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Government of India  
Department of Commerce  
Ministry of Commerce & Industry  
(Directorate General of Anti-Dumping & Allied Duties)  
4th Floor, Jeewan Tara Building, Parliament Street, New Delhi**

**Dated: 30.10.2015**

**NOTIFICATION**

**(Preliminary Findings)**

**Subject: Anti-dumping Investigation concerning import of “Methylene Chloride” originating in or exported from China PR and Russia–Preliminary Findings-reg.**

Whereas in accordance with the Customs Tariff Act, 1975 as amended from time to time (hereinafter also referred to as the Act) and the Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of injury) Rules, 1995 as amended from time to time (hereinafter also referred to as the AD Rules or the Rules), the Designated Authority (hereinafter referred to as the Authority), received a written application from M/s Chemplast Sanmar Limited and M/s Gujarat Fluorochemicals Ltd (hereinafter also referred to as the petitioners or applicants) on behalf of the domestic industry producing Methylene Chloride (hereinafter referred to as the subject goods or the product under consideration {PUC}) in India, alleging dumping of the subject goods from People’s Republic of China and Russia (hereinafter referred to as the subject countries).

2. Whereas the Authority on the basis of sufficient evidence submitted by the applicants on behalf of the domestic industry, issued a public notice dated 7<sup>th</sup> April 2015, published in the Gazette of India, Extraordinary, initiating anti-dumping investigation concerning imports of the subject goods, originating in or exported from the subject countries, in accordance with the sub-Rule 6(1) of the Rules, to

determine the existence, degree and effect of alleged dumping and to consider recommendation of the anti-dumping duty.

## **A. PROCEDURE**

3. The following Procedure described below has been followed with regard to this investigation:
  - i. The Authority notified the Embassies of the subject countries in India about the receipt of an application from the applicants alleging dumping before proceeding to initiate the investigation in accordance with sub-Rule 5(5) of the Anti-dumping Rules.
  - ii. The Authority issued a public notice dated 7<sup>th</sup> April, 2015, published in the Gazette of India, Extraordinary, initiating anti-dumping investigation concerning imports of the subject goods, originating in or exported from the subject countries.
  - iii. The Authority forwarded a copy of the public notice to all the known exporters (whose details were made available by the Applicants) and industry associations and gave them opportunity to make their views known in writing within the prescribed time in accordance with the Rule 6(2) of the Anti-dumping Rules.
  - iv. The Authority also forwarded a copy of the public notice to all the known importers of the subject goods in India (whose details were made available by the Applicants) and advised them to make their views in writing within the prescribed time limit.
  - v. The Authority provided a copy of the non-confidential version of the application to the known exporters and the embassies of the subject countries in India in accordance with Rule 6(3) of the Anti-dumping Rules. A copy of the Application was also made available other interested parties, upon request.
  - vi. The Authority sent questionnaires to elicit relevant information to the following known exporters in subject countries in accordance with Rule 6(4) of the Anti-dumping Rules:
    - a. Shandong Dongyue Chemical Co., Ltd.
    - b. Jiangsu Meilan Chemical Co., Ltd.
    - c. Zhejiang Juhua Co., Ltd.

- d. JSC Khimprom
  - e. Kong Long Huat
  - f. Zouping Changshan Zefeng Fertilizer Co., Ltd.
  - g. Dalian Richfortune Chemical Company
  - h. Tianjin Yuanlong Chemical Industry Co., Ltd.
- vii. The Authority received responses from the following exporters from the subject countries:
- a. Shandong Liaocheng Luxi Sixth Chemical Fertilizer Co. Ltd., China PR
  - b. Lu Xi Chemical (Hong Kong) Co.Ltd., Hong Kong (Exporter)
  - c. Shandong Dongyue Fluo-Silicon Materials Co. Ltd., China PR
  - d. Ningbo Juhua Chemical & Science Co. Ltd., China PR
  - e. Zhejiang Quhna Flour–chemistry Co. Ltd., China PR
  - f. Farmasino Holding (HK) Limited, Hong Kong (Exporter)
  - g. HK Montage International Holding Limited, Hong Kong (Exporter)
  - h. Khimprom Public Joint Stock Company, Russia
- viii. However, none of the exporters from China PR either claimed market economy treatment or filed questionnaire response to the market economy questionnaire issued by the Designated Authority. Further, Shandong Liaocheng Luxi Sixth Chemical Fertilizer Co. Ltd., China PR, Khimprom Public Joint Stock Company, Russia and Trade Representation of the Russian Federation in India, filed legal submissions.
- ix. Questionnaires were sent to the following known importers/users of subject goods in India calling for necessary information in accordance with Rule 6(4) of the Anti-dumping Rules:
- a. Vardhaman Trading Corporation
  - b. Harsh Kumar & Company
  - c. Hetero Labs ltd
  - d. Dr. Reddy's Laboratories Ltd
  - e. Aurobindo Pharma Ltd
  - f. Covalent Laboratories Ltd
  - g. Ranbaxy Laboratories Ltd
  - h. Ralchem Limited
  - i. Morpean LABS
  - j. Surya Medicare Limited
  - k. Indsol Drugs Limited
  - l. Meghmani Organics Limited
  - m. United Phosphorus Limited

- n. KDL Biotech Limited
  - o. Sun Pharmaceuticals Industries Limited
  - p. Rails India Limited
  - q. Alembic Limited
  - r. Hindustan Chemicals Industries
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- x. M/s Aurobindo Pharma Ltd., Dr. Reddy's Laboratories Ltd, Sandeep Organics Pvt Ltd responded to the initiation notification by filing importer's questionnaire/submissions.
  - xi. The Authority made available non-confidential version of the evidence presented by various interested parties in the form of a public file kept open for inspection by the interested parties.
  - xii. Investigation was carried out for the period of investigation (POI) starting from October, 2013-September, 2014 (POI). The examination of trends, in the context of injury analysis, covered the period from 2011-12, 2012-13, 2013-14 and the POI.
  - xiii. Request was made to the Directorate General of Commercial Intelligence and Statistics (DGCI&S) to arrange details of imports of the subject goods for the past three years, including the period of investigation. The transaction wise import data received from the DGCI&S has been relied upon by the Authority in this preliminary finding.
  - xiv. The cost of production and cost to make and sell the subject goods in India based on the information furnished by the applicant on the basis of Generally Accepted Accounting Principles (GAAP) was worked out in accordance with Annexure III of the anti dumping rules so as to ascertain if anti-dumping duty lower than the dumping margin would be sufficient to remove injury to Domestic Industry.
  - xv. On the spot verification of the information provided by the applicants was carried out to the extent considered necessary for the preliminary findings.
  - xvi. The submissions made by the interested parties considered relevant by the Authority have been addressed in the preliminary findings.

