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**Government of India
Ministry of Commerce & Industry
Directorate General of Anti-Dumping & Allied Duties**

Notification

New Delhi, the 5th March 2010

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 – Final Findings.

No. 14/19/2008-DGAD- Whereas the Designated authority, having regard to the Customs Tariff Act, 1975, as amended from time to time (hereinafter referred to as the Act) and the Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, as amended from time to time, (hereinafter referred to as the AD Rules); recommended imposition of Anti Dumping duty on the imports 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).

B. BACKGROUND OF THE CASE

2. The Designated Authority (hereinafter also referred to as the Authority), under the AD 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).

3. 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 AD 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.

4. The Designated Authority, having regard to the Act and the AD Rules; recommended imposition of provisional Anti Dumping duty on imports of the subject goods originating in or exported from the subject country falling under Sub-heading as per table below:

Product	Customs Classification
Front Axle Beam	73269099, 73261910, 73261990, 87085000, 87089900
Steering Knuckle	73269099, 73261910, 73261990, 87085000, 87089900

5. The preliminary findings were published vide Notification No 14/19/2008-DGAD dated 24th April 2009 and provisional duty was imposed on the subject goods vide Customs notification No. 65/2009-Customs dated 15th June 2009.

C. **PROCEDURE**

6. In these proceedings the procedure described below has been followed:

- (i) The Embassy of the subject country in New Delhi was informed about the initiation of the investigation in accordance with Rule 5(5) of the AD Rules.
- (ii) The Designated Authority sent copies of initiation notification dated 8th December 2008 to the Embassy of the subject country in India, known exporters from the subject country, known importers and other interested parties, and the domestic industry, as per the information available with it. Parties to this investigation were requested to file questionnaire responses and make their views known in writing within the prescribed time limit. Copies of the letter, application and questionnaires sent to the exporters were also sent to the Embassy of the subject country along with a list of known exporters/producers with a request to advise the exporters/producers from the subject country to respond to the questionnaires within the prescribed time.
- (iii) Copy of the non-confidential version of the application filed by the domestic industry was made available to the known exporters and the Embassy of the subject country in accordance with Rules 6(3) supra.
- (iv) Questionnaires were sent to the following known exporters from the subject country in accordance with the Rule 6(4) of the AD Rules to elicit relevant information:
 1. Hubei Tri-Ring Forging Co., 34 Chengguanzhenhou Road, Gucheng County, Hubei Province, China.
 2. Hubei Tri-Ring Forging Co, No. 8 Zhuyang Road, Gucheng County, Xiangfan, Hubei Province, China.
 3. Hubei Tri-Ring Motor steering, 175 Young An Avenue, Xianning, Hubei China.

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

1. Hubei Tri-ring Auto-Axle Co., Ltd., No.34, Hou Street, Chengguan town, Gucheng City, Hubei Province, China PR

2. Hubei Tri-Ring Forging Co., Ltd., No 8. Zhuyang Road, Chengguan, Gucheng country, Hubei province, China PR

(v) Questionnaire was sent to the following known importers and users of subject goods in India calling for necessary information in accordance with Rule 6(4) of the AD Rules:

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

In response thereof, following have responded:

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

(vi) Imports data for the period of investigation and preceding three years was collected by the applicant from IBIS. DGCI&S data could not be relied upon as the subject goods do not have a dedicated code and are being imported under various codes.

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

(viii) M/s. Bharat Forge Ltd., Pune, being treated as the domestic industry, has submitted the information/data. The Authority examined the information furnished by the domestic industry to the extent possible on the basis of Generally Accepted Accounting Principles (GAAP) to examine the injury suffered, to work out optimum cost of production, cost to make and sell the subject goods in India so as to ascertain if Anti-Dumping duty lower than the dumping margin would be sufficient to remove injury to domestic industry. The company has maintained all statutory books of accounts. Since

information relied upon is from the books of accounts, the Authority has adopted the information verified from the books of accounts maintained by the company.

- (ix) In accordance with Rule 6(6) of the AD Rules, the Authority also provided opportunity to all interested parties to present their views orally in a public hearing held on 13th July, 2009. The parties, which presented their views in the public hearing, were requested to file written submissions of the views expressed orally.
- (x) The submissions made in response to the preliminary findings and arguments made in the written submissions/ rejoinders received from interested parties received after the public hearing have been considered, wherever found relevant, in this finding;
- (xi) Investigation was carried out for the six months period starting from 1.04.2008 to 30.9.2008 (POI) and the Injury analysis has been done for the period 2005-06, 2006-07, 2007-08 and POI.

The Authority notes that since the period of investigation and previous years represent different number of months, the Authority has compared period of investigation data with preceding years on pro-rata basis i.e. by annualizing the data for period of investigation, so that the same can be compared with previous years.

- (xii) Verification to the extent deemed necessary was carried out in respect of the information & data submitted by the domestic industry and the co-operating Chinese producers/exporters.
- (xiii) In accordance with Rule 16 of the AD Rules, the essential facts considered by the Authority were disclosed to the known interested parties. The comments received on the disclosure statement have been duly considered in these findings.
- (xiv) Information provided by interested parties on confidential basis was examined with regard to sufficiency of the confidentiality claim. On being satisfied, the Authority has accepted the confidentiality claims, wherever warranted and such information has been considered confidential and not disclosed to other interested parties. Wherever possible, parties providing information on confidential basis were directed to provide sufficient non-confidential version of the information filed on confidential basis.
- (xv) Wherever an interested party has refused access to, or has otherwise not provided necessary information during the course of the present investigation, or has significantly impeded the investigation, the Authority has recorded these findings on the basis of the facts available.

- (xvi) *** in this notification represents information furnished by the interested parties on confidential basis and so considered by the Authority under the AD Rules.

D. Comments of the interested parties on the Disclosure statement

The following comments, in brief, on the Disclosure statement have been made on behalf of some interested parties, namely, M/s. Hubei Tri – Ring Auto-Axle Co Ltd, China PR, M/s. Hubei Tri – Ring Forging Co Ltd., China PR, M/s. Ashok Leyland Ltd and M/s. Tata Motors Ltd.:

- Non-disclosure of normal value calculation - They have demanded disclosure of the components of Normal values and disclosure of how those components have been arrived at.
- Non disclosure of landed value calculation – It has been argued that landed value should be disclosed and have further stated that the landed value should include all Cess.
- Response filed by Hubei Tri-ring Auto Axle Co Ltd is complete in all respects - It has been argued that the Authority should clearly write that the response filed by the exporter is complete in all respects.
- Determining normal value not based on data furnished by the producer/exporter is against the express provisions of Section 9A(6A) - It has been argued that provisions relating to market economy treatment have become ultra vires by virtue of Section 9A(6A). Since Section 9A(6A) provides for determination of Normal values on the basis of records maintained by the company, the provisions relating to non market economy have now become ultra vires.
- Reasons given for rejection of the MET claims are not correct - The Chinese companies have questioned the rejection of market economy treatment in spite of an admitted fact that there is significant Govt. of China holding in the two Chinese companies and the fact that they have not been able to establish that prices of steel in China PR reflect market values.
- Like Article determination is incorrect - It has been argued that since the Chinese respondents have exported only one type of product, the like article must be established only with reference to such type.
- Injury analysis given is incorrect, improper, illogical and grossly deficient – They have disputed existence of injury to the domestic industry on following accounts.
 - a) Imports statistics – It has been argued that the import volume relied upon does not reconcile with the Chinese respondent's exports data.
 - b) Assessment of Demand on an annualized basis It has been argued that the annualization of the data is not correct for the reason that there were no imports in the subsequent period.

