



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

[Under Rule 6 of the Customs Tariff

(Identification and Assessment of Safeguard Duty) Rules, 1997]

New Delhi, 9th April, 2009

No. D-22011/09/2009

**Sub: Initiation of safeguard investigation concerning
imports of Acrylic Fibre 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 Forum of Acrylic Fibre Manufacturers, Suit 443, 4th Floor, Ashok Hotel, Chanakyapuri, New Delhi-110021 on behalf of domestic producers (1) Indian Acrylics Limited, SCO 49-50, Sector 26, Madhya Marg, Chandigarh-161019, (2) Vardhaman Acrylics Limited, Vardhman Premises, Chandigarh Road, Ludhiana-141010 and (3) Pasupati Acrylon Limited, M-14, Cannaught Place, New Delhi-110001 for imposition of Safeguard Duty on imports of Acrylic Fibre in all forms into India to protect the domestic producers of Acrylic Fibre (staple & tow) against serious injury caused by the increased imports of Acrylic Fibre into India.

2. Domestic Industry: The application has been filed by Forum of Acrylic Fibre Manufacturers on behalf of domestic producers (1) Indian Acrylics Limited, (2) Vardhaman Acrylics Limited, and (3) Pasupati Acrylon Limited, for imposition of Safeguard Duty on imports of Acrylic fibre in all forms. The application has been supported by all the known domestic producers of Acrylic Fibre in India accounting for 100% of the total production. There is no other known manufacturer of acrylic

fibre in India. The domestic industries manufacture Acrylic fibre falling under 55013000 (filament tow), 55033000 (Fibre - unprocessed for spinning) and 55063000 (Fibre - processed for spinning) of HSN as well as Customs Tariff Act, 1975 as well as Central Excise Tariff 1985.

3. Product Involved : The applicants have alleged serious injury caused to the domestic producer by the increased imports of Acrylic Fibre (staple as well as tow) into India. The acrylic fibre is a long chain of synthetic polymer composed of at least 85% by weight of acrylonitrile units. Acrylic fibre can be acrylic staple fibre or acrylic tow under Customs Tariff Act 1975. However these both items are known as acrylic fibre in the commercial parlance. The only difference between acrylic staple fibre and acrylic tow is the difference in length. Cut lengths of fibre of up to 2 meters length are known as staple fibres. Acrylic Fibre in its different forms are classified under 55013000 (filament tow), 55033000 (Fibre - unprocessed for spinning) and 55063000 (Fibre - processed for spinning) under Schedule I of the Customs Tariff Act 1975. Acrylic Fibre is a widely used raw material for manufacture of winter clothing.

Name of the Products	HSN Chapter Heading	Excise tariff Heading	ITC Heading
Acrylic Fibre	(i) 55013000 (filament tow)	(i) 55013000 (filament tow)	(i) 55013000 (filament tow)
	(ii) 55033000 (Fibre unprocessed for spinning)	(ii) 55033000 (Fibre unprocessed for spinning)	(ii) 55033000 (Fibre unprocessed for spinning)
	(iii) 56063000 (Fibre processed for spinning)	(iii) 56063000 (Fibre processed for spinning)	(iii) 56063000 (Fibre processed for spinning)

4. Increased Imports: Acrylic fibre (staple and tow) is imported into India in substantial quantities from Thailand, Japan, Germany, China, Korea, Taiwan and

Belarus. The imports of acrylic fibre have shown an increasing trend in absolute terms as well as compared to the domestic sales. The share of imports during the period of investigation is as under:

Year	Imports (MT)	Domestic Sales (MT)	% Share of imports	% Share of domestic Sales
2005-06	11747	95,387	10.96	89.04
2006-07	11,700	76,497	13.27	86.73
2007-08	7,360	73,098	9.15	90.85
2008-09 (First nine months)	8,393	45,917	15.45	84.55

5. Capacity Utilization: The production as well as capacity utilization of domestic industry has gone down in recent period. The capacity utilization of the domestic industry has fallen down from 93.19 % in 2006-07 to 80.95% during first nine months of current financial year.