- xvii. \*\*\* in this Notification represents information furnished by the interested parties on confidential basis and so considered by the Authority under the Rules.
- xviii. The exchange rate adopted for the POI is 1 US \$ =Rs 61.65

## **B. Product Under Consideration and Like Article**

### **Views of the Domestic Industry**

- a) Methylene chloride is an organic compound with molecular formula  $\text{CH}_2\text{Cl}_2$ . It is a colorless liquid with sweetish ether-like odor, and is used as a solvent predominantly. It is essentially non-flammable under most conditions of use but can burn if strongly heated.
- b) There are no known grades of the subject goods. However, it can be traded in loose (in tankers) or packed form (in drums), thereby, having direct effect on prices.
- c) Methylene Chloride is classified under Chapter 29 of the Customs Tariff Act under customs subheading 29031200. The Customs classification is, however, indicative only and in no way binding on the scope of the present investigation.
- d) There is no known difference in the subject goods produced by the domestic industry and that imported from the subject countries. The subject goods produced by the domestic industry and the subject goods imported from subject countries are comparable in terms of characteristics such as physical and chemical characteristics, manufacturing process and technology, functions and uses, product specifications, distribution and market & tariff classification of the goods. Injury margin and dumping margin has been calculated for loose/unpacked and packed product separately.

### **Views of the other interested parties**

4. None of the exporters, importers or consumers has offered any views with regard to the product under consideration.

### **Examination of the Authority**

5. The product under consideration for the purpose of present investigation is "Methylene Chloride" also known as "Dichloromethane" and "Methylene Dichloride" (MDC) originating in or exported from China PR and Russia.

6. Methylene chloride is an organic compound with molecular formula CH<sub>2</sub>Cl<sub>2</sub>. It is a colorless liquid with sweetish ether-like odor, and is used as a solvent predominantly. It is essentially non-flammable under most conditions of use but can burn if strongly heated. Methylene Chloride may decompose at high temperatures forming toxic gases. It is completely miscible with a variety of solvents. MDC is a solvent and is used in the manufacturing of polycarbonate and phenolic resins, rayon yarn, pharmaceuticals, agro and fragrance. It is also used as an extractant for edible fats, cocoa, butter and essences.
7. There are two technologies for production of Methylene Chloride - Methane route and Methanol route. The product produced through the two routes has essentially similar technical specifications. Methylene Chloride is classified under Chapter 29 of the Customs Tariff Act under customs subheading 29031200. The Customs classification is, however, indicative only and in no way binding on the scope of the present investigation.
8. With regard to like article, Rule 2(d) of the Anti-dumping Rules provides as under:

*"like article" means an article which is identical or alike in all respects to the article under investigation for being dumped in India or in the absence of such article, another article which although not alike in all respects, has characteristics closely resembling those of the articles under investigation."*
9. After considering the information on record, the Authority has determined that there is no known difference in the subject goods produced by the domestic industry and that imported from the subject countries. The subject goods produced by the domestic industry and the subject goods imported from the subject countries are comparable in terms of characteristics such as physical and chemical characteristics, manufacturing process and technology, functions and uses, product specifications, distribution and market & tariff classification of the goods. The consumers are using the two interchangeably.

### **C. Domestic Industry and Standing**

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

*"domestic industry" means the domestic producers as a whole engaged in the manufacture of the like article and any activity connected therewith or*

*those whose collective output of the said article constitutes a major proportion of the total domestic production of that article except when such producers are related to the exporters or importers of the alleged dumped article or are themselves importers thereof in such case the term 'domestic industry' may be construed as referring to the rest of the producers”*

11. The Application has been jointly filed by M/s. Chemplast Sanmar Ltd. and M/s Gujarat Fluorochemicals Ltd. According to the application, there are two other producers, namely, Gujarat Alkalies & Chemicals Limited and SRF Ltd. The Authority notes that production of the petitioners constitutes almost 68% of the Indian productions and, therefore, the production by the petitioners constitutes a major proportion in the total production of the like product produced in India. It is further stated in the application that none of petitioners has imported the product under consideration, nor they are related to an importer or exporter of the product under consideration.
12. On the basis of information on record and having regard to the Rules, the Authority determines that the application has been made by or on behalf of the domestic industry and the application satisfies the requirement of 'standing' under Rule 5 of the AD Rules. Further, the production of the petitioning companies constitutes a major proportion in Indian production and the petitioner companies are eligible domestic industry. The petitioners, therefore, constitute 'Domestic Industry' in terms of Rule 2(b) of the AD Rules.

#### **D. Miscellaneous Submissions**

##### **View of the Importers/consumers and other interested parties**

13. No interested party except M/s Shandong Liancheng Luxi Sixth Chemical Fertilizer Co. Ltd, China PR and Khimprom Public Joint Stock Company, Russia has made any submissions. Submissions made by them are as follows:
  - i. The imports from EU, Korea and USA are as high as 77% in the POI. It is submitted that the injury to the domestic industry is due to imports from the said countries and not from the subject countries in the current POI.
  - ii. The imports from the countries attracting anti dumping duty (ADD) are about 80% in the POI and the share of imports from Russia is de-minimis, i.e., nearly 2.94%.

- iii. The complete import data has not been provided by the domestic industry. Import data up to June 2014 is provided and no import data for the period of July 2014-September 2014 has been provided. In the absence of complete import data, claim of domestic industry with regard to export price and dumping margin fails.
- iv. The domestic industry has utilized import data of two different sources for the investigation, i.e., DGCI&S data and Tips Software Services Pvt. Ltd. whereas in the previous investigation for the same product from different countries, domestic industry has utilized import data of only one source, i.e., DGCI&S.
- v. Application fails to meet the test of accuracy and adequacy in terms of evidence and information. Evidence of dumping, injury, where applicable, and a causal link between the dumped imports and the alleged injury should be provided.
- vi. Majority of imports into India are under duty free schemes which are not subject to anti dumping duty. So such imports are required to be excluded.
- vii. The price undercutting of Russia is shown higher as compared to price undercutting of China whereas the landed value for China is higher than that of Russia. It indicates that the price undercutting is taken artificially.

#### **Examination by Authority**

14. The submissions made by the interested parties have been analyzed by the Authority as follows:
  - a. With regard to the argument that import from Russia is de-minimis, the Authority notes that at the time of initiation of current investigation the share of Russian imports was 3.40%. The Authority has now adopted DGCI&S transaction wise data for the purpose of determining volume and value of imports for the present investigation. It is noted that the share of imports from Russia is above de-minimis (4.44%).
  - b. With regard to the argument that imports from countries attracting ADD hold major share in imports and are causing injury, it is noted that the imports from countries attracting anti dumping duty declined whereas imports from the subject countries have increased significantly over the injury period. It is noted that dumping margin and injury margin determined for the subject goods from the subject countries is significantly positive showing that dumped imports from the subject countries are causing injury to the domestic industry.

