

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

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

New Delhi, 23 May, 2012
F.No. D-22011/ 13/2011

Sub: Initiation of safeguard investigation concerning imports of Dioctyl Phthalate (DOP) 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. KLJ Plasticizers Ltd, Silvassa, M/s N K Polymers & Additives Mfg Co., Daman, M/s Payal Polyplast Ltd, Daman and M/s PCL Oil & Solvents Ltd, Daman for imposition of Safeguard Duty on imports of Dioctyl Phthalate (DOP) into India to protect the domestic producers of Dioctyl Phthalate (DOP) against serious injury caused by the increased imports of Dioctyl Phthalate (DOP) into India.

2. Domestic Industry: The application has been filed by M/s KLJ Plasticizers Ltd, Silvassa, M/s N K Polymers & Additives Mfg Co., Daman, M/s Payal Polyplast Ltd, Daman and M/s PCL Oil & Solvents Ltd, Daman for imposition of Safeguard Duty on imports of Dioctyl Phthalate (DOP). The applicants, taken together, account for 91% of the total production of the said product in India.

3. Product Involved: The product under consideration is Bis (2-ethylhexyl) phthalate, commonly abbreviated DEHP, is an organic compound with the formula $C_6H_4(C_8H_{17}COO)_2$. It is also known as dioctyl phthalate and abbreviated as DOP in market/trade parlance. It is the most important “phthalate”, being the diester of phthalic acid and the branched-chain 2-ethylhexanol. This product is a colourless viscous liquid, soluble in oil, but not in water. It possesses good plasticizing properties. Being produced on a massive scale by many companies, it has acquired many names and acronyms, including BEHP and di-2-ethyl hexyl phthalate. It is widely used as a plasticizer in manufacturing of articles made of PVC. Plastics may contain 1% to 40% of DEHP. It is also used as a hydraulic fluid and as a dielectric fluid in capacitors. DEHP also finds use as a solvent in glowsticks as it has suitable properties and the low cost. It has been used as a plasticizer in medical devices

such as intravenous tubing and bags, catheters, nasogastric tubes, dialysis bags and tubing, and blood bags, transfusion tubing and air tubes. Dioctyl Phthalate (DOP) is classified under Customs sub-heading No. 29173920 under the Customs Tariff Act, 1975.

4. Period of investigation (POI): This is a fresh case based on the serious injury caused by the increased imports being faced by the domestic industry. The POI has been taken from 2008-09 onwards till **2011-12 (Q3)**.

5. Increased Imports: Dioctyl Phthalate (DOP) is imported into India from a number of countries, and primarily from Republic of Korea, Taiwan and Malaysia. The imports of Dioctyl Phthalate (DOP) have shown an increasing trend in absolute terms as well as compared to the domestic production. The imports and domestic production of Dioctyl Phthalate (DOP) during 2008-09 to 2011-12 (till Q3) remained as under:

Year	Total Imports (MT)	Domestic Production (MT)
2008-09	40608	60242
2009-10	35210	69468
2010-11	35346	77492
2011-12(Apr-Dec)	37450	51710
2011-12(Annualized)	49934	68946

The Imports have increased from 35210 MT in 2009-10 to 35346 MT in 2010-11 and further to 49934 MT in 2011-12(annualized) which shows an increase of 42% which is substantial. Further the imports with respect to domestic production were 50.68 % in 2009-10 which increased to 72.42 % in 2011-12(annualized).

6. Injury: The applicants have claimed that the increased imports of Dioctyl Phthalate (DOP) have caused and are threatening to cause serious injury to the domestic producers of Dioctyl Phthalate(DOP) as indicated by the following factors:

a) *Production:* The domestic production has fallen sharply from 77492MT in 2010-11 to 68946 MT in 2011-12(annualized) after showing a rising trend from 2008-09 to 2010-11.

