

DAEHAN STEEL

Exporter visit briefing : Anti-Circumvention Inquiry 452

Thursday, 25 January 2018



AGENDA



1 Avoidance of intended effect of duty

2 Export prices 269TAB(1)(c)

3 Model Matching

5 Korean Market

6 Establishing Normal Value

7 Adjustments

DAEHAN STEEL

- ▶ Our understanding is that Commission in this case will investigate circumvention as the 'avoidance of the intended effect of the duty' as either :
 - Importer absorbing the duty and selling at a loss
 - Exporter lowering the price
 - Combination of the above

[Question – understanding various entities roles within the sales transaction]

ARE THE MEASURES HAVING THE INTENDED EFFECT?

- Normal Values have fallen by xx%
- Export values have fallen by xx%
- Dumping margin has increased from ~ 9% to ~xx%
- Dumped Korean Rebar exports increased from xxxxx tpa to xxxxx (xxx% increase)

[Data from confidential subscription sources]

EXPORT PRICES – DETERMINATION

6.8 Korea (Final report 264 p 38)


6.8.1 Daehan Steel

Export Prices

During the investigation period it was established:

- that the goods sold by Daehan Steel have been exported to Australia otherwise than by the importer;
- **that the goods have not been purchased by the importer from the exporter;** and
- that the purchases of the goods were arms' length transactions.

Therefore, export prices for sales of rebar to Australia by Daehan Steel were determined under paragraph 269TAB(1)(c) being a price determined having regard to all the circumstances of the exportation.



[likely
intermediary/trader]

[Questions – role of likely intermediary/trader/agent?]

MODEL MATCHING



APPROACH TO MODEL MATCHING

Rebar Coil vs Rebar Straights vs Further Processed Bar

Likely all rebar coil for export
(DAEHAN has ACRS accreditation for coil only)

Sales of further processed rebar
straights or coils (ie. cut, bent, welded bar) must be excluded

MINIMUM Yield Strength & Chemistry (indication of weldability) specified by Standard

Exports to Australia are Grade 500N
(minimum yield strength 500MPa)

Domestic sales of 400MPa rebar may be more common in Korea

SD500W (yield strength and weldability requirements) considered closest match for 500N

Use Standards for comparison, NOT test certificates

Size

Match nominal cross-sectional diameter to nearest export size ie.
13mm domestic to 12mm export,
15mm domestic to 16mm export

GRADE MATCHING

AS/NZS 4671:2001

KS D 3504:2011

[Comparison of Australian and Korean Rebar Standards –
chemistry and mechanical property requirements]

Best match for 500N is SD500W in terms of minimum yield strength
and control of chemistry for weldability.

KOREA PREMIUM FOR GRADE

[Confidential evidence of grade premium that applies to higher strength Korean rebar grades]

Grade premium of SD500W vs SD400 = xxxxx KRW

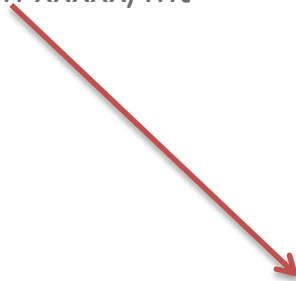
KOREAN MARKET

Rebar in Coil



REBAR COIL PREMIUM IN KOREA

- ▶ December 2016 xxxxx publication confirmed rebar coil premium over straights unchanged around Won xxxxx/mt



[Article accessed via confidential subscription]

DAEHAN SUPPLY TO HYUNDAI STEEL FABRICATORS

[Article accessed via confidential subscription]

REBAR COIL PREMIUM IN KOREA

[Confidential evidence of rebar coil premium charged in Korea]

DAEHAN QUARTERLY/ANNUAL REPORTS

EQR – EPR 452/004 pg 13 – DAEHAN claims to not issue an annual report

10. Provide a copy of your most recent annual report together with any relevant brochures or pamphlets on your business activities.

ANSWER: DAEHAN STEEL does not issue an annual report. Thus,
DAEHAN STEEL provides its brochures in **Appendix A-4**.

