



INVESTIGATION 320

**ALLEGED DUMPING OF HOLLOW STRUCTURAL
SECTIONS EXPORTED FROM
INDIA AND UNITED ARAB EMIRATES**

VERIFICATION REPORT

AJMAL STEEL TUBES AND PIPES INDUSTRIES LLC

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED
THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY
NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

May 2016

1 BACKGROUND

1.1 Background

Public notification of the initiation of an anti-dumping investigation into certain hollow structural sections (HSS) exported from India and the United Arab Emirates was made on 22 December 2015 in Anti-Dumping Notice (ADN) No. 2015/154¹. The background relating to the initiation of this investigation is contained in Consideration Report 320².

Following initiation of the investigation, a search of the Australian Border Force import database indicated that Ajmal Steel Tubes and Pipes Industries LLC (Ajmal) exported HSS to Australia from India during the period 1 October 2014 to 30 September 2015 (the investigation period).

The Anti-Dumping Commission (the Commission) notified Ajmal of the initiation of the investigation and sought its cooperation through the completion of an exporter questionnaire regarding HSS. Ajmal provided a completed exporter questionnaire response (EQR), and relevant attachments, on 4 February 2016 and a resubmitted version on 14 February 2016.

1.2 Purpose of this report

Based on the volume of Ajmal's exports relative to the total export volume from India and the UAE during the investigation period a decision was made not to conduct an on-site verification visit at Ajmal's premises.

Whilst a decision was made not to conduct an on-site verification visit, a detailed analysis of the EQR provided by Ajmal was completed. This analysis included tests for the reasonableness, accuracy and completeness of the export sales, domestic sales and cost to make and sell (CTMS) data utilised in calculating the dumping margin.

¹ Electronic Public Record (EPR) 320/003 refers.

² EPR 320/002 refers.

2 GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the investigation period, all HSS exported to Australia by Ajmal were circular hollow section (CHS) in hot dip galvanised (HDG) and black surface finishes. These products were:

- specified to Australian Standard AS1074;
- nominal bore of 15mm to 150mm;
- nominal wall thickness of 2.0mm to 4.3mm;
- in length between 1 metre to 7 metres; and,
- end types in plain, grooved and threaded but not coupled.

2.2 Model matching

For the purpose of model matching, the Commission considers that it is appropriate to match the export and domestic models on the basis of the following criteria;

- cross section shape;
- surface finish (black or galvanised);
- diameter (nominal bore);
- wall thickness;
- end type; and
- length.

The verification team has chosen these criteria on the basis that these characteristics affect the price per tonne. Although data about the piece length was provided in both the domestic and exports sales data, the predominate volume of sales in each market were of the one length.

Ajmal's sales records provided the outside diameter of CHS (tube) in millimetres. Where the relevant product standard expressed tube diameter in nominal bore, the Commission was able to readily convert outside diameter to the respective nominal bore as provided in the relevant product standard. Where the relevant product standard did not express diameter in terms of nominal bore, the Commission was able to identify the nominal bore by comparing outside diameter to characteristics detailed in Australian Standard AS1074 for *Steel tube and tubulars for ordinary service*.

Similarly for wall thickness, Ajmal provided data for the nominal wall thickness. Noting that sales of pipe to Australia conform with the AS 1074 standard, the Commission was able to annotate Ajmal's domestic sales data to express wall thickness in terms of extra light (XL), light (L), medium (M) and heavy (H) where the relevant product standard provided for such designation. Where the relevant product standard of a domestic sale did not express wall thickness in terms of XL, L, M or H, the Commission used the closest equivalent wall thickness designation as provided in Australian Standard AS1074.

During verification the Commission did not identify sales of domestic goods of a kind that, if exported to Australia, would not fall within the goods description and are therefore not like goods.

2.3 Like goods – preliminary assessment

The verification team considers that HSS produced by Ajmal for domestic sale has characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901*.³

³ All legislative references in this report are to the *Customs Act 1901*, unless specifically stated otherwise.

