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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, 13th, February, 2013
F.No. D-22011/ 26/2013

Sub: Initiation of safeguard investigation concerning imports of Saturated Fatty Alcohols with carbon chain length of C8,C10,C12,C14,C16, and C18 including single, blends and unblended (Not including branched isomers) which includes blends a combination of carbon chain lengths, C12-C14, C12-C16, C12-C18 and C14-C16 (commonly categorized as C12-C14)(referred to as ‘PUC’) 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. VVF (India) Limited, Mumbai, 100% Export Oriented Unit through his consultant M/S TLC Legal Advocates, New Delhi for imposition of Safeguard Duty on imports of “ Saturated Fatty Alcohols with carbon chain length of C8,C10,C12,C14,C16, and C18 including single, blends and unblended (Not including branched isomers) which includes blends a combination of carbon chain lengths, C12-C14, C12-C16, C12-C18 and C14-C16 (commonly categorized as C12-C14) ” **hereinafter referred to as ‘PUC’ (Product under consideration)** 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. The ‘PUC’ is being imported falling under sub-heading 38237010, 38237020, 38237040, 38237090 and 29051700 of the Customs Tariff Act 1975. The classification is however indicative only and in no way binding on the scope of the present investigations.

2. Domestic Industry: M/S VVF (India) Limited, Mumbai, claimed that his production account for 63% of the total production of ‘PUC’ in the country & represent a major proportion of the Indian production of ‘PUC’ in the country and thus have the standing to file the present petition. Apart from the applicant, the subject goods are being produced by M/s Godrej Industries Ltd. Mumbai (Supporter) in this case.

3. Product Involved: Fatty Alcohols are an aliphatic alcohols and occur in saturated and unsaturated forms. The alcohols can be grouped and most common lengths are C12, C14

and blends thereof. The 'PUC' are produced by the reduction of methyl ester or wax ester, through the conversion of natural fats and oils, mostly coconut and palm kernel oil. The process starts with splitting of vegetable oils, such as Crude Palm Kernel Oil, at high temperature and pressure, as a continuous process. The vegetable oils/fats (non-edible) are basically triglycerides of fatty acids which get converted to fatty acids and glycerol by the hydrolysis reaction commonly known as fat splitting. The crude fatty acids are then subjected to plain/ fractional distillation, at a high temperature and vacuum, followed by esterification resulting from a reaction between fatty acid and fatty alcohol in an inert atmosphere to make wax- ester. Pure wax- ester is then subjected for hydrogenation which takes place in the presence of fixed bed copper catalyst, resulting in crude fatty alcohol. This is then distilled and purified. 'PUC' are sold in the form of flakes, pastilles and liquids.

The 'PUC' are mainly used for the manufacture of surfactants, personal care, home care pharmaceutical and agriculture related end application, processing of articles of leather, textile, fur, pulp, paper, petroleum products, fine chemicals, rubber products, plastic and fabricated metal products, include mining, offshore operations, construction work and as solvent and for degreasing purposes. The product is not sold in retail level and is for industrial users.

4. **Period of Investigation (POI):** The applicant for the purpose of the present application has considered the data for four years period. The applicant has submitted all the data from 2010-11 to 2013-14 (up to Dec.2013). The period for investigation selected is 2010-11 to 2013-14 (Annualised) 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 'PUC' has been taken from IBIS, Mumbai,(Transaction wise) from 2010-11 till December,2013 and same has been taken into consideration for analysis. The domestic data from 2010-11 to 2013-14 (up to Dec.2013) has been submitted by the domestic industry and the same has been verified by on site visit by the department to the extent deemed necessary and the verified data has been taken into consideration for injury analysis.

6. **Increased Imports (Absolute & in relative terms):** 'PUC' are imported into India from a number of countries, and primarily from Malaysia, Thailand and Indonesia. The imports of 'PUC' have shown an increasing trend in absolute terms as well as in relative terms. The imports of 'PUC' during the financial year 2010-11 to 2013-14 (Annualised) remained as under:

IMPORTS & TREND

2010-11	2011-12	2012-13	2013-14(up to Dec.13)	2013-14 (Annualised)
19843	34142	51055	39442	52589
100	172	257	198	265

The Imports have increased from 19843MT in 2010-11 to 52589 MT in 2013-14 (Annualised) which shows an increasing trend both in absolute terms as compared to base year and with preceding year i.e. 2012-13 and from base year in relative terms.

6.(a) Imports in relation to Production:

During the period 2010-11 to 2013-14 (Annualised) the market percentage of import in relation to production has increased from 17% to 36% as evident from the following details:

Financial Year	Total Imports (MT)	All India Production (MT)	% of import with respect to production
2010-11	19843	118582	17
2011-12	34142	96344	35
2012-13	51055	112613	45
2013-14 (Annualised)	52589	147701	36

7. **Injury:** The applicant 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 declined in 2011-12 as compared to the base year 2010-11, it declined further from 68605 MT in 2010-11 to 67837 MT in 2012-13 but has shown increase in 2013-14 (Annualised).

YEAR	QTY(MT) (Indexed)
2010-11	68605
2011-12	49585
2012-13	67837
2013-14 (Annualised)	98648

b) *Share of domestic producers in domestic demand*: Market share of domestic producers has fallen significantly. Applicants had a market share of 38% in 2010-11 which fell to 21% during 2013-14 (Annualised). During the same period, The market share of import increased from 44% in 2010-11 to 69% in 2013-14 (Annualised).

Financial Year	Total Import (MT)	Sales of DI (MT)	Sales of other Indian Producers (MT)	Total Demand (MT)	Market Share(%)	
					DI	Import
2010-11	19843	17080	8242	45165	38	44
2011-12	34142	15285	6677	56104	27	61
2012-13	51055	12891	7573	71519	18	71
2013-14 (Annualised)	52589	15748	8088	76425	21	69

c) *Changes in the level of Sales* :- Though the sales of the domestic industry increased in 2013-14 (Annualised) as compared to the preceding year 2012-13, it declined from 17080 MT in 2010-11 to 15748 MT in 2013-14 (Annualised). This decline in sales is despite the fact that the demand increased from 45165 MT in 2010-11 to 76425 MT in 2013-14 (Annualised). This clearly shows that the domestic industry suffered loss in sales and market share caused by increased imports.

d) *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	Profitability (Rs. /MT) (Indexed)
2010-11	100
2011-12	-266
2012-13	-2796
2013-14(up to Dec.13)	-1696

8. **Productivity**: During the period 2010-11 to 2012-13, in comparison, the productivity has decreased and increased in 2013-14 (Annualised) on indexed basis.

2010-11	2011-12	2012-13	2013-14(up to Dec.13)	2013-14 (Annualised)
(Indexed) 100	66	83	89	119

9. The domestic industry has requested for immediate imposition of safeguard measures for a period of three 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 product under consideration.

10. 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.

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
E-mail: dgsafeguards@nic.in

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) on the aforementioned address within 21 days from the date of this notice.

14. 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.