



Australian Government

Anti-Dumping Commission

INVESTIGATION INTO THE

ALLEGED DUMPING OF HOT ROLLED ROD IN COILS

**EXPORTED FROM THE REPUBLIC OF INDONESIA,
TAIWAN AND THE REPUBLIC OF TURKEY**

REMOTE EXPORTER VERIFICATION REPORT

PT. ISPAT INDO

This report and the views or recommendations contained therein will be reviewed by the case management team and may not reflect the final position of the Anti-Dumping Commission

4 February 2015

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ABBREVIATIONS

Anti-Dumping Commission	the Commission
Anti-Dumping Review Panel	ADRP
Australasian Standards Certification and Verification of Reinforcing, Prestressing and Structural Steel Compliance	ACRS
Australian Customs and Border Protection Service	ACBPS
Commissioner of the Anti-Dumping Commission	the Commissioner
Cost of goods sold	COGS
Cost to make and sell	CTMS
Customs Act 1901	The Act
Electronic Public Record	EPR
ex-works	EW
Indonesian Rupiah	RPH
Interim dumping duties	IDD
Letter of credit	LC
Non-injurious price	NIP
OneSteel Manufacturing Pty Ltd	OneSteel
Parliamentary Secretary to the Minister for Industry and Science	Parliamentary Secretary
Preliminary affirmative determination	PAD
PT. Ispat Indo	Ispat
Republic of Indonesia	Indonesia
Republic of Turkey	Turkey
Statement of Essential Facts	SEF
The goods the subject of the investigation	the Goods
United States Dollars	USD
Unsuppressed selling price	USP
[CONFIDENTIAL INFORMATION DELETED – subsidiaries]	
[CONFIDENTIAL INFORMATION DELETED – customer names]	
[CONFIDENTIAL INFORMATION DELETED – trading terms]	

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1 BACKGROUND

1.1 Background to the current investigation

On 24 February 2014, OneSteel Manufacturing Pty Ltd (OneSteel) lodged an application with the Anti-Dumping Commission (the Commission) requesting that the Parliamentary Secretary to the Minister for Industry and Science (Parliamentary Secretary) publish a dumping duty notice in respect of rod in coils exported to Australia from the Republic of Indonesia (Indonesia), Taiwan and the Republic of Turkey (Turkey). A full description of the goods under consideration is included in section 3 of this report.

OneSteel, the sole manufacturer of rod in coils in Australia, alleges that the Australian industry has suffered material injury caused by rod in coils exported to Australia from Indonesia, Taiwan and Turkey at dumped prices. The applicant claimed the industry has been injured through:

- loss of sales volumes;
- loss of market share;
- price undercutting;
- price depression;
- price suppression;
- reduced revenues;
- reduced profits;
- reduced profitability;
- reduced return on investment; and
- reduced employment.

The Commission examined the application and prepared a report for the Commissioner of the Anti-Dumping Commission (the Commissioner) recommending the application not be rejected, Consideration Report No 240 refers.

The Commissioner, after having regard to the report, initiated an investigation into the alleged dumping of rod in coils from Indonesia, Taiwan and Turkey. Public notification of the initiation of the investigation was made on 10 April 2014 in The Australian newspaper and Anti-Dumping Notice No. 2014/27.

The Australian Customs and Border Protection Service (ACBPS) import database identified that PT. Ispat Indo (Ispat) exported rod in coils from Indonesia to Australia during the investigation period (1 January 2013 to 31 December 2013). The Commission wrote to Ispat advising it of the initiation of the investigation, requesting co-operation with the investigation and providing an exporter questionnaire for it to complete.

Ispat completed an exporter questionnaire response (REQ), providing details regarding the company, exports, domestic sales and cost to make and sell (CTMS) expenses for rod in coils.

1.2 Purpose of remote verification

The objectives for verification in an anti-dumping investigation are to collect evidence to support the information presented in the REQ and establish that the information submitted by interested parties is:

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- Relevant – only relevant information is included;
- Complete – all relevant information is included; and
- Accurate – the information is accurate.

Generally, the Commission will visit exporters to conduct an on-site verification of information provided by the exporter in its REQ. This allows the Commission to quickly test claims made by the exporter and discuss any complicating factors, for the exporter to show how costs are recorded in its accounting systems, and for the Commission to conduct on-the-spot verification of transactions not prepared in advance by the exporter. However, due to travel advisories from the Department of Foreign Affairs and Trade, Commission staff were unable to travel to Indonesia to conduct an on-site verification of Ispat.

Despite the limitations of remote verification, the Commission has applied the same standard for the verification of Ispat as would be applied during an on-site verification to ensure any findings are adequately supported by evidence.

The verification exercise reviewed extensive supporting documentation provided by the company to verify the information presented in the REQ.

In this report, the Commission has relied upon verified information to make preliminary assessments regarding:

- like goods;
- who is the exporter and who is the importer;
- export prices;
- normal values; and
- dumping margins.