Particulars	Unit	2011-12	2012-13	2013-14	POI
Subject Countries	MT	16,514	334	6,757	15,629
Countries attracting ADD	MT	60,974	56,324	62,444	47,571
Other Countries	MT	6,956	279	484	540
<b>Total Imports</b>	<b>MT</b>	<b>84,444</b>	<b>56,936</b>	<b>69,685</b>	<b>63,739</b>

- c. With regard to the argument that domestic industry has adopted import data of two different sources for the petition, i.e., DGCI&S data and Tips Software Services Pvt. Ltd, the Authority notes that at the stage of initiation, the Authority is required to satisfy itself that there is sufficient evidence to justify initiation of investigations and the domestic industry used DGCI&S data upto the period for which it was available with them at that stage. However, presently, the DGCI&S transaction wise data has become available and the Authority has procured DGCI&S transaction wise data and the analysis for the purpose of the present determination has been made on the DGCIS data.
- d. With regard to the argument that majority of imports into India are under advance license and therefore should be excluded, the Authority notes that imports made under duty exemption scheme create competition and change the price line as the importers would procure the goods from foreign exporters or domestic producers whosoever gives them the competitive price. Therefore, the imports made under duty exemption scheme cannot be considered not to have affected the price in the market and therefore cannot be excluded while determining imports.
15. The product under consideration is produced and supplied in two forms - (a) bulk shipments in loose form and (b) packed shipments. The Authority has determined separate normal value and export price of loose/unpacked imports and packed imports. Dumping margin has been determined on the basis of Weighted Average.

### **Normal Value, Export Price and Dumping Margin**

#### **Market Economy Treatment (MET) Examination for all producers and exporters from China PR**

16. The Authority notes that in the past three years, China PR has been treated as non-market economy country in the anti-dumping investigations by other WTO

Members. Therefore, in terms of Para 8 (2) of the annexure 1 of AD rules, China PR is to be treated as a non-market economy country subject to rebuttal of the presumption by the exporting country or individual exporters in terms of the Rules for the purposes of preliminary determination.

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

- i. The decisions of concerned firms in China PR regarding prices, costs and inputs, including raw materials, cost of technology and labour, output, sales and investment are made in response to market signals reflecting supply and demand and without significant State interference in this regard, and whether costs of major inputs substantially reflect market values;
- ii. 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;
- iii. Such firms are subject to bankruptcy and property laws which guarantee legal certainty and stability for the operation of the firms; and
- iv. The exchange rate conversions are carried out at the market rate.

18. The Authority sent questionnaires to the known exporters from the subject countries, advising them to provide information in the form and manner prescribed. However, barring below mentioned producers and exporters from China PR, none of the producer/exporter from China PR has co-operated in this investigation by filing their Questionnaires' responses. The questionnaire response has been filed by the following companies:

- i. Shandong Liaocheng Luxi Sixth Chemical Fertilizer Co. Ltd., China PR
- ii. Lu Xi Chemical (Hong Kong) Co.Ltd., Hong Kong (Exporter)
- iii. Shandong Dongyue Fluo-Silicon Materials Co. Ltd., China PR
- iv. Ningbo Juhua Chemical & Science Co. Ltd., China PR
- v. Zhejiang Quhna Flour-chemistry Co. Ltd., China PR

- vi. Farmasino Holding (HK) Limited, Hong Kong (Exporter)
- vii. HK Montage International Holding Limited, Hong Kong (Exporter)

19. It is noted that neither of the above mentioned producers has claimed market economy treatment nor has not sought to rebut the non-market economy presumption. Since none of the Chinese companies has claimed market economy treatment, the Designated Authority has not determined whether any of the Chinese producers could be granted market economy treatment.

### **Normal Value in China**

20. As none of Chinese producers and exporters has submitted the questionnaires' responses; the Authority has constructed the Normal Value in China PR on the basis of Para-7 to Annexure-I to the AD Rules.

21. 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".*

22. According to these Rules, the normal value in China can be determined on any of the following basis:

- a) On the basis of the price in a market economy third country, or
- b) The constructed value in a market economy third country, or

- c) The price from such a third country to other countries, including India.
  - d) If the normal value cannot be determined on the basis of the alternatives mentioned above, the Designated Authority may determine the normal value on any other reasonable basis including the price actually paid or payable in India for the like product duly adjusted to include reasonable profit margin.
23. The Authority notes that for determination of the normal value based on the third country cost and prices, complete and exhaustive transaction-wise data on the domestic sales of third country export sales, as well as cost of production and cooperation of such producers in third country is required, which is not available with the Authority in the present investigation. Also, no such verifiable information with regard to prices and costs prevalent in other such market economy third countries have been provided either by the applicant or by the responding exporters, nor any publicly available information could be accessed, nor the responding Chinese companies have made any claim with regard to an appropriate market economy third country.
24. Considering that there has been no MET response from any exporter/producer of the subject goods from China PR and further noting that information/data regarding appropriate market economy third country for determination of normal value in China PR is not available on record; the Authority has considered the normal value in China PR on available 'reasonable facts basis', in terms of second proviso of para 7 of Annexure 1 to the AD Rules. Accordingly, the Authority has constructed the normal value for China PR on the basis of the cost of production in India, duly adjusted, including selling, general and administrative expenses. Separate normal value has been determined for loose and packed form of the product in view of significant difference in packing costs. The constructed normal value determined for China PR is shown in the dumping margin table below.

### **Normal Value in Russia**

25. The Authority sent questionnaires to the known exporters from Russia. The Authority has received response only from the exporter Khimprom Public Joint Stock Company, Russia. The goods have been sold through its unrelated exporters/ traders namely, Avestra Chemical DMCC, UAE; Quest Group DMCC, UAE; Trigon Gulf, FZCO, UAE; Quest Point LLP, UK and Quest International Trading SA, Canada, to customers in India. The company has exported \*\*\* MT of MDC during the POI. It is seen from the questionnaire response that Avestra

Chemical DMCC, UAE; Quest Group DMCC, UAE; Trigon Gulf, FZCO, UAE; Quest Point LLP, UK and Quest International Trading SA, Canada, have not filed their questionnaire response despite exporting \*\*\*% of the total exports of subject goods to India of the producer Khimprom Public Joint Stock Company, Russia. Since the value chain is not complete, the Authority, at the stage of the provisional findings has not determined the individual dumping margin in respect of Khimprom Public Joint Stock Company, Russia.

26. It is noted that the Khimprom Public Joint Stock Company, Russia responded to the authority, the company has not filed complete response to questionnaire. The Authority notes that in the absence of complete value chain from the subject exporters, the Authority has provisionally constructed the normal value for Russia on the basis of the cost of production in India, duly adjusted, including selling, general and administrative expenses under Rules 6(8). Separate normal value has been determined for loose and packed form of the product in view of significant difference in packing costs. The constructed average normal value determined for Russia is shown in the dumping margin table below.

#### **Export Price for China PR**

#### **Export Price for Shandong Liaocheng Luxi Sixth Chemical Fertilizer Co. Ltd., China PR (Producer) through Lu Xi Chemical (Hong Kong) Co.Ltd., Hong Kong (Exporter)**

27. Shandong Liaocheng Luxi Sixth Chemical Fertilizer Co. Ltd. has reported export of the subject goods to India during the POI. The goods have been sold through its related exporter Lu Xi Chemical (Hong Kong) Co. Ltd., Hong Kong, as well unrelated exporters Tricon Energy, USA; Vinmar International Ltd, USA and Cosmos VU Ltd, Hong Kong, to customers in India. The company has exported \*\*\* MT of MDC during the POI. It is seen from the questionnaire response that Tricon Energy, USA; Vinmar International Ltd, USA and Cosmos VU Ltd, Hong Kong have not filed their questionnaire response despite exporting \*\*\*% of the total exports of subject goods to India of the producer Shandong Liaocheng Luxi Sixth Chemical Fertilizer Co. Ltd. Since the value chain is not complete, the Authority, at the stage of the provisional findings, rejects the complete response of the cooperative producer/exporter Shandong Liaocheng Luxi Sixth Chemical Fertilizer Co. Ltd.