YEAR	Index	Production (MT)
2008-09	100	60242
2009-10	115	69468
2010-11	129	77492
2011-12(Apr-Dec)		51710
2011-12(annualized)	114	68946

(b) Domestic sales: Domestic sales have also declined from 72035 MT in 2010-11 to 61912 MT in 2011-12(annualized) after showing a rising trend from 2008-09 to 2010-11. This is evident from the table below:

Year	Index	Domestic Sales (MT)
2008-09	100	58880
2009-10	115	67959
2010-11	122	72035
2011-12 (Apr-Dec)		46434
2011-12(annualized)	105	61912

(c) Consumption/Demand: The sale has increased till 2010-11 but has declined thereafter sharply even though there is a surge in demand for the same period. As the import has increased from 2009-10 till 2011-12 (annualised), the increase in imports have affected the DI's share of sale, resulting in injury.

Year	DI Sale (MT)	Demand (MT)	Import(MT)	% of DI sale in Demand.
2008-09	58880	99488	40608	59
2009-10	67959	103169	35210	66
2010-11	72035	107381	35346	67
2011-12 (Apr-Dec)	46434	83884	37450	55
2011-12(annualized)	61912	111846	49934	55

(d) Exports: There has been a continuous growth in exports by the DI till the most recent period that too at lower prices in order to minimize losses due to mounting inventory, especially during 2009-10 to 2011-12 (annualized). This situation is further aggravated by increase in demand but sharp decrease in share of sale in domestic market in the most recent period.

Year	Domestic Sale(MT)	Indexed average domestic Sale price (Rs./Kg)	Export(MT)	Indexed average Export Sale price (Rs./Kg)
2008-09	58880	100	1326	100
2009-10	67959	93	1892	86
2010-11	72035	118	4274	105
2011-12 (Apr-Dec)	46434	124	6194	112
2011-12(Annualised)	61912	124	8258	112

(e) *Capacity Utilization*: Capacity utilization of the domestic industry has declined in the most recent period, from 50% in 2010-11 to 42% in 2011-12(annualized). As compared to

2010-11, the capacity utilization has further declined in the most recent period by 8 % even though there is an addition of 6.42 % in the installed capacity.

Year	Installed Capacity (MTS)	capacity utilization %
2008-09	155750	39
2009-10	155750	45
2010-11	155750	50
2011-12 (April -Dec)	124313	42
2011-12 (Annulized)	165750	42

(f) *Share of domestic industry in domestic consumption*: Market share of domestic industry has fallen significantly. The applicants had market share of 94% in 2009-10 in domestic market which fell to 91% during 2010-11 and remained at 91% in 2011-12(annualized).

(g) *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 (Rs.in lakhs)
2008-09	-1599
2009-10	471
2010-11	448
2011-12 (Annualized)	-4600

(h) *Inventories* – The average inventories with the domestic industry have increased significantly. The table below depicts the inventories level which have witnessed an increasing trend from 823 MT in 2009-10 to 1338 in 2011-12(annualized), reflecting the plight of the domestic industry.

YEAR	Index	Inventory(MT)
2008-09	100	1066
2009-10	77	823
2010-11	115	1223
2011-12(April-Dec)	129	1376
2011- 12 (annualized)	126	1338

7. The domestic industry has requested for immediate imposition of safeguard measures in their application. The domestic industry's request for imposition of provisional safeguard duty is in light of critical circumstances, since interim measures are imperative in view of steep deterioration in performance of the domestic industry as a result of increased imports of product under consideration. Significant drop in sales volumes of the domestic industry and consequently in production, capacity utilization, rising inventories and significant drop in profits to a situation of financial losses, justify immediate imposition of safeguard duty on imports of DOP.

8. The application has been examined and it has been found that prima facie increased imports of Dioctyl Phthalate (DOP) have caused and are threatening to cause serious injury to the domestic producers of Dioctyl Phthalate (DOP) 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.

9. 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

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

11. 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.