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,7th April, 2014
F.No. D-22011/ 01/2014

Sub: Initiation of safeguard investigation concerning imports of Not Alloyed Ingots Of Unwrought Aluminium 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. Hindalco Industries Ltd, M/s Sesa Sterlite Ltd and M/s Bharat Aluminium Company Ltd through their consultant M/S TPM Consultants for imposition of Safeguard Duty on imports of Not Alloyed Ingots of Unwrought Aluminium (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 Hindalco Industries Ltd (manufacturing plants at Renukoot and Hirakud) M/s Sesa Sterlite Ltd (manufacturing plant at Jharsuguda) and M/s Bharat Aluminium Company Ltd (manufacturing plant at Korba) are the three applicants constituting domestic industry in this case. The domestic industry have claimed that their production of PUC account for 71% of the total production 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 Not Alloyed Ingots of Unwrought Aluminium. The product scope specifically excludes Alloyed Ingots and all products of aluminium not in ingot form, such as billets, bars, rods etc. PUC is a basic form of cast aluminium (unwrought). It is made by the process of solidifying the liquid hot metal by pouring into a mould. The aim is to make the metal easy for handling and transportation. Aluminium Ingots are available in various shapes and sizes (std – 20 to 24 kg to sow ingots – 450 to 700 kg. Liquid aluminium is produced by the electrolytic reduction of alumina (AI_2O_3) dissolved in an electrolyte (bath) mainly containing Cryolite (Na_3AIF_6). The overall chemical reaction can be written as:

$$2\,AI_2O_3\,(dissolved) + 3C(s) = 4\,AI(I) + 3CO_2(g) \quad (1)$$

Prebaked technology is used in manufacturing PUC. In prebaked technology the anodes used are termed as prebaked anodes which are made from a mixture of petroleum coke, aggregate and coal tar pitch binder moulded into blocks and baked in separate anode baking furnace at about 1120 degree centigrade. An aluminium rod with iron studs is then cast or rammed into grooves in the top of the anode block in order to support the anode and conduct the electric current to the anode when it has been positioned in the cell. On production of liquid hot metal it is then transferred to the Casting stations.

PUC is classified under Customs sub-heading nos. 76011010 of Chapter 76 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 (upto Dec 13). The data for 2013-14 has been annualized for comparative study. The applicants have submitted all the data from 2010-11 to 2013-14(upto Dec 13). The period for investigation selected is 2010-11 to 2013-14(annualized on the basis of data upto Dec, 13) 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 by the applicants and verified from the monthly CDs of DGCIS received in the Directorate. Further, the data pertaining to other safeguard economic parameters for the period from 2010-11 to 2013-14 (upto Dec 13), has been verified to the extent necessary, through onsite verification of the manufacturing units of the applicants 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 Oman, South Africa and United Arab Emirates(UAE). 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 (Annualized) remained as under:

Financial Year	Total Imports (MT)	All India Production (MT)	Total Demand(MT)	Import as a % of production
2010-11	100,312	871,492	740,674	12
2011-12	92,184	826,000	703,937	11
2012-13	154,449	831,405	765,688	19
2013-14(annualized for 9 months)	208,496	774,187	680,825	27

The Imports have slightly declined in 2011-12 vis-à-vis the base year 2010-11. However, thereafter imports have surged steeply to 154,449 MT in the year 2012-13 and further to 208,496 MT in the year 2013-14 (annualized). Therefore, imports have increased by 108% in the year 2013-14(annualized) when compared to the base year. Further the import as a percentage of domestic production have increased to 27% in 2013-14(annualized) from 12% in 2010-11.

7. **Injury**: The applicants 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 has slightly declined in 2013-14 (annualized) to 551,086 MT vis-à-vis the base year 2010-11 when it was 552,864 MT.

YEAR	QTY(MT)
2010-11	552,864
2011-12	527,571
2012-13	538,657
2013-14(Apr-Dec)	413,315
2013-14(annualized)	551,086

b) *Capacity Utilization*: Capacity utilization of the domestic industry has declined in the most recent period of 2013-14 (annualized) to 43% from the base year 2010-11 when it was 44%.

YEAR	Installed Capacity (MT)	Capacity utilized(%)
2010-11	12,63,500	44
2011-12	12,69,500	42
2012-13	12,69,900	42
2013-14(annualized)	12,72,200	43

c) *Share of domestic producers in domestic demand*: Market share of domestic producer has fallen significantly. Applicants had a market share of 56% in 2010-11 and 60% in 2012-13 which fell to 51% during 2013-14(annualized). From base year also, market share of DI fell to 51% in current year vis-à-vis 56% in base year. The market share of imports increased from 14% in 2010-11 to 31% in 2013-14(annualized).

Financial Year	**Total Import(MT)**	**Sales of DI (MT)**	**Total Demand (MT)**	**Market Share(%)**		**Inventories (MT)**
				DI	Import	
2010-11	100,312	416,993	740,674	56	14	149
2011-12	92,184	408,225	703,937	58	13	37
2012- 13	154,449	461,509	765,688	60	20	41
2013-14(annualized)	208,496	350,185	680,825	51	31	4360

d) *Changes in the level of Sales* :- Though the sales of the domestic industry increased in 2012-13 as compared to the year 2011-12, it declined from 461,509 MT in 2012-13 to 350,185 MT in 2013-14(annualized). 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	16
2012-13	(14)
2013-14 (annualized)	(2)

f) Inventory- Inventory of the DI has accumulated very steeply in the current year 2013-14(annualized) to 4360 MT vis-à-vis a meager 41 MT in the preceding year and 149 MT in the base year. This is evident from the table below:

Financial Year	Inventory at the end of the year (MT)
2010-11	149
2011-12	37
2012-13	41
2013-14(annualized)	4360

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

Financial Year	Number of employees at the end of the year
2010-11	17109
2011-12	16854
2012-13	16053
2013-14(annualized)	15986

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 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.

Sd/-
(R K Singla)
DIRECTOR GENERAL