



INVESTIGATION 370

**ALLEGED DUMPING OF ZINC COATED
(GALVANISED) STEEL
EXPORTED FROM REPUBLIC OF INDIA (INDIA),
MALAYSIA AND
THE SOCIALIST REPUBLIC OF VIETNAM (VIETNAM)**

AND

**ALLEGED SUBSIDISATION OF GALVANISED STEEL FROM
INDIA AND VIETNAM**

VISIT REPORT - EXPORTER

**JSW STEEL COATED PRODUCTS LIMITED AND JSW STEEL
LIMITED**

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

MARCH 2017

CONTENTS

CONTENTS.....	2
1 BACKGROUND.....	4
2 THE GOODS AND LIKE GOODS.....	5
2.1 THE GOODS EXPORTED TO AUSTRALIA	5
2.2 LIKE GOODS SOLD ON THE DOMESTIC MARKET	5
2.3 MODEL MATCHING	5
2.4 LIKE GOODS – PRELIMINARY ASSESSMENT.....	5
3 VERIFICATION OF EXPORT SALES TO AUSTRALIA.....	7
3.1 APPROACH TO VERIFICATION.....	7
3.2 VERIFICATION OF AUSTRALIAN SALES TO AUDITED FINANCIAL STATEMENTS	7
3.3 VERIFICATION OF AUSTRALIAN SALES TO SOURCE DOCUMENTS	7
3.4 THE EXPORTER	8
3.5 THE IMPORTER	8
3.6 RELATED PARTY CUSTOMERS.....	8
3.7 ARMS LENGTH.....	8
3.8 EXPORT PRICE – PRELIMINARY ASSESSMENT	8
4 COST TO MAKE AND SELL.....	10
4.1 VERIFICATION APPROACH.....	10
4.2 VERIFICATION OF COSTS TO AUDITED FINANCIAL STATEMENTS.....	10
4.3 VERIFICATION OF COSTS TO SOURCE DOCUMENTS.....	10
4.4 RELATED PARTY PURCHASES.....	10
4.5 COST TO MAKE AND SELL – SUMMARY	11
5 VERIFICATION OF DOMESTIC SALES	12
5.1 VERIFICATION OF DOMESTIC SALES TO AUDITED FINANCIAL STATEMENTS	12
5.2 VERIFICATION OF DOMESTIC SALES TO SOURCE DOCUMENTS	12
5.3 RELATED PARTY CUSTOMERS	12
5.4 ARMS LENGTH.....	13
5.5 ORDINARY COURSE OF TRADE.....	13
5.6 SUITABILITY OF DOMESTIC SALES	13
5.7 DOMESTIC SALES – SUMMARY.....	13
6 ADJUSTMENTS	14
6.1 CREDIT TERMS	14
6.2 INLAND TRANSPORT.....	14
6.3 HANDLING AND OTHER.....	14
6.4 BILL DISCOUNTING CHARGES	15
6.5 DUTY DRAWBACK	15
6.6 ADJUSTMENTS – CONCLUSION	15
7 NORMAL VALUE.....	16
8 SUBSIDIES	17
8.1 VERIFICATION APPROACH.....	17
8.2 PROGRAM 23 - EXPORT PROMOTION CAPITAL GOODS SCHEME (EPCG).....	19
8.3 PROGRAM 25 - DUTY EXEMPTION/REMISSION SCHEMES – ADVANCE AUTHORIZATION SCHEME	21
8.4 PROGRAM 27 - DUTY EXEMPTION/REMISSION SCHEMES – DUTY DRAWBACK SCHEME	21
8.5 PROGRAM 31 - 80-IA INCOME TAX DEDUCTION PROGRAM.....	22
8.6 PROGRAM 35 - SGOM – EXEMPTION FROM ELECTRICITY DUTY.....	22
8.7 PROGRAM 39 - SGOM – SPECIAL INCENTIVES OF THE SGOM FOR MEGA PROJECTS	22
8.8 PROGRAM 57 - SALES TAX DEFERRAL PROGRAM	23