#### **Export Price for Shandong Dongyue Fluo-Silicon Materials Co. Ltd., China**

**(Producer)**

28. Shandong Dongyue Fluo-Silicon Materials Co. Ltd has reported export of the subject goods to India during the POI. The goods have been sold directly to customers in India. The sales to Indian customers are on both FOB and CIF basis. The company has exported \*\*\* MT of MDC to India during the POI. The producer has claimed adjustments towards overseas transportation, Inland transportation, bank charges, insurance, commission, credit cost and VAT to arrive at ex factory export price. The Authority has provisionally admitted the adjustments claimed by the exporter. Export price has been determined for packed form of the product. Accordingly, the average export price at ex-factory level is provisionally determined which is as shown in the Dumping Margin Table below.

**Export Price for Ningbo Juhua Chemical & Science Co. Ltd., China**

29. Ningbo Juhua Chemical & Science Co. Ltd has reported export of subject goods to India during the POI. The goods have been sold through two channels. One is through its unrelated exporter HK Montage International Holding Ltd, Hong Kong who further sells the subject goods to another exporter/trader, namely, Farmasino Holding (HK) Ltd, Hong Kong and eventually to customers in India. The second channel is through Tricon Dry Chemicals LLC, USA to customers in India. The company has exported \*\*\*MT of MDC during the POI. It is seen from the questionnaire response that Tricon Dry Chemicals LLC, USA has not filed its questionnaire response despite exporting \*\*\*% of the total exports of subject goods to India of the producer Ningbo Juhua Chemical & Science Co. Ltd. Since the value chain is not complete, the Authority, at the stage of the provisional findings, rejects the complete response of the cooperative producer/exporter Ningbo Juhua Chemical & Science Co. Ltd.

**Export Price for Zhejiang Quhna Flour Chemistry Co. Ltd., China**

30. Zhejiang Quhna Flour Chemistry Co. Ltd., has reported export of subject goods to India during the POI. The goods have been sold through unrelated exporters/traders Farmasino Holding (HK) Ltd, Hong Kong, Mercy Group Co. Ltd, Hong Kong and Polychem Corporation, Taiwan, to customers in India. The sales to Indian customers are on FOB and CIF basis. The company has exported \*\*\* MT of MDC during the POI. It is seen from the questionnaire response that Mercy Group Co. Ltd, Hong Kong and Polychem Corporation, Taiwan have exported \*\*\*% of the subject goods of the producer/exporter Zhejiang Quhna Flour

Chemistry Co. Ltd. but not filed their questionnaire response. The Authority, keeping in view that questionnaire response of \*\*\*% of the subject goods are available, the Authority, at the stage of the provisional findings, accepts the response of the Zhejiang Quhna Flour Chemistry Co. Ltd. The producer/exporter has claimed adjustments towards overseas transportation, overseas insurance, Inland transportation, bank charges, credit cost, handling charges and VAT to arrive at ex factory export price. The Authority has provisionally admitted the adjustments claimed by the exporter. Separate export price has been determined for loose form of the product in view of significant difference in packing costs. Accordingly, the average export price at ex-factory level is provisionally determined which is as shown in the Dumping Margin Table below.

### **Export price in case of non-cooperative producers and exporters from China PR**

31. In view of the non cooperation of other exporters in this investigation, the export price for other exporters has been determined considering the export price of the cooperating exporter from China. The Authority has adopted lowest representative import price from amongst the cooperative producers/exporters during the POI as best facts available. Price adjustments have been considered towards overseas transportation, Inland transportation, bank charges, insurance, commission, credit cost and VAT to arrive at ex factory export price. The Authority has provisionally admitted the adjustments claimed by the exporters. Separate export price has been determined for loose and packed form of the product in view of significant difference in packing costs. Accordingly, the average export price at ex-factory level is provisionally determined which is as shown in the Dumping Margin Table below.

### **Export Price for Russia**

32. The Designated Authority has considered information received from the DGCI&S and has determined export price considering all imports of the product under consideration in India. The price adjustments have been considered towards overseas transportation, Inland transportation, bank charges, insurance, commission, and port handling charges to arrive at ex-factory export price. Separate export price has been determined for loose and packed form of the product in view of significant difference in packing costs. Accordingly, the average export price at ex-factory level is provisionally determined which is as shown in the Dumping Margin Table below.

### **Dumping Margin**

33. Considering the proposed normal value and export price for the subject goods, separately for packed and loose/bulk form as determined above, dumping margin for the subject goods as a whole has been determined as follows. It is seen that the dumping margin for the subject goods is more than de-minimis and significant.

### **Dumping Margin**

Country	Producer/Exporter	Normal Value	Export Price	Dumping Margin	Dumping Margin	Dumping Margin
		US\$/MT	US\$/MT	US\$/MT	%	% Range
China PR	Shandong Dongyue Fluo-Silicon Materials Co., Ltd. ("Dongyue Fluo-silicon")	***	***	***	***	40-50
	Zhejiang Quhua Flour-chemistry Co. Ltd ("Quhua")	***	***	***	***	55-65
	Any Other Producer/Exporter	***	***	***	***	60-70
Russia	All Producers/Exporters	***	***	***	***	35-45

### **Injury Determination**

#### **Views of the Domestic Industry**

34. The submissions made by domestic industry with regard to injury and casual link are as follows:

- i. Imports of the product under consideration declined in 2012-13 and thereafter increased consistently.
- ii. Imports in relation to production and consumption in India declined in 2012-13 and thereafter increased consistently.
- iii. Market share of the subject counties declined in 2012-13 and consistently increased thereafter and is significant in the POI. Market share of the domestic industry has increased in the POI marginally from the previous year as a result of imposition of anti dumping duties and market share of countries already attracting ADD has declined.
- iv. With reduction in the prices either by the foreign producers or by these traders, either the Indian producers must realign their prices with the

changes in the import prices or traders' resale prices, or the petitioners must loose orders.

- v. Domestic industry prices reflect the combined effect of the prices which have been reported in the trade journals and the prices that are being offered by the traders.
- vi. Imported goods have been undercutting the prices of the domestic industry in both loose and packed form. Price undercutting in respect of the product under consideration as a whole is positive from the subject countries.
- vii. The domestic industry has been forced to reduce the prices too steeply and too frequently.
- viii. Inventories with the domestic industry increased till 2013-14, but thereafter declined during the POI.
- ix. Performance of the domestic industry has deteriorated in terms of profits, return on investments and cash profits to a very significant extent till 2013-14 but during the POI, it has increased slightly.
- x. The decline in profitability of the domestic industry was due to reduction in the import prices without any justifiable reasons. The domestic industry is suffering significant financial losses as a result of significant dumping.

