

**DIRECTORATE GENERAL OF SAFEGUARDS
CUSTOMS AND CENTRAL EXCISE
2ND FLOOR, BHAI VIR SINGH SAHITYA SADAN,
BHAI VIR SINGH MARG, GOLE MARKET
NEW DELHI-110001**

NOTICE OF INITIATION OF A SAFEGUARD INVESTIGATION

[Under Rule 6 of the Custom Tariff (Transitional Product Specific Safeguard Duty) Rules, 2002]

New Delhi, 26th June, 2012

F.No. D-22011/06/2012

Sub: Initiation of safeguard investigation concerning imports of Hot Rolled Flat Products of Stainless Steel of 300 series into India from China PR.

G.S.R. An application has been filed before me Under Rule 5 of the Custom Tariff (Transitional Product Specific Safeguard Duty) Rules, 2002 by M/s. Jindal Stainless Ltd. 12, Bhikaji Cama Place, New Delhi:-110066 through M/S TPM Consultants for imposition of Safeguard Duty on imports of “Hot Rolled Flat Products of Stainless Steel of 300 series” to protect the domestic producers of “Hot Rolled Flat Products of Stainless Steel of 300 series” against market disruption and threat of market disruption caused by the increased imports of “Hot Rolled Flat Products of Stainless Steel of 300 series” into India from PR China.

2. Domestic Industry: The application has been filed by M/s. Jindal Stainless Ltd. 12, Bhikaji Cama Place, New Delhi:-110066 for imposition of Safeguard Duty on imports of “Hot Rolled Flat Products of Stainless Steel of 300 series”. The applicant account for more than 80% of the total production of “Hot Rolled Flat Products of Stainless Steel of 300 series”.

3. Product Involved: The product under consideration is Hot Rolled Flat Products of Stainless Steel of 300 series (of all widths) and encompassing all austenitic grades having minimum Nickel (Ni) content of 6%, compulsorily containing chromium with or without the presence of other alloying elements like molybdenum, titanium etc.” classified under Customs sub-heading no. 721911, 721912, 721913, 721914, 721921, 721922, 721923, 721924, 722011, 722012 of the Customs Tariff Act, 1975

4. Increased Imports : Imports of Hot Rolled Flat Products of Stainless Steel of 300 series (of all widths) from People’s Republic of China into India have shown sharp increase in absolute terms as well as in relative terms. It is also noticed that the rate of increase in imports from People’s Republic of China is significantly higher than that from countries other than People’s Republic of China, causing market disruption and threat of market

disruption. The data relating to imports of the product involved from April 2009 to March 2012 is as under:

Financial Year	Total Import(MT)	Import from China (MT)	Import from other countries(MT)	Production (MT)
2009-10	50484	5364	45120	138139
2010-11	62988	27309	35679	142496
2011-12	73254	36183	37071	181512

Source: Domestic Industry (Import-IBIS).

The Imports of the product under consideration have increased throughout the injury period in absolute terms. There is a sudden, sharp and significant increase in imports during the injury period. The Imports from China have increased phenomenally from 5364 MT in 2009-10 to 36183MT in 2011-12 which shows an increase of 674% . Imports have also increased in relation to domestic production in India. It is noticed that the import from China with respect to domestic production was 4% in 2009-10, which has increased significantly now to 20% in 2011-12 .

5. Market disruption to the Domestic industry: The applicant have claimed that the increased imports of product under consideration have caused and are threatening to cause market disruption to the domestic producers of Hot Rolled Flat Products of Stainless Steel of 300 series (of all widths). The threat of market disruption is visible from the data provided by the applicants for the period April,09 to March,12 as detailed below:

a) Production,: The domestic production increased during the period due to setting up of a new unit in Odisha, which started functioning from July,2011. The increase in import is greater than the increase in production in 2011-12 over 2009-10.

Financial Year	Production (MT)
2009-10	138139
2010-11	142496
2011-12	181512

Source: Domestic Industry

b) Capacity Utilization: Capacity utilized by the domestic industry for production of the product under consideration for sale in the domestic market has declined. Capacity

utilization of the domestic industry has declined significantly during the injury period, from 91% in 2009-10 to 58% in 2011-12 as can be seen below:

Financial Year	Available capacity for product under consideration(MT)	Capacity Utilisation (%)
2009-10	151053	91%
2010-11	165311	86%
2011-12	313155	58%

Source: Domestic Industry

c) **Market Share & Changes in levels of Sales:** The market share of the domestic industry declined as compared to the base year whereas share of the import from China has increased significantly. Applicant had a market share of 50% in 2009-10 which fell to 43% during 2011-12; i.e. a decline of about 7%. During the same period, share of import from China jumped from 4% in 2009-10 to 25% in 2011-12.

Financial Year	Total Import	Import from China (MT)	Import from other countries	Production (MT)	Sales of DI (MT)	Sales of other Indian Producers	Total Demand (MT)	% of Market Share		
								DI	China Import	Other Countries
	1	2	3	4	5	6	7=1+5+6	8=5/7	9=2/7	10=3/7
2009-10	50484	5364	45120	138139	63805	12500	126789	50	4	36
2010-11	62988	27309	35679	142496	55978	9500	128466	44	21	28
2011-12	73254	36183	37071	181512	63331	9500	146085	43	25	25

Source: Domestic Industry (Import-IBIS).

The sales of the domestic industry decreased during the year 2010-11 & 2011-12 as compared with the sale during the base year 2009-10. This decline in sales is despite the fact that the demand increased significantly. This clearly shows that the domestic industry suffered loss in sales, market share and steep rise in inventory caused by increased imports.

d) **Share of Domestic Industry in demand:** It is seen from the table above that the share of the domestic industry in demand decreased from 50% in the year 2009-10 to 43% in 2011-12. In absolute terms also during the injury period, the DI suffered discernible loss in the share of demand showing market disruption and grave threat of market disruption due to rising imports from China.

e) **Inventories** – The inventories with the domestic industry have increased significantly. The table below depicts the inventory levels which have witnessed a massive surge from

4257 MT in 2009-10 to 15498 MT in 2011-12, reflecting the plight of the domestic industry.

Financial Year	Inventory (MT)
2009-10	4257
2010-11	5710
2011-12	15498

Source: Domestic Industry

f) Productivity & Employment: The productivity has decreased during the year 2011-12 despite the fact that the employment increased during 2011-12 due to setting up of new unit in Orissa which started functioning from July,2011.

Financial Year	Production (MT)	Employment (Nos)	Productivity
2009-10	138139	511	270
2010-11	142496	526	271
2011-12	181512	802	226

Source: Domestic Industry

6. The domestic industry has requested in their application for immediate imposition of Safeguard duty on imports of **Hot Rolled Flat Products of Stainless Steel of 300 series** originating from People's Republic of China for a period of four years.

7. The application has been examined and it has been found that prima facie increased imports of Hot Rolled Flat Products of Stainless Steel of 300 series have caused and are threatening to cause market disruption to the domestic producers of Hot Rolled Flat Products of Stainless Steel of 300 series and as such it has been decided to initiate an investigation in the matter through this notice.

8. 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.
Telephone: 011- 23741537
FAX: 011-23741542
E-mail: dgsafeguards@nic.in

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

10. 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 21 days from the date of this notice.

(Indrani Dutt Majumder)
Director General.