Korean copies of DAEHAN Steel Co. Ltd annual and quarterly reports to September 2017 available for download from link

Includes sales revenue and pricing for products sold by Daehan.

DAEHAN SALES REVENUE

Extract from DAEHAN Steel Co. Ltd quarterly report xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx.

[Translated extract from Daehan quarterly report]

- ▶ Bar-in-coil is not the major revenue sales product for Daehan

(ADJUSTMENTS)

- ▶ Does “other” refer to barter sales referenced in EQR?
- ▶ Are Daehan’s sales of processed bar included in rebar sales?

Sales may also not be in the ordinary course of trade for other reasons. The Dumping and Subsidy Manual states that where there is significant **barter** trade, sales may be deemed not to be in the ordinary course of trade. We consider that barter sales are not in the ordinary course of trade as they are based on a notional price rather than an actual price for which payment can be verified.

BAR-IN-COIL PROCESSING EQUIPMENT LEASE

EQR – EPR 452/004 pg 50

DAEHAN STEEL also reported in the "Other factor 3" field the lease expense for specific customers who lease the processing facility which enable to further-process the deformed Bar-in-Coil. In other words, DAEHAN STEEL incurred lease depreciation cost as an expense while DAEHAN STEEL charges more for this lease facility to specific customers.

ISSUE: Processing facilities relate to downstream products, i.e. NOT THE GOODS

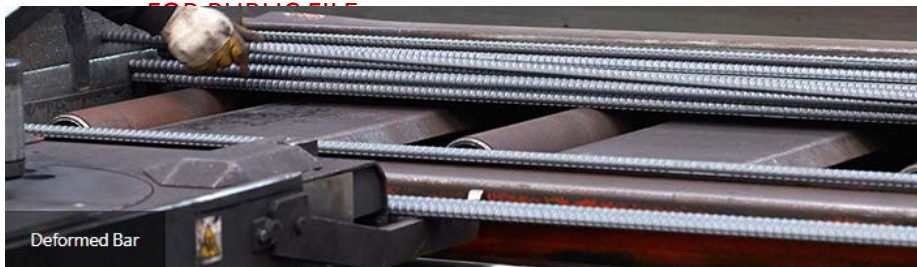
ESTABLISHING NORMAL VALUE

Rebar in Coil ONLY

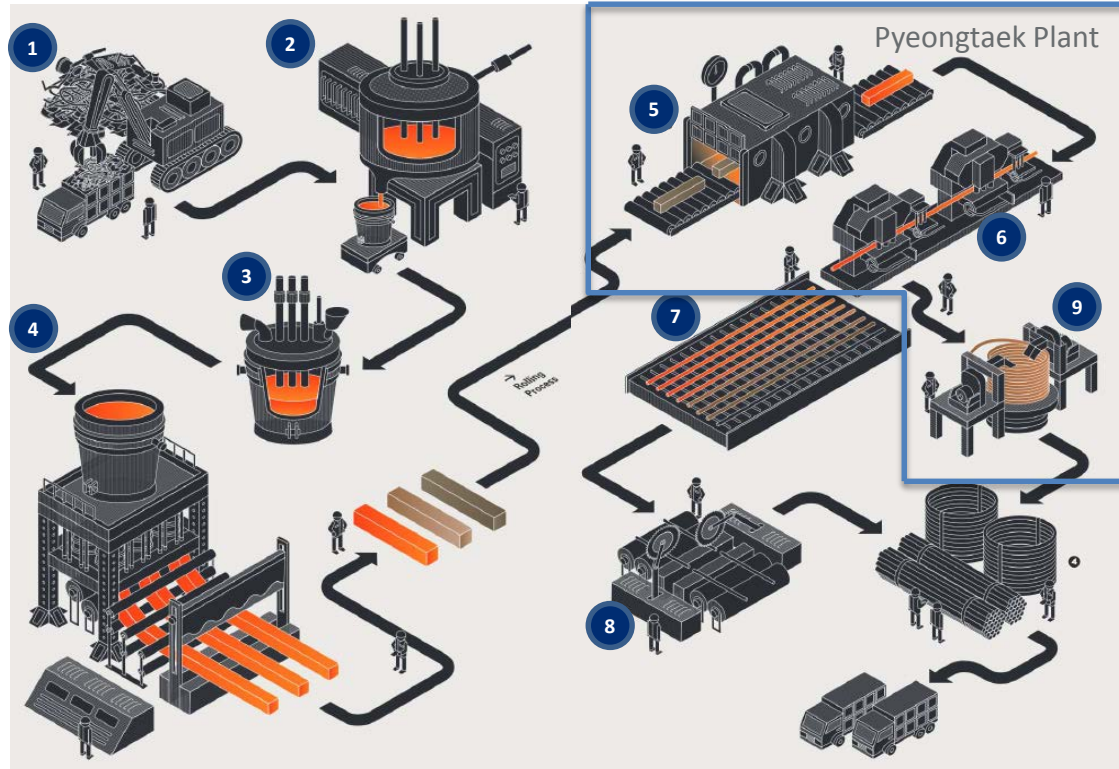


DAEHAN PRODUCTS

- ▶ Daehan only has ACRS accreditation for AS/NZS 4671:2001 grade 500N rebar coil
- ▶ REP 264 pg 40 “Daehan Steel’s rebar straights were excluded from normal value calculations”



DAEHAN PROCESS



1. Scrap
2. Electric arc furnace
3. Ladle furnace
4. Billet caster
5. Reheat furnace
6. Rolling mill stands
7. Cooling bed (straights)
8. Cut-to-length (straights)
9. Vertical compact coiler (rebar coils)

DAEHAN OPERATIONS - KOREA

► Sales

- Seoul Office
- Jeju Office

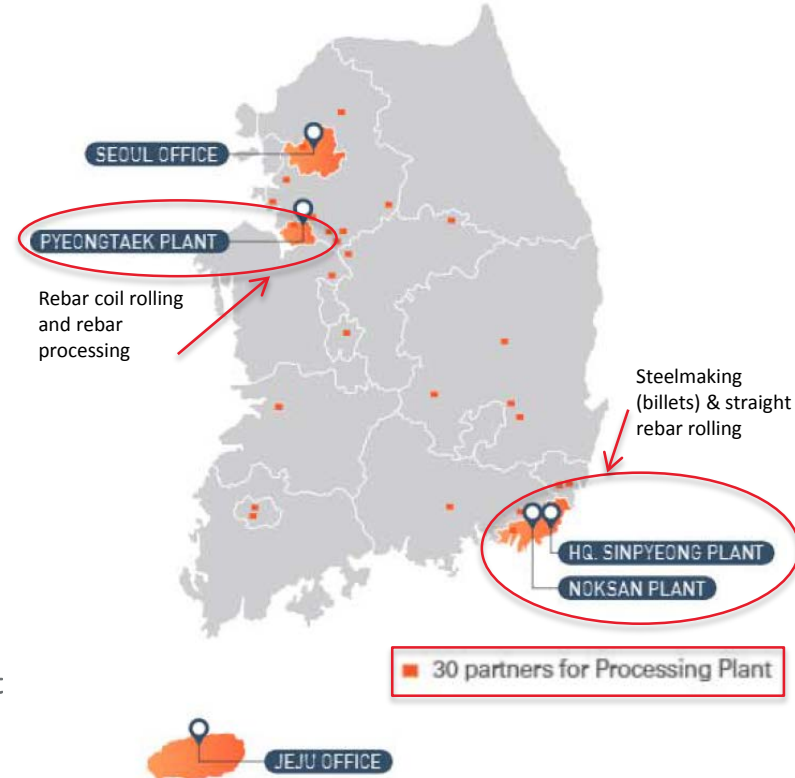
► Manufacturing

- Sinpyeong Plant (billet & deformed bar)
Capacity : 600kt steelmaking + 600kt rolling
- Noksan Plant (billet & deformed bar)
Capacity : 800kt steelmaking + 500kt rolling
- Pyeongtaek Plant (producer of rebar in coil)
Capacity : 450kt rolling

Daehan Verification Visit Report for Inv 264, pg 6:

“Daehan completed a **rebar processing facility** at its Pyeongtaek plant south of Seoul in 2009 and a rebar rolling mill at this plant in 2011.”