PUBLIC RECORD

8.9	PROGRAM 58 - ELECTRICITY DUTY EXEMPTION	23
8.10	PROGRAM 59 - INTEREST FREE LOAN	23
9	DUMPING AND SUBSIDY MARGINS.....	24
10	APPENDICES AND ATTACHMENTS.....	25

1 BACKGROUND

On 7 October 2016, the Commissioner of the Anti-Dumping Commission gave public notice of his decision to initiate an anti-dumping investigation in respect of zinc coated (galvanised) steel exported to Australia from Republic of India (India), Malaysia and the Socialist Republic of Vietnam (Vietnam) and a countervailing investigation in respect of galvanised steel exported from India and Vietnam in Anti-Dumping Notice (ADN) No. 2016/105. The background relating to initiation of this investigation is contained in Consideration Report number 370 (CON 370).

Following initiation of the investigation, a search of the Australian Border Force (ABF) import database indicated that JSW Steel Coated Products Limited (JSWC) and JSW Steel Limited (JSWSL), collectively referred to as 'JSW' for the purpose of this report, exported galvanised steel to Australia from India during the period 1 July 2015 to 30 June 2016 (the investigation period).

The Anti-Dumping Commission (the Commission) notified JSW of initiation of the investigation, and sought its cooperation through the completion of an Exporter Questionnaire regarding galvanised steel.

While JSWC and JSWSL separately submitted complete responses to the exporter questionnaire, for the purpose of this report and calculation of dumping/subsidy margins, the verification team collapsed the two entities and calculated a combined single weighted average dumping margin and a combined single weighted average subsidy margin. The details for collapsing is at **Confidential Attachment 1**.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the investigation period JSW exported galvanised steel to Australia. The galvanised steel exported by JSW meets the description of ‘the goods’ as described in the application.

2.2 Like goods sold on the domestic market

During the investigation period JSW sold galvanised steel to its domestic customers in India. The galvanised steel sold domestically by JSW during the investigation period covers a wider range of thickness, width and zinc coating mass than the ones exported to Australia.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- are not distinguished from the exported goods during production;
- are produced at the same facilities and with the same raw material inputs and manufacturing processes; and
- can be considered functionally and commercially alike.

2.3 Model matching

For the purpose of model matching, the verification team relied on the Product Control Number (PCN) classifications as a guide. Each of the distinct products were classified and given a distinct set of PCN numbers based on following criteria,

- Prime/Non-Prime
- Hot/cold rolled base steel
- Coating type
- Coating mass
- Grade designation
- Thickness range
- Width range
- Form (coil or sheet)

JSW followed identical range set for each of the above characteristics to classify their galvanised steel models produced for both the domestic market and exports to Australia.

2.4 Like goods – preliminary assessment

The verification team considers that galvanised steel produced by JSW for domestic sale has characteristics closely resembling those of the goods exported to Australia and are

PUBLIC RECORD

therefore 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).¹

¹ References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Approach to verification

As discussed in section 1 of this report, JSWC and JSWSL separately submitted a complete response to the exporter questionnaires. The verification team noted that during the investigation period the majority of the goods were exported by JSWC. Therefore, at the visit the verification team conducted a detailed verification in relation to information submitted by JSWC and collected all relevant information and evidence in relation to JSWSL.

3.2 Verification of Australian sales to audited financial statements

The verification team verified the completeness and relevance of JSW's Australian sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

The verification team noted a minor variance when reconciling the Australian sales to the financial statements of JSWC and JSWSL. JSW clarified that this was due to some of the goods that were exported to Australia being also included in the third country exports. At the visit JSW provided revised turnover and sales spreadsheets which reconciled to the audited financial statements.

Details of the verification process is contained in the verification work program, and its relevant attachments, at **Confidential Attachment 2**.

3.3 Verification of Australian sales to source documents

The verification team verified the accuracy of JSW's Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team is satisfied that the revised Australian sales record listing provided by the company represents a complete and relevant listing of all sales of galvanised steel to Australia during the investigation period. In the revised Australian sales listing, JSWC and JSWSL provided the 'packing cost' for export sales for each of the shipments.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 2**.

