

**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, 2nd December, 2011
F.No. D-22011/12/2011

Sub: Initiation of safeguard investigation concerning imports of Carbon Black into India from China PR.

G.S.R. An application has been filed before me Under Rules 5 of the Custom Tariff (Transitional Product Specific Safeguard Duty) Rules, 2002 by M/s. Association of Carbon Black Manufactures, 5A Raba Kailash, 55/4 Ballygunge Circular Rd. Kolkata-700019 on behalf of two of its member companies M/s. Phillips Carbon Black Limited, 31, Netaji Subhash Road, Kolkata-700001, and M/s. Hi-Tech Carbon Murdhwā Indl Area, P.O. Renukoot, Dist: Sonebhadra (U.P.) for imposition of Safeguard Duty on imports of Carbon Black into India, to protect the domestic producers of Carbon Black against market disruption and threat of market disruption caused by the increased imports of Carbon Black into India from China PR.

2. Domestic Industry: The application has been filed by M/s. Association of Carbon Black Manufactures, 5A Raba Kailash, 55/4 Ballygunge Circular Rd. Kolkata-700019 on behalf of two of its member companies M/s. Phillips Carbon Black Limited, 31, Netaji Subhash Road, Kolkata-700001, and M/s. Hi-Tech Carbon Murdhwā Indl Area, P.O. Renukoot, Dist: Sonebhadra (U.P.) for imposition of Safeguard Duty on imports of Carbon Black. The applicants account for more than 80% of the total production of Carbon Black in India.

3. Product Involved: The product involved is 'Carbon Black', classified under Customs sub-heading No. 28030010 under the Customs Tariff Act, 1975. Carbon Black is also known as acetylene black, channel black, furnace black, lamp black, thermal black, and noir de carbone. Carbon black can be divided into two categories – rubber and non-rubber applications Carbon black. Carbon black for rubber applications is used in production/ processing of rubber (including tyres), as a reinforcing filler. The present petition is in respect to increased imports of Carbon black used in rubber applications. Carbon black used in non-rubber applications, such as inks in copiers and computer printer cartridges, paints, crayons and polishes, is not within the scope of the present investigation.

4. Increased Imports : Imports of Carbon Black 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 Carbon Black from 2008-09 onwards till October,2011 is as under:

Financial Year	Quarter	Total Import	Import from China (MT)	Import from other countries	Domestic Production (MT)
2008-09		61813	13944	47869	416244
2009-10		71876	17584	54292	492863
2010-11		73146	18273	54873	585899
2011-12	Q1	17057	5789	11268	163458
	Q2	34675	25772	8903	148188
	OCT,11	12216	9385	2831	46582
	Q3	36648	28155	8493	139746
2011-12	Annualised	109625	70193	39432	614105

Source: DGCIS Import data from 2008-09 to 2010-11 & for rest the Domestic Industry

The Imports of the product under consideration have increased throughout the injury period in absolute terms with a sharp increase in imports in the most recent period. There is a sudden, sharp and significant increase in imports in the recent period. The Imports from China have increased phenomenally from 13944 MT in 2008-09 to 70193 MT in 2011-12(Annualised) which shows an increase of 429% . 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 3% in 2008-09, which has increased significantly now to 11% in 2011-12 (Annualised).

5. Market disruption to the Domestic industry: The applicant have claimed that the increased imports of Carbon Black have caused and are threatening to cause market disruption to the domestic producers of Carbon Black. The threat of market disruption is visible from the data provided by the applicants for the period Oct-Dec 2011 as detailed below:

a) Production,: The domestic production increased up to FY 2010-11, but declined drastically in the most recent period. The domestic production has fallen steadily from 163458 MT in Q1 (2011-12), to 148188 MT in Quarter 2(2011-12) & further to 139746 MT in Q3(2011-12) as shown below.