1.3 Meeting details

Verification meetings were held via Webex, an on-line conferencing and data sharing application from 15 December through to 19 December 2014. . The following representatives were present at various stages of the verification meetings:

Company	PT Ispat Indo
Dates of visit	15 – 19 December

The following were present at various stages of the meetings.

Ispat	Rahul Garg – Manager, Finance. Connecting from the Ispat Indonesian offices.
Legal representatives Moulis Legal	Alistair Bridges – Senior Lawyer Connecting from the Moulis Legal Canberra Office
Anti-Dumping Commission	Rod Jones - Manager, Operations 3 Connecting from the Commissions Canberra office

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	Con Soumbassis - Investigator, Operations 3 Connecting from the Commissions Melbourne office
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1.4 Investigation process and timeframes

The Commission advised Ispat of the investigation process and timeframes as follows:

- The investigation period is 1 January 2013 to 31 December 2013.
- The injury analysis period is from 1 January 2010 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (9 June 2014) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

The Commissioner will not make a PAD until (and if) he becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.

This was distinguished from the 'reasonable grounds' threshold for initiation of the investigation.

- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 1 March 2015; or such later date as the Parliamentary Secretary allows under s.269ZHI of the *Customs Act 1901* (the Act)¹.

The SEF will set out the material findings of fact on which the Commissioner intends to base his recommendations to the Parliamentary Secretary, and will invite interested parties to respond, within 20 days, to the issues raised therein.

- Following receipt and consideration of submissions made in response to the SEF, the Commissioner will provide his final report and recommendations to the Parliamentary Secretary.

This final report is due no later than 15 April, unless an extension is approved by the Parliamentary Secretary.

The Commission informed Ispat that anti-dumping measures may only be imposed where the Parliamentary Secretary is satisfied that the goods were dumped and that the dumped goods had caused or were threatening to cause material injury to the Australian industry.

¹ All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

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1.5 Verification report

The Commission explained to Ispat that it would prepare a report of the verification (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

The Commission explained that, in consultation with the company, it would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

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2 THE GOODS UNDER CONSIDERATION

2.1 The goods

The goods the subject of the investigation (the goods) are:

Hot rolled rods in coils of steel, whether or not containing alloys, that have maximum cross sections that are less than 14 mm.

The goods the subject of the investigation include:

all steel rods meeting the above description of the goods regardless of the particular grade or alloy content.

And exclude:

Deformed Bar in coils and stainless steel in coils.

The goods are referred to as rod in coils in this report.

2.1.1 Tariff classification

The goods are typically classified to subheadings 7213.91.00 (statistical code 44) and 7227.90.90 (statistical code 42) to Schedule 3 of the *Customs Tariff Act 1995*. The general rate of duty is currently 5%, however, Indonesia and Turkey are designated DCS countries and Taiwan is designated a DCT² country. Rod in coils exported to Australia from DCS and DCT designated countries is free of duty.

The ACBPS Trade Branch confirmed that rod in coils of non-alloy steel is classified to 7213.91.00 if the cross section is circular as well as less than 14 mm in diameter. Rod in coils of other alloy steel are classified to heading 7227, but the reference to subheading 7227.90.90 excludes certain alloys such as silico-manganese steel and non-circular sections.

Following discussions with the Commission, the applicant confirmed that the goods under consideration should be entered under the nominated tariff subheadings. However, the Commission notes that the goods under consideration are defined by the description, not the tariff classification.

2.2 Like goods

In its REQ Ispat provided details on the goods it exported and what it considered were like goods sold on the domestic market.

The Commission reviewed Ispat's export sales information. The products exported to Australia consist of several grades as per the following table.

² 'DCT' and 'DCS' are codes applied to classes of countries and places in relation to which special rates apply as specified in Parts 4 and 5 of Schedule 1 of the *Customs Tariff Act 1995*.

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[CONFIDENTIAL INFORMATION DELETED – identification of export product mix and mechanical properties]

[CONFIDENTIAL INFORMATION DELETED – details of exported products].

The Commission reviewed Ispat's domestic sales information. The products sold domestically consist of numerous grades as per the following table.

[CONFIDENTIAL INFORMATION DELETED – identification of domestic product mix and mechanical properties]

The Commission noted that the products sold domestically are also categorised as being **[CONFIDENTIAL INFORMATION DELETED – details of product characteristics]**.

The domestic sales are also categorised as being either "Prime" or "Non-Prime" with "Non-Prime" indicating that the product did not meet the intended specification. **[CONFIDENTIAL INFORMATION DELETED – details of pricing policy]**. Of the Ispat domestic sales, **[CONFIDENTIAL INFORMATION DELETED – number]** were identified as "Prime Goods" with the balance of **[CONFIDENTIAL INFORMATION DELETED – number]** being "Non-Prime".

Ispat also advised that it had not sold "Non-Prime" product into the Australian market.

