

DIRECTORATE GENERAL OF SAFEGUARDS

CUSTOMS AND CENTRAL EXCISE
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BHAI VIR SINGH MARG, GOLE MARKET
NEW DELHI-110001

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NOTICE OF INITIATION OF A SAFEGUARD INVESTIGATION

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

New Delhi, 18th May, 2009
No. D-22011/ 47/08

Sub: Initiation of safeguard investigation concerning imports of
Passenger Car Tyres into India from People's Republic
of China

G.S.R An application has been filed before me under Rule 5 of the Customs
Tariff (Transitional Product Specific Safeguard Duty) Rules, 2002 by M/s
Automotive Tyre Manufacturers Association (ATMA) PHD House (4th Floor), Siri
Institutional Area, New Delhi (through TPM Solicitors & Consultants) for imposition of
Safeguard Duty on imports of Passenger Car Tyres into India to protect the domestic
producers of Passenger Car Tyres against market disruption caused by the increased
imports of Passenger Car Tyres into India from People's Republic of China.

2. Domestic Industry : The application has been filed by M/s Automotive Tyre
Manufacturers Association (ATMA) PHD House (4th Floor), Siri Institutional Area, New
Delhi for imposition of Safeguard Duty on imports of Passenger Car Tyres into India
from People's Republic of China. The application has been supported by 8 domestic
producers of Passenger Car Tyres whose name and address is as under:-

- (1) Apollo Tyres Ltd.
Apollo House
7, Institutional Area, Sector32,
Gurgaon-122001
- (2) Birla Tyres
Shivam Chambers, 5th Floor
53 Syed Amir Ali Avenue, Kolkata-454774.
- (3) Ceat Limited

Ceat Mahal
463, DR. Annie Besant Road,
Mumbai- 400030

(4) Falcon Tyres Ltd.
KRS ROAD
Metagalli Post.
Mysore 570016

(5) Goodyear South Asia Tyres Pvt. LTD
H-18, MIDC Waluj,
Aurangabad- 431136
Maharashtra.

(6) JK Tyre & Industries Ltd.
Link House
3, Bahadur Shah Zafar Marg
New Delhi-110002

(7) MRF. Limited
124, Greaves Road
Chennai 600006

(8) Bridgestone India Pvt. Ltd.
Plot No.-12. Kheda Growth Centre,
Post Sagore-454774. Dist-Dhar
Madhya Pradesh.

3. Product Involved : The applicant have alleged that increased imports of Passenger Car Tyres into India from People's Republic of China into India have threatened to cause market disruption to domestic industry. Passenger Car Tyres is classified under sub-heading No. 4011.10 of Schedule I of the Customs Tariff Act 1975.

4. Increased Imports: Imports of Passenger Car Tyres into India from People's Republic of China have shown an increasing trend in absolute terms as well as compared to the domestic production. The imports and domestic production of Passenger Tyres during 2005-06 to 2008-09 (April-December) remained as under:

Year	Imports					Domestic Sales (lacs)		Imports from China as a percentage of total Indian sales
	Imports from China(lacs)	Average imports per month from China (lacs)	Imports from other countries (lacs)	Average imports per month from other countries (lacs)	Total Imports (lacs)	Domestic Sales (lacs)	Average sales per month	
2005-06	3.47	0.29	4.56	0.38	8.03	129.67	10.81	2.52
2006-07	5.23	0.44	8.52	0.71	13.75	136.21	11.35	3.49
2007-08	7.66	0.64	9.63	0.80	17.30	154.97	12.91	4.45
2008-09 (Apr-Sept 08)	6.81	1.14	6.23	1.04	13.04	91.66	15.28	6.51
2008-09 (Oct-Dec 08)	3.52	1.17	3.11	1.04	6.63	41.60	13.87	7.29

5. Market Disruption: There has been significant decline in the demand in the world market where China has been exporting while their exports to India have increased. At the same time there has been creation of fresh capacities which has led to significant unutilized free disposable capacities in China. Further, the import prices from China is found to be significantly lower than prices prevailing in India indicating imported goods have entered and are likely to enter at prices that will have a significant depressing or suppressing effect on domestic prices, causing disruption in the domestic market. The threat of market disruption is visible from the economic parameters of the petitioner during the period Oct-08 to Dec-08, when compared to previous recent period.

