



DIRECTORATE GENERAL OF SAFEGUARDS

Customs & Central Excise

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NOTICE OF INITIATION OF A SAFEGUARD INVESTIGATION

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

F.No. D-22011/14/2011

New Delhi, 30th May 2012

Sub: Initiation of Safeguard Investigation Concerning Imports of Electrical Insulators 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 i) M/s. Aditya Birla Nuvo Ltd., Indian Rayon Compound, Veraval, Gujarat; ii) M/s Insulators and Electrical Company, 1-8, New Industrial Area, PB Box.1, Mandideep-462046, Madhya Pradesh; iii) M/s. Modern Insulators Ltd., Post Box No. 23 Abu Road-307026, Rajasthan and iv) M/s. WS Industries (India) Ltd., 108, Poonamelle Road, Porur, Chennai-600116, for imposition of Safeguard Duty on imports of Electrical Insulators into India, to protect the domestic producers of Electrical Insulators against market disruption and threat of market disruption caused by the increased imports of Electrical Insulators from China PR.

2. Domestic Industry: The application has been jointly filed by i) M/s. Aditya Birla Nuvo Ltd., Indian Rayon Compound, Veraval, Gujarat; ii) M/s Insulators and Electrical Company, 1-8, New Industrial Area, PB Box.1, Mandideep-462046, Madhya Pradesh; iii) M/s. Modern Insulators Ltd., Post Box No. 23 Abu Road-307026, Rajasthan and iv) M/s. WS Industries (India) Ltd., 108, Poonamelle Road, Porur, Chennai-600116, for imposition of Safeguard Duty on imports of Electrical Insulators. The applicants account for more than 70% of the total production of Electrical Insulators in India. The petition is also supported by M/s BHEL, New Delhi 110049.

3. Product Involved: The present application is filed for imposition of Safeguard duty on increased imports of 'Electrical Insulators, made of Porcelain / Ceramic or Glass, whether assembled or unassembled, originating in or exported from China P.R, classified under Heading 85.46 of the Customs Tariff Act, 1975. The Porcelain/Ceramic Insulators (classified under Heading 8546.20) and Glass Insulators (classified under Heading 8546.10) are considered as like or similar article considering their characteristics, manufacturing process, function and interchangeable uses. The domestically produced Electrical Insulator of Ceramics is comparable to the imported 'Electrical Insulators', made of Porcelain / Ceramic or Glass. The main function of

Electrical Insulator is to insulate one conduction body from another at high voltage areas or to insulate a body which can transmit electrical energy to the surrounding, at areas where such transmission of electrical energy has to be avoided.

4. Period of investigation (POI): Present application is a fresh case based on market disruption/threat of market disruption being faced by the domestic industry. The POI in the case has been taken from 2008-09 onwards till 2011-12(up to Dec., 2011).

5. Increased Imports: Imports of Electrical Insulators from People's Republic of China into India have shown sharp and significant increase throughout the injury period. The data relating to imports of Electrical Insulators from 2008-09 onwards as per World Trade Atlas duly verified, is as under:

Import of Insulators from China PR in MT

	2008-09	2009-10	2010-11	2011-12 (upto Dec.)
Ceramic Insulator	7676	9685	13768	9535
Glass Insulator	4358	6737	12782	11706
Total Import	12034	16422	26550	21241
Ceramic % Increase over 2008-09	100	26	79	24
Glass % Increase over 2008-09	100	55	193	169
Total% Increase over 2008-09	100	36	121	135

It is evident that imports of the product under consideration have sharply increased during the injury period. The imports from China P.R have increased from 12034 MT in 2008-09 to 21241 MT till 2011-12 (Dec.) recording an increase of 135% on annualized basis.