Ispat submitted that the following grades were identical goods:

- **[CONFIDENTIAL INFORMATION DELETED – identification of export models and the most "like" domestic sales]**

Ispat also noted in its REQ that it did not consider any domestic models other than these identical models as like goods for comparison purposes.

After considering the information on specifications and analysing Ispat's domestic prices for both specifications and for "Prime" and "Non-prime" products, the Commission is of the view that rod in coils sold on the domestic market regardless of specification but which are rated "Prime" are like goods to the exported goods for comparison purposes.

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3 COMPANY INFORMATION

3.1 Background

Ispat is a limited liability company. Ispat does not use any other business names to export or sell the goods. The major shareholder of Ispat is **[CONFIDENTIAL INFORMATION DELETED – entity]**, which holds **[CONFIDENTIAL INFORMATION DELETED – number]** of Ispat Indo's shares. The principal shareholder of **[CONFIDENTIAL INFORMATION DELETED – entity]** is **[CONFIDENTIAL INFORMATION DELETED – entity]**, as **[CONFIDENTIAL INFORMATION DELETED – ownership capacity]**.

[CONFIDENTIAL INFORMATION DELETED – ownership diagram]

Ispat was established in Indonesia in 1976. The company was set up as a **[CONFIDENTIAL INFORMATION DELETED – capacity]** project, for rolling. Today, Ispat has an annual production capacity in excess of **[CONFIDENTIAL INFORMATION DELETED – number]**.

The company manufactures a wide range of low and high carbon grades of billets, wire rods and bars using approximately **[CONFIDENTIAL INFORMATION DELETED – volume of raw material]** and **[CONFIDENTIAL INFORMATION DELETED – volume of raw material]**. The mix varies according to the grade of steel produced.

The products of Ispat are manufactured through an electric arc furnace **[CONFIDENTIAL INFORMATION DELETED – details of production capacity]**. Production processes include quality control and testing at each stage for complete identification and traceability of each coil dispatched to the customers

The company has **[CONFIDENTIAL INFORMATION DELETED – number and type]** subsidiaries:

3.1.1 Related party transactions

[CONFIDENTIAL INFORMATION DELETED – details of subsidiaries]

The audited financial statements and audit report for Ispat notes on Page 15 the following:

[CONFIDENTIAL INFORMATION DELETED – extract from confidential audited report] Ispat sells rod in coils to **[CONFIDENTIAL INFORMATION DELETED – identification of customer]**.

[CONFIDENTIAL INFORMATION DELETED – identification of customers and sales volume].

The Commission undertook an analysis of the pricing offered to **[CONFIDENTIAL INFORMATION DELETED – customers]**. This analysis indicated that **[CONFIDENTIAL INFORMATION DELETED – customers]** do not receive favourable prices, **[CONFIDENTIAL INFORMATION DELETED – details of terms of sale]**.

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In its REQ, Ispat claimed that the [CONFIDENTIAL INFORMATION DELETED – terms of sale] offered to customers were as follows:

[CONFIDENTIAL INFORMATION DELETED – terms of sale to customers] During the verification of these [CONFIDENTIAL INFORMATION DELETED – terms of sale], the Commission identified discrepancies in the actual [CONFIDENTIAL INFORMATION DELETED – terms of sale], with Ispat's audited reports showing a [CONFIDENTIAL INFORMATION DELETED – account]

The Commission requested further information on [CONFIDENTIAL INFORMATION DELETED – account] and found that of the [CONFIDENTIAL INFORMATION DELETED – number] entities against which [CONFIDENTIAL INFORMATION DELETED – the account in question was relevant to], only [CONFIDENTIAL INFORMATION DELETED – number] were involved in the sale of rod in coil, [CONFIDENTIAL INFORMATION DELETED – entities].

[CONFIDENTIAL INFORMATION DELETED – details of entities and account during POI]

The Commission's considers the impact of these values on the determination of normal value to be immaterial.

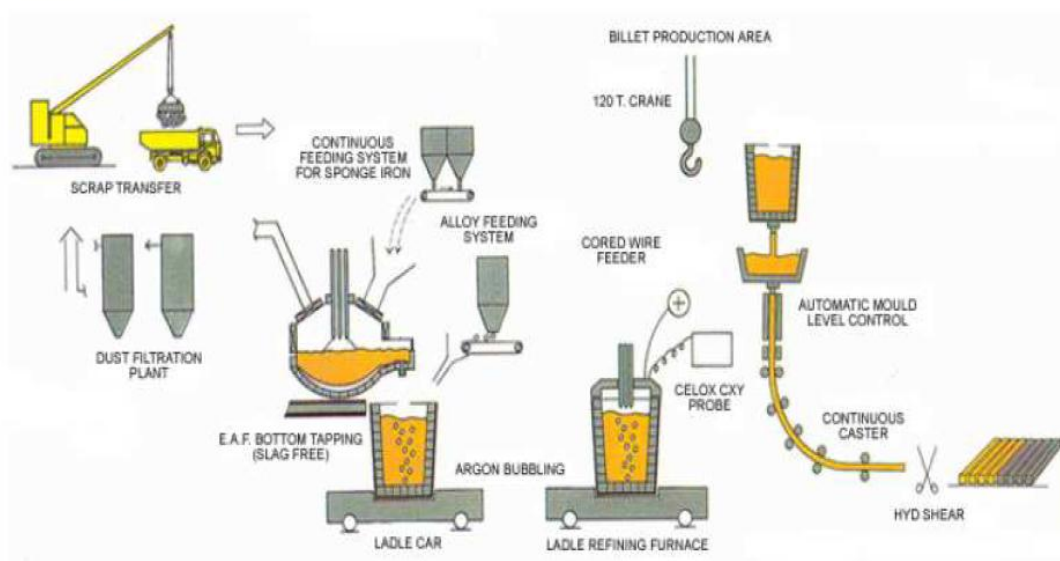
3.2 Summary of rod in coils production process