#### **View of the Importers/consumers and other interested parties**

35. The submissions made by the interested parties with regard to injury and casual link are as follows:

- i. Analysis of injury parameters should be made from the base year but domestic industry has made it from the year 2012-13.
- ii. The price undercutting of Russia is shown higher as compared to price undercutting of China whereas the landed value for China is higher than the landed value for Russia. It indicates that the price undercutting is created artificially.
- iii. No increase in imports from subject countries over the investigation period and in comparison to domestic production and total demand.
- iv. Market share of domestic industry has increased from 34% in the base year to 41% in the POI.
- v. Capacity, production, capacity utilization, productivity and sales of the domestic industry have increased during the injury period which indicates growth of the DI's ability to raise funds is not affected.
- vi. There is no price depression and suppression for the domestic industry.

- vii. Profitability, cash flows and ROCE have declined in the injury period but all these factors have increased in POI as compared to the previous year 2012-13.
- viii. Employment and wages have shown no injury to DI.
- ix. There exists no causal link between the alleged dumped import from the subject countries and injury to the domestic industry. There is inverse relation between decrease imports from subject countries and increase sales of domestic industry.
- x. The import prices from the subject countries have declined by 9% over the injury period whereas the price of domestic industry has increased by 7% over the same period. The effect of price on the domestic industry is due to the countries attracting ADD and not due to the subject countries.

### **Examination by the Authority**

36. Rule 11 of the AD Rules read with its Annexure–II provides that an injury determination shall involve examination of factors that may indicate injury to the domestic industry, “... taking into account all relevant facts, including the volume of dumped imports, their effect on prices in the domestic market for like articles and the consequent effect of such imports on domestic producers of such articles...” While considering the effect of the dumped imports on prices, it is considered necessary to examine whether there has been a significant price undercutting by the dumped imports as compared with the price of the like article in India, or whether the effect of such imports is otherwise to depress prices to a significant degree or prevent price increases, which otherwise would have occurred, to a significant degree.
37. Annexure-II of the AD Rules provides for an objective examination of both, (a) the volume of dumped imports and the effect of the dumped imports on prices, in the domestic market, for the like articles; and (b) the consequent impact of these imports on domestic producers of such articles. With regard to the volume effect of the dumped imports, the Authority is required to examine whether there has been a significant increase in dumped imports, either in absolute term or relative to production or consumption in India. With regard to the price effect of the dumped imports, the Authority is required to examine whether there has been a significant price undercutting by the dumped imports as compared to the price of the like product in India, or whether the effect of such imports is otherwise to depress the prices to a significant degree, or prevent price increases, which would have otherwise occurred to a significant degree.

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

*“The examination of the impact of the dumped imports on the domestic industry concerned shall include an evaluation of all relevant economic factors and indices having a bearing on the state of the Industry, including natural and potential decline in sales, profits, output, market share, productivity, return on investments or utilization of capacity; factors affecting domestic prices, the magnitude of margin of dumping actual and potential negative effects on cash flow, inventories, employment wages growth, ability to raise capital investments.”*

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

### **Cumulative Assessment**

40. Annexure II (iii) of the Anti Dumping Rules provides that in case imports of a product from more than one country are being simultaneously subjected to anti dumping investigations, the Designated Authority will cumulatively assess the effect of such imports, in case it determines that: -

- a) the margin of dumping established in relation to the imports from each country/ territory is more than two percent expressed as percentage of export price and the volume of the imports from each country is three percent of the imports of the like article or where the export of the individual countries is less than three percent, the imports cumulatively accounts for more than seven percent of the imports of like article, and;
- b) Cumulative assessment of the effect of imports is appropriate in light of the conditions of competition between the imported article and the like domestic articles.

41. In the present case-

- a) The margin of dumping from each of the subject countries is more than the limits prescribed above;
- b) The volume of imports from each of the subject countries is more than the limits prescribed above; and

c) Cumulative assessment of the effects of imports is appropriate since the exports from the subject countries directly compete inter se and with the like goods offered by the domestic industry in the Indian market. It is noted that there is no submission made by any interested party disputing cumulative assessment in the present case.

42. In view of the above, the Authority considers it appropriate to cumulatively assess the effects of dumped imports from the subject countries.

43. After elaborate investigations, interim anti dumping duty was earlier imposed on the imports of the product under consideration from European Union and USA vide notification dated 21st October, 2012 and definitive anti dumping duty was imposed vide notification dated 21<sup>st</sup> May, 2014. It is noted that whereas imports from EU and USA declined, imports from China and Russia increased between 2013-14 and the POI.

#### **Demand and market share**

44. For the purpose of assessment of the domestic consumption/demand of the subject goods, the sales volume of domestic industry and other Indian producers have been added to the total imports into India and the same has been summarized below:

Particulars	Unit	2011-12	2012-13	2013-14	POI
Sales of Petitioners	MT	60,286	72,879	70,476	73,205
Sales of Other Producers	MT	33,921	33,597	37,734	33,830
Subject Countries – Imports	MT	16,514	334	6,757	15,629
Countries Attracting ADD	MT	60,974	56,324	62,444	47,571
Other Countries	MT	6,956	279	484	540
<b>Total demand/Consumption</b>	<b>MT</b>	<b>178,651</b>	<b>163,413</b>	<b>177,895</b>	<b>170,774</b>

45. It is noted that overall demand for the product under consideration shows marginal decline. Domestic industry contended that (a) the decline in demand is because of reduction in consumption by some pharma companies, (b) injury to the domestic industry is not because of decline in demand, as combined capacities with the Indian industry was 117,000 MT as against demand of 170,774 MT in India in the POI, (c) in view of significant demand for the product in the country, there was no need for the domestic industry to suffer on account of profits, return on investment and cash flow. The domestic industry further contended that whereas demand for the product under consideration showed an overall decline of 4.50%, imports from subject countries increased from 334 MT

(2012-13) to 15,629 MT during the POI, thus showing almost 45 times increase over the period.

## Volume Effects of Dumped Imports

### Import Volume and Market Share

46. With regard to the volume of the dumped imports, the Authority is required to consider whether there has been a significant increase in dumped imports, either in absolute terms or relative to production or consumption in India. For the purpose of injury analysis, the Authority has relied on the import data procured from DGCI&S. The volume of imports of the subject goods from the subject countries has been analyzed as under:

Particulars	Unit	2011-12	2012-13	2013-14	POI
<b>Import Volume</b>					
Subject Countries	MT	16,514	334	6,757	15,629
China PR	MT	16,084	334	4,794	12,802
Russia	MT	430	-	1,963	2,827
Countries attracting ADD	MT	60,974	56,324	62,444	47,571
Other Countries	MT	6,956	279	484	540
<b>Total Imports Volume</b>	<b>MT</b>	<b>84,444</b>	<b>56,936</b>	<b>69,685</b>	<b>63,739</b>
<b>Market Share in Import Volume</b>					
Subject Countries	%	19.56	0.59	9.70	24.52
China PR	%	19.05	0.59	6.88	20.08
Russia	%	0.51	-	2.82	4.44
Countries attracting ADD	%	72.21	98.92	89.61	74.63
Other Countries	%	8.24	0.49	0.69	0.85
<b>Total Imports</b>	<b>%</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

47. It is noted from the above table that imports of the subject goods from subject countries declined in 2012-13 and increased thereafter registering significant increase in the POI. It is noted that imports from countries attracting anti dumping duty declined with the imposition of anti dumping duty vide Notification No. 24/2013-Customs (ADD) dated 21st October, 2012 whereas imports from subject countries started increasing.