CTMS – Billet supplied to Pyeongtaek plant



DAEHAN 'PARTNERS FOR PROCESSING'



<http://www.idaehan.com/en/popup/3step>

'DaehanSteel can provide rebars for construction sites across the country through a nationwide network of processing plants. By factoring into costs, factory capacity and capability of responding to urgent delivery, DaehanSteel selects best plant partners. With cooperation with SMG's person in charge, each plant strives to offer premium services to our clients.'

DAEHAN ENTITIES - OTHER

Affiliated Company

DH Networks Co., Ltd

Processing of rebar, total distribution

Tel: +82-51-442-1108

Centum Science Parks Co., Ltd

Real estate business, consulting

Tel: +82-51-747-5701

STAZ SINGAPORE

Distribution and processing of rebar,
sales of bar in coil

Address: 2 Tuas Loop, Singapore 637341

Tel: +65-6558-7063 / **Fax:** +65-6558-7045

STAZ VIETNAM

Distribution and processing of rebar,
shop drawing

Address: 1Bis. Nguyen Van Thu, phuong

Da Kao. Quan 1, TPHCM, Vietnam

Tel: +84-8-3910-7711, +84-8-3910-7733

Fax: +84-8-3910-7744

[Questions – affiliated companies'
roll in sales of rebar coil]

[Question – clarification of products
produced & sold by affiliated
companies]

ADJUSTMENT CLAIMS

Investigation 264



ADJUSTMENTS MADE IN INVESTIGATION 264

Adjustment type	Description
Domestic credit	Deduct a weighted average calculated cost of domestic credit.
Domestic technical support	Deduct a weighted average calculated cost of technical support.
Domestic inland freight	Deduct a weighted average cost of inland freight.
Domestic inventory carrying cost	Deduct a weighted average calculated inventory carrying cost.
Export inland freight	Add a weighted average export inland freight cost.
Export credit	Add a weighted average calculated cost of domestic credit.
Export handling charges	Add a weighted average export handling charge.

Table 9 - Summary of adjustments (Daehan Steel)

[Questions – clarification of adjustments claimed & applied in INV 264]

DAEHAN CLAIMS

- ▶ Daehan's distribution and marketing model is understood to be different to that of other Korean rebar producers.
- ▶ Daehan have sought to differentiate themselves by not only producing DBIC and Rebar straights but moving downstream and processing the rebar internally. Daehan have branded this as "Sta-z solution" or "Framework".

[Questions – relevance of adjustment claims to rebar coil]

ADJUSTMENT – TECHNICAL SUPPORT & INVENTORY CARRYING COST

REP 264 pg 40

- Adjustment for technical support – OneSteel urged the Commission to reconsider whether an adjustment for technical support is justified. The Commission notes that Daehan Steel was able to identify the specific costs associated with the technical support and the visit team was able to verify that those costs related only to domestic sales. Upon review, the Commission is satisfied with the level of evidence provided by Daehan Steel, the methodology applied for the allocation of this adjustment and the visit team's verification of this adjustment;
- Adjustment for inventory carrying cost – OneSteel urged the Commission to reconsider whether an adjustment for inventory carrying costs is justified. The adjustment for inventory cost was based on the opportunity costs involved with holding inventory. The adjustment sought by Daehan Steel was revised downwards by the visit team based on the evidence provided. Upon review, the Commission is satisfied with the level of evidence provided by Daehan Steel, the methodology applied for the calculation of this adjustment and visit team's verification of this adjustment;

[Questions – relevance of adjustment claims to rebar coil]

DUTY ASSESSMENT HISTORY

[Questions – clarification of duty assessment history]



THANKS

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