PT Ispat Indo provided information regarding their production process.

The company detailed the three key processes:

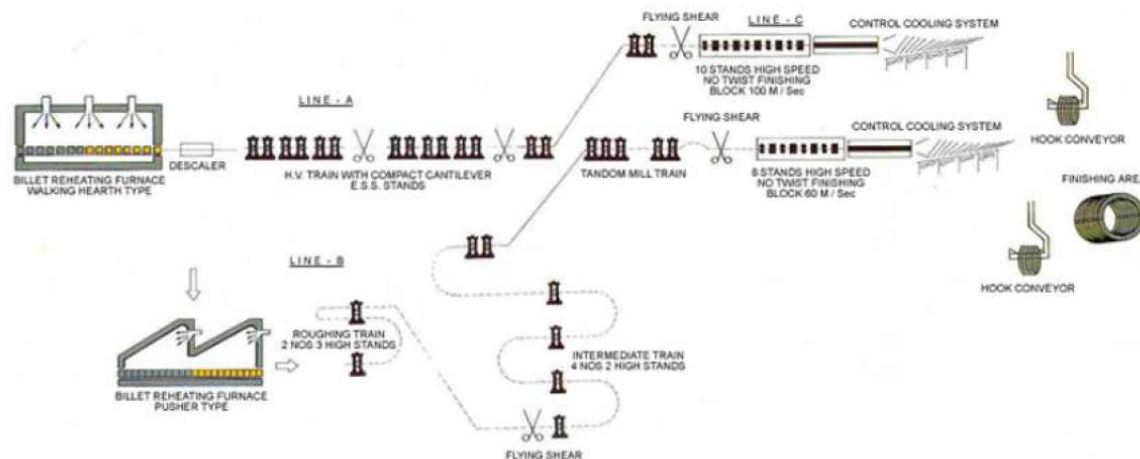
- Steel making – production of molten steel using scrap metal in a an electric arc furnace;
- Billet casting – casting of billets in a continuous casting machine; and
- Reheating furnace and wire rod mill – the billets are reheated and formed into wire rod in the wire rod mill.

Steel Making



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Wire Rod Rolling



3.3 Accounts and financial information

3.3.1 Accounting and audit information

Ispat's financial year is the calendar year.

Ispat's auditor stated in the 2013 independent audit report that:

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of PT Ispat Indo and Subsidiaries as of December 30, 2013 and 2012 and the results of its operations and its cash flow for years ended in conformity with Indonesian Financial Accounting Standards.

The audit report notes the following.

[CONFIDENTIAL INFORMATION DELETED – extract from audited report about accounting policies]Sales of rod in coils exported to Australia were in **[CONFIDENTIAL INFORMATION DELETED – currency]**.

Sales of rod in coils in the domestic market were in **[CONFIDENTIAL INFORMATION DELETED – currency]**.

3.3.2 Financial information provided

Ispat provided spreadsheets detailing export and domestic sales, cost to make and sell (CTMS) information and income and turnover statements as part of its exporter response.

During the course of the investigation Ispat provided revised spreadsheets and additional information as detailed below.

Initial response:

- Audited consolidated report for 2012
- Financial report
- Chart of accounts
- Management reports

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- Income Statement
- Turnover
- Australian Sales
- Domestic Sales
- Volume discount agreements
- Payment period calculations
- Proof of interest rate
- CTMS calculations (Australian and domestic)

Further or amended information received through the course of the investigation:

- PT Ispat Indo audited report 2013
- Sales returns summary
- **[CONFIDENTIAL INFORMATION DELETED – confidential document]**
- Cost reconciliation summary
- Production volumes for 2013
- **[CONFIDENTIAL INFORMATION DELETED – confidential document]**
- Export and inland transport contracts
- Australian sales, including purchase order details
- **[CONFIDENTIAL INFORMATION DELETED – confidential document]**
- **[CONFIDENTIAL INFORMATION DELETED – confidential document]**
- SAP freight transactions
- **[CONFIDENTIAL INFORMATION DELETED – confidential document]**
- **[CONFIDENTIAL INFORMATION DELETED – confidential document]**

3.3.3 Summary of information provided and used

The Commission used information from the exporter response, information in the spreadsheets detailed above and other information provided by Ispat as part of the verification process as noted further in its report to calculate export prices, normal values and dumping margins.