3.3.1 Packaging costs

In the original submission of 'B4-Australian Sales', JSWSL and JSWC inadvertently omitted the packing cost. At the visit, the verification team requested and JSW provided revised copies of its Australian sales listing, depicting the export packing costs. The 'packing cost' column was indicative in nature and had no effect on the invoice price, ocean freight and handling expenses. There were no changes to other columns of B-4 Australian Sales.

3.4 The exporter

For all Australian exports of the goods during the investigation period, the verification team considers JSW to be the exporter of the goods.²

3.5 The importer

In relation to galvanised steel exported to Australia by JSW, the verification team considers that the customers listed in the Australian sales listing were the beneficial owners of the goods at the time of importation, and therefore were the 'importers' of the goods.

3.6 Related party customers

Based on JSW's responses to the Exporter Questionnaire, sales data provided, audited financial statements and the information gathered during the visit, the verification team did not find any evidence that suggests the Australian customers were related to JSW during the investigation period.

The verification team found no evidence of any relationship, other than a commercial relationship, between JSW and its customers or suppliers.

3.7 Arms length

In respect of Australian sales of the goods by JSW to its customers during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was 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
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.³

The verification team therefore considers that all exports to Australia made by JSW during the investigation period were arms length transactions.

3.8 Export price – preliminary assessment

The verification team is satisfied that the Australian sales listing is complete, relevant and accurate and recommends that the export price be determined under

² The Commission generally identifies the exporter as a 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 carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

³ Section 269TAA of the Act refers.

PUBLIC RECORD

paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

The verification team's preliminary weighted average export price calculations are at **Confidential Appendix 1**.

4 COST TO MAKE AND SELL

4.1 Verification approach

As discussed in section 1 of this report, JSWC and JSWSL separately submitted complete responses to the exporter questionnaire and cost data. The verification team noted that during the investigation period the majority of the goods were exported by JSWC. Therefore, at the visit the verification team conducted a detailed cost verification in relation to information submitted by JSWC and collected all relevant cost information and evidence in relation to JSWSL.

For each entity separately, the verification team verified the completeness and relevance of JSWC's and JSWSL's CTMS spreadsheets by reconciling them to audited financial statements in accordance with ADN No. 2016/30.

4.2 Verification of costs to audited financial statements

While reconciling the CTMS spreadsheet, the verification team noted errors in the SG&A allocation expenses. At the visit, JSW provided a revised CTMS spreadsheet (for both entities JSWSL and JSWC) correcting the issue identified by the verification team. The amended CTMS spreadsheet also included the sales value for each PCN during the quarter and referencing the SG&A expenses to the sales value. The verification team did not identify any further issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 2**.

4.2.1 CTMS

JSW provided an updated Domestic and Australian CTMS spreadsheets by inserting a column indicating the sales value for each PCN for the respective quarter. This sales invoice value was referenced to derive SG&A expenses. The SG&A and finance expenses varied slightly from the original figures for the same periods due to rounding errors.

4.3 Verification of costs to source documents

The verification team verified the accuracy of JSW's CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 2**.

4.4 Related party purchases

The verification team confirmed during the verification process that JSWSL predominantly supplied HRC (major raw material for galvanised steel) to JSWC. An analysis of the weighted average HRC prices paid by JSWC to JSWSL and price paid to other unrelated parties for respective quarters showed that they were not significantly different.

PUBLIC RECORD

JSW stated that the Government of India (GOI) mandated audit prepared by third party auditors to ascertain the arms length nature of these transactions concluded that the prices paid for HRC coil by JSWC to JSWSL were arms length in nature. At the visit the verification team did not find any evidence that suggests otherwise.

4.5 Cost to make and sell – summary

Having verified JSW's revised CTMS spreadsheet to audited financial statements and to source documents, the verification team is satisfied that the updated CTMS spreadsheet is complete, relevant and accurate.

JSW's revised CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

JSW sells galvanised steel through three sales processes in the Indian domestic market. For each transaction provided in the domestic sales listing JSW identified the process through which that sale took place.

For each entity JSWC and JSWSL, the verification team separately verified the completeness and relevance of the domestic sales listing by reconciling the domestic sales spreadsheet (D4) to audited financial statements for the FY2016 in accordance with ADN No. 2016/30.

