitioner so as to ascertain if anti-dumping duty lower than the dumping margin would be sufficient to remove injury to the domestic industry.
- xiii. *** In this notification represents information furnished by an interested party on confidential basis and so considered by the Authority under the Rules.
- xiv. Investigations were carried out for the period 1st April, 1999 to 30th September, 2000 (18 months).

B. PETITIONERS VIEWS

2. The petitioner has raised the following major issues in their petition and in their subsequent submissions:

- i. Hexa Methylene Tetramine is known as Hexamine in market parlance. Hexa Methylene Tetramine is a white crystalline powder with a sweet metallic taste. In the pure form, it is colourless and odourless. It crystallizes in rhombic dodecahedrons. Hexa Methylene Tetramine compound is also known as Ammoform, Methenamine, Cystamine, Cystogen, Urotropine. It is classified under custom sub- heading 2921.2901 of the Customs Tariff Act, 1975.
- ii. Hexamethylenetetramine is usually manufactured by the reaction of ammonia with aqueous formaldehyde.
- iii. The producers-exporters in Saudi Arabia and Russia have started exporting Hexamine to the Indian market in 1999-2000 only. According to the petitioners information, the material is being shipped directly from Saudi Arabia and Russia.
- iv. There are four producers of Hexamine in India including the petitioners. The collective output of the two petitioners represent a major proportion of the production of Hexamine in India. The petitioners therefore constitute domestic industry within the meaning of the rules. Both petitioners are multi product companies involved in production of various chemicals such as formaldehyde and paraformaldehyde.
- v. There is no known significant difference in Hexamine produced by the Indian industry and Hexamine exported from Saudi Arabia and Russia which can have an impact on price. Hexamine produced by the Indian industry and imported from the subject countries is comparable in terms of physical and chemical characteristics, manufacturing process and technology, functions and uses, product specifications, pricing, distribution and marketing and tariff classification of the goods. The two are technically and commercially substitutable. Consumers have used the two interchangeably. Hexamine produced by the petitioners and imported from Saudi Arabia and Russia should be treated as like articles in accordance with the Rules.

C. VIEWS OF IMPORTERS, EXPORTERS AND OTHER INTERESTED PARTIES

3. Importers views

(a) Kanoria Chemicals & Industries Ltd.

They are neither an importer nor a consumer of the subject goods. However being the largest manufacturers of Hexamine in the country they are interested in the investigation proceedings and fully support the petition filed.

(b) Newton Engineering & Chemicals Ltd. (formerly: Hitech Orgochem Ltd.)

This respondent is a manufacturer of Hexamine having manufacturing unit at Dudhwada village, Baroda. Their manufacturing capacity is 5MT per day. Currently they are catering to the domestic market and fully support the petition filed by their fellow manufacturers.

(c) Ordnance Factory Bhandara, Government of India, Ministry of Defence.

Ordnance Factory Bhandara is not at all importing Hexamine either from Saudi Arabia or Russia but are procuring the subject goods from M/s Kanoria Chemicals & Industries Ltd., Mumbai @ Rs ***/- per ton + 16%ED + 4%ST.

4. Exporters Views

The exporters from Saudi Arabia and Russia did not respond to the questionnaire forwarded by the Authority.

ChemConnect, 44 Montgomery St., Ste.250, San Francisco, CA 94104, have informed the Authority that they are neither an importer or an exporter to any country; they have neither imported nor exported any chemical to India; they have never owned any chemicals including Hexamine.

D. EXAMINATION OF THE ISSUES RAISED

5. The submissions made by the petitioner and importers to the extent they are relevant under the Rules and have a bearing upon the case, have been examined and dealt with at appropriate places hereunder.

E. PRODUCT UNDER INVESTIGATION

6. Hexa Methylene Tetramine is known as Hexamine in market parlance. Hexa Methylene Tetramine is a white crystalline powder with a sweet metallic taste. In the pure form, it is colourless and odourless. It crystallizes in rhombic dodecahedrons. Hexa Methylene Tetramine compound is also known as Ammoform, Methenamine, Cystamine, Cystogen, Urotropine. It is classified under custom sub- heading 2921.2901 of the Customs Tariff Act, 1975.