### Imports in relative terms

48. Imports in relation to consumption and production have been analyzed as under:

Particulars	Unit	2011-12	2012-13	2013-14	POI
Subject Countries Imports					
In relation to Indian Production	%	16.81	0.31	6.05	14.53
In relation to Indian Demand/Consumption	%	9.24	0.20	3.80	9.15

49. It is noted that imports in relation to production and consumption declined in 2012-13 and increased thereafter.

### Price effect of imports

50. With regard to the effect of the dumped imports on prices, the Designated Authority is required to consider whether there has been a significant price undercutting by the dumped imports as compared with the price of the like products in India, or whether the effect of such imports is otherwise to depress prices to a significant degree or prevent price increases, which otherwise would have occurred, to a significant degree. The impact of dumped imports on the prices of the domestic industry has been examined with reference to the price undercutting, price suppression and price depression, if any.

### Price undercutting

51. In order to determine whether the imports are undercutting the prices of the domestic industry in the market, the Authority has compared landed price of imports with net sales realization of the domestic industry.

Particulars	Unit	2011-12	2012-13	2013-14	POI
China (Loose & Packed)					
Landed price of imports	Rs/MT	***	***	***	***
Net Selling Price	Rs/MT	***	***	***	***
Price Undercutting	Rs/MT	***	***	***	***
Price Undercutting (%)	%	***	***	***	***
Price Undercutting (% Range)	%	Negative	Negative	Negative	Negative
Russia (Loose & Packed)					
Landed price of imports	Rs/MT	***	***	***	***
Net Selling Price	Rs/MT	***	***	***	***

Price Undercutting	Rs/MT	***	***	***	***
Price Undercutting (%)	%	***	***	***	***
Price Undercutting (% Range)	%	Negative	-	Negative	5-15
Subject countries (Loose & Packed)					
Landed price of imports	Rs/MT	***	***	***	***
Net Selling Price	Rs/MT	***	***	***	***
Price Undercutting	Rs/MT	***	***	***	***
Price Undercutting (%)	%	***	***	***	***
Price Undercutting (% Range)	%	Negative	Negative	Negative	Negative

52. The Authority notes that the landed prices of the subject goods from Russia was below the selling price of the domestic industry during the POI, however in the case of China PR, the same is slightly more than the selling price of domestic industry resulting in marginally negative price undercutting.

### Price-underselling

53. The Authority has also examined price underselling suffered by the domestic industry on account of dumped imports from the subject countries, as follows:

Particulars	Unit	China PR	Russia
Average Non Injurious Price	US\$/Mt	***	***
Average Landed Value	US\$/Mt	***	***
Price underselling	US\$/Mt	***	***
Price underselling	%	***	***
Price underselling	% Range	15-25	25-35

54. It is noted from the above table that the domestic industry has suffered significant price underselling during the investigation period on account of imports of the subject goods from the subject countries.

### Price suppression and depression

55. In order to determine whether the dumped imports are suppressing or depressing the domestic prices and whether the effect of such imports is to suppress prices to a significant degree or prevent price increases which otherwise would have occurred to a significant degree, the Authority considered the changes in the costs and prices over the injury period. Authority has considered the average price of loose and packed material for the purpose of this analysis. Table below shows the factual position:

Particulars	Unit	2011-12	2012-13	2013-14	POI
Average Selling price of DI	Rs./MT	***	***	***	***
Trend	Indexed	100	70	87	107
Average Landed Value of subject countries	Rs./MT	***	***	***	***
Trend	Indexed	100	81	84	91
Cost to Sales	Rs./MT	***	***	***	***
<i>Trend</i>	<i>Indexed</i>	<i>100</i>	<i>105</i>	<i>133</i>	<i>132</i>

56. It is noted from the table above that cost of sales have increased over the period and selling price of the domestic industry declined in 2012-13 but increased thereafter. Further, landed price of imports has shown same trend as the selling price. Increase in selling price is much less than the increase in cost of sales. Thus imports are causing significant price suppression in the domestic market.

### **Economic parameters of the domestic industry**

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

58. Various injury parameters relating to the domestic industry are discussed herein below:

**i. Production, capacity and capacity utilization of the Domestic Industry**

59. The production, domestic sales, capacity & capacity utilization of the domestic industry have been stated as follows:

Particulars	Unit	2011-12	2012-13	2013-14	POI
Plant Capacity	MT	106,688	117,000	117,000	117,000
Plant Production	MT	120,240	135,877	130,133	131,973
Plant Capacity Utilisation	%	113%	116%	111%	113%
Production PUC	MT	62,788	74,386	71,689	73,335
Domestic Sales Volumes	MT	60,286	72,879	70,476	73,205

60. The Authority notes that the product under consideration is jointly produced with Chloroform and Carbon Tetrachloride comes out as a by-product. Since the production facilities are common and the products are coproduced, capacity utilization has been examined by considering combined production of Methylene chloride and chloroform.

61. It is noted that one of the petitioner companies has enhanced capacity within the present injury period. Domestic sales, production and capacity utilization of the domestic industry have increased over the injury period. The domestic industry has contended that volume parameters are under the control of the domestic industry and domestic industry on its part is doing its best to produce and sell maximum volumes so that its fixed costs get observed over larger production. However, dumping is causing losses to the domestic industry.

**ii. Market share**

62. The effects of the dumped imports on the domestic sales and the market share of the domestic industry have been examined as below:

Particulars	Unit	2011-12	2012-13	2013-14	POI
<b>Market Share in Demand</b>					
Sales of Domestic Industry	%	33.75	44.60	39.62	42.87
Sales of Other Producers	%	18.99	20.56	21.21	19.81
Subject countries - Imports	%	9.24	0.20	3.80	9.15
Imports from countries attracting ADD	%	34.13	34.47	35.10	27.86

Imports from Other Countries	%	3.89	0.17	0.27	0.32
Total	%	100.00	100.00	100.00	100.00

63. It is noted that market share of the domestic industry increased in 2012-13, declined in 2013-14 and thereafter increased in the POI. Market share of the subject countries declined in 2012-13 but increased thereafter significantly in the POI.

### iii. Profits, return on investment and cash flow

64. The cost of sales, selling price and profit/loss of the domestic industry have been analysed as follows:

Particulars	Unit	2011-12	2012-13	2013-14	POI
Cost of Sales - Average	Rs/MT	***	***	***	***
<i>Trend</i>	<i>Indexed</i>	100	105	133	132
Selling Price - Average	Rs/MT	***	***	***	***
<i>Trend</i>	<i>Indexed</i>	100	70	87	107
Profit/Loss	Rs/MT	***	***	***	***
<i>Trend</i>	<i>Indexed</i>	100	(140)	(184)	(47)
PBIT	Rs Lacs	***	***	***	***
<i>Trend</i>	<i>Indexed</i>	100	(169)	(215)	(57)
Cash Profit	Rs Lacs	***	***	***	***
<i>Trend</i>	<i>Indexed</i>	100	(116)	(149)	(22)
ROI	%	***	***	***	***
<i>Trend</i>	<i>Indexed</i>	100	(80)	(95)	(11)

65. It is seen that the selling price of the domestic industry is below the level of cost of sales since 2012-13 resulting into losses. The domestic industry was suffering from injury in view of dumped imports from other countries as well. Low priced imports from countries currently attracting anti dumping duty forced the petitioners to reduce its prices and consequently the petitioner started incurring losses since 2012-13. The domestic industry has been able to increase its selling price in the POI with the imposition of anti dumping duties on countries attracting anti dumping duty. However, imports from subject countries have prevented the domestic industry from increasing its selling price even to the level

of costs of sales and, therefore, the domestic industry continues to suffer financial losses in the POI.