The verification team noted the JSW's financial year is from April to March while the investigation period is from July 2015 to June 2016. At the visit JSW provided details of the calculations by excluding the first quarter of the FY2016 (April to June 2015) and including first quarter data for FY2017 (April to June 2016) to reconcile the data in the investigation period.

The verification team did not identify any issues during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 2**.

5.2 Verification of domestic sales to source documents

The verification team verified the accuracy of JSWC's and JSWSL's domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. During this process, there was an amendment made to the domestic sales listing relating to handling and other expenses. The verification team did not identify any other issues.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 2**.

5.2.1 Transactions with no quantity

During the visit, the verification team identified some transactions with 'zero' quantity, or associated shipment details. JSW explained that these transactions related to return sales. The verification team considers that these transactions should be removed, and did not include in the OCOT tests.

5.3 Related party customers

Based on JSW's responses to the Exporter Questionnaire, sales data, audited financial statements and information gathered at the visit, the verification team did not find any evidence that suggests that the domestic customers were related to JSW during the investigation period.

The verification team found no evidence of any relationship, other than a commercial relationship, between JSW and its domestic customers.

5.4 Arms length

In respect of domestic sales of galvanised steel made by JSW during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was 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
- the buyer, or an associate of the buyer, 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 verification team therefore considers that all domestic sales made by JSW during the investigation period were arms length transactions.

5.5 Ordinary course of trade

Section 269TAAD of the Act provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

For each entity (JSWC and JSWSL), the verification team separately compared the revenue (i.e. net sales value) for each domestic sale of galvanised steel to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20% for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the investigation period. Those sales found to be unrecoverable were considered not to be in the OCOT.

5.6 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export.

Low volume is defined by subsection 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia. The verification team found there was a sufficient volume of domestic sales made in the OCOT for some models of galvanised steel exported to Australia during the investigation period.

5.7 Domestic sales – summary

The verification team is satisfied that the revised domestic sales listing is complete, relevant and accurate, and can be used for assessing normal value under subsection 269TAC(1) of the Act.

The revised domestic sales listing is at **Confidential Appendix 3**.

6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with subsection 269TAC(8).

6.1 Credit terms

The verification team considers that a downward adjustment to the normal value for domestic credit is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the number of credit days listed for each domestic transaction and the weighted average interest paid on short-term borrowings during the investigation period.

The verification team also considers that an upward adjustment for export credit is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the number of credit days and the weighted average interest paid on short-term borrowings during the investigation period.

6.2 Inland transport

The verification team considers that a downward adjustment for inland freight expenses is required where direct & consignment freight were paid, to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost (per tonne) for those expenses over the investigation period.

The verification team considers that an upward adjustment for export inland freight expenses is required, to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost (per tonne) for those expenses over the investigation period.

6.3 Handling and other

The verification team considers that a downward adjustment to the normal value for domestic handling expenses on goods shipped is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the actual domestic handling costs listed for each domestic transaction.

The verification team considers that an upward adjustment for export handling and other expenses is required, to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost (per tonne) for those expenses over the investigation period.

6.4 Bill discounting charges

The verification team considers that a downward adjustment for the bill discounting for domestic sales and an upward adjustment export sales⁴ is required to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost (per tonne) for those expenses over the investigation period.

6.5 Duty Drawback

The verification team considers that a downward adjustment to the normal value for duty drawback is necessary to ensure a fair comparison to the FOB export price. Duty drawback is a special export incentive provided by the Government of India to the exported goods. No similar benefits were provided to domestically sold goods. The verification team has applied this adjustment based on the weighted average cost (per tonne) for those expenses over the investigation period.

6.6 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(8) and subsection 269TAC(9) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Adjustment Type	Deduction/addition
Domestic Inland Freight	Deduct the cost of domestic inland freight
Domestic credit	Deduct the cost of domestic credit.
Domestic handling and other	Deduct the cost of domestic handling.
Domestic Bill Discounting	Deduct domestic bill discounting
Export Duty Drawback	Deduct the duty drawback provided on exports.
Export inland freight	Add the cost of export inland freight.
Export handling and other expenses	Add the cost of export handling and other expenses.
Bill Discounting of Exports	Add Bill Discounting Expenses
Export credit	Add the cost of export credit.