The most important industrial use of Hexamine is for the manufacture of solid phenolic resins. The other important use is for the manufacture of a high explosive cyclonite. Hexamine being anti-bacterial in action is used as a urinary antiseptic. It is also used for-

- Adhesives
- Coatings
- Sealing compounds
- In the preservation of hides
- As a rubber vulcanization accelerator
- As a corrosion inhibitor for steel
- Dye fixative
- Fuel tablet for camping stoves
- Stabiliser for lubricating and insulating oils

F. LIKE ARTICLES

In order to establish that Hexamine produced by the domestic industry is a Like Article to that exported from Saudi Arabia and Russia, characteristics such as technical specifications, manufacturing process, functions and uses and tariff classification have been considered by the Authority.

The Authority also finds that there is no argument disputing that Hexamine produced by the domestic industry has characteristics closely resembling the imported material and is substitutable by Hexamine imported from the subject countries both commercially and technically. Hexamine produced by the domestic industry has been treated as Like Article to the product exported from Saudi Arabia and Russia within the meaning of Rule 2(d).

G. DOMESTIC INDUSTRY

The petition has been filed by alleging dumping of Hexamine originating in or exported from Saudi Arabia and Russia.

The production of Hexamine by the petitioners has been as under:-

	1997-98	1998-99	1999-2000	2000-2001 6 months	POI
Petitioners					
Simalin	1747	2167	2692	1317	4010
Rockhard	362	864	1053	137	1190
Other producers					
Kanoria	NA	3141	3821	1858	5679

Hitech	NA	NA	600	286	886
Total Indian production	2109	6172	8166	3598	11765

The petitioners account for 44.19% of the total production in the POI. The Authority notes therefore that the petitioner constitutes "domestic industry" and has the required standing to file the present petition under the Rules.

H. DUMPING

7. The Authority sent questionnaires to the known exporters from the subject countries in terms of section 9 A (1). However, the exporters did not respond with the information called for. Therefore there are no claims made by the exporters with regard to Normal Value and Export Price. The Authority has therefore been constrained to rely upon constructed price and best available information with regard to Normal Value and Export Price respectively.

I. EXAMINATION OF NORMAL VALUE AND EXPORT PRICE BASED ON CONSTRUCTED VALUE AND ON AVAILABLE INFORMATION WITH THE AUTHORITY

(i) NORMAL VALUE

8. The Authority observes that the exporters from Saudi Arabia and Russia have not responded to the questionnaire in the prescribed format and have not furnished information relating to normal value, export price, and dumping margin. The Authority therefore considers the exporters to be non-cooperative and has proceeded on best available information.

The petitioners have requested that the normal value in Saudi Arabia and Russia be accepted on the basis of constructed cost of production of Hexamine . In the circumstances the Authority has been constrained to determine the constructed cost.

The normal value in Saudi Arabia and Russia is therefore considered to be USD ***/kg or Rs ***/kg at an average exchange rate during POI of 1USD=Rs 43.70.

ii. Export Price

9. The cif price as per the information available with the Authority is determined at Rs ***/kg for Saudi Arabia and Rs ***/kg for Russia. The ex-factory export price has been determined after taking USD 0.05/kg as ocean freight (based on petitioner's

information), 0.5% as marine insurance charges, commission @3% for the agent in the exporting countries, 2% for inland transportation and 2% for port handling and port charges as per the Indian experience. However, commission @3% for the Indian indenting agent as claimed by the petitioner is not allowed by the Authority for want of documentary evidence. After adjustments on these accounts the ex- factory fob export price is estimated to be Rs ***/kg or USD ***/kg for Saudi Arabia, and Rs ***/kg or USD ***/kg for Russia at an average exchange rate of Rs 43.70=1USD.

(iii) **Dumping margin**

10. Saudi Arabia

Considering the constructed normal value at USD ***/kg and the ex-works export price at USD ***/kg, the dumping margin determined by the Authority comes to USD ***/kg (which is 42.2% of export price).