66. The domestic industry is suffering cash losses and further, the return on investment also became negative in 2012-13 and the cash losses intensified in 2013-14, in view of significant dumping from countries now attracting anti dumping duty. Imposition of anti dumping duties on such countries have led to some marginal improvement in cash profit and return on investment in the POI, however dumped imports of subject countries prevents the domestic industry from recovering completely from ill effects of dumping.

#### iv. Inventories

67. The data relating to inventory of the subject goods are shown in the following table:

Particulars	Unit	2011-12	2012-13	2013-14	POI
Average Stock	MT	***	***	***	***
Trend	Indexed	100	167	328	117

68. It is noted from the above table that the average stock increased till 2013-14 and declined thereafter.

#### v. Employment and wages

69. The position with regard to employment and wages is as follows:

Particulars	Unit	2011-12	2012-13	2013-14	POI
Number of Employees	No	***	***	***	***
<i>Trend</i>	<i>Indexed</i>	<i>100</i>	<i>104</i>	<i>101</i>	<i>102</i>
Wages	Rs Lacs	***	***	***	***
<i>Trend</i>	<i>Indexed</i>	<i>100</i>	<i>123</i>	<i>165</i>	<i>151</i>

70. It is seen that when employment is maintained within a particular range, wages show increasing trend over the injury period.

#### vi. Productivity

71. Data relating to productivity shows as follows:

Particulars	Unit	2011-12	2012-13	2013-14	POI
Productivity per day	MT/Day	***	***	***	***
<i>Trend</i>	<i>Indexed</i>	93	110	106	109
Productivity per employee	MT/Nos	***	***	***	***
<i>Trend</i>	<i>Indexed</i>	100	114	113	114

72. It is noted that the productivity of the domestic industry has increased and moved in the same direction as that of the production.

#### **vii. Magnitude of Dumping**

73. Magnitude of dumping, as an indicator of the extent to which the dumped imports can cause injury to the domestic industry, shows that the dumping margins determined against the subject countries are above de minimis and significant.

#### **viii. Ability to raise capital investment**

74. It is noted that the petitioner companies are multi product companies and one of petitioner companies has enhanced capacities during the injury period. However, despite significant additional investment made in the year 2011-12, the domestic industry should have been able to increase its profit before interest, tax and depreciation. However, even after imposition of ADD on other countries, the industry is suffering with losses, thus, affecting the ability to raise capitals.

#### **ix. Factors affecting domestic prices**

75. Consideration of the import prices from subject countries, change in the cost structure, competition in the domestic market, factors other than dumped imports that might be affecting the prices of the domestic industry in the domestic market show that the landed value of imported material from subject countries are significantly below the selling price and non injurious price of the domestic industry, causing significant price undercutting and underselling in the Indian market. There is no viable substitute to this product. Demand for the product is not a factor responsible for price suppression faced by the domestic industry. It is thus evident that the only factor responsible for the domestic industry prices are the import prices of the product and the cost of production of the domestic

industry. As the information would show, the imports prevented the domestic industry from increasing their prices in line with the increase in the cost.

#### **x. Growth**

76. Growth of the domestic industry is adverse, as growth with regard to profits, return on investments and cash flow was significantly negative during period of investigation except 2011-12.

#### **xi. Industry recovering from past effect of dumped imports**

77. The domestic industry has contended that various injury parameters illustrated under the Rules are not exhaustive, and thus the Authority may analyse any other factor showing injury to the domestic industry. It has been submitted that the domestic industry is trying to recover from the ill effects of dumping caused by other countries which are now attracting anti dumping duties. However, the dumped imports from current subject countries are preventing the growth of the domestic industry. It is seen in this regard that the domestic industry continues to incur losses, despite imposition of anti dumping duties on other countries.

#### **Conclusion on material injury**

78. After examining the volume and price effects of imports of the subject goods from the subject countries and its impact on the domestic industry, it is noted that volume of imports of subject goods from subject countries declined in 2012-13 and thereafter increased significantly in absolute terms and in relation to production and consumption in India. Market share of the subject countries declined in 2012-13 and increased thereafter. It is provisionally noted that the domestic industry has not suffered volume injury on account of dumped imports of subject goods from the subject countries. However, with regard to price effect on account of imports of the subject goods from the subject countries, it is noted that imports of the subject goods from subject countries are significantly undercutting the prices of domestic industry. Further, the domestic industry has suffered price suppression on account of imports of the subject goods from the subject countries in the POI. Profit, cash flow and return on investment remain negative. Despite imposition of anti dumping duty on other countries, the domestic industry is incurring losses in the POI because of the presence of dumped imports from the subject countries. With regard to consequent impact of the dumped imports on the domestic industry, it is concluded that even though

the performance of the domestic industry has improved in respect of production, capacity utilization, domestic sales, market share, the performance deteriorated in terms of profits, return on investment and cash flows. Thus, the Authority provisionally concludes that the domestic industry has suffered material injury.

### **Other Known Factors & Causal Link**

79. Having examined the existence of material injury, volume and price effects of dumped imports on the prices of the domestic industry, in terms of its price undercutting, underselling and price suppression, and depression effects, other indicative parameters listed under the Indian Rules and Agreement on Anti-Dumping have been examined by the Authority to see whether any other factor, other than the dumped imports, could have contributed to injury to the domestic industry.

#### **a) Volume and prices of imports from third countries**

80. It is noted that imports of product under consideration from other countries are either negligible in terms of volume or are attracting anti dumping duties. It is noted that the import prices from subject countries are much higher during the POI.

#### **b) Contraction of demand and changes in the pattern of consumption.**

81. As noted earlier, demand scenario and pattern of consumption for the subject goods in the domestic market show that there has been decline in the demand of the products concerned over the injury period which has been attributed to consumption by some pharma companies. It is, however, seen that injury to the domestic industry is not because of decline in demand, as combined capacities with the Indian industry was 189,000 MT as against demand of 170,774 MT in India. In view of significant demand for the product in the country, there was no need for the domestic industry to suffer on account of profits, return on investment and cash flow.

#### **c) Developments in technology:**

82. Technology for production of the product concerned has not undergone any change. Thus, development in technology is not a factor causing injury to the domestic injury.

**d) Trade restrictive practices of and competition between the foreign and domestic producers**

83. There is no trade restrictive practice which could have contributed to the injury to the Domestic Industry.

**e) Export performance of the domestic industry**

84. The injury information examined by the Authority is for domestic operations only and, therefore, export performance has not caused injury to the Domestic Industry.