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

⁴ Bill discounting is where in case of payment terms "L/C at sight" the receipt of payment is at the negotiating banks counter upon discounting of Bills of Exchange. In case of payment terms "Advance", the payment is received by means of remittance after confirmation of order but before shipment.

7 NORMAL VALUE

The verification team is satisfied that 7 of the 10 models (for JSWC) and 1 of the 4 models (for JSWSL) exported to Australia had sufficient volumes of comparable domestic sales models that were arm's length transactions and at prices that were in the OCOT. The verification team is therefore satisfied that the prices paid in respect of those models of domestic sales of galvanised steel are suitable for assessing normal value under subsection 269TAC(1)(a).

The remaining 6 (3 for JSWC and 3 for JSWSL) models exported to Australia either did not have sufficient volumes of comparable domestic sales models or were not sold in the domestic market. The verification team has therefore constructed normal values under subsection 269TAC(2)(c), using the CTM for Australian export sales; plus SG&A applicable to goods sold domestically; plus profit of domestic OCOT sales

The normal value under these provisions has been adjusted for certain factors in accordance with subsection 269TAC(8) and (9) to achieve fair comparison of normal values with export prices.

The verification team's preliminary single weighted average normal value calculations for JSW is at **Confidential Appendix 4**.

8 Subsidies

8.1 Verification approach

As discussed in section 1 of this report, JSWC and JSWSL separately submitted complete responses to the exporter questionnaire. For each program, JSW identified which entity received benefits under which subsidy program.

The verification team noted that four additional programs (programs 56- 59) were identified by JSW which were not listed in the application. JSW identified these programs separately as the names of these programs were slightly different from those alleged.

The verification team noted that JSW benefited from 10 of the 59 subsidy programs and has collectively assessed the subsidy programs summarised below. Detailed discussion and assessment of each of the programs where JSW has received a benefit is discussed below.

Program no.	Program Title	Program type	Benefits received by JSW?
1	Duty-Free Importation of Capital Goods and Raw Materials, Components, Consumables, Intermediates, Spare Parts and Packing Material in Special Economic Zones (SEZs)	Tax Policy	N
2	Export Income Tax Exemptions in SEZs	Tax Policy	N
3	Exemption in SEZs from Minimum Alternate Tax	Tax Policy	N
4	Exemption in SEZs from Payment of Central Sales Tax on Purchases of Capital Goods and Raw Materials, Components, Consumables, Intermediates, Spare Parts and Packing Material	Tax Policy	N
5	Exemption in SEZs from Service Tax	Tax Policy	N
6	Discounted Land Fees and Leases in SEZs	Grant	N
7	Discounted Electricity Rates in SEZs	Electricity	N
8	Exemption in SEZs from State Sales Tax and Other Levies as Extended by State Governments	Tax Policy	N
9	Duty-Free Importations for Companies Designated as Export Oriented Units (EOUs)	Tax Policy	N
10	Reimbursement to EOUs of Central Sales Tax	Tax Policy	N
11	Duty Drawback for EOUs on Fuel Procured from Domestic Oil Companies	Tax Policy	N
12	Credit for Service Tax paid by EOUs	Tax Policy	N
13	Exemptions from Income Tax for EOUs	Tax Policy	N
14	Exemption from Central Excise Duty on Goods Procured from Domestic Tariff Areas and On Goods Manufactured in India	Tax Policy	N