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4 SALES TO AUSTRALIA

4.1 Sales process

4.1.1 Distribution channels

During the investigation period Ispat exported rod in coils to **[CONFIDENTIAL INFORMATION DELETED – details of Australian based customers]**.

4.1.2 Ordering and pricing

Ispat described the export sales process to Australia in its REQ and through the verification process.

Following an initial query from the customer a quotation for the products is provided followed by a negotiation process.

When the price is agreed on a purchase order is received from the customer and an order confirmation is produced.

[CONFIDENTIAL INFORMATION DELETED – details of payment terms].

The goods are delivered to the agreed port and **[CONFIDENTIAL INFORMATION DELETED – details of payment]**.

4.1.3 Payment terms

[CONFIDENTIAL INFORMATION DELETED – details of payment terms]

4.1.4 Delivery terms

[CONFIDENTIAL INFORMATION DELETED – details of delivery terms]

4.1.5 Discounts, rebates and allowance

[CONFIDENTIAL INFORMATION DELETED – details of discounts, rebates allowances applicable to Australian sales]

4.1.6 Date of sale

The Commission considers the date of agreement of the individual contracts to be the effective sale date as this is the date that the sales price and terms had been agreed to.

Ispat had reported export sales by invoice and purchase order number. The Commission had determined that the domestic sales reported for 2013 should not be matched against the export sales of the same month, as the export sales were based on an agreed price, on average **[CONFIDENTIAL INFORMATION DELETED – period]** earlier. The Commission considered it necessary to request the **[CONFIDENTIAL INFORMATION DELETED – period]** sales, for a fair comparison of normal value to FOB export pricing.

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4.2 Verification of export sales to audited financial statements

Ispat provided a listing of all Australian export sales in 2013. The spreadsheet lists export sales line by line and includes details on the customer name, product type, invoice date, sales amount, terms and currency.

Export sales are reported in **[CONFIDENTIAL INFORMATION DELETED – currency]** after conversion from **[CONFIDENTIAL INFORMATION DELETED – currency]**. The audited financial statements report sales information in

[CONFIDENTIAL INFORMATION DELETED – currency]. The amounts shown in the export sales spreadsheet reconciled to the **[CONFIDENTIAL INFORMATION DELETED – currency]** amounts shown in the Income and Turnover spreadsheets and in turn reconciled to the amounts reported in the audited financial statements.

4.3 Verification of export sales to source documents

In its REQ, Ispat provided documents supporting **[CONFIDENTIAL INFORMATION DELETED – number]** of its export sales to Australia during the investigation period.

Initially, **[CONFIDENTIAL INFORMATION DELETED – number]** of the **[CONFIDENTIAL INFORMATION DELETED – number]** sales were identified as being sales to **[CONFIDENTIAL INFORMATION DELETED – customer]** but shipped to **[CONFIDENTIAL INFORMATION DELETED – destination]**. PT Ispat was asked to review all of the export sales in the sales listing and identify and remove any and all non-Australian sales. This was completed and **[CONFIDENTIAL INFORMATION DELETED – number]** sales totalling **[CONFIDENTIAL INFORMATION DELETED – number]** tonnes were removed.

The Commission requested documents for a further **[CONFIDENTIAL INFORMATION DELETED – number]** export sales plus documents relating to the last export sales noted above. Documents provided included:

- the purchase orders;
- order confirmation;
- proforma invoices;
- bills of lading;
- payment details including bank charges;

Information from these documents was verified to the export sales spreadsheet.

Ispat reports in **[CONFIDENTIAL INFORMATION DELETED – currency]**, however the export sales were in **[CONFIDENTIAL INFORMATION DELETED – currency]** and therefore an accounting conversion of currencies takes place upon acknowledgement of the sale. **[CONFIDENTIAL INFORMATION DELETED – details of exchange rate used for accounting purposes]**.

Ispat reported the date of sale as the **[CONFIDENTIAL INFORMATION DELETED – event]**; however for the purpose of comparing the FOB export price to normal value, the Commission considers the **[CONFIDENTIAL INFORMATION DELETED – date of event]** to be comparable to the domestic sales date as **[CONFIDENTIAL INFORMATION DELETED – details of price setting]**.

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In reviewing the provided documents the Commission noted that the one purchase order could cover several shipments for which separate invoices were issued. **[CONFIDENTIAL INFORMATION DELETED – details of sales practices]**.

The Commission considers that the date of the **[CONFIDENTIAL INFORMATION DELETED – event]** best reflects the date of sale.

Shipments were exported within **[CONFIDENTIAL INFORMATION DELETED – number of days]** from the **[CONFIDENTIAL INFORMATION DELETED – event]**.

The Commission considers that the supporting documents and the verification process indicate that the spreadsheet data is relevant, accurate and complete.