Russia

Considering the constructed normal value at USD ***/kg and the ex-works export price at USD ***/kg, the dumping margin determined by the Authority comes to USD ***/kg (which is 77.7% of export price).

J. INJURY

The Authority notes that the margin of dumping and quantum of imports from the subject countries are more than the limits prescribed in Rule 11 Supra.

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

a. Quantum of Imports

b. Quantity (kg.)

Countries	1997-98 (as per DGCIS)	1998-99 (as per DGCIS)	1999-2000 (as per DGCIS)	Apr-Sep'00 (as per DGCIS)	Apr'99-Sep'2000 (18 months)
Total imports	53,120	211,830	812,106	418,740 (annl. 837,488)	12,30,846
Saudi Arabia	---	---	88,000	78,000 (annl. 156,000)	166,000

Russia	---	---	---	20,000	20,000
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c. The increase in the total imports of Hexamine was 298% in 1998-99 over that of 1997-98. Imports increased by 283% in 1999-2000 over 1998-99 and by 3.1% in Apr-Sep'00 (annualised) over 1999-2000.

d. The quantum of imports from Saudi Arabia went up by 77.27% in Apr-Sep 2000 (annualised) over 1999-2000. The share of Saudi Arabia in total imports was 10.8%, 18.6% and 13.4% in 99-2000, Apr-Sep 2000 and the POI respectively.

e. There were no imports of the subject goods from Russia during 1997-98, 1998-99 and 1999-2000. During Apr-Sep 2000 (6 months) imports from Russia were 4.7% of the total imports. The petitioners have stated that Hexamine is being exported to India only from two countries- Saudi Arabia and Russia. Even though the customs classification is dedicated for Hexamine, the import information compiled by the DGCIS shows large-scale imports from other countries. These imports are at prices which are many times higher than the prices at which Hexamine is imported. The Authority notes that the imports of the subject goods from all other sources (other than Saudi Arabia and Russia) as per DGCIS data were at very high cif prices ranging from Rs 54.3/kg to Rs 250.9/kg during 1999-2000. The cif prices from these sources ranged from Rs 55/kg to Rs 620/kg for the period April-Sep 2000. The landed values would be far higher. The sales realisation of the domestic industry was at an average of only Rs ***/kg during the POI. When the product is available at this price no consumer would pay more than double, leave aside imports at higher prices. Thus imports from other countries shown in DGCIS data cannot be Hexamine but other products which have either been misclassified as Hexamine or which do not have their own dedicated product codes. In view of the data available, the Authority has considered import volumes from the subject countries only.

f. Production and Capacity Utilisation

g. The production capacity, actual production and capacity utilisation of the petitioners was as follows: -

Petitioners	1997-98	1998-99	1999-2000	2000-01 (6months)	POI
Installed Capacity (MT)	3900	3900	4300	2150	6450
Production (MT)	2109	3031	3745	1454	5199.95
Capacity Utilisation%	58.58	84.19	104	67.62	80.6

h. Sales and Market Share

	1997-98	1998-99	1999-2000	2000-01 (6 months)	POI
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Sales (MT) of petitioners	2086	3031	3707	1489	5196
Production (other producers)	3000	3141	4421	2144	6565
Demand	5086	6172	8217	3731	11947
Share of dumped imports %	Nil	Nil	1.07	2.6	1.5
Share of petitioner %	41	49	45	39.9	43.4

i. Price undercutting and price depression

j. Rs/kg

Year	Sales Realisation	Landed Price of Imports Saudi Arabia Russia Others		
1997-98	***	---	---	165.11
1998-99	***	---	---	92.4
1999-2000	***	34.78	---	115.38
POI	***	25.42	19.45	122.05

k. It is evident from the above table that the exporters from Saudi Arabia and Russia have reduced their prices significantly in the POI. The domestic industry has been forced to reduce its selling prices to respond to the low import prices in the market. The petitioners have stated that Hexamine is being exported to India only from two countries- Saudi Arabia and Russia. Even though the customs classification is dedicated for Hexamine, the import information compiled by the DGCIS shows large-scale imports from other countries. These imports are at prices which are many times higher than the prices at which Hexamine is imported. It is noted that between April-July 2000, Russia had exported 17,000 kg at a cif price of Rs 3,30,730. In August 2000, 3000 kg were exported from Russia at cif Rs 3,31,835 which is excluded from the determination of total volumes from Russia being an abnormal transaction (cif Rs 110/kg).