3 VERIFICATION OF DOMESTIC AND AUSTRALIAN SALES

3.1 Australian sales listing

As part of its EQR, Ajmal provided a line by line basis Australian sales listing. The Commission noted that the export sales data did not include data relating to theoretical and actual weight or grade of steel as required by the Commission's template. Additionally it did not include explanations as to whether sales are made on an actual or theoretical basis. At the request of the Commission Ajmal provided a revised Australian sales listing and a submission that established that sales are made on an actual basis. Ajmal's revised sales listing is at **Confidential Appendix 1**.

In addition, Ajmal provided source documents for a sample of Australian export sale transactions. The source documents reconciled to the sales listing. The source documents included sales contracts, bill of lading, packing list, commercial invoice, customs declaration for shipments and bank remittances. These documents are at **Confidential Attachment SALES 1**.

3.2 Domestic sales listing

As part of its EQR, Ajmal provided a line by line domestic sales listing. The Commission noted that the domestic sales data did not include data relating to theoretical and actual weight or grade of steel as required by the Commission's. At the request of the Commission Ajmal provided a revised domestic sales listing. The revised sales listing is located at **Confidential Appendix 3**.

In addition, Ajmal provided financial statements for the year ending December 2014 and draft financial statements for the year ended December 2015 (**Confidential Attachment SALES 2**). The Commission was able to reconcile the total value of Australian export sales, domestic sales and third country export sales to the income statements.

Ajmal also provided source documents for a sample of domestic sales transactions. The source documents included sales contracts, invoices and bank remittances. These documents are at **Confidential Attachment SALES 3**.

3.3 Conclusion

Having regard to the above desktop verification, the Commission is satisfied that the domestic and Australian sales listings provided by Ajmal are reasonably accurate, relevant and complete can be relied upon for the purpose of assessing the export price and normal value.

4 EXPORT PRICE

4.1 Australian export sales

In its EQR, Ajmal stated that its Australian exports are all to a related importer being a subsidiary 100 per cent owned by Ajmal. The Commission has adopted the invoice date as the date of sale.

4.2 Arm's length

In respect of Ajmal's Australian sales of HSS during the investigation period, the Commission found no evidence that:

- there is any consideration payable for or in respect of HSS other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The Commission therefore considers that all Australian sales by Ajmal during the investigation period were arm's length transactions.

4.3 Export Price

The Commission considers that:

- Ajmal is the exporter;
- the goods have been exported to Australia otherwise than by the importer; and
- purchases of the goods by the importer were arm's length transactions.

The export price has been determined under subsection 269TAB(1)(a) of the Act using the invoiced price by Ajmal to the importer less any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

4.4 Export Invoice Value

A comparison to sales documents revealed that the FOB value of Australian sales reported by the exporter was found to include amounts for ocean freight and marine insurance. The Commission has amended the FOB value of the goods by excluding amounts for marine insurance and ocean freight.

4.5 Credit Terms

A comparison to source documents revealed that the credit terms reported by the exporter had been overstated. Based on the information in the source data the Commission has deemed all Australian sales as being payable as per the terms stated on the source documents at **Confidential Attachment SALES 1**.

5 COST TO MAKE AND SELL

5.1 Cost to make and sell

In its EQR, Ajmal provided a CTMS spreadsheet for the goods showing quarterly costs data for the goods sold domestically and exported to Australia respectively. The cost to make and sell for the goods from Ajmal is contained in **Confidential Appendix 2**.

5.2 Verification of Ajmal's costs to financial statements

The Commission noted that the CTMS spreadsheet provided by Ajmal as part of its EQR shows only unit costs. It is also noted that Ajmal's factory is also producing metal sheets, which are not the goods. In consideration of the above factors, to determine whether the CTMS was reasonably complete, the Commission requested further verifying information from Ajmal. Ajmal provided a complete breakdown of its CTMS linking back and reconciling to its profit and loss statement and sales ledger. Having reviewed this data the Commission is satisfied that the CTMS allocated to HSS production is reasonable.

5.3 Verification of costs to source documents

5.3.1 Hot Rolled Coil

The Commission notes that hot rolled coil costs accounts for a substantial proportion of the cost to make. Given the materiality of costs of hot rolled coil, the Commission verified the accuracy of coil costs to source documents.

As part of its EQR, Ajmal provided a spreadsheet detailing its coil purchases for the investigation period (**Confidential Attachment CTMS 1**). From this listing, Ajmal provided source documents for 30 line items, including invoices, which reconcile with the spreadsheet (**Confidential Attachment CTMS 2**).

