

**DIRECTORATE GENERAL OF SAFEGUARDS
CUSTOMS AND CENTRAL EXCISE
2ND FLOOR, BHAI VIR SINGH SAHITYA SADAN,
BHAI VIR SINGH MARG, GOLE MARKET
NEW DELHI-110001
Telefax: 23741542, 23741537
e-mail : dgsafeguards@nic.in**

NOTICE OF INITIATION OF A SAFEGUARD INVESTIGATION

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

New Delhi, 22nd May, 2014
F.No. D-22011/ 04/2014

Sub: Initiation of safeguard investigation concerning imports of Flexible Slabstock Polyol of molecular weight 3000 to 4000 into India.

G.S.R.----An application has been filed before me under Rule 5 of the Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997 by M/s. Manali Petrochemicals Ltd, Chennai through their consultant M/S APJ-SLG Law Offices for imposition of Safeguard Duty on imports of Flexible Slabstock Polyol of molecular weight 3000 to 4000 (hereinafter referred to as PUC) 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: M/s Manali Petrochemicals Ltd having two manufacturing plants at Chennai (Plant 1 and Plant 2) are the sole applicant constituting domestic industry in this case. The domestic industry have claimed that they are the only producer of PUC in India and thus they have the standing to file the present petition.

3. Product Involved: The product under consideration (PUC) in the present case is Flexible Slabstock Polyol of molecular weight 3000 to 4000. It is a clear viscous liquid, manufactured by polymerization of propylene oxide and ethylene oxide with a trio chain starter. It is a polyether and on reaction with catalysts and additives yields polyurethane foams used in upholstery, mattresses, pillows, bolsters, transport seating and packaging. The PUC is transported in tankers or stored in steel drums.

PUC is classified under Customs sub-heading nos. 39072010 of Chapter 39 of the Customs Tariff Act, 1975.

4. Period of Investigation (POI): The applicants for the purpose of the present application have considered the data for the period from 2010-11 to 2013-14. The applicants have submitted all the data from 2010-11 to 2013-14. The period for investigation selected is 2010-11 to 2013-14 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 import data for the product under consideration has been taken from DGCIS as provided in the monthly CDs of DGCIS received in the Directorate. Since the import data for 2013-14 is available up to Dec 13 only in the Directorate, the same has been annualized from available nine

months. Further, the data pertaining to other safeguard economic parameters for the period from 2010-11 to 2013-14 has been verified to the extent necessary, through onsite verification of the manufacturing units of the applicant and such verified data for the POI has been taken into consideration for injury analysis.

6. Increased Imports (Absolute & in relative terms): PUC is imported into India from a number of countries, and primarily from Singapore, Netherland, USA, Korea RP, Thailand and Taiwan. The imports of PUC have shown an increasing trend in absolute terms as well as compared to the total production. The imports and production of PUC during financial year 2010-11 to 2013-14 remained as under:-

Financial Year	Total Imports (MT)	All India Production (MT)	Total Demand(MT)	Import as a % of production
2010-11	46,121	16,510	62,736	279
2011-12	36,898	18,381	55,090	201
2012-13	42,026	13,986	55,477	300
2013-14	54,567 (annualized)	13,811	68,040	395

The Imports have slightly declined in 2011-12 vis-à-vis the base year 2010-11. However, thereafter imports have surged steeply to 42,026 MT in the year 2012-13 and further to 54,567 MT in the year 2013-14 (annualized). Therefore, imports have increased by 18% in the year 2013-14(annualized) when compared to the base year. Further the import as a percentage of domestic production have increased to 395% in 2013-14(annualized) from 279% in 2010-11.

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

a) *Production:* The production of the domestic industry has declined in 2013-14 to 13811 MT vis-à-vis the base year 2010-11 when it was 16,510 MT.

YEAR	QTY(MT)
2010-11	16,510
2011-12	18,381
2012-13	13,986
2013-14	13,811

b) *Capacity Utilization:* Capacity utilization of the domestic industry has declined in the most recent period of 2013-14 to 55% from the base year 2010-11 when it was 90%.

YEAR	Installed Capacity (MT)	Capacity utilized(%)
2010-11	18,375	90
2011-12	25,000	74
2012-13	25,000	56
2013-14(annualized)	25,000	55

c) *Share of domestic producer in domestic demand:* Market share of domestic producer has fallen in current year. Applicant had a market share of 26% in 2010-11 and 24% in 2012-13 which fell to 20% during 2013-14. From base year also, market share of DI fell to 20% in current year vis-à-vis 26% in base year. The market share of imports increased from 74% in 2010-11 to 80% in 2013-14.

Financial Year	Total Import (MT)	Sales of DI (MT)	Total Demand (MT)	Market Share(%)		Inventories (MT)
				DI	Import	
2010-11	46,121	16,615	62,736	26	74	244
2011-12	36,898	18,192	55,090	33	67	384
2012-13	42,026	13,451	55,477	24	76	872
2013-14	54,567 (annualized)	13,473	68,040	20	80	463

d) *Changes in the level of Sales :-* Though the sales of the domestic industry increased in 2011-12 as compared to the year 2010-11, it declined from 16,615 MT in 2010-11 to 13,473 MT in 2013-14. This clearly shows that the domestic industry suffered loss in sales, market share, caused by increased imports.

e) *Profit/loss –* the profitability of the domestic industry has steeply deteriorated to such a situation that the domestic industry is now suffering financial losses. This is evident from the table below:-

Financial Year	Profit/(Loss) (Rs. /Lacs) (Indexed)
2010-11	100
2011-12	324
2012-13	(331)
2013-14	(559)

f) *Inventory-* Inventory of the DI has accumulated very steeply in the current year 2013-14 to 463 MT vis-à-vis 244 MT in the base year. This is evident from the table below:

Financial Year	Inventory at the end of the year (MT)
2010-11	244
2011-12	384
2012-13	872
2013-14	463

g) *Employment & Productivity-* Employment has shown a declining trend in all the years i.e. 2011-12, 2012-13 and 2013-14 vis-à-vis the base year. Productivity has marginally increased in 2013-14 vis-à-vis the base year. This is evident from the table below:

Financial Year	Number of employees at the end of the year	Productivity per employee (MT)
2010-11	358	46
2011-12	332	55
2012-13	310	45
2013-14	292	47

8. The domestic industry has requested for immediate imposition of safeguard measures for a period of three 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 PUC.

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 such increase in imports has caused irreparable damage to the domestic industry 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. In terms of Rule 6(7) of Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997, any interested party may inspect the public file containing non-confidential versions of the evidence submitted by the other interested parties after the expiry of 30 days from the date of this notice.

(R K Singla)
 DIRECTOR GENERAL