	2005-06	2006-07	2007-08	Apr'08-Dec'08
Total capacity for Applicants	85,000	90,000	90,000	67,500
Applicants total production	75378	83868	77513	54641
Capacity Utilization	88.68	93.19	86.13	80.95

6. Injury: The increased imports of acrylic fibre have caused and are threatening to cause serious injury to the domestic producers of acrylic fibres as indicated by the following factors:

a) **Sales** : The domestic sales in absolute terms as well in relative terms has seen a steep decline in recent period of 2008-09(April-Dec 2008) compared to 2007-08 as shown above. The share of domestic sales has shrunk to 84.55 % compared to 90.85% of previous year.

b) Production: The domestic production in absolute terms as well in relative terms has seen a steep decline in recent period of 2008-09(April-Dec 2008) compared to 2007-08. The production has gone down from 102516 MT in 2005-06 to 85168 MT in 2006-07 and further to 77513 MT in 2007-08 and to 54640 MT (during April 2008 to December 2008).

c) Closure of Plants: As a result of increased imports the domestic plants were closed a number of times in the current financial year as stocks could not be cleared. Indian Acrylics was closed for three months in the current financial year. Pashupati Acrylics was closed for two months in current financial year. The production of Vardhman Acrylics was also suspended for one month in current financial year.

Plant	Shut down period	Capacity Shut Down
Indian Acrylic Ltd.	19.8.08 to 14.11.08 (3 months)	10500 MT
Pasupati Acrylics Ltd.	11.8.08.to 26.8.08	5000 MT
	18.9.08 to 16.10.08	
	8.12.08 to 21.12.08	
	(two months)	
Vardhman Acrylic Ltd.	Dec. 08 to January 09 (1 month)	900 MT

7. Other Information: At present following anti dumping duties on Acrylic Fibre are in force.

Notification no.	country	duty amount	valid upto
117/2004 –cus dated 30-12-2004	Belarus	Difference in assessable value and \$1681.35 /MT	29.12.2009
114/2004 –cus dated 21-12-2004	Japan	Difference in assessable value and \$1681 /MT	20.12.2009
123/2008-cus dated	Korea RP	\$0.225/kg.	19.11.2013

20.11.2008

123/2008-cus dated Thailand \$ 0.16/kg to \$ 0.313/Kg. 19.11.2013
20.11.2008

The applicant has contended that present injuries are not on account of dumping. The applicant has also contended that injury attributable to dumping has been taken care of by imposition of anti dumping duty which is equal to margin of dumping. It is argued that the present injury is on account of factors other than dumping and purely attributable to increased imports.

8. The issue, especially, whether safeguard duty can be imposed when antidumping duty is already in place, was examined. The section 9A of Customs Tariff Act 1975 deals with imposition of antidumping duty not exceeding the margin of dumping. The section 8B of Customs Tariff Act 1975 deals with imposition of safeguard duty on goods imported into India under circumstances mentioned therein. The causes of action for imposition of these two duties are totally different. Further subsection (3) of Section 8B envisages imposition of a number of duties at the same time under Customs Tariff Act 1975 or under any other law in force. The subsection (3) of Section 8(B) reads as below.

"The duty chargeable under this section shall be in addition to any other duty imposed under this Act or under any other law for the time being in force."

Therefore it is clear that under the law there is no bar in imposition of safeguard duty when antidumping duty is already in force, provided the requirements of imposition of safeguard duty under Section 8B of Customs Tariff Act 1975 are met.

9. The domestic producers have requested for imposition of Safeguard Duty on imports of acrylic fibre for a period of three years. They have also requested for an immediate imposition of provisional Safeguard Duty in light of critical circumstances, leading to irreparable damage.

10. The application has been examined and it is found that prima facie increased imports of acrylic fibre (staple as well as tow) in recent past have caused and are threatening to cause serious injury to the domestic producers of acrylic fibre and accordingly it has been decided to initiate an investigation through this notice.

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

13. 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) within 21 days from the date of this notice.

(S. S. RANA)
Director General (Safeguards)