6. Market disruption to the Domestic industry: The applicants (hereinafter referred to as DI) have claimed that the increased imports of Electrical Insulators have caused and are threatening to cause market disruption to the domestic producers of Electrical Insulators. The increased imports are also undercutting the prices, forcing the DI to reduce price to such an extent that DI is compelled to sell at loss. The growth of DI has turned negative and it is unable to increase its production and sales in tandem with the rate of increase in consumption. The threat of market disruption is clearly visible from the data provided by the applicants as detailed below:

a) Production: The domestic production increased up to FY 2010-11, but declined drastically thereafter. The production index of Domestic Industry fell to 109 in 2011-12(December, 2011) from 122 in FY 2010-11, as shown below:

TABLE-A

Financial Year	Production (MT)	Production Indexed	Imports from China P. R.(MT)	Imports from China Indexed
2008-09	73723	100	12034	100
2009-10	78404	106	16422	136
2010-11	90264	122	26550	220
2011-12(Dec. 2011)	60285	109	21241	235

The imports from China P. R. continued to increase rapidly in relation to domestic production in India. The index of import from China increased to 235. The domestic production index, in comparison, rose merely to 109 in 2011-12(Dec.).

b) **Market Share & Changes in levels of Sales:** The market share of the DI has declined sharply in the recent period whereas share of the import from China P. R. has increased significantly. Applicants had a market share of 57.6% in 2008-09 which fell to 53.3% during 2011-12(December); i.e. a decline of about 4.3%. During the same period, market share of import from China nearly doubled from 11.8% in 2008-09 to 22.8% in 2011-12(December).

TABLE-B

In MT

Financial Year	Import from China	Import from other countries	Total Import	Sales of DI	Sales of other Indian Producers	Total Demand	% of Market Share		
							DI	China Import	Other Countries
2008-09	12034	1465	13499	58684	29630	101813	57.6	11.8	1.4
2009-10	16422	739	17161	65927	30805	113893	57.9	14.4	0.6
2010-11	26550	611	27161	77059	28970	133190	57.9	19.9	0.5
2011-12(Dec.)	21241	454	21695	49674	21769	93138	53.3	22.8	0.5

Though the sales of the domestic industry increased up to FY 2010-11, it declined in the most recent period from 77059 MT in 2010-11 to 66232 MT (annualized) in 2011-12. This decline in sales is despite the fact that the demand increased significantly from 101813MT in 2008-09 to 124184 MT (annualized) in 2011-12. It clearly shows that the DI suffered discernible loss in sales as well as market share, caused by increased imports from China P. R.

c) **Capacity Utilization:** The increasing imports are resulting in significant idling of production capacity of the domestic producers. The capacity utilization by the DI has sharply declined in recent period from 78% in 2008-09 to 64% in 2011-12(Dec.) as can be seen in the Table below:

TABLE-C

Installed Capacity & Production in MT

Financial Year	Installed Capacity	Production	Capacity Utilisation (%)
2008-09	94680	73723	78
2009-10	111380	78404	70
2010-11	122130	90264	74
2011-12(in Dec. 2011)	93810	60285	64

d) **Profit/loss** – The increased imports are undercutting prices forcing DI to reduce the selling prices. 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:-

TABLE-D

Financial Year	Profitability (Indexed)
2008-09	100
2009-10	53.54
2010-11	29.9
2011-12(Dec.)	(125.9)

From a position of profit in 2008-09, the DI is now suffering huge losses.

e) Inventories – In view of surging imports and loss of market share, the inventories with the domestic industry have also increased significantly. The table below depicts the inventory levels which have witnessed a massive surge from 6038 MT in 2008-09 to 8719 MT in 2011-12(December) reflecting the plight of the domestic industry.

TABLE-E

Financial Year	Inventory (in MT)
2008-09	6038
2009-10	6319
2010-11	5959
2011-12(Dec.)	8719

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

f) Productivity & Employment: There is increase in the level of employment keeping in tandem with increasing capacity. The productivity too had been rising till 2010-11 but has since gone down during 2011-12(Dec.). Due to loss of market share and accumulation of high inventory, the DI had to stagger the production and face drop in productivity.

TABLE-F

Financial Year	Production (MT)	Employment (Nos.)	Employee Productivity
2008-09	73723	6130	12
2009-10	78404	6788	12
2010-11	90264	6885	13
2011-12(Dec.)	60285	7131	11

7. The DI has requested in their application for immediate imposition of Safeguard duty on imports of Electrical Insulators 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.

8. The application has been examined and it has been found that prima facie increased imports of Electrical Insulators have caused and are threatening to cause market disruption to the domestic producers of Electrical Insulators and as such it has been decided to initiate an investigation in the matter 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.
Telephone: 011- 23741537
FAX: 011-23741542
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.