Financial Year	Quarter	Production (MT)
2008-09		416244
2009-10		492863
2010-11		585899
2011-12	Q1	163458
	Q2	148188
	Oct,11	46582
	Q3	139746

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 in the most recent period, from 90% in Q1 of 2011-12 to 77% in Q3 of 2011-12. It has also declined from 89% in 2009-10 to 85% in 2011-12 (annualized), as can be seen below:

Financial Year	Quarter	Capacity Utilisation (%)
2008-09		83
2009-10		89
2010-11		88
2011-12	Q1	90
	Q2	82
	OCT,11	77
	Q3	77
	Annualised	85

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 as well as in the most recent period whereas share of the imports has increased significantly. Applicants had a market share of 71% in 2010-11 which fell to 56% during Q3 of 2011-12; i.e. a decline of about 15%. During the same period, share of import from China jumped from 3% in 2010-11 to 19% in Q3 2011-12.

Financial Year	Quarter	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
2008-09		61813	13944	47869	416244	322809	98052	482674	67	3	10
2009-10		71876	17584	54292	492863	400295	119391	591562	68	3	9
2010-11		73146	18273	54873	585899	443430	109537	626113	71	3	9
2011-12	Q1	17057	5789	11268	163458	119327	26073	162457	73	4	7
	Q2	34675	25772	8903	148188	99206	33000	166881	59	15	5
	OCT,11	12216	9385	2831	46582	28225					
	Q3	36647	28154	8493	139746	84675	30651	151973	56	19	6
Annualised		109625	70193	39432	614105	423014	118783	651422	65	11	6

Source: DGCIS Import data from 2008-09 to 2010-11 & for rest the Domestic Industry.

Though the sales of the domestic industry increased up to FY 2010-11, it declined in the most recent period from 443430 MT in 2010-11 to 423014 MT(annualized) in 2011-12. So far as most recent period is concerned, sales declined in absolute terms from 119327 MT in Q1 of 2011-12 to 84675 MT in Q3 of 2011-12. 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 increased till 2011-11, but showed sharp decline in 2011-12. It slipped from 71% in 2010-11 to 65% (annualized) in 2011-12. In absolute terms also in the most recent period [from 71% in 2010-11 to 56% in Q3 of 2011-12], 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) Profit/loss – The profitability of the domestic industry has steeply deteriorated and the domestic industry is now suffering financial losses. This is evident from the table below:-

Financial Year	Quarter	Profitability (indexed)
		(Rs./MT)
2008-09		-100
2009-10		95.53
2010-11		51.02
2011-12	Q1	41.20
	Q2	18.31
	Q3	-4.01

Source: Domestic Industry

From a position of profit in 2009-10 (95.53), the condition has deteriorated and the DI has slipped into the position of loss in the recent period (-4.01 in Q3 of 2011-12), a decline of **cent percent**.

f) Inventories – The inventories with the domestic industry have increased significantly. The table below depicts the inventory levels which have witnessed a massive surge from 3912 MT in 2008-09 to 11600 MT in Q2 of 2011-12 and further to 17249 MT in October, 2011, almost four times in 2011-12 from the 2008-09 level, reflecting the plight of the domestic industry.

Financial Year	Quarter	Inventory (MT)
2008-09		3912
2009-10		7594
2010-11		8678
2011-12	Q1	7902
	Q2	11600
	OCT,11	17249

Source: Domestic Industry

Domestic Industry has been forced to shut down the production for prolonged period due to accumulation of high stocks.

g) Productivity & Employment: There is no significant change in the level of employment but productivity has gone down during the most recent period.

Financial Year	Quarter	Production (MT)	Employment (Nos)	Productivity
2008-09		416244	1057	394
2009-10		492863	1133	435
2010-11		585899	1280	458
2011-12	Q1	163458	1295	126
	Q2	148188	1291	115
	Oct,11	46582	1293	
	Q3	139746	1293	108

Source: Domestic Industry

6. The domestic industry has requested in their application for immediate imposition of Safeguard duty on imports of Carbon Black originating from People's Republic of China for a period of four years. They have also requested for imposition of provisional safeguard duty in view of the steep deterioration in performance of the domestic industry due to market disruption and the threat of market disruption as a result of increased imports of the product under consideration from China P. R.

7. The application has been examined and it has been found that prima facie increased imports of Carbon Black have caused and are threatening to cause market disruption to the domestic producers of Carbon Black 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.

Sd/-
 (Indrani Dutt Majumder)
 Director General.