Supporting documentation for the selected shipments is at **Confidential Attachment EXP 1**.

Ispat's Australian sales can be summarised as follows.

[CONFIDENTIAL INFORMATION DELETED – summary of Ispat Indo's domestic sales]

4.4 The exporter

Based on information provided in the REQ, additional information provided and information gathered during the verification visit to the **[CONFIDENTIAL INFORMATION DELETED – identification of Australian customers]**, the Commissioner considers Ispat to be the exporter of the rod in coils because it:

- is the manufacturer of the goods;
- owned the goods at the time prior to export;
- is listed as the supplier on the bill of lading;
- invoices the importer for the goods directly;
- arranges and pays inland transport costs from the place of manufacture to port of export;
- arranges and pays for associated handling costs and other export expenses incurred in moving the goods to the port of export;
- is the principal in the transaction located in the country of export from where the goods were shipped that gave up responsibility by knowingly placing the goods in the hands of a freight forwarder for delivery to Australia;
- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods; and
- received payment for the goods from the importer.

4.5 The importer

The Commission found that **[CONFIDENTIAL INFORMATION DELETED – identification of Australian customers]**:

- negotiates directly with Ispat for the supply of goods and enters contracts pursuant to negotiated terms;
- is named as the consignee on the bill of lading; and
- becomes the beneficial legal owner of the goods.

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The Commission considers that **[CONFIDENTIAL INFORMATION DELETED – Australian customers and beneficial ownership of product at the time of importation]** therefore the importer of rod in coils exported by Ispat during the investigation period.

4.6 Arms' length

In determining export prices and normal values, the legislation requires that the relevant sales are arms' length transactions. Section 269TAA³ outlines the circumstances in which the price paid or payable shall not be treated as arms' length. These are where:

- there is any consideration payable for in respect of the goods other than price;
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- in the opinion of the Minister, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The Commission reviewed the documentation for the selected shipments and did not find any evidence, in respect of the purchase of rod in coil, that:

- there is any consideration payable for or in respect of the goods other than price;
- the price was influenced by a commercial or other relationship between **[CONFIDENTIAL INFORMATION DELETED – identification of Australian customers]**, and its suppliers or an associate of the supplier; and/or
- **[CONFIDENTIAL INFORMATION DELETED – identification of Australian customers]** or an associate of **[CONFIDENTIAL INFORMATION DELETED – identification of Australian customers]** was directly or indirectly reimbursed, compensated or otherwise received a benefit for or in respect of the whole or any part of the price.

The Commission is satisfied that import transactions between **[CONFIDENTIAL INFORMATION DELETED – identification of Australian customers]** and its supplier are at arm's length in terms of s. 269TAA.

4.7 Export price preliminary assessment

In the case of all export sales to Australia by Ispat, the Commission considers:

- that the goods have been exported to Australia otherwise than by the importer;
- that the goods have been purchased by the importer from the exporter; and

³ All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

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- the purchases of the goods were arms' length transactions.

Therefore, we consider that the export price for export sales from Ispat can be established under section 269TAB(1)(a) using the invoiced price less any part of the price that represents a charge in respect of transport of the goods or in respect of any other matter arising after exportation. FOB export price calculations are at **confidential appendix 1**.

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5 COST TO MAKE & SELL

5.1 Introduction

Ispat provided domestic and export CTMS and supporting worksheets as noted above. CTMS was presented on a monthly basis.

Cost to make and sell the rod in coils was sourced from the Ispat's Costs of Goods Sold (COGS) and Statement of Comprehensive Income spreadsheets.

The spreadsheets provide monthly details in **[CONFIDENTIAL INFORMATION DELETED – currency]**.

COGS comprise items including:

[CONFIDENTIAL INFORMATION DELETED – details of costs of goods sold]

Items in the Income statement include:

[CONFIDENTIAL INFORMATION DELETED – details of items in Income Statement].

5.2 Cost of production

Ispat advised that the majority of the billet used in the manufacture of the rod in coil is produced by Ispat, primarily from internationally and locally purchased scrap metals and sponge iron.

[CONFIDENTIAL INFORMATION DELETED – details of source of raw materials]

The details in the scrap and billet purchases were verified back to the companies audited accounts and matched to the details of the COGS worksheet.

The Commission asked Ispat to provide documents relating to purchase of scrap metal for the production of billet and verified this information through the company's financial accounting system.

5.2.1 CTMS methodology

Cost to make items on the CTMS spreadsheets comprise raw materials, direct labour, manufacturing overheads and other costs.

Raw materials

[CONFIDENTIAL INFORMATION DELETED – details of raw materials and allocation thereof in the CTMS]

Direct labour

[CONFIDENTIAL INFORMATION DELETED – details of direct labour and allocation thereof in the CTMS]

Manufacturing overheads

[CONFIDENTIAL INFORMATION DELETED – details of manufacturing overheads and allocation thereof in the CTMS]

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Other costs

[CONFIDENTIAL INFORMATION DELETED – details of other costs and the allocation thereof in the CTMS].

