



20 August 2014

The Director
Operations 3
1010 Latrobe Street
Melbourne Docklands VIC 3008

Inquiry 241: Rate of profit for the importers

This submission is made on behalf of Capral Limited, the applicant, in relation to the anti-circumvention inquiry into aluminium extrusions from China. We specifically refer to our application and the rate of profit we claimed should be achieved by the importers. We also claimed in our application that, should circumvention activity be found, export prices should be reascertained using the deductive method with an amount for profit included in the deductions back to a free on board (FOB) export price.

In our application we claimed that the importers should be making *at least* 5% in order to provide a reasonable return on investment to shareholders and used 5% in our calculations.¹ We have since conducted further analysis of the Australian building products sector and submit that **10.9% profit** is a better estimate of the level of profit that should reasonably be achieved by an importer/distributor of building products during the inquiry period.

This estimate is an average of the earnings before interest and income tax (EBIT) as a percentage of revenue of five Australian companies that import/produce and distribute a variety of building products in a similar way that the importers subject to this inquiry import and distribute aluminium extrusions. The companies included in the estimate are:

Company	Main business
Beacon Lighting Group Pty Ltd	Lighting and residential solar
CSR Ltd (Building Products)	Bricks, roofing and lightweight systems (eg plasterboard)
DuluxGroup Pty Ltd	Paint, construction products and garage doors
GWA Group Pty Ltd	Bathrooms/kitchens, heating/cooling and garage doors
Reece Australia Pty Ltd	Bathrooms, plumbing and irrigation supplies

¹ Application, p.10

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We have avoided any companies that primarily deal in aluminium, steel or flat glass products, as these sectors are affected by dumped imports. We calculated the average profit as follows, with the source documents at Attachments A-E:

Inquiry 241: Profit estimate for importers of aluminium extrusions

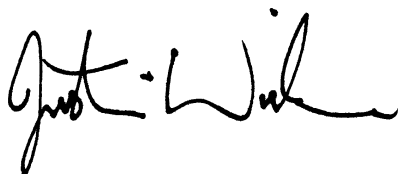
Sources: Annual reports and half-yearly results of Australian companies in the building products sector

Company	Period	Revenue (AUD)	EBIT (AUD)	Profit
Beacon Lighting Corp Pty Ltd	Jul-Dec 2013	76,562,634	10,080,951	13.2%
CSR Ltd*	Apr 2013 - Mar 2014	1,029,200,000	79,236,351	7.7%
DuluxGroup Ltd	Oct 2013 - Mar 2014	804,500,000	93,900,000	11.7%
GWA Group Ltd	Jul-Dec 2013	288,084,000	34,147,000	11.9%
Reece Australia Ltd	Jul-Dec 2013	844,020,000	86,211,000	10.2%

* Building Products segment only

Average Profit 10.9%

We therefore submit that, should an amount for profit be required for calculating deductive export prices as part of this inquiry, the Commission should use the rate of 10.9% profit as the best estimate of profit in the building products sector in Australia during the inquiry period.



Justin Wickes
Director

Attachments

- A Beacon Lighting - Interim Financial Report to 29 December 2013
- B CSR - Annual Report 2014 (for FYE 31 March 2014)
- C DuluxGroup - Half-Year Financial Results to 31 March 2014
- D GWA Group - Half-Year Financial Results to 31 December 2013
- E Reece Australia - Half-Year Financial Report to 31 December 2013