PUBLIC RECORD

15	Assistance to States for Developing Export Infrastructure and Allied Activities	Grant	N
16	Market Access Initiative	Grant	N
17	Market Development Assistance	Grant	N
18	Meeting Expenses for Statutory Compliances in Buyer Country for Trade Related Matters	Grant	N
19	Brand Promotion and Quality	Grant	N
20	Test Houses	Grant	N
21	Focus Product Scheme	Grant	N
22	Rupee/Foreign Currency Export Credit & Customer Service to Exporters	Grant	N
23	Export Promotion Capital Goods Scheme	Grant	Y
24	Duty Exemption/Remission Schemes – Duty-Free Import Authorization Scheme	Tax Policy	N
25	Duty Exemption/Remission Schemes – Advance Authorization Scheme	Tax Policy	Y
26	Duty Exemption/Remission Schemes – Duty Entitlement Passbook Scheme	Tax Policy	N
27	Duty Exemption/Remission Schemes – Duty Drawback Scheme	Tax Policy	Y
28	Provision of Captive Mining Rights for Minerals Including Iron Ore and Coal	Rights	N
29	Purchase of Iron Ore From State-owned Enterprises for Less Than Fair Market Value	LTAR	N
30	80-IB Income Deduction Program	Tax Policy	N
31	80-IA Income Tax Deduction Program	Tax Policy	Y
32	Steel Development Fund Loans	Loan	N
33	Steel Development Fund R&D Grants	Grant	N
34	State Government of Maharashtra (SGOM) – Industrial Promotion Subsidy	Grant	Y
35	SGOM – Exemption from Electricity Duty	Electricity	Y
36	SGOM – Waiver of Stamp Duty	Tax Policy	N
37	SGOM – Power Tariff Subsidy	Electricity	N
38	SGOM – Incentives to Strengthen Micro, Small and Medium Enterprises (MSME)	Grant	N
39	SGOM – Special Incentives of the SGOM for Mega Projects	Grant	Y
40	State Government of Gujarat (SGOG) – Assistance to MSMEs – Interest Subsidy	Loan	N

PUBLIC RECORD

41	SGOG – Assistance to MSMEs – Quality Certification	Grant	N
42	SGOG – Sales Tax Exemptions and Deferrals On Purchase of Goods	Tax Policy	N
43	SGOG – VAT Remission Scheme	Tax Policy	N
44	SGOG – Scheme for Assistance to Industrial Parks/Industrial Estates Set Up By Private Institutions	Grant	N
45	SGOG – Critical Infrastructure Projects	Grant	N
46	State Government of Chhattisgarh (SGOC) – Industrial Policy 2009-2014: Fixed Capital Investment Subsidy	Grant	N
47	SGOC – Industrial Policy 2009-2014: Interest Subsidy	Loan	N
48	SGOC – Industrial Policy 2009-2014: Quality Certification	Grant	N
49	SGOC – Industrial Policy 2009-2014: Electricity Duty Exemption	Electricity	N
50	SGOC – Industrial Policy 2009-2014: Stamp Duty Exemption	Tax Policy	N
51	SGOC – Industrial Policy 2009-2014: Provision of Land for Less than Adequate Remuneration	LTAR	N
52	State Government of Jharkhand (SGOJ) – Comprehensive Project Investment Subsidy	Grant	N
53	SGOJ – Stamp Duty and Registration	Tax Policy	N
54	SGOJ – Incentive for Quality Certification	Grant	N
55	SGOJ – VAT and Tax Incentives	Tax Policy	N
56	Merchandise Exports from India Scheme	Grant	N
57	Sales Tax Deferral Program	Tax Policy	Y
58	Electricity Duty Exemption	Electricity	Y
59	Interest free loan	Loan	Y

8.2 Program 23 - Export Promotion Capital Goods Scheme (EPCG)

In response to the exporter questionnaire, JSW stated that the company imported capital goods under the Export Promotion of Capital Goods Scheme (“EPCGS”) for the use in the manufacture of subject merchandise as well as in the manufacture of non-subject merchandise. JSW stated that in order to obtain the benefit under the EPCGS, a company must export 6 times the duty saved amount in the 6 years from the date of issue of license.

At the visit, JSW stated that the EPCGS program benefit is based on the basic customs duty that is waived under the program. JSW explained that the Central Value Added tax (CENVAT) duties should be excluded as they are later credited regardless of the EPCGS program. The CENVAT credit reflects nothing more than the normal operation of any VAT

PUBLIC RECORD

system, where the tax paid by a company at one sales level is “passed on” to the buyer and credited back to the seller at the next stage. As such, the CENVAT credit is just a way of avoiding double taxation, and it does not constitute a kind of benefit or subsidy.

The amount of benefit under the EPCGS program is the difference in the amount of import duties and fees the company would pay without the EPCGS and the amount of reduced duties and fees the company paid with the EPCGS.