- c) Wrong basis for determining sales volumes of domestic industry - They have disputed the determination of injury on the grounds that only sales made to Ashok Leyland must be considered.
- d) Reasons for contraction in demand - It has been argued that reasons for contraction in demand have not been properly evaluated.
- e) Price effect analysis is based on false and unsubstantiated facts They have also disputed existence of injury on the grounds that profit/loss, return on investment and cash profits have remained positive.
- f) Use of Post POI data for a few indices is not warranted - It has been argued that the Authority has selectively used post POI data.

D.1 Examination by the Authority

The Authority has examined the issues raised by interested parties after the issuance of the Disclosure Statement as follows:

- (a) As regards disclosure of components of Normal values, the Authority notes that the amount of Normal values and the methodology adopted in arriving at such Normal value have been disclosed. As regards disclosure of the components of Normal values, since the same is, *inter alia*, based on confidential information of the domestic industry, the same cannot be disclosed.
- (b) While it is noted that the exporter had never made claim with regard to the landed value in its questionnaire response and at any time during the proceedings; the Authority has, however, now determined landed values after adding different types of Cess amounts.
- (c) As regards argument of the exporter that non-market economy provisions has become *ultra vires* under s/c 9A (6A), the Authority notes that the determination is fully consistent with the legal provisions.

As regards other issues, the Authority has examined the same in relevant sections of these findings.

E. PRODUCTS UNDER CONSIDERATION AND DOMESTIC ‘LIKE ARTICLE’

D.1 VIEWS OF THE DOMESTIC INDUSTRY

- 7. Following submissions have been made by the domestic industry with regard to products under consideration and like article:

- 7.1. Products under consideration in the present investigations are ‘Front Axle Beam and Steering Knuckles meant for heavy and medium commercial vehicles’.

FRONT AXLE BEAM (FAB):

- 7.2. 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:

- 7.3. 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 fit 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.

- 7.4. Front Axle Beam and Steering Knuckles are classified under custom sub-headings as per table below. The classification is, however, indicative and in no way binding on the scope of the present investigation.

Product	Customs Classification
Front Axle Beam	73269099, 73261910, 73261990, 87085000, 87089900
Steering Knuckle	73269099, 73261910, 73261990, 87085000, 87089900

- 7.5. The goods produced by the domestic industry are like article to the imported products.

E.2 Views of the importers, consumers, exporters and other interested parties

8. 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.

E.3 Examination by the Authority.

9. The Authority has considered the above submissions, including the argument taken by some interested parties that since the Chinese respondents are the sole exporters of the products to India and only one type of product has been exported by them, the like article should be established with reference to such product type exported by them. The Authority, however, notes that the like article is required to be determined with reference to the product under consideration as defined in the instant matter, while initiating the investigation. Thereafter, the ambit and scope of the investigation has not undergone any change whatsoever, therefore, the like article is not required to be defined with reference to the product type exported by the Chinese respondents.
- 9.1 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.
- 9.2 The products under consideration in the present investigation are Front Axle Beam and Steering Knuckles meant for heavy and medium commercial vehicles, classified under custom sub-heading as per table below. The

classification is, however, indicative and in no way binding on the scope of the present investigations.

Product	Customs Classification
Front Axle Beam	73269099, 73261910, 73261990, 87085000, 87089900
Steering Knuckle	73269099, 73261910, 73261990, 87085000, 87089900

10. There is no significant difference in the products under consideration produced by the Indian industry and the products under consideration exported from China PR, which can have an impact on price. Products under consideration produced by the Indian industry and originating in or exported from China PR are comparable in terms of characteristics such as physical and chemical characteristics, functions and uses, product specifications, distribution and marketing and tariff classification of the goods. The Authority therefore considers that the two are required to be treated as alike and one product for the purpose of defining the 'products under consideration' as per Rule 2(d) of the AD Rules.

F. Standing and scope of the Domestic Industry

F.1. Views of Domestic Industry

11. M/s. Bharat Forge Ltd., Pune, filed the application before the Authority and the Authority considered the applicant as domestic industry, as it accounted for a major proportion of the production of the 'Like Articles' in India, in accordance with the AD Rules.
12. M/s Bharat Forge Ltd., Pune, has filed the Application for imposition of anti dumping duty. The Applicant has submitted that in case of Front Axle beam, the applicant is the sole producer; for Steering knuckles, apart from the applicant, there are other producers namely M/s Mahendra Forging Ltd., M/s Amtek Auto Ltd. and M/s Harig Crankshaft, who also produce the Steering knuckles. However, M/s Mahendra Forging Ltd., M/s Amtek Auto Ltd. and M/s 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.

13. Issues raised by interested parties

Captive consumption of Tata Motors Ltd.

- 13.1. The Chinese producers have contended that the applicant has made a wrong claim regarding captive consumption of M/s 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.

Tata Motors Ltd in its response has stated that it is a domestic manufacturer of, among other things, heavy and mid-sized commercial vehicles. It accounts for approximately 65-70% of the domestic market for MCV's and HCV's and that it procures its requirements for the subject goods from both domestic manufacturers i.e. Bharat Forge Limited (BFL) and Ahmednagar Forging and from production that takes place at its own forging division in Jamshedpur i.e., HV Axles Limited (HVAL). HVAL, formerly the axle division of then TELCO, was set up as a subsidiary company of TML. As of March 31, 2008, TML holds an 85% stake in HVAL, while the balance of 15% is held by TATA Capital. HVAL manufactures axles for TML's consumption on a "jobbing" basis, mostly on forgings obtained from TML's forge division. While HVAL is presently catering entirely to the needs of TML, it is in the process of developing axles for other customers in a focused manner. It objects to the present investigation as a domestic producer and end-user of the subject goods.

14. Imports made by the Applicant

14.1. 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.

15. Difference in investment – The Chinese producers have contended that there is a difference in investment for producing the subject goods.

15.1. 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".

16. Steel consumption – The Chinese producers have contended that there is a difference in steel consumption while producing the subject goods.

16.1. 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 Ltd. 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. It has been contended that 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. It has been contended that 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 Applicant contends that 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 (POI)	Oct-Dec'08
Front Axle Beam					
China PR	-	-	1.29	23.78	61.80
Domestic industry	100	100	98.71	76.22	38.20
Steering Knuckles					
China PR	-	-	6.14	17.47	98.95
Domestic industry	35.35	43.76	39.84	32.60	1.05
Other Indian Producers	64.65	56.24	54.02	49.93	0

F.2 **Examination by the Designated Authority**

17. **Captive consumption of Tata Motors Ltd:**

The Authority had sought clarification from the applicant on the issue. The applicant countered the above claim by stating that M/s HV Axles Jamshedpur is a wholly owned subsidiary of M/s Tata Motors Ltd. It has been stated by them that the forging is produced by M/s Tata Motors Ltd and M/s HV Axle does machining and assembly operations and supplies back to M/s 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 M/s 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 investigations by the Designated Authority, in any case, would have no impact on both parties.