5.2.2 Verification to audited statements

The Commission noted the following discrepancies between the COGS of Ispat and the audited statements.

There were minor variances in raw material consumed due to an additional handling charge provision which gave a variance of **[CONFIDENTIAL INFORMATION DELETED – number]** on manufacturing costs which the Commission considers is immaterial.

There were minor variances in general store consumption due to the removal of double charging of internal consumption of wire rod which gave a variance of negative **[CONFIDENTIAL INFORMATION DELETED – number]** on manufacturing costs which the Commission considers is immaterial.

The Commission is satisfied that the cost to make figures recorded in the domestic and Australian CTMS spreadsheets reasonably reflect the costs to make rod in coils.

Documents relating to CTM are at **Confidential Attachment CTM 1.**

5.3 Selling, administration and financial expenses

Selling, administration and financial expenses comprise selling costs, administration costs and financial costs and are sourced from the Statement of Comprehensive Income for Ispat.

Selling costs

[CONFIDENTIAL INFORMATION DELETED – details of selling costs and the allocation thereof in the CTMS] Selling expense documents are at **Confidential Attachment SG&A 1.**

Administration costs

[CONFIDENTIAL INFORMATION DELETED – details of administration costs and the allocation thereof in the CTMS] Administrative expense documents are at **Confidential Attachment SG&A 2.**

Financial expenses

[CONFIDENTIAL INFORMATION DELETED – details of financial expenses and the allocation thereof in the CTMS] Finance expense documents are at **Confidential Attachment SG&A 3.**

The Commission is satisfied that selling and administration expenses reasonably reflect those costs detailed in the domestic and Australian CTMS spreadsheets.

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5.4 Cost to make and sell – summary

Based on the information in the REQ, information provided in response to the remote verification request and subsequent inquiries, the Commission is satisfied that the CTMS information provided by Ispat (with consideration to minor and immaterial discrepancies) is complete, relevant and reasonably reflects those costs.

The Commission is satisfied that sufficient information was available and verified to substantiate the CTMS data submitted by PT Ispat. The Commission considers this data is suitable for:

- determining whether domestic sales are in the ordinary course of trade;
- determining constructed normal values; and
- determining a rate of profit for domestic sales;

The CTMS spreadsheets are at **confidential appendix 2**.

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6 DOMESTIC SALES

6.1 Sales process

6.1.1 Distribution channels

Ispat has two domestic sales channels:

1. Ispat sells rod in coil directly to end users, who use the product in their own production of downstream products.

In this scenario, there may be up to three parties in the supply chain: Ispat, the domestic freight company (when freight is included in the quoted price) and the end user.

2. Ispat sells rod in coil to traders, who then on-sell the product to their own customers.

In this scenario, there may be up to four parties in the chain, being PT Ispat, the trader, the trader's customer and if freight is included in the price, the freight company.

6.1.2 Ordering and pricing

Ispat described the domestic sales process in its REQ and during the exporter verification.

Following an initial query from the customer a quotation for the products is provided followed by a negotiation process.

When the price is agreed on a purchase order is received from the customer followed by an order confirmation.

6.1.3 Payment terms

[CONFIDENTIAL INFORMATION DELETED – details of payment terms adopted for domestic sales]

6.1.4 Delivery terms

Delivery terms for domestic sales are a mix of primarily ex-works with some FIS sales.

6.1.5 Discounts, rebates and allowances

[CONFIDENTIAL INFORMATION DELETED – details of commercial relationship with customers]

6.1.6 Date of sale

Ispat reported the date of sale as the shipment date.

In reviewing the provided documents the Commission noted that the one purchase order/contract could cover a number of deliveries for which separate invoices were

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issued. The documents show that pricing, payment and shipment terms did not change for each of the invoices for which the contract applied.

The Commission considers that for domestic sales the shipment date reflects the date of sale.

6.2 Verification of domestic sales to audited financial statements

Ispat provided a listing of all domestic sales in 2013. The spreadsheet lists domestic sales line by line and includes details on the customer name, product type, invoice date, sales amount, terms and currency.

Domestic sales are in reported in **[CONFIDENTIAL INFORMATION DELETED – currency]**. The audited financial statements report sales information in **[CONFIDENTIAL INFORMATION DELETED – currency]**. The amounts shown in the domestic sales spreadsheet reconciled to the **[CONFIDENTIAL INFORMATION DELETED – currency]** amounts shown in the Income and Turnover spreadsheets and in turn reconciled to the amounts reported in the audited financial statements.

The Commission is therefore satisfied that the domestic sales data provided by Ispat is complete and accurate.

6.3 Verification of domestic sales to source documents

In its REQ Ispat provided documents supporting **[CONFIDENTIAL INFORMATION DELETED – number]** of its domestic sales during the investigation period.