(a) Production: The domestic production which increased from 146.04 lacs in 2005-06 to 153.35 lacs in 2006-07 and further to 178.76 lacs in 2007-2008 and 96.00 lacs during April-Sept,08 has fallen to 43.49 lacs in Oct-08 to Dec-08. The average monthly production has fallen from 16.00 lacs tyre per month during April-Sept-08 period to 14.50 lacs tyres during Oct-Dec-08 period as can be seen from the table below.

	Domestic Production (nos in lacs)	Average production per month(nos in lacs)

2005-06	146.04	12.17
2006-07	153.35	12.78
2007-08	178.76	14.90
2008-09(April-September)	96.00	16.00
2008-09(Oct-December)	43.49	14.50

(b) Capacity Utilisation: The capacity utilization of the three company which has provided detail data was 84.11 % in 2006-07, 79.18 % in 2007-08 and 90.24% during April-Sept-08 period has fallen to 78.47% during Oct-Dec-08 period.

	Capacity (Lacs)	Production (Lacs)	Capacity utilization (%)
2006-07	82.44	69.34	84.11
2007-08	105.51	83.55	79.18
2008-09(April-Sept)	51.46	46.44	90.24
2008-09(Oct-Dec)	25.89	20.31	78.47

(c) Share of domestic producers in domestic consumption: Market share of domestic producers has fallen significantly. Applicants had a market share of 94.17% in 2005-06 which increased to 90.83% during 2006-07 and then fell to 89.96% during 2007-08. In the first six months of 2008-09, market share went down to 87.54 % and further declined to 86.26% during Oct-Dec-08 period. The sales have declined to 13.87 lacs/month during Oct-Dec 08 from 15.28 lacs/month during April to September 08.

	Total Demand (in lacs)	Share of Domestic Producers (%)
2005-06	137.69	94.17
2006-07	149.96	90.83

2007-08	172.27	89.96
2008-09(April-September)	104.70	87.54
2008-09(October-December)	48.23	86.26

(d) Profit/ (Loss) - Domestic : The Profit /(Loss) in Rs/ Kg has gone down from 16.75 in 2007-08 to 8.74 in 2008-09(Apr-Sept) and during Oct-Dec-08 period companies has a loss to the tune of Rs.7.28 per KG. This data is of three participating companies namely Apollo Tyres Ltd., Goodyear South Asia Tyres Pvt. Ltd. and JK Tyre & Industries Ltd. These three companies together hold 49% of total Indian production.

	Profit/(Loss) – Domestic Rs.Kg
2006-07	10.42
2007-08	16.75
2008-09(April-Sept)	8,74
2008-09(Oct-December)	(7.28)

(e) Further , the employment and productivity parameters have also been considered.

6. The domestic producers have requested for imposition of Safeguard Duty on imports of Passenger Car Tyre originating from the People 's Republic of China for a period of four years. They have also requested for an immediate imposition of transitional Safeguard Duty in light of critical circumstances leading to damage which will be difficult to repair.

7. The application has been examined and it is found that prima facie increased imports of Passenger Car Tyre have caused and are threatening to cause market disruption to the domestic producers of Passenger Car Tyre and accordingly it has been decided to initiate an investigation through this notice.

8. All interested parties may make their views known within a period of 30 days from the date of this notice at the address below so that the same may be considered in final determination that may be made by the Director General;

The Director General (Safeguards)
Bhai Vir Singh Marg,
Bhai Vir Singh Sahitya Sadan: 2nd Floor,
Gole Market,
New Delhi-110 001
INDIA.
Telefax: 23741542/ 23741537
E-mail: dgsafeguards@nic.in

9. All known interested parties are also being addressed separately. 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) within 21 days from the date of this notice.

(S. S. RANA)
Director General (Safeguards)