The Authority notes that the submissions made by M/s Tata Motors buttress the arguments made by the domestic industry.

- 17.1. In this context, the Authority has also taken note of the reference made 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.

Imports made by the Applicant

- 17.2 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 Ltd. 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 Ltd. 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 to the Authority clarifying that no imports of Front Axle Beams or Steering Knuckles have been made by them from China PR.
- 17.3 The Authority notes 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.
- 17.4. Rule 2(b) under the Rules provides as follows: -

"(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"

- 17.5 In view of the above, the Authority notes that (a) production of each of the subject goods by the applicant constitutes 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.

G. DUMPING MARGIN

G.1. View of exporters/importers and other interested parties

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

18. 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.

18.1 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.

18.2 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.

18.3 It has also been stated by them that the response filed by them is complete in all respects and that the producers and exporters have filed a combined response and that as per Appendix 2 filed by HTRAA, the transactions that were routed

through HTRMS have been shown with separate sub-totals. As such, complete information has been provided in respect of all those transactions. However, it has been conceded that the exporter HTRMS has not filed a separate response, because HTRMS no longer exports the product to India. Thus, there is no longer a need to determine a dumping margin for them, therefore question of filing a separate response by HTRMS does not arise.

Market Economy Status

18.4 It has been contended that they have provided complete details about the suppliers of raw materials, the legal status of those suppliers etc. it has been further contended that none of the suppliers of the raw material inputs are related to HTRAA and that none of the suppliers of steel or cutting tools are affiliated with HTRAA, and that the power and water fees are charged as per the time-shared price for industrial power in accordance with the supplier company's regulation.

18.4.1 With regard to the issue of the State in an NME having the position of a major shareholder, attention has been drawn to a decision of First Instance (Fourth Chamber) in the European Union in Zhejiang Xinan Chemical Industrial Group Co., Ltd. v. Council for the European Union, where the Court observed that "while State control over an undertaking is a matter which may possibly be taken into account, it is not sufficient, by itself, to demonstrate the existence of 'significant State interference' within the meaning of that provision"

18.4.2 It has been contended that the Authority consider all of the evidence submitted in the respondents' MET responses in light of the criteria laid out in Paragraph 8 of Annexure I of the Indian AD Rules, and not hold that merely because of State holding in a company the company is not entitled to MET.

Consumption norms

18.5 It has been contended that consumption norms have nothing to do with market economy claims and that physical consumption of an input does not change depending upon the nature of the market. Consumption of raw material depends on the manufacturing process used. It has further been contended that a review of the data provided in the application reveals that the applicant has considered 17 Kg. to be the per-piece weight of the imported steering knuckles. As such, this figure was used as the basis for converting the import number figures (for the subject imports from China) into kilograms. However, the correct weight for the subject merchandise produced by HTRF was in fact 16 Kg. s per piece. This 1 Kg. difference in the conversion weight used by the applicant and the actual weight applicant should have used as per HTRF's data results in an increase in the CIF price/Kg. of 9 Rs. – or 6.25% of the subject merchandise import price claimed by the applicant. The applicant's calculation methodology is inaccurate as it understated the export price by more than 6%. As such, the Authority should

adopt a per-piece weight for the subject merchandise steering knuckles of 16 Kg. in its dumping calculation.

Differences in the Manufacturing Process

FAB

19. It has been contended that the manufacturing process utilized by HTRAA requires lower capital investment. This is because HTRAA uses a 'roll forming -cum- hot press' process which only requires **** MT press for forging purposes. BFL, on the other hand, uses a hot forging process that requires a **** MT high capacity press. The 'roll forming -cum- hot press' process results in less wastage than does the hot forging process used by BFL. Less waste in turn translates into less input weight and lower manufacturing costs. The difference in the manufacturing process used by the applicant and that used by HTRAA has been placed on the record showing the reduction in wastage by HTRAA. It has been contended that HTRAA benefits from its own patented production process. HTRAA's patented process requires a capital investment equal to approximately one-quarter of the capital investment required by Bharat Forge. As stated above, because less waste results from HTRAA's process, HTRA's process requires less input weight per front axle beam produced (i.e., *** kg. of iron to produce an FAB using the rolling-cum-forging process as opposed to *** kg. required by Bharat Forge when using its hot forging process – or 11 kg. less per FAB produced).

Comments on the verification report by the company

20. It has been contended that

- There was no State interference in appointment of directors.
- There is no affiliate relationship between the company and national, provincial and local governments.
- The Board of directors is elected by the shareholders and the Board of directors runs the company within the authority granted by the 'Shareholders'. All operational decisions are taken by the executives of the company or by the Board of directors, as may be required. There are 9 members in the current Board of Directors of the Company. Each of the directors above has one voting right when voting on the Board of Directors. The company is not required to notify about appointment of directors/managers to any governmental authority. The company does not require any authorization or permission for producing or exporting the product concerned except for the business licence. The company is not subjected to any direct or indirect quantitative restrictions. The company's sales activities in the scope of business approved by the business license are not interfered by other

organizations or companies. The sales operations of the company are decided by itself. The prices and the quantities are set by the company based on market demand without the participation of or influence by the government or governmental organizations. Within the company, a committee consisting of CFO and three other Deputy General Managers discuss and decide the prices to be charged on the products sold. There are no enactments or other formal measures by the Government that control the export activities of the company. There are no restrictions on the use of the company's export revenues. The company only exports products to India at present and does not have export business with other countries. The price of the products sold to India is decided by direct negotiation with Indian customers. The process of the negotiation and the final price are totally decided by the buyer and supplier. There is no interference by any third party.

- The raw material for the products concerned is purchased through the following channels. It is supplied by domestic steel mills in China through short-term contracts directly according to production needs; the raw material used for FAB exported to India is supplied by Daye Special Steel Co., Ltd which is approved by customer. We cannot procure the raw material from any other supplier. This Daye Special Steel Co Ltd is a company limited by shares listed at Shenzhen Stock Exchange (000708).
- The raw materials procured by the company for production of products exported to India are not traded at the international level. Hence, no international prices are available for inputs.

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

21. 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 the applicant's 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.

21.1 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.

21.2 It has been contended that none of the suppliers of the raw material inputs are related to HTRF, electricity power fees are charged in accordance with the regulation of the electric power company, and that water fees are charged according to the local water price for industrial purpose.

21.3 It has been contended that lower capital investment is required as a result of the smaller size (and thus price) of the press used. Specifically, whereas Bharat Forge uses a ***T screw press machine that costs **** million RMB, HTRF uses a ***T stamping hammer that costs only **** million RMB. The difference in the purchase prices of these two machines alone demonstrates a much lower capital investment required by HTRF vis-à-vis BFL. Furthermore, the process used by HTRF requires less steel than does the process used by BFL. Specifically, for the same finished weight of *** kg., HTRF uses *** kg of steel while BFL uses **** kg of steel. This saving of **** kg results in a significant reduction in costs for HTRF vis-à-vis BFL. HTRF's die repair method uses a different welding material that enhances the life of the die. This translates into lower running costs per unit of finished product vis-à-vis BFL.

