

**DIRECTORATE GENERAL OF SAFEGUARDS
CUSTOMS AND CENTRAL EXCISE
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NOTICE OF INITIATION OF A SAFEGUARD INVESTIGATION

[Under Rule 6 of the Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997]

New Delhi, 07th September, 2015
F.No. D-22011/ 26/2015/Pt-I/

Sub: Initiation of safeguard investigation concerning imports of “Hot-rolled flat products of non-alloy and other alloy Steel in coils of a width of 600 mm or more” into India.

G.S.R.-- An application has been filed before me on 27th July, 2015 under Rule 5 of the Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997 by M/S Steel Authority of India Limited; M/S Essar Steel India Limited, and M/S JSW Steel Limited through M/S Lakshmi Kumaran & Sridharan Attorneys, New Delhi, for imposition of Safeguard Duty on imports of “**Hot-rolled flat products of non-alloy and other alloy Steel in coils of a width of 600 mm or more**”, hereinafter referred to as ‘PUC’ (Product under consideration) into India to protect the domestic producers of PUC against serious injury/threat of serious injury caused by the increased imports of PUC into India.

2. Domestic Industry: The applicants, i.e., M/S Steel Authority of India Limited; M/S Essar Steel India Limited, and M/S JSW Steel Limited, claimed that their production together accounts for more than 50% of the total production of PUC in India and it represent a major proportion of Indian production of the product under consideration in the country and thus have the standing to file the present application.

3. Product Involved: The product under consideration is “Hot-Rolled Flat Products of Alloy or Non-Alloy Steel in Coils of a width of 600 mm or more” classifiable under Chapter 72 of the Customs Tariff Act, 1975, under tariff heading 7208 and tariff item 72253090. The applicant has claimed that these products are not further worked than hot-rolled and are flat products of iron, alloy or non-alloy steel, in prime or non-prime condition having ‘as-rolled’ edge or ‘trimmed’ edge or ‘slit’ edge. These products may be pickled or non-pickled (with or without skin-pass or tempering), slit or non-slit and having nominal width of greater than or equal to 600mm. These products may be as-rolled or thermo-mechanically rolled or thermo-mechanically controlled rolled or controlled rolled. These products may have patterns in relief derived directly from

rolling. These products may have been subjected to various processing steps like pickling, oiling, rewinding, temper rolling, heat treatment, etc.

The following are not included in the scope of the product under consideration:

- a) Hot-rolled flat products of steel with nominal width less than 600mm;
- b) API grade steel;
- c) Silicon electrical steel;
- d) Hot-rolled flat products of steel of spring steel quality;
- e) Hot-rolled flat products of steel which are electrolytically plated or coated with zinc;
- f) Hot-rolled flat products of steel otherwise plated or coated with zinc; and
- g) Hot-rolled flat products of stainless steel.

4. Period of Investigation (POI): The applicants has submitted all the data from 2011-12 to 2015-16 (Q1). The period for investigation selected is 2013-14 to 2015-16 (A) which is long enough in order to take into consideration the market conditions and to ascertain the need of imposition of Safeguard Duty.

5. Source of information: The transaction-wise import data for the ‘PUC’ has been taken from IBIS for 2013-14 to 2015-16 (Q1) as provided by the domestic industry and same has been taken into consideration for analysis. The domestic data from 2011-12 to 2015-16(Q1) have been submitted by the domestic industry and the same have been verified by on-site visit by the department on the basis of central excise records and other records maintained in the units to the extent deemed necessary.