**f) Productivity of the Domestic Industry**

85. It is noted that the productivity of the domestic industry in terms of production per employee as well as production per day has increased over the period.

86. It is thus noted that listed known other factors do not show that the domestic industry could have suffered injury due to these other factors. The Authority examined whether the dumping of the product has caused injury to the domestic industry. The following parameters show that injury to the domestic industry has been caused by dumped imports:

- a) The imports of the subject goods from the subject countries were significantly undercutting the prices of the domestic industry in the market.
- b) The domestic industry was prevented from increasing its prices. The price suppression suffered by the domestic industry is because of dumping of the product by the subject countries.
- c) The domestic industry is forced to sell at prices even below the cost of production which is resulting into significant financial losses. The price suppression caused by the imports thus results in financial losses in the POI.
- d) Performance of the domestic industry with regard to profits, cash flow and return on investments is negative as a result of price suppression and price undercutting. Thus, dumping of the product has led to deterioration in performance of the domestic industry in terms of profits, cash flow and return on investments.

e) Despite imposition of anti dumping duty on other countries, the domestic industry is incurring losses in the POI because of the presence of dumped imports from the subject countries

87. It is, therefore, provisionally concluded that the domestic industry suffered material injury due to the dumped imports.

### **Magnitude of Injury Margin**

#### **Injury Margin**

88. The non-injurious price of the subject goods produced by the domestic industry determined has been compared with the landed value of the exports from the subject countries for determination of injury margin during POI. The injury margin determined are as under:-

#### **Injury Margin**

Country	Producer/Exporter	Non-Injurious Price	Landed Price	Injury Margin	Injury Margin	Injury Margin
		US\$/MT	US\$/MT	US\$/MT	%	% Range
China PR	Shandong Dongyue Fluo-Silicon Materials Co., Ltd. ("Dongyue Fluo-silicon")	***	***	***	***	15-25
	Zhejiang Quhua Flour-chemistry Co. Ltd ("Quhua")	***	***	***	***	20-30
	Any Other Producer/Exporter	***	***	***	***	35-45
Russia	All Producers/Exporters	***	***	***	***	25-35

### **L. Indian industry's interest & other issues:**

89. The Authority recognizes that the imposition of anti-dumping duties might affect the price levels of the product in India. However, fair competition in the Indian market will not be reduced by the imposition of anti-dumping measures. On the contrary, imposition of anti-dumping measures would remove the unfair advantages gained by dumping practices, prevent the decline of the domestic industry and help maintain availability of wider choice to the consumers of the

subject goods. 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 duties, therefore, would not affect the availability of the product to the consumers. The Authority notes that the imposition of the anti-dumping measures would not restrict imports from the subject countries in any way, and therefore, would not affect the availability of the product to the consumers. The consumers could still maintain two or even more sources of supply.

#### **M. Recommendation**

90. 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 interim anti dumping duty was earlier imposed on the imports of the product under consideration from European Union and USA vide notification dated 21st October, 2012 and definitive anti dumping duty was imposed vide notification dated 21<sup>st</sup> May, 2014. It is noted that whereas imports from EU and USA declined, imports from China and Russia increased significantly between 2013-14 and the POI, justifying recommendation of preliminary duty.
- b) The product under consideration has been exported to India from the subject countries below normal values. The dumping margins are positive and so significant that it justifies recommendation of preliminary duty.
- c) The domestic industry has suffered material injury on account of subject imports from the subject countries.
- d) The material injury has been caused by the dumped imports of subject goods from the subject countries.

91. The Authority notes that the investigation was initiated and it was notified to all interested parties. Adequate opportunity was given to the exporters, importers and other interested parties to provide information on the aspects of dumping, injury and causal link. Having initiated and conducted a investigation into dumping, injury and the causal link thereof in terms of the AD Rules and having established positive dumping margins as well as material injury to the domestic industry caused by such dumped imports, the Authority is of the view that imposition of duty is required to offset dumping causing injury. Domestic industry has requested for imposition of anti dumping duty to address injury being suffered. Having regard to the lesser duty rule followed by the Authority, the Authority recommends imposition of provisional 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.

92. Having regard to the lesser duty rule followed by the authority, the Authority recommends imposition of provisional anti-dumping duty equal to the lesser of margin of dumping and margin of injury, so as to remove the injury to the domestic industry. Accordingly, provisional anti-dumping duty equal to the amount indicated in the table below is recommended to be imposed from the date of notification to be issued in this regard by the Central Government, on all imports of the subject goods originating in or exported from the subject countries.

**Duty table**

SI No	Sub-heading	Description of Goods	Country of Origin	Country of Export	Producer	Exporter	Amount	Unit	Currency
1	290312	Dichloro-methane (Methylene Chloride)	China PR	China PR	Shandong Dongyue Fluo-Silicon Materials Co., Ltd.	Shandong Dongyue Fluo-Silicon Materials Co., Ltd.	144.41	MT	US\$
2	290312	Dichloro-methane (Methylene Chloride)	China PR	China PR	Zhejiang Quhua Flour-chemistry Co. Ltd	Farmasino Holding (HK) Limited, Hong Kong	163.70	MT	US\$
3	290312	Dichloro-methane (Methylene Chloride)	China PR	China PR	Zhejiang Quhua Flour-chemistry Co. Ltd	Polychem Corporation, Taiwan	163.70	MT	US\$
4	290312	Dichloro-methane (Methylene Chloride)	China PR	China PR	Zhejiang Quhua Flour-chemistry Co. Ltd	Mercy Group Co., Ltd., Hong kong	163.70	MT	US\$
5	290312	Dichloro-methane (Methylene Chloride)	China PR	China PR	Any combination other than SI. No 1,2,3 & 4 above		232.47	MT	US\$
6	290312	Dichloro-methane (Methylene Chloride)	China PR	Any	Any	Any	232.47	MT	US\$

SI No	Sub-heading	Description of Goods	Country of Origin	Country of Export	Producer	Exporter	Amount	Unit	Currency
7	290312	Dichloromethane (Methylene Chloride)	Any country other than subject countries	China PR	Any	Any	232.47	MT	US\$
8	290312	Dichloromethane (Methylene Chloride)	Russia	Russia	Any	Any	194.43	MT	US\$
9	290312	Dichloromethane (Methylene Chloride)	Russia	Any	Any	Any	194.43	MT	US\$
10	290312	Dichloromethane (Methylene Chloride)	Any country other than subject countries	Russia	Any	Any	194.43	MT	US\$

*\*Note: Where there is overlapping of anti-dumping duty on the subject goods with respect to a subject country in different customs notifications, the duty applicable to that subject country shall be one imposed under the customs notification in which the said country has been specifically mentioned under the Column "Country of Origin".*

#### **N. Further Procedures**

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

- a) The Authority invites comments on these preliminary findings from all interested parties and the same would be considered in the final finding. Interested parties may also make known their views within forty days from the date of publication of these findings.
- b) The Authority would conduct further verification to the extent deemed necessary.
- c) The Authority would disclose essential facts before announcing the final findings.

**(A.K Bhalla)**  
**Designated Authority**