22. Comments on the verification report by the company

- It has been contended that there was no State interference in appointment of directors.
- The company's business license is a certificate which indicates that the company has the reasonable right for business and the right to do business. The license does not impose any limitation on the operation of the company or create any entitlements for the company.
- The company does not have any relationship with the national or the local government.

- All the properties of the company belong to the whole shareholders of our company. They enjoy profit after the tax and they bear the loss of the company.
- Tri-ring Forging is controlled by the shareholders, and the Board of Directors is the company's executing agency. The directors are recommended and selected by the shareholders, the board employ the general manager who in turn appoints deputy general managers and the other senior executives. There are 7 members in the current Board of Directors of the Company. Each of the directors above has one voting right.
- The company does not require any authorization for exporting the product concerned. The company is not subjected to any export quotas. The company's sales activities in the scope of business approved by the business license are not interfered by other organizations or companies. The sales operations of the company are decided by itself. The prices and the quantities are set by the company based on market demand without the participation of or influence by the government or governmental organizations.
- There are no enactments or other formal measures by the Government that control the export activities of the company. There are no restrictions on the use of the company's export revenues.
- The product concerned is not exported to other countries except Indian market. The company negotiates prices directly with our Indian customer - Ashok Leyland. The price is not subject to review or guidance from any governmental organization/bodies. The company is not a member of any Chamber of Commerce.
- The company is not subject to any restrictions on the distribution/repatriation of profits and repatriation of capital invested.
- The raw material is alloy steel bar. The major suppliers are Hubei Daye Special Steel Company, Wuhan Xiang Metallic Material Company and Jiangyin Xingcheng Special Steel Company.
- The raw materials procured by the company for production of products exported to India are not traded at the international level. Hence, no international prices are available for inputs.

G.2. Views of Domestic Industry

23. The Applicant has contended that they have evaluated the process employed by the exporter and that they believe that the process employed by the exporter has

some inherent quality risks and therefore the applicant has opted for a process that is being used in most of the reputed manufacturing facilities worldwide and has wide customer acceptance. The difference in the two processes gets established by the fact that whereas the applicant sells globally and is world's largest forging company supplying to a large number of renowned consumers [which include Ashok Leyland (India), Tata Motors (India), Meritor (US), Dana (US) and Daimler Chrysler (Germany)], the Chinese manufacturers are not able to sell to all these companies and have been, in fact, able to sell to India only because of significant price advantage given by them to the Indian consumer.]

23.1 It has been further contended that even if the Chinese producers have a different press, the same does not imply that the process or technology is different. Technology for production is “open forging” “closed forging”, etc. These are certainly the same. The process involved is

- a. **Billet Cutting:** Metal bars are cut in to specific length-wise pieces to feed in to furnace for heating. One billet will become one part after forging process.
- b. **Heating:** Heating of the billet to the process specified temperature.
- c. **De-Scaling:** During heating process, surface scale is formed. This is removed by passing the heated billet through De-Scaler.
- d. **Rolling:** Billet is passed through a set of rollers with a particular impression machined on it. During this operation billet gets elongated and uniform cross section of billet becomes non uniform as per the design requirement. 2 pass rolls are commonly used for rolling of Front Axle beam.
- e. **Bending:** Rolled hot billet is forged under bending tools to get desired bend.
- f. **Blocker:** Bend billet will get a shape near to final part in this operation. Blocker is necessary to get smooth material flow.
- g. **Finisher:** In this forging operation blocker will get the final shape as required.
- h. **Trimming:** During Blocker and finisher operation, extra material of the billet comes out as a flash, around the part. This flash gets trimmed during this operation.
- i. **Padding:** Axle Beam should have flatness on the pad areas. During forging draft face is necessary. This draft face is ironed to straight face during this operation.

This completes the forging operation. After this the beams are heat treated and processed.

- j. **Heat treatment:** Beams are heated in a furnace up to a certain temperature and held for a few hours at that temperature. This process gives the beam uniform grain flow and the necessary strength related properties.
- k. **Processing:** Here the scales on the surface of the beams are removed using shot blasting. This is followed by inspection for cracks and dimensional inspection.

The above processes are common to both.

Possibly, what is different between the two is the size/weight of press. That cannot however mean difference in process or technology.

23.2 It has been contended that the normal value may be determined for all exporters/producers from China PR as per rules applicable for non-market economy country. In order to arrive at normal value on the basis of “comparable price” of market economy third country, the Designated Authority shall require complete & exhaustive verifiable information on all domestic sales made by a cooperating producer in such third country, along with its cost of production and all other associated information and evidences (including all information in the ordinary course of trade). The Applicant has requested to consider India as an appropriate surrogate country for Chinese producers, because the accurate and adequate information for India is easily accessible. Other Investigating Authorities have been considering India as appropriate surrogate country and there is no factual basis, which restricts the same.

23.3 It has been submitted by the Applicant that failure to satisfy even one of the conditions for claiming market-economy status 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.

G.3 Examination by the Authority

24. Under Section 9A (1)(c) of the Act, normal value in relation to an article means:

(i) the comparable price, in the ordinary course of trade, for the like article, when meant for consumption in the exporting country or territory as determined in accordance with the rules made under sub-section (6), or

(ii) when there are no sales of the like article in the ordinary course of trade in the domestic market of the exporting country or territory, or when because

of the particular market situation or low volume of the sales in the domestic market of the exporting country or territory, such sales do not permit a proper comparison, the normal value shall be either

(a) comparable representative price of the like article when exported from the exporting country or territory to an appropriate third country as determined in accordance with the rules made under sub-section (6); or

(b) the cost of production of the said article in the country of origin along with reasonable addition for administrative, selling and general costs, and for profits, as determined in accordance with the rules made under sub-section (6);

G.4. Normal Value in China PR

25. In anti-dumping investigations concerning imports originating in China PR, Normal value is to be determined in accordance with Paras 7 & 8 of Annexure I of the AD Rules. The Authority notes that Para 7 of Annexure 1 of 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...”

26. Further Para 8 of Annexure 1 of the AD Rules (as amended) provides that:

“8 (1) The term “non-market economy country” means any country which the designated authority determines as not operating on market principles of cost or pricing structures, so that sales of merchandise in such country do not reflect the fair value of the merchandise, in accordance with the criteria specified in sub-paragraph(3).

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

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

27. In terms of sub Para 3 of the paragraph 8 of Annexure 1 of the AD Rules, the Designated Authority is required to consider the following criteria as to whether:
- a. the decision of concerned firms in such country regarding prices, costs and inputs, including raw materials cost of technology and labour, output sales and investment, are made in response to market signals reflecting supply and demand and without significant State interference in this regard, and whether costs of major inputs substantially reflect market values:
 - b. the production costs and financial situation of such firms are subject to significant distortions carried over from the former non-market economy system, in particular in relation to depreciation of assets, other write-offs, barter trade and payment via compensation of debts:
 - c. such firms are subject to bankruptcy and property laws which guarantee legal certainty and stability for the operation of the firms, and
 - d. the exchange rate conversions are carried out at the market rate;
28. The Authority notes that the 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 values of the responding producers/exporters of the subject goods from the subject country as follows:
29. During the verification, Authority has, *inter alia*, noted that total State holding in M/s Hubei Tri-ring Co Ltd including direct and indirect holding was ****%. As of 31-12-2008, the company had 42,825 shareholders in all. In Hubei Tri-ring Auto Axle Co. Ltd., total State holding including direct and indirect holding was ****%. None of the other shareholders individually in the two companies command significant share holding. It was also noted that majority of the board of directors of the companies are appointed by the State holding entity. The company was specifically asked to establish that the decisions of the company were without significant State interference and that their prices of inputs, including raw materials substantially reflect market values. The company was not able to demonstrate that there was no State interference in appointment of directors. The company was not able to provide the details of prices of inputs vis-à-vis the prevailing international prices of these inputs. It was also found that the company had exported to India FA50, FA90 and FA99 both machined and forged. There was a single consignment of 8 pieces of FA90 (air shipped) as free samples for which no value was received from the customer. With regard to the two models, FA90 and FA50, the company claimed that EQ153 and Steering Knuckles were the most closely resembling models. However, there were notable differences within

the models sold in the home market as per buyers' specifications.