6. Increased Imports (absolute & in relative terms): ‘PUC’ is imported into India primarily from China PR, Korea RP, Japan and Russia. The imports of ‘PUC’ have shown an increasing trend in absolute terms as well as in relative terms during the period as shown in table below:-

Financial Year	Total Imports (MT)	Trend	All India Production (MT)	% of import with respect to production
2013-14	1292099	100	25510777	5
2014-15	2540114	197	26395795	10
2015-16(Q1)	844840		6646258	
2015-16(A)	3379360	262	26585032	13

7. Serious Injury: The applicant have claimed that the increased imports of ‘PUC’ have caused and are threatening to cause serious injury to the domestic producers of ‘PUC’ as indicated by the following factors:

- (a) **Production:** The production of the domestic industry remained at the same level as shown in the following table:-

YEAR	Production of DI (MT)	Trend
2013-14	17881187	100
2014-15	17836937	100
2015-16(Q1)	4456795	
2015-16(A)	17827180	100

(b) **Market Share of domestic producers in domestic demand:** Market share of the applicants has fallen in the most recent period. Applicants had a market share of 45% in 2013-14 which fell to 37% during 2015-16 (A). During the same period, the market share of import increased from 6% to 12%, as shown below:-

Financial Year	Total Import (MT)	Sales of DI (MT)	Sales of other Indian Producers (MT)	Captive sale of DI(MT)	Captive sale of Others(MT)	Total Demand (MT)	Market Share (%)	
							DI	Import
2013-14	1292099	10342565	2994323	4274000	4000724	22903711	45	6
2014-15	2540114	9949214	3298273	5019741	4615864	25423206	39	10
2015-16(Q1)	844840	2589929	1065972	1321497	1180681	7002919		
2015-16(A)	3379360	10359716	4263888	5285988	4722724	28011676	37	12

(c) **Productivity & Employment:** The trend of employment and productivity remained same throughout the period as shown in the table below:-

Financial Year	No. of Employees (Indexed)	Productivity per employee(MT) (Indexed)
2013-14	100	100
2014-15	100	100
2015-16(Q1)	100	
2015-16(A)	100	100

(d) **Capacity Utilisation:** During the period, the capacity utilisation remained same during 2013-14 to 2015-16(A) as evident from the table below:

Financial Year	Installed Capacity (MT)	Capacity Utilisation (%)
2013-14	23568996	76
2014-15	23568996	76
2015-16(Q1)	5884372	
2015-16(A)	23537488	76

- (e) **Profit/loss** – The profitability of the domestic industry has declined sharply in 2015-16(Q1) and they have started recording losses as shown in the following table:-

Financial Year	Profitability (Rs. /MT) (Indexed)
2013-14	100
2014-15	135
2015-16(Q1)	(55)

- (f) **Inventory**- The table below depicts the inventory levels which have witnessed a surge from 100 points in 2013-14 to 103 points in 2015-16(A).

Financial Year/Quarter	Inventory (MT)	Inventory (MT) (Indexed)
2013-14	636879	100
2014-15	648290	102
2015-16(Q1)	657099	103

8. The domestic industry has requested for immediate imposition of safeguard measures for a period of four years in their application. The domestic industry has also requested for imposition of provisional safeguard duty in view of steep deterioration in performance of the domestic industry as a result of increased imports of product under consideration.

9. The application has been examined and it has been found that prima facie increased imports of 'PUC' have caused or are threatening to cause serious injury to the domestic producers of 'PUC' and accordingly, it has been decided to initiate an investigation through this notice.

10. All interested parties may make their views known within a period of 30 days from the date of this notice to:

The Director General (Safeguards)
Bhai Vir Singh Sahitya Sadan: 2nd Floor,
Bhai Vir Singh Marg,
Gole Market, New Delhi-110 001, INDIA.
Telefax: 011-23741542/ 23741537
E-mail: dgsafeguards@nic.in

11. All known interested parties are also being addressed separately.

12. Any other party to the investigation who wishes to be considered as an interested party may submit its request so as to reach the Director General (Safeguards) on the aforementioned address within 15 days from the date of this notice.

13. A public file containing all relevant material (non-confidential) shall be available for inspection by all interested parties in the office of the Director General (Safeguards) on the aforementioned address.

(VINAY CHHABRA)
DIRECTOR GENERAL