



Australian Government
Anti-Dumping Commission

INVESTIGATION 370

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

AND

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

SUBSIDY MARGIN CALCULATION REPORT

ESSAR STEEL INDIA LTD

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

April 2017

1 BACKGROUND

1.1 Background

Public notification of the initiation of this investigation was made on 7 October 2016 in Anti-Dumping Notice (ADN) No. 2016/105. The background relating to the initiation of this investigation is contained in Consideration Report 370 (CON 370).

Essar Steel India Ltd (Essar Steel) has been identified as an exporter of the zinc coated (galvanised) steel in the Australian Border Force (ABF) import database. The Anti-Dumping Commission (the Commission) notified Essar Steel of the initiation of the investigation and sought its cooperation through the completion of an exporter questionnaire.

Essar Steel submitted the completed exporter questionnaire response (REQ) and relevant attachments on 13 December 2016. In the REQ, Essar Steel stated that the company does not intend to participate in dumping investigation and provided responses to only questions that related to subsidy investigation.

1.2 Purpose of this report

The purpose of this report is to make preliminary assessments, regarding:

- export price; and
- a subsidy margin

using information submitted in the response to the Exporter Questionnaire. As there was no on-site assessment completed of this exporter, the Commission has tested the data provided by Essar Steel for relevance and reliability by:

- comparing the preliminary export price to the information contained in the ABF import database; and
- benchmarking key variables (such as costs, price and adjustments) to:
 - on-sight verified data cooperating Indian exporters in the current case; and
 - other independent relevant information.

Having regard to these tests for relevance and reliability, the assessment team is satisfied that the information provided in Essar Steel response to the Exporter Questionnaire can be relied upon for the purpose of assessing subsidy margin calculations.

1.3 Company information

Essar Steel is a fully integrated manufacturer of steel products with a market presence in India, Canada, USA, the Middle East and Asia. It has two manufacturing facilities in India at Hazira (Gujarat), and Pune (Maharashtra). The Hazira plant is fully integrated and capable of processing raw materials into finished products whereas the Pune facility is a downstream cold rolling processing plant.

Essar Steel produces a range of flat steel products that are:

- hot rolled or cold rolled and sold in either coil, sheet or in slit form;
- galvanised coils, slits or sheets;
- pre-painted galvanised sheets; and
- plates, pipes, factory welded beams.
-

The manufactured products are distributed to customers either: directly (to the customer); through the Hypermart or Expressmart market; or through service centres.

The financial year for Essar Steel is 1 April to 31 March and Essar Steel is subject to the requirements of the Indian Accounting Standards.

2 EXPORT PRICE

2.1 Australian export sales

In its response to the Exporter Questionnaire, Essar Steel provided a detailed spreadsheet listing its Australian export sales of galvanised steel during the investigation period on a line-by-line basis (referred to as the export sales listing).

There were no rebates, discounts, commissions or credit notes identified in this data. The assessment team has adopted the invoice date as the date of sale.

In its response to the Exporter Questionnaire, Essar Steel stated that it was not related to any of its Australian customers during the investigation period.

The assessment team did not find any evidence indicating any relationship between Essar Steel and its customers other than commercial relationship.

2.2 Export price – preliminary assessment

The assessment team considers that:

- Essar Steel is the exporter;
- the goods have been exported to Australia otherwise than by the importer; and
- purchases of the goods by the importer were arm's length transactions.

In those instances where the goods have been purchased by the importer from the exporter, export price has been calculated using paragraph 269TAB(1)(a) of the *Customs Act 1901* (the Act),¹ as the price paid by the importer less transport and other costs arising after exportation.

Details of the preliminary export price calculations are at **Confidential Appendix 1 – Export Price**.

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

3 SUBSIDY PROGRAMS

The assessment noted team noted that Essar Steel as benefited from 4 of the 59 alleged subsidy programs as summarised below. Detailed discussion and assessment of each of the programs where Essar Steel has received a benefit is discussed below.

Program no.	Program Title	Program type	Benefits received by Essar?
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
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	Tariff Policy	Y
24	Duty Exemption/Remission Schemes – Duty-Free Import Authorization Scheme	Tax Policy	N
25	Duty Exemption/Remission Schemes – Advance Authorization Scheme	Tariff Policy	Y
26	Duty Exemption/Remission Schemes – Duty Entitlement Passbook Scheme	Tariff Policy	Y
27	Duty Exemption/Remission Schemes – Duty Drawback Scheme	Tariff 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	N
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	N
35	SGOM – Exemption from Electricity Duty	Electricity	N
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	N
40	State Government of Gujarat (SGOG) – Assistance to MSMEs – Interest Subsidy	Loan	N
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	N
58	Electricity Duty Exemption	Electricity	N
59	Interest free loan	Loan	N

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

In response to the exporter questionnaire, Essar Steel stated that the company imported capital goods under the Export Promotion of Capital Goods Scheme (“EPCGS”) for the use in the manufacture of subject goods as well as in the manufacture of non-subject goods

The assessment team calculated the benefit by first calculating the amount of benefit for each capital item and amortising² it over the life of the capital item.

Where the export commitment has been extinguished, benefit has been computed using the formula in the Dumping and Subsidy Manual. For the licenses on which are open, the interest on the duty waived in the particular year has been treated as the benefit and duty saved on all imports during investigation period is taken as an expense item, therefore full amount of duty saved is taken as benefit.

² the following formula has been used to amortise the average useful life of the asset:

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

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.

The total benefit received during the investigation period was divided by the total turnover volume of goods exported to get the unit benefit. 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 2**.

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

From the information contained in response to exporter questionnaire the assessment team calculated the benefit received in the investigation period.

To calculate the unit benefit received, the assessment team then added the total benefit received by Essar Steel that by the total turnover volume of goods exported. 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 2**.

1.3 Program 26 - Duty Exemption/Remission Schemes – Duty Entitlement Passbook Scheme

From the information contained in response to exporter questionnaire the assessment team calculated the benefit received in the investigation period.

To calculate the unit benefit received, the assessment team then added the total benefit received by Essar Steel that by the total turnover volume of goods exported. 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 2**.

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

From the information contained in response to exporter questionnaire the assessment team calculated the benefit received in the investigation period.

To calculate the unit benefit received, the assessment team then added the total benefit received by Essar Steel that by the total turnover volume of goods exported. 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 2**.

4 SUBSIDY MARGINS

The subsidy margin has been assessed in accordance with paragraph 269TACD(2) of the Act. The weighted average product subsidy margin for galvanised steel exported to Australia by Essar Steel India Ltd for the investigation period is **3.6 per cent**.

Details of the preliminary dumping and subsidy margin calculations are at **Confidential Appendix 2**

5 LIST OF APPENDICES

Confidential Appendix 1	Export price summary
Confidential Appendix 2	Subsidy Margin Calculations