30. The Authority is of the view that in a situation where one of the shareholders in the company is a State owned/controlled entity having significant shares in the company, possibilities of State interference cannot be ruled out. The producers have named the raw materials suppliers and identified their legal status; but they have not provided any evidence to establish that prices of basic inputs substantially reflect 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.
31. The Authority has noted the comments to disclosure statement offered by the Chinese respondents and holds that considering the significant State holding in the two Chinese respondent companies, they are required to establish how it is entitled for market economy treatment. It is pointed out in this regard that the onus to establish market economy entitlement is on them and not on the Authority. Further, particularly in a situation where both the companies have significant share holding of the Govt. of China PR and further considering that steel is the major item of raw material in the instant matter, the Chinese respondents are required to establish that steel prices substantially reflect market values. It is noted in this regard that the Chinese respondents have provided no evidence to establish that there is no interference by the Govt. of China in its operations and have merely made a statement/claim that there is no State interference, without substantiating the same. They have not established how the ownership by the State has not resulted in any interference in the operations of the company. Similarly, they have not established how prices they have paid for steel are reflective of market values. They have made a comparison of its steel price with the price of steel prevailing in China PR but have not shown with any evidence that the prices of steel are comparable to the international prices thereof, despite a specific request made to them to this effect. Thus, while examining whether the Chinese companies are entitled for market economy treatment, the prices of inputs prevailing in China PR cannot be relied upon as the acceptance of such prices would imply giving market economy status to China PR. Thus, axiomatically, the onus was on the Chinese companies to, *inter alia*, rebut the presumption that the prices of inputs procured by them substantially reflect the market values, which has not been done in the instant matter.
32. Thus, the Authority is unable to grant market economy treatment to the two Chinese exporters, considering the fact that there is a significant State share holding in the two Chinese companies and considering that price of steel in China PR does not substantially reflect market values, it could not be established that the sales of merchandise by the Chinese companies reflect the fair value of the merchandise, particularly that the costs of major inputs, substantially reflect market values.

33. 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 did not file 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 Authority reiterates its view that questionnaire response is deficient in this regard. Further, since the onus of filing the questionnaire 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.
34. It is also noted that no questionnaire responses have been filed by entities other than the two Chinese exporters specified above.
35. Besides during the verification visit of the Chinese companies, it was noted that there were differences between the products sold by the exporters in their domestic market and the products exported by them to India.
36. In view of the above and considering issues such as significant State-share holding, inability of the Chinese companies to establish, *inter alia*, that inputs price substantially reflect the market values and also considering that prices of steel in China cannot be stated to be reflecting the market values, the Authority is of the view that the producers - exporters from China PR have not been able to rebut the Non-market economy presumption for the determination of their Normal Value.
37. Considering the China PR as NME, the Authority has determined Normal values for the products that are like articles to the exported products.

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

38. 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 as well as certain differences between the two products that have been sold to India and the products sold in their domestic market. The Exporters 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.

39. Besides as noted above, there are significant issues of market economy determination in respect of the responding exporters from the subject country, such as significant State-share holding, inability of the Chinese companies to establish, *inter alia*, that inputs price substantially reflect the market values and also considering that the exporters have not been able to establish that prices of steel in China reflected the market values; it is noted that the Chinese companies have not been able to rebut the presumption of NME in their respective cases. Therefore, the Authority has determined the Normal value in China PR on the basis of Para-7 to Annexure-I of the AD Rules.

40. 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.

41. The Authority indicated, in the initiation notification that the applicant had 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 of the AD Rules. 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.
42. The Authority has determined 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 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, respective consumption norms of the co-operative Chinese producer, conversion costs, and SGA expenses of the domestic industry and a reasonable profit margin of 5%.

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

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

G.5. EXPORT PRICE

G.5.1. Views of Domestic industry:

44. According to the WTO Agreement on Anti Dumping and Indian AD Rules, comparison of Normal value and Export price should be done at same level of trade. Therefore, the Export price has been adjusted for the following expenses, which must have been incurred by the exporter for exporting the subject goods to India (i) Ocean Freight; (ii) Marine Insurance; (iii) Port Expenses and Handling Charges; (iv) Inland Freight; (v) Bank Commission; (vi) VAT difference.

G.5.2. Examination by the Authority

Export Price in respect of Co-operative Exporters/Producers

45. The Authority has considered all exports made by the responding exporters for determination of export price for each of the products 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. The adjustments claimed were verified from the books of the exporters and are being allowed. The Authority has determined the export prices after deduction for these expenses – packing, inland freight, credit cost, port handling charges and bank charges.

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

46. Since, no other response has been received from any other Chinese producer/exporter of the subject goods; the Authority has determined 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 FAB in machined form.

G.6. DUMPING MARGIN

G.6.1. Views of Domestic Industry:

47. The dumping margin is not only more than *de-minimis*, but also significantly high, causing material injury to the Indian industry.

G.6.2. Examination by the Authority

48. Considering the normal value and export price determined as detailed above, dumping margin has been determined in respect of imports reported in India during the period of investigation. The dumping margin has been determined as follows:

	Front Axle Beam (M/s Hubei Tri-ring Auto-Axle Co. Ltd.)		Steering Knuckles (M/s Hubei Tri-Ring Forging Co Ltd., China PR)		
	Forged	Machined	Forged	Machined	Weighted average (Forged and machined)
Normal Value	No imports	*****	*****	*****	*****
Export Price		*****	*****	*****	*****
Dumping Margin		*****	*****	*****	*****
Dumping Margin-%		16% -21%	42%-47%	17%-22%	22%-27%

H. INJURY AND CAUSAL LINK DETERMINATION

49. For the purpose of assessing the injury, the Authority has examined the volume and price effects of dumped imports of the subject goods from subject country on the domestic industry and its effect on the prices and profitability to examine the existence of injury and causal link between the dumping and injury, if any. Accordingly the volume and price effects of dumped imports have been examined as follows:

View of exporters/importers and other interested parties

Import volumes

50. It has been contended that based on the data provided by the exporters and Ashok Leyland, there were no exports during November and December 2008. There is no evidence on the record of this proceeding to support such a contention. In fact, there were no imports of the subject goods whatsoever between November 2008 and April 2009. It has been contended that it is absurd for the applicant to claim that the domestic industry's sales "would have been far higher in the absence of the dumped imports".
51. Furthermore, as per Ashok Leyland's prior submissions, Ashok Leyland is currently facing a severe fall in demand for its vehicles. In fact, it is this drop in demand that lead Ashok Leyland to cease all imports of the subject merchandise between November 2008 and April 2009 and to source the products domestically during this period. Again, as Ashok Leyland is the only importer of the subject goods, it is hard to see how the applicant can claim that it experienced a significant decline in sales due to dumping from China PR.
52. It has been contended that last of import consignment was shipped from China PR in October 2008 and was cleared in India in November 2008 and thereafter, there are no imports at all during the year 2008-09. Similarly, Ashok Leyland has not purchased the subject goods from the domestic producers also since November 2008 till March 2009.