At the visit JSW provided the verification team a detailed (line by line) list of licenses from which the company benefited from this program. JSW also provided the verification team with an extract of CENVAT rules.

The verification team calculated the benefit excluding CENVAT by first calculating the amount of benefit for each capital item and amortising⁵ it over the life of the capital item.

To calculate the unit benefit received, the verification team segregated the licenses into those which have been redeemed and those on which the discharge certificate has not been received indicating that the export obligation is *still remaining* as detailed below.

- a. Licenses for which the *export obligation* has been fulfilled and the licenses have been *redeemed* the verification team calculated the benefit received by JSW and divided that by the total turnover volume of goods exported by both entities.
- b. Licenses for which the government has *not provided a discharge certificate*, implying that the export obligation is *not fulfilled*, the verification team treated those licenses as a contingent liability loan and only interest on the duty exemption has been considered as the benefit. The verification team calculated the benefit received by JSW and divided that by the total turnover volume of goods exported by both entities.

The unit benefit of JSW was then divided by the weighted average export price to calculate the subsidy margin. The amount of the benefit and subsidy margin calculated is at **Confidential Appendix 6**.

Details of the verification are contained within the verification work program at **Confidential Attachment 2**.

⁵ the following formula has been used to amortise the average useful life of the asset:

$$AK = \frac{y}{n} + \frac{[y - (y/n)(k-1)]d}{1 + d}$$

Where:

Ak = the amount of the benefit allocated to year k,

y = the face value of the subsidy,

n = the AUL of assets in the industry being investigated,

d = the discount rate, and

k = the year of allocation where the year of receipt = 1 and $1 < k < n$.

8.3 Program 25 - Duty Exemption/Remission Schemes – Advance Authorization Scheme

In response to exporter questionnaire, JSWSL stated that the company benefited from Advance Authorization (“AA”) program for import of inputs on a duty free basis that are physically incorporated in an exported product. Under the AA program, companies that satisfy the eligibility requirements are exempt from the payment of basic customs duty, additional customs duty under Section 3(1) of the Customs Tariff Act, customs education cess as well as anti-dumping duty and safeguards duty, if any, on imports of inputs to be used in the manufacture of the export product.

At the visit JSWSL provided the verification team a detailed (line by line) list of licenses from which the company benefited from this program.

The verification team calculated the benefit excluding CENVAT by first calculating the amount of benefit for each capital item and amortising it over the life of the capital item. To calculate the unit benefit received, the verification team then added the total benefit received by JSWC and JSWSL and divided that by the total turnover volume of goods exported by both entities. The unit benefit was then divided by the weighted average export price to calculate the subsidy margin. The amount of the benefit and subsidy margin calculated is at **Confidential Appendix 6**.

Details of the verification are contained within the verification work program at **Confidential Attachment 2**.

8.4 Program 27 - Duty Exemption/Remission Schemes – Duty Drawback Scheme

In response to exporter questionnaire, JSW advised that it has availed of the Duty Drawback (“DDB”) program which provides a reimbursement of the duty paid on imported and indigenous material used in products that are exported. Under the DDB program, the customs and central excise duty payable on inputs used in the manufacture of products that are exported is reimbursed.

At the visit JSW provided the verification team a detailed (line by line) list of all exports of the goods that benefited from this program.

To calculate the unit benefit received, the verification team added the total benefit received by JSWC and JSWSL and divided that by the total turnover volume of goods exported by both entities. The unit benefit was then divided by the weighted average export price to calculate the subsidy margin. The amount of the benefit and subsidy margin calculated is at **Confidential Appendix 6**.

Details of the verification are contained within the verification work program at **Confidential Attachment 2**.

8.5 Program 31 - 80-IA Income Tax Deduction Program

In response to exporter questionnaire, JSWC stated that Section 80IA of the IT Act permits deductions of an amount equal to 100 percent of the profits and gains derived by an undertaking from certain eligible businesses when computing the gross total income of the enterprise. Eligible business includes undertakings which have been set up in India for the generation or generation and distribution of power.