l. Profitability:-

The domestic industry has been forced to reduce its selling prices below its cost of production, resulting in substantial financial losses. The profitability of the domestic industry has declined significantly as evident from the per unit profit/loss made by the industry from sales in the domestic markets.

Petitioners	1997-98	1998-99	1999-2000	(POI)
Simalin				
COP	***	***	***	***
Selling Price	***	***	***	***
P/L	1.02	(4.5)	(4.28)	(6.19)
Rockhard				
COP	***	***	***	***

Selling Price	***	***	***	***
P/L	(0.36)	(5.93)	(5.12)	(6.66)

K. CONCLUSION ON INJURY

11. In view of the foregoing it is observed that:-

- a. the quantum of imports from the subject countries have increased in absolute terms;
- b. the market share of the petitioner has gone down while that of imports has increased;
- c. the petitioners have been forced to sell at prices below their non-injurious price resulting in losses;
- d. imports have undercut the prices of the domestic industry.

L. CAUSAL LINK

12. The Authority holds that the material injury to the domestic industry has been caused by imports from the subject countries that are major exporters of Hexamine to India. The Authority notes that import prices from the subject countries have undercut the prices of the domestic product forcing the domestic industry to sell below its non-injurious price which resultantly, the domestic industry was unable to recover. The material injury to the domestic industry was therefore caused by the dumped imports from the subject countries.

M. INDIAN INDUSTRY'S INTEREST & OTHER ISSUES

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

14. It is recognised 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 anti-dumping 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 Hexamine. Imposition of anti-dumping measures

would not restrict imports from the subject countries in any way, and therefore would not affect the availability of the product to the consumers.

15. To ascertain the extent of anti-dumping duty necessary to remove the injury to the domestic industry, the Authority relied upon reasonable selling price of Hexamine in India for the domestic industry, by considering the optimum cost of production at optimum level of capacity utilisation for the domestic industry.

N. LANDED VALUE

16. The landed value of imports is determined on the basis of export price of Hexamine determined as detailed above in the para relating to dumping, after adding the prevailing level of customs duties and one per cent landing charges.

O. CONCLUSIONS

17. It is seen after considering the foregoing that:

- a. Hexamine described under para 6 originating in or exported from Saudi Arabia and Russia has been exported to India below normal value, resulting in dumping;
- b. the domestic industry has suffered injury;
- c. injury has been caused by imports from the subject countries.

18. It was decided to recommend the amount of anti-dumping duty equal to the margin of dumping or less which if levied, would remove the injury to the domestic industry. Accordingly, it is proposed that provisional anti-dumping duties be imposed, from the date of notification to be issued in this regard by the Central Government, on Hexamine originating in or exported from Saudi Arabia and Russia, falling under customs sub-heading no. 2921.2901 of the Customs Tariff Act, pending final determination. The anti-dumping duty shall be the amount mentioned in Col.3.

Country	Name of the producer/exporter	Amount (USD/kg)
SAUDI ARABIA	All producers/exporters	0.19
RUSSIA	All producers/exporters	0.28

19. Landed value of imports for the purpose shall be the assessable value as determined by Customs under the Customs Act, 1962 and all duties of customs except duties levied under Sections 3, 3A, 8B, 9 and 9A of the Customs Tariff Act, 1975.

P. FURTHER PROCEDURE

20. 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, petitioner and other interested parties known to be concerned are being addressed separately by the Authority, who may make known their views, within forty days of the despatch of this notification. 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 provide opportunity to all interested parties for oral submissions.
- d. The Authority would disclose essential facts before announcing the final findings.

L.V.SAPTHARISHI
DESIGNATED AUTHORITY