Global recession and consequent fall in demand

53. M/s Tata Motors Ltd has contended that due to the ongoing global recession and consequent fall in demand, TML's total consumption of the subject goods has fallen dramatically in the past three years. So too have its purchases of the subject goods (from BFL and others), most steeply during the POI. Thus, the applicant's claim regarding potential sales "in the absence of dumped imports" is entirely without merit. The injury, if any, is a result of a slump in demand rather than imports from China PR. Besides, BFL's prices are not competitive with those of other domestic producers.

Post-POI data

54. It has been contended that the Authority has considered post POI sales and production data relating to the domestic industry in a number of places and that normally, post-POI data is not considered at all.

Full Information on exports made not disclosed by the exporters

55. Responding to the written submissions filed by the applicant, it has been contended that Ashok Leyland is the only importer of the subject goods from

China PR and no other Indian vehicle manufacturer has got the subject goods developed in China PR for their vehicles. It has been further contended that the sheet filed by the applicant entitled ‘Imports done by AL from 01.04.07-30.08.09 with respect to Receipts’ is nothing but a repetition of the first list with respect to Despatches, except that the actual dates of clearing these items from the Customs are given. It has been contended that after cross-checking the import data provided at the oral hearing (with regard to Receipts) with Ashok Leyland’s records, it is found that a large number of the dispatches referenced in the applicant’s data have been double counted.

The process of vendor development in this industry

56. Responding to the applicant’s contention that “it is a long drawn out process of 15-19 months before a consumer of the products under consideration can develop a new vendor”... and that “no consumer would pass through such an elaborate process unless they have in mind medium to long term procurement of the product from the new source, that too from a foreign source” and that “the importer had medium to long term arrangement in their mind before they decided to incur significant time and resources in vendor development” and that “this itself establishes the injury that the dumping is causing or is likely to cause” ; the Chinese respondents have countered this claim by stating that the “vendor development in this industry” is not unique to this industry. In fact it is common across a number of industries and sectors - whenever customers require manufactured inputs.

Price Effect of imports

57. Referring to applicant’s claim regarding significant price undercutting, it has been contended that the applicant has overlooked the fact that it has calculated landed value for the subject merchandise as the CIF Price + the amount paid in the Customs duties. As such, the applicant’s landed value calculation leaves out the 1% landing charges that are included in the assessable value (upon which the customs duties are levied). Accordingly, the applicant’s landed value figures in Annexure 4.2 should be amended as follows:

Revised POI Figures for Annexure 4.2	Steering Knuckles		Front Axle Beams	
	Forged	Machined	Forged	Machined
CIF Price	93.00	139.90	100.64	98.09
1% Landing Charge	0.93	1.39	1.00	0.9809
Assessable Value	93.93	141.29	101.64	99.07
Customs Duty (7.5%)	7.04	10.59	7.62	7.43
Landed Value	100.97	151.88	109.26	106.5

Analysis of capacity and capacity utilization is incorrect

58. It has been contended that the domestic industry has not given the capacity and capacity utilization separately for the products concerned and that they should have given the details for FAB and Steering Knuckle separately. On the contrary, they have given capacity and capacity utilization for a number of products put together.

Threat of Material Injury

59. It has been contended that commonplace and legitimate business behaviour such as developing a vendor in an overseas location cannot be regarded as presenting a “threat” to the domestic industry. Furthermore, a review of Ashok Leyland’s importer’s questionnaire response makes it very clear that Ashok Leyland was sourcing a significant proportion of their subject goods requirements from BFL and other domestic suppliers both prior to and during the POI. Finally, Ashok Leyland stopped importing subject goods altogether between November 2008 - April 2009.
60. Further, while the applicant claims that the websites for the Chinese producers “show that capacities created by the producers in China PR are more than their domestic demand”, applicant has failed to provide any evidence of the same for the record.

Causal Link

61. It has been contended that as per the Appellate Body report in US-HR Steel from Japan the Authority must ensure that, when the injury caused by other factors is subtracted, the remaining injury (caused by the dumped imports) still rises to the level of material injury. When considering the “other” causes of injury in this case, the Authority should take into consideration the extent to which the injury caused by this “other factor” (i.e., the fall in demand caused by the recession) dilutes the causal link between the dumped imports and the injury caused by it.
62. It has been contended that the recession has had an effect on the domestic industry and the Authority must consider the slump in domestic demand and its consequent impact on the domestic industry.

Difference in exchange rates

63. It has been contended that the levying of antidumping duties on the subject goods would seriously harm the automobile industry must be considered in light of the current INR-USD exchange rate. The exchange rate was US\$ 1 = INR 42.26 during POI and is now hovering around US\$ 1 = INR 48.00. This itself has added to the cost of imports by about 12% to 15%.

H.1 Examination by the Authority

Volume Effect

a) Assessment of Demand

64. It has been argued by some interested parties that the annualization of demand is not correct for the reason that no export/import occurred after the period of investigation. The Authority, however, notes that the annualized data has been adopted for the purpose of comparing the period of investigation data with the preceding data. The adoption of this annualized data, however, does not imply inclusion/consideration of post POI data herein and such annualization pertains to the period of investigation only.
65. These interested parties have argued that reasons for contraction in demand have not been properly evaluated and have requested the Authority to examine the reasons for the contraction in demand in an objective and unbiased manner. In this context, 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. 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 noted 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.
66. For the purpose of assessment of the domestic consumption/demand of the products under consideration, the Authority has added the sales volume of the domestic industry and other Indian producers to the total imports into India as per facts available on record, which has been summarized as under:

Demand

Front Axle Beam	Unit	2005-06	2006-07	2007-08	POI	POI (annualized)
Imports from China PR	MT			221	1,677	3,354
Sales of Applicant	MT	10,123	16,572	17,016	5,124	10248
Demand (Indexed)	MT	10,123	16,572	17,237	6,801	13,602
Indexed		100	164	170	134	134

Steering Knuckles	Unit	2005-06	2006-07	2007-08	POI	POI (annualized)
Imports from China PR	MT			462	492	984
Sales of Applicant	MT	2,023	3,112	2,998	918	1836
Sales of other Indian Producers	MT	3,700	4,000	4,065	1,406	2,812
Demand	MT	5,723	7,112	7,525	2,816	5,632
Indexed		100	124	131	98	98

67. As stated, the Authority notes that the demand has shown a decline in the POI as compared to the previous year and that apparently the decline in demand is due to decline in commercial vehicle production.