To calculate the unit benefit received, the verification team added the total benefit received by JSWC and JSWSL and divided that by the total company turnover for both entities. The unit benefit was then divided by the weighted average export price to calculate the subsidy margin. The amount of the benefit and subsidy margin calculated is at **Confidential Appendix 6**.

Details of the verification are contained within the verification work program at **Confidential Attachment 2**.

8.6 Program 35 - SGOM – Exemption from Electricity Duty

In response to exporter questionnaire, JSW had stated it had availed of the program.

At the visit, the verification team sought further details regarding certain benefits received by JSW's related entities. The detail discussion of this issue and Commission's assessment is at **Confidential Attachment 3**. The Commission concluded that JSW had received benefits under this program.

To calculate the unit benefit received, the verification team added the total benefit received by JSWC and JSWSL and divided that by the total company turnover of both entities. The unit benefit was then divided by the weighted average export price to calculate the subsidy margin. The amount of the benefit and subsidy margin calculated is at **Confidential Appendix 6**.

Details of the verification are contained within the verification work program at **Confidential Attachment 2**.

8.7 Program 39 - SGOM – Special Incentives of the SGOM for Mega Projects

In response to exporter questionnaire, JSW stated that it has received benefits under this program.

To calculate the unit benefit received, the verification team added the total benefit received by JSWC and JSWSL and divided that by the total company turnover of both entities. The unit benefit was then divided by the weighted average export price to calculate the subsidy margin. The amount of the benefit and subsidy margin calculated is at **Confidential Appendix 6**.

Details of the verification are contained within the verification work program at **Confidential Attachment 2**.

8.8 Program 57 - Sales Tax Deferral Program

In response to exporter questionnaire, JSW stated that it has received benefits under this program.

To calculate the unit benefit received, the verification team added the total benefit received by JSWC and JSWSL and divided that by the total company turnover of both entities. The unit benefit was then divided by the weighted average export price to calculate the subsidy margin. The amount of the benefit and subsidy margin calculated is at **Confidential Appendix 6**.

Details of the verification are contained within the verification work program at **Confidential Attachment 2**.

8.9 Program 58 - Electricity Duty Exemption

In response to exporter questionnaire, JSW stated that it has received benefits under this program.

To calculate the unit benefit received, the verification team added the total benefit received by JSWC and JSWSL and divided that by the total company turnover of both entities. The unit benefit was then divided by the weighted average export price to calculate the subsidy margin. The amount of the benefit and subsidy margin calculated is at **Confidential Appendix 6**.

Details of the verification are contained within the verification work program at **Confidential Attachment 2**.

8.10 Program 59 - Interest free loan

In response to exporter questionnaire, JSW stated that it has received benefits under this program.

To calculate the unit benefit received, the verification team added the total benefit received by JSWC and JSWSL and divided that by the total company turnover of both entities. The unit benefit was then divided by the weighted average export price to calculate the subsidy margin. The amount of the benefit and subsidy margin calculated is at **Confidential Appendix 6**.

Details of the verification are contained within the verification work program at **Confidential Attachment 2**.

9 DUMPING AND SUBSIDY MARGINS

The dumping margin has been assessed by comparing weighted average export prices to the corresponding quarterly weighted average normal value for the investigation period, in accordance with paragraph 269TACB(2) of the Act. The dumping margin in respect of galvanised steel exported to Australia by JSW for the investigation period is **9.0%**.

The subsidy margin has been assessed by comparing weighted average unit Australian export price to the corresponding unit benefit for the investigation period, in accordance with paragraph 269TACD(2) of the Act. The preliminary subsidy margin in respect of galvanised steel exported to Australia by JSW for the investigation period is **5.0%**.

Details of the preliminary dumping and subsidy margin calculations is at **Confidential Appendices 5 and 6**.

10 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export sales
Confidential Appendix 2	CTMS spreadsheet
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value calculations
Confidential Appendix 5	Dumping margin calculations
Confidential Appendix 6	Subsidy margin calculations
Confidential Attachment 1	Collapsing JSWC and JSWSL
Confidential Attachment 2	Verification work program, with attachments
Confidential Attachment 3	Assessment of 'flow-through' of upstream subsidy benefits