5.3.2 Electricity

In its EQR, Ajmal provided a spreadsheet detailing its electricity costs for the investigation period at **Confidential Attachment CTMS 3**. In addition, Ajmal also provided source documents for two invoices, which details its electricity costs for the period 21 December 2014 to 04 February 2015 (**Confidential Attachment CTMS 4**). These details on the invoices were found to reconcile with the spreadsheet listing.

5.3.3 Selling, general and administrative expenses (SG&A)

While no source documents were provided for SG&A expenses, Ajmal's SG&A expenses allocated in its domestic and export CTMS spreadsheets have been verified against financial statements and appear reasonable. It was noted that the export CTMS is higher than the domestic CTMS due to ocean freight expenses being included in the export selling costs. Ocean freight and marine insurance costs have been verified against source data and are considered reasonable.

5.4 Cost to make and sell summary

Having verified a large proportion of Ajmal's CTMS data for HRS to financial accounts and to source documents, the Commission is satisfied that Ajmal's CTMS data is reasonably complete, relevant and accurate.

6 DOMESTIC SALES AND NORMAL VALUE

6.1 Domestic sales

As outlined previously, in its EQR, Ajmal provided a detailed domestic sales listing for investigation period on a line-by-line basis.

The Commission considers that the goods manufactured for domestic consumption have characteristics closely resembling the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1).

In its EQR, Ajmal stated that it was not related to domestic customers during the investigation period and does not offer discounts, rebates or allowances. The Commission found no evidence to suggest otherwise.

The Commission has adopted the invoice date as the date of sale.

6.2 Arm's length

In respect of Ajmal's domestic sales of Hollow Structural Sections during the investigation period, the Commission found no evidence that:

- there is any consideration payable for or in respect of HSS other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The Commission therefore considers that all domestic sales by Ajmal during the investigation period were arm's length transactions.

6.3 Ordinary course of trade

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of HSS to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20% for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the investigation period. Those sales found to be unrecoverable were considered not to be in the OCOT.

6.4 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export.

Low volume is defined by subsection 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia. The verification team found there was a sufficient volume of domestic sales made in the OCOT for 17 of 52 models of HSS exported to Australia during the investigation period. For the models where there were insufficient volumes of domestic sales made in OCOT, the verification team has constructed the normal value under paragraph 269TAC(2)(c).

6.5 Profitability of domestic sales

Where the normal value has been constructed under paragraph 269TAC(2)(c), an amount for profit has been included with respect to the profitability of domestic sales of like goods made in the OCOT.⁴

6.6 Domestic sales – summary

The verification team is satisfied that the domestic sales listing is complete, relevant and accurate, and can be used for assessing normal value under subsection 269TAC(1) and to determine the amount of profit for normal values constructed under paragraph 269TAC(2)(c).

⁴ Subsection 45(2) of the *Customs (International Obligations) Regulation 2015* refers.

7 ADJUSTMENTS

To ensure the normal value is comparable to the Australian export price, the verification team considered the following adjustments.

7.1 Domestic packaging

The verification team considers a downwards adjustment for domestic packaging expenses is required to ensure a fair comparison to the export price. The verification team applied a downwards adjustment based on a per tonne packaging expense reported by the exporter. Where normal value was constructed a downwards adjustment has also been applied.

7.2 Domestic inland transport

The verification team considers a downwards adjustment for domestic inland transport expenses is required to ensure a fair comparison to the export price. The verification team applied a downwards adjustment based on a per tonne inland transport expense reported by the exporter. Where normal value was constructed a downwards adjustment was also applied.

7.3 Domestic credit terms

The verification team considers a downwards adjustment for domestic credit terms is required to ensure a fair comparison to the export price. Where normal value was constructed a downwards adjustment has not been applied.

7.4 Specification adjustment

The verification team observed that domestic sales of galvanised CHS complied with a different specification relating to zinc coating compared to sales of galvanised CHS exported to Australia. To account for the difference in the cost of zinc, a downward adjustment has been applied to normal values for galvanised CHS calculated under subsection 269TAC(1).