68. 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 Share %	2005-06	2006-07	2007-08	Apr-Sep'08 (POI)	Oct-Dec'08
Front Axle Beam					
China PR	-	-	1.29	24.66	61.80
Domestic industry	100	100	98.71	75.34	38.20
Steering Knuckles					
China PR	-	-	6.14	17.47	98.95
Domestic industry	35.35	43.76	39.84	32.60	1.05
Other Indian Producers	64.65	56.24	54.02	49.93	0

69. 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 is noted that

while the domestic industry was already facing the problem of declining demand of the subject goods, the same was compounded by the dumped imports.

b) Import Volume & market share

70. As regards the issue of Imports volume, the respondents have disputed the import volumes relied upon by the Authority on the grounds that they are the sole exporters, and thus the export volume cannot be different from the imports adopted by the Authority. The Authority, however, notes that (a) the two data need not match for the reason that whereas the imports into India on the basis of arrival in India have been adopted for the purpose of injury assessment; the exporter has given information on the basis of invoicing by them (i.e., the date of invoice). Since there is significant time-lag between the date of invoicing of the goods in China PR and clearance of the goods at Indian port, the two data need not be reconcile; (b) Besides, it may not be correct to state that the Chinese respondents are the only exporters of the Products under consideration to India and likewise, the importer may not be the only importer of the products in India. Notwithstanding the above, the Authority notes that the difference pointed out is not significant.

71. Annexure-II (ii) of the AD Rules provides that with regard to volume of the dumped imports, the Authority is to consider whether there has been a significant increase in dumped imports either in absolute terms or relative to production or consumption in India.

- (i) 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. The Authority has determined the volume of imports based on IBIS data, as shown in the following table:

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	685	154
July-Sept.08	913	300

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

- (ii) Imports have increased in relation to production and consumption

	2005-06	2006-07	2007-08	POI	Apr-Sep. 2008 (Annualized)
Increase in imports in relation to production (%)					
Axle Beam	-	-	1.30	32.98	31.43
Steering Knuckles	-	-	15.44	55.58	55.58
Increase in Imports in relation to Consumption (%)					
Axle Beam	-	-	1.29	24.66	23.78
Steering Knuckles	-	-	6.14	17.47	17.47

- (iii) 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 in Demand-%	2005-06	2006-07	2007-08	POI
Front Axle Beam				
Imports from China PR	-	-	1.29	24.66
Domestic industry	100.00	100.00	98.71	75.34
Other Indian Producers	-	-		
Steering Knuckles				
Imports from China PR	-	-	6.14	17.47
Domestic industry	35.35	43.76	39.84	32.60
Other Indian Producers	64.65	56.24	54.02	49.93

Price Effect

73. With regard to the effect of the dumped imports on prices, the 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

Price Effect			
		2007-08	POI
Front Axle Beam	Unit	Machined	Machined
Landed Price	Rs./Kg	82.01	110.16
Net Selling Price	Rs./Kg	***	***
Price Undercutting	Rs./Kg	***	***
<i>Trend</i>		100	67
Price Undercutting	%	***	***
Price Undercutting	Range	25-30%	15-20%

		2007-08			POI		
Steering Knuckles	Unit	Forged	Machined	Total	Forged	Machined	Total
Landed Price	Rs./Kg	72.04	130.83	72.06	88.75	159.21	138.73
Net Selling Price	Rs./Kg	***	***	***	***	***	***
Price Undercutting	Rs./Kg	***	***	***	***	***	***
<i>Trend</i>		100	100	100	118	33	77
Price Undercutting	%	***	***	***	***	***	***
Price Undercutting	Range			20-50%			10-15%

74. 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. The domestic industry has contended that as a result of significant price difference between the imported products' price and domestic industry's 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.

Examination of Economic Parameters of the domestic industry

75. 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.
76. The various injury parameters relating to the domestic industry are discussed herein below:

a) **Sales Volume**

Figures in MT

Sales Volume	Unit	2005-06	2006-07	2007-08	POI	Post POI
Front Axle Beam	MT	10,123	16,572	17,016	5,124	353
Steering Knuckles	MT	2,023	3,112	2,998	918	3

77. It is noted that the sales of the subject goods have increased up to 2007-08 and then declined significantly in POI. The sales in the third quarter of 2008-09 (Oct-Dec '08) also show steep decline as compared to the period of investigation.
78. As stated before in the para relating to demand, sales volumes of the domestic industry appear to 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 applicant has claimed that but for dumping of the subject goods, the sales volumes of the domestic industry could have been correspondingly higher.

Figures in MT

Sales Volume	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	2,023	3,112	2,998	918	1,836

b) Capacity and Capacity Utilization

Particulars	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

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

c) Production for Domestic Market

Figures in MT

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

80. 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. 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.

d) Market Share

Market Share %	2005-06	2006-07	2007-08	Apr-Sep'08 (POI)	Oct-Dec.'08
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					(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	17.47	98.95
Domestic industry	35.35	43.76	39.84	32.60	1.05
Other Indian Producers	64.65	56.24	54.02	49.93	0

81. 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.

e) **Profit/Loss**

82. Some of the interested parties have argued that the situation of the domestic industry on these factors continues to remain positive, even when the entire automotive industry was closed down due to global recession. The Authority notes that the evidence on record does not show that the entire automotive industry was closed down due to global recession. Further, the AD Rules do not prescribe that the domestic industry should have suffered losses, negative return on investment and negative cash profit in order to conclude that the domestic industry has suffered injury. The AD Rules merely require the Authority to assess whether performance of the domestic industry on this account deteriorated.
83. The Authority notes that 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	****	****	****	****	****
<i>Trend</i>	<i>100</i>	<i>172</i>	<i>194</i>	<i>60</i>	<i>60</i>
Steering Knuckles	****	****	****	****	****
<i>Trend</i>	<i>100</i>	<i>176</i>	<i>214</i>	<i>57</i>	<i>57</i>

84. 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.

f) Return on investment

85. The return on investment has declined for both the subject goods as shown in the table below:

Return on Investment - % (NFA basis)	2005-06	2006-07	2007-08	POI
Front Axle Beam	****	****	****	****
<i>Indexed</i>	<i>100</i>	<i>89</i>	<i>132</i>	<i>52</i>
Steering Knuckles	****	****	****	****
<i>Indexed</i>	<i>100</i>	<i>93</i>	<i>144</i>	<i>55</i>

g) Cash Profit

86. It is seen from the table below that the cash profit of both the subject goods has declined significantly in the period of investigation.

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

h) Inventories

87. 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.

i) **Employment**

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

88. 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.

j) **Wages**

Wages – Rs. Per Kg	2005-06	2006-07	2007-08	POI
Front Axle Beam	****	****	****	****
<i>Indexed</i>	<i>100</i>	<i>94</i>	<i>120</i>	<i>191</i>
Steering Knuckles	****	****	****	****
<i>Indexed</i>	<i>100</i>	<i>94</i>	<i>139</i>	<i>253</i>

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

k) **Productivity**

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

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

l) **Magnitude of Dumping Margin**

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

m) **Ability to raise capital investments**

92. The Authority notes that the Applicant Company is a multi-product company and may not have difficulty in raising fresh investment. However, adverse performance of the product may hinder the ability to raise fresh investments in future.

n) **Growth**

93. Growth in respect of both Front Axle Beam and Steering Knuckles has been negative in terms of both volume and price parameters. The production, capacity utilization, sales volumes, sales value, profits, cash profits and return on investment all show a negative trend.