The Commission requested documents supporting **[CONFIDENTIAL INFORMATION DELETED – number]** of its domestic sales during the investigation period. Documents provided included:

- Purchase order;
- Sales order;
- Invoices and proof of payment; and
- Mill certificates.

The Audited Sales 2013 listing shows sales invoice amounts in **[CONFIDENTIAL INFORMATION DELETED – currency]**. The Commission verified the invoiced amounts in **[CONFIDENTIAL INFORMATION DELETED – currency]** to those shown in the sales listing.

The Commission verified the documents provided to the domestic sales spreadsheet and considers that the supporting documents indicate that the spreadsheet data is relevant and accurate.

Supporting documentation for the selected transactions is at **Confidential Attachment DOM 1**.

Ispat's domestic sales can be summarised as follows.

[CONFIDENTIAL INFORMATION DELETED – model/types and sales percentages]

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6.1 Arms' length

Based on information provided in the REQ and additional information provided the Commission is satisfied that sales from Ispat to its domestic customers are arms' length transactions.

6.2 Volume of sales and ordinary course of trade

Domestic sales cannot be used to establish normal values if the volume of domestic sales that are in the ordinary course of trade is less than 5% of the volume of comparable goods exported to Australia.

The Commission used quarterly domestic CTMS to test whether domestic sales were profitable.

Sales of rod in coil at a loss were less than 20% of the volume of sales.

Sales in the ordinary course of trade were made in all quarters of the investigation period. Those sales were greater than 5% of the volume of rod in coils exported to Australia.

The Commission proposes to establish normal values under s.269TAC(1) using sales of rod in coils by Ispat in the ordinary course of trade.

6.3 Sales by other sellers

There are other sellers of rod in coils in Indonesia, however the Commission considers it has sufficient and reliable information to determine normal values under s.269TAC(1).

6.4 Third country sales

The Commission did not require PT Ispat Indo to report third country sales. Sales values and volumes were reconciled. The Commission is satisfied that the data presented is suitable for the purposes of calculating the normal value.

6.5 Domestic sales – summary

Based on the information provided by Ispat, the Commission is of the view that sales of rod in coils in the ordinary course of trade can be used to establish normal values under 269TAC(1).

Ispat's domestic sales listing and the Commission's ordinary course of trade calculations are at **confidential appendix 1**.

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7 NORMAL VALUE

7.1 Normal value

The Commission considers that information gathered and detailed in this report and its attachments can be relied upon to establish normal values for comparison with export prices for rod in coils exported to Australia during the investigation period under s. 269TAC(1).

The Commission has established normal values under s.269TAC(1) using domestic sales of rod in coils.

Normal values were established at an FOB point.

7.2 Adjustments

The Commission has made adjustments to the normal values under s. 269TAC(8) to make them fairly comparable with export prices by adjusting for export expenses.

Export inland transport:

Ispat reported transaction specific expenses incurred to transport the goods to the warehouse of the company's shipping agents for each export transaction. These expenses included inland freight charges. The expenses were verified for each selected export transaction and the Commission made an upward adjustment to the normal value for these expenses.

Export handling charges:

Ispat reported transaction specific expenses incurred to pack the goods into shipping containers and transport the goods to Surabaya port. These expenses were verified for each selected export transaction and the Commission made an upward adjustment to the normal value for these expenses.

Domestic Freight:

Domestic sales are a mix of free into store, known as "franco" and ex works, known as "loco". The "franco" sales require a domestic freight adjustment. The Commission made a downward adjustment to the normal value for these expenses.

Credit Terms:

Credit terms were offered for domestic sales but not export sales, and therefore the Commission made a downward adjustment to the normal value for these expenses.

Bank Fees:

PT Ispat sells both export and some domestic sales via LC. These transactions have bank fees associated with the transactions for which adjustment is required for normal value calculations. The Commission made an upward adjustment to the normal value for export bank fees and a downward adjustment for domestic bank fees.

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Details of adjustments to the normal values are at confidential appendix 1.

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8 NORMAL VALUES AND DUMPING MARGIN

The Commission considers that information gathered and detailed in this report and its attachments can be relied upon to establish normal values (for comparison with export prices for rod in coils exported to Australia during the investigation period) under s. 269TAC(1). We have made necessary adjustments to the normal values under s. 269TAC(8) to make them fairly comparable with export prices to the FOB point.

In calculating the dumping margin the commission compared quarterly export prices with quarterly normal values.

The date of sales order was used for domestic and export sales in comparing prices.

The weighted average product dumping margin is **negative 1.85%**.

Normal value and dumping margin calculations are at **confidential appendix 1**.

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9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Domestic sales, export sales, OCOT, normal value, export price and dumping margin
Confidential Appendix 2	Export and domestic CTMS
Confidential attachment EXP 1	Selected export sales documentation
Confidential attachment CTM 1	Selected CTM documentation
Confidential attachment SG&A 1	Selling expenses
Confidential attachment SG&A 2	Administrative expenses
Confidential attachment SG&A 3	Finance expenses
Confidential attachment DOM 1	Selected domestic sales documentation