7.5 Timing adjustment

In calculating normal values under subsection 269TAC(1), the verification team noted that for certain models, there were no domestic OCOT sales for certain quarters. In these instances, the verification team used the quarterly normal value from another quarter with a timing adjustment based on the differences in the weighted average quarterly cost to make and sell for the relevant model group, e.g. galvanised or black.

7.6 Export packaging

The verification team considers an upwards adjustment for export packaging expenses is required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based on a per tonne packaging expense reported by the exporter.

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As export packaging expenses were not included in the CTM of the exported goods, an upwards adjustment, where the normal value was constructed, was also applied.

7.7 Export inland freight and port charges

The verification team considers an upward adjustment for export inland freight and port charges is required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based on the weighted average inland freight expenses and port charges from actual export expenses reported in the exporter's export sales spreadsheet.

7.8 Export credit terms

The verification team considers an upwards adjustment to account for export credit terms is required to ensure a fair comparison to the export price.

7.9 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsections 269TAC(8) and 269TAC(9), and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Adjustment Type	Deduction/addition
Domestic packaging	Deduct domestic packaging expenses for subsection 269TAC(1) and section 269TAC(2)(c) normal values
Domestic inland transport	Deduct domestic inland transport expenses for subsection 269TAC(1) and section 269TAC(2)(c) normal values.
Domestic credit terms	Deduct domestic credit terms for subsection 269TAC(1) normal values only.
Specification Adjustment	Deduct a flat rate per tonne for coating thickness specification for subsection 269TAC(1) normal values only.
Timing adjustment	Deduct or add an amount for a timing adjustment, where necessary, for subsection 269TAC(1) and 269TAC(2)(c) normal values
Export packaging	Add export packaging expenses for subsection 269TAC(1) and 269TAC(2)(c) normal values.
Export inland transport and port charges	Add export inland freight and port charges for both subsection 269TAC(1) and section 269TAC(2)(c) normal values
Export credit terms	Add export credit terms for subsection 269TAC(1) and 269TAC(2)(c) normal values.

8 NORMAL VALUE

The verification team is satisfied that, for 17 models exported to Australia, it found sufficient volumes of domestic sales of HSS that were arms length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of HSS for those models are suitable for assessing normal value under subsection 269TAC(1).

In using domestic sales as the basis for normal values, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices.

However, the verification team considers that it is not able to make any reasonable adjustment (for physical differences). Therefore, where there were no sales (or insufficient sales) on the domestic market of the model identical to the one exported (by reference to nominal bore / thickness combinations), the verification team considers it inappropriate to determine a normal value under subsection 269TAC(1) and has constructed a normal value under paragraph 269TAC(2)(c).

Accordingly, for the remaining 35 models where there were insufficient volumes of domestic OCOT sales, the verification team has constructed normal values in accordance with paragraph 269TAC(2)(c). To construct the normal value for each quarter, the verification team has used:

- the weighted average CTM for Australian export sales; plus
- SG&A applicable to goods sold domestically; plus
- profit of domestic OCOT sales (as discussed in section 6).

In using costs as the basis for normal values, the verification team considers that certain adjustments, in accordance with subsection 269TAC(9), are necessary to ensure fair comparison of normal values with export prices as outlined in chapter 6 above.

The normal value calculations are at **Confidential Appendix 4**.

9 DUMPING MARGIN

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period, in accordance with paragraph 269TACB(2)(a).

The dumping margin in respect of HSS exported to Australia by Ajmal for the investigation period is **2.7%**.

Details of the preliminary dumping margin calculations are at **Confidential Appendix 5**.

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10 LIST OF APPENDICES

Confidential Appendix 1	Australian export sales listing
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic Sales
Confidential Appendix 4	Normal Value
Confidential Appendix 5	Dumping Margin
Confidential Attachment SALES 1	Australian export sale documents
Confidential Attachment SALES 2	Financial Statements
Confidential Attachment SALES 3	Domestic sales documents
Confidential Attachment CTMS 1	Hot Rolled Coil Purchases Register
Confidential Attachment CTMS 2	Hot Rolled Coil source documents
Confidential Attachment CTMS 3	Utility expense ledger
Confidential Attachment CTMS 4	Electricity source documents