Threat of material injury

94. The Authority examined the applicant's claim for threat on injury as given below:

- 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
Import Volume – MT				
Front Axle Beam	221	685	913	571
Steering Knuckles	462	200	292	310
Market Share of Imports - %				
Front Axle Beam	1.29	17.83	31.73	61.80
Steering Knuckles	6.14	11.66	26.56	98.95

- 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	110.16
Net Selling Price	****
Price Undercutting	R s ****
Price Undercutting %	R s 12-17

Rs./Kg

Steering Knuckles	Forged	Machined	Total
Landed Price	88.75	159.21	138.73
Net Selling Price	****	****	****
Price Undercutting	****	****	****
Price Undercutting %	20-25	6-12	10-15

- The domestic industry has claimed that the website information of the Chinese producers shows 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.
- 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.

I. Causal Link

95. It was examined whether other parameters listed under the AD Rules could have contributed to injury to the domestic industry. It is noted as follows:
- a. Imports from Third Countries: - The subject goods are not being imported from third countries.
 - b. 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. 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 noted 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.

However, the impact of the dumping on the domestic industry 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 (POI)	Oct-Dec'08
Front Axle Beam					
China PR	-	-	1.29	24.66	61.80
Domestic industry	100	100	98.71	75.34	38.20
Steering Knuckles					
China PR	-	-	6.14	17.47	98.95
Domestic industry	35.35	43.76	39.84	32.60	1.05
Other Indian Producers	64.65	56.24	54.02	49.93	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). It is noted that within the available demand, the domestic industry has lost its market share. Apparently, the domestic industry was already facing the problem of declining demand, but the same was compounded by the dumped imports.

- c. Changes in the patterns of consumption: - The pattern of consumption with regard to the products under consideration has not undergone any change. Changes in the pattern of consumption could not have contributed to the injury to the domestic industry.
- d. Trade restrictive practices of and competition between the foreign and domestic producers: - No trade restrictive practice has been noted, which could have contributed to the injury to the domestic industry.

- e. Developments in technology: - Technology for production of the products has not undergone any change. Development in technology is not a factor of injury.
- f. Export performance: - 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.
96. Following parameters show the Causal Link: -

(1) 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 a few customers have started buying from China PR as yet.

(2) The domestic industry lost sales volumes. Consequently it is noted that their profits, return on investment and cash profits have deteriorated materially.

Other injury parameters: -

97. 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. It is, therefore, concluded that the dumped imports originating in or exported from the subject country have caused material injury and there is case of threat of material injury to the domestic industry as well within the meaning of Rule 11 of Anti Dumping rules read along with Annexure II of the AD Rules.
98. Magnitude of Injury and Injury margin:-

The Non injurious price of the subject goods produced by the domestic industry as determined by the Authority has been compared with the landed value of the exports from the subject country for determination of injury margin during POI. Thus compared, the injury margin is worked out as under:

Cooperating Exporter

Particulars	Front Axle Beam	Steering Knuckles		Us \$ per Kg
	Machined	Forged	Machined	Average

NIP	***	***	***	***
Landed Value	***	***	***	***
Injury Margin	***	***	***	***
Injury margin%	***	***	***	***
Range	10-15	22-27	11-16	15-20

Residual

Particulars	Front Axle Beam	Steering Knuckles		Us \$ per Kg
	Machined	Forged	Machined	Average
NIP	***	***	***	***
Landed Value	***	***	***	***
Injury Margin	***	***	***	***
Injury margin%	***	***	***	***
Range	25-30	38-43	42-47	40-45

J. Conclusions:

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

(a) The products under consideration have been exported to India from China PR below their associated Normal values.

(b) The domestic industry has suffered material injury in both the products under consideration. Besides, there is a case of threat of a material injury as well.

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

K. Indian industry's interest & other issues

100. 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.

101. 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. With a view to minimize the impact on the downstream industry, the Authority has considered it appropriate to recommend anti dumping duty based on the lower of the dumping and injury margins. The Authority notes that the imposition of anti dumping measures would not restrict imports from subject country in any way, and therefore, would not affect the availability of the product to the consumers.

L. Recommendations

102. 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 the investigation into dumping, injury and the causal link thereof in terms of the AD Rules and having established definitively positive dumping margins concerning imports of the subject goods originating in or exported from the subject country and 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 definitive duty is required to offset dumping and injury in the instant matter. Therefore, the Authority considers it necessary to recommend imposition of definitive anti-dumping duties concerning imports of the subject goods from the subject country in the form and manner described hereunder.
103. Having regard to the lesser duty rule followed by the Authority, the Authority recommends imposition of definitive anti-dumping duty equal to the lesser of margin of dumping and margin of injury, so as to remove the injury to the domestic industry. Accordingly, the antidumping duty equal to the amount indicated in Col 8 of the table below is recommended to be imposed concerning all imports of the subject goods originating in or exported from the subject country.

Duty Table

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)
1	73269099 73261910 73261990 87085000 87089900	Front Axle Beam for Medium or heavy commercial vehicle	People's Republic of China	People's Republic of China	Hubei Tri-ring Auto Axle Co. Ltd.	Hubei Tri-ring Auto Axle Co. Ltd.	0.35	Per KG	US\$
2	73269099 73261910 73261990 87085000 87089900	Front Axle Beam for Medium or heavy commercial vehicle	People's Republic of China	People's Republic of China	Any other than at s no 1 above	Any other than at s no 1 above	0.63	Per KG	US\$
3	73269099 73261910 73261990 87085000 87089900	Front Axle Beam for Medium or heavy commercial vehicle	People's Republic of China	Any	Any	Any	0.63	Per KG	US\$
4	73269099 73261910 73261990 87085000 87089900	Front Axle Beam for Medium or heavy commercial vehicle	Any other than People's Republic of China	People's Republic of China	Any	Any	0.63	Per KG	US\$
5	73269099 73261910 73261990 87085000 87089900	Steering Knuckles for Medium or heavy commercial vehicle	People's Republic of China	People's Republic of China	Hubei Tri-ring Forging Co. Ltd.	Hubei Tri-ring Forging Co. Ltd..	0.64	Per KG	US\$

6	73269099 73261910 73261990 87085000 87089900	Steering Knuckles for Medium or heavy commercial vehicle	People's Republic of China	People's Republic of China	Any other than at s no. 5 above	Any other than at s no. 5 above	1.11	Per KG	US\$
7	73269099 73261910 73261990 87085000 87089900	Steering Knuckles for Medium or heavy commercial vehicle	People's Republic of China	Any	Any	Any	1.11	Per KG	US\$
8	73269099 73261910 73261990 87085000 87089900	Steering Knuckles Medium or heavy commercial vehicle	Any other than People's Republic of China	People's Republic of China	Any	Any	1.11	Per KG	US\$

104. Landed value of imports for the purpose shall be the assessable value as determined by the Customs under the Customs Act, 1962 and all duties of customs except duties under Sections 3, 3A, 8B, 9 and 9A of the Customs Tariff Act, 1975.
105. An appeal against this order shall lie before the Customs, Excise and Service Tax Appellate Tribunal in accordance with the Customs Tariff Act.

P.K. Chaudhery
The Designated Authority