



## Exporter Verification Report

### Verification & Case Details

<b>Initiation Date</b>	24/08/2018	<b>ADN:</b>	2018/132
<b>Case:</b>	Aluminium Extrusions exported from Malaysia (CV)		
<b>Case Number</b>	490		
<b>Exporter</b>	Alumac Industries Sdn Bhd		
<b>Location</b>	Malaysia		
<b>Verification type</b>	Desktop		
<b>Review period</b>	1/07/2017	<b>to</b>	30/06/2018

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

**CONTENTS**

<b>CONTENTS.....</b>	<b>2</b>
<b>1 COMPANY BACKGROUND .....</b>	<b>3</b>
1.1 CORPORATE STRUCTURE AND OWNERSHIP .....	3
1.2 RELATED PARTIES .....	3
<b>2 THE GOODS AND LIKE GOODS.....</b>	<b>4</b>
2.1 MODEL CONTROL CODES (MCCs) .....	4
2.2 THE GOODS EXPORTED TO AUSTRALIA .....	4
2.3 LIKE GOODS SOLD ON THE DOMESTIC MARKET .....	4
2.4 MODEL MATCHING .....	5
2.5 LIKE GOODS – ASSESSMENT .....	5
<b>3 UPWARDS VERIFICATION OF SALES.....</b>	<b>6</b>
3.1 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE .....	6
3.2 COMPLETENESS AND RELEVANCE FINDING .....	6
<b>4 DOWNWARDS VERIFICATION OF SALES .....</b>	<b>7</b>
4.1 VERIFICATION OF SALES ACCURACY .....	7
4.2 SALES ACCURACY FINDING .....	7
<b>5 COST TO MAKE AND SELL.....</b>	<b>8</b>
5.1 VERIFICATION OF COMPLETENESS AND RELEVANCE OF CTMS DATA .....	8
5.2 COMPLETENESS AND RELEVANCE FINDING OF CTMS DATA .....	8
5.3 VERIFICATION OF CTMS ALLOCATION METHODOLOGY .....	8
5.4 VERIFICATION OF CTMS METHODOLOGY FINDING .....	9
5.5 VERIFICATION OF ACCURACY OF CTMS DATA .....	9
5.6 ACCURACY FINDING OF CTMS DATA .....	9
<b>6 EXPORT PRICE .....</b>	<b>10</b>
6.1 THE IMPORTERS.....	10
6.2 THE EXPORTER .....	10
6.3 ARMS LENGTH.....	10
6.4 EXPORT PRICE – ASSESSMENT .....	10
<b>7 DOMESTIC SALES SUITABILITY.....</b>	<b>11</b>
7.1 ARMS LENGTH.....	11
7.2 ORDINARY COURSE OF TRADE.....	11
7.3 SUITABILITY OF DOMESTIC SALES .....	11
<b>8 ADJUSTMENTS .....</b>	<b>13</b>
8.1 RATIONALE AND METHODOLOGY .....	13
<b>9 NORMAL VALUE.....</b>	<b>15</b>
<b>10 DUMPING MARGIN.....</b>	<b>16</b>
<b>11 SUBSIDIES .....</b>	<b>17</b>
11.1 VERIFICATION OF COMPLETENESS AND RELEVANCE OF SUBSIDIES DATA.....	17
11.2 COMPLETENESS AND RELEVANCE FINDING .....	17
11.3 VERIFICATION OF SUBSIDIES ACCURACY .....	17
11.4 SUBSIDIES ACCURACY FINDING.....	17
11.5 SUBSIDIES PRELIMINARY FINDINGS .....	17
<b>12 APPENDICES AND ATTACHMENTS.....</b>	<b>18</b>

## **1 COMPANY BACKGROUND**

### **1.1 Corporate Structure and Ownership**

Alumac Industries Sdn Bhd (Alumac) is a privately owned company established in October 1994 that manufactures and sells aluminium extrusion products.

Alumac is required to file Audited Financial Reports to the Companies Commission Malaysia and their accounting practices are in accordance with Applicable Approved Accounting Standards and the Companies Act 1965 in Malaysia.

### **1.2 Related Parties**

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods.

#### **1.2.1 Related Customers**

Alumac sells goods under consideration to related companies. The verification team evaluated sales to these companies, specifically the average price over the POI and did not find evidence to suggest that these are not arm's length transactions.

#### **1.2.2 Related Suppliers**

The company has a related party that supplies labour to Alumac.

## 2 THE GOODS AND LIKE GOODS

### 2.1 Model Control Codes (MCCs)

Alumac provided sales and cost data in its response to the exporter questionnaire in accordance with the MCC structure detailed in the exporter questionnaire, using the following categories:

- Finish
- Alloy code
- Temper code

### 2.2 The goods exported to Australia

The verification team were satisfied that Alumac produced and exported the goods to Australia. Alumac exported the goods to Australia with the following model matching criteria during the period:

- M-6A-T1
- A-6A-T1
- PC-6A-T1

### 2.3 Like goods sold on the domestic market

The verification team were satisfied that Alumac sold like goods in the domestic market.

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, as:
  - the exported goods and goods sold on the domestic market are produced in the same way
  - are subject to individual customer specifications, and
  - the costs of production for models sold domestically and for export are the same;
- are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- the goods compete in the same market sector, are interchangeable and use similar distribution channels; and
- can be considered functionally alike, as they have similar end uses.

Alumac sold like goods on the domestic market with the following criteria during the period:

- PC-6A-T1
- A-6A-T1
- M-6A-T1
- M-O-T1
- M-6C-T1
- A-6C-T1
- M-6C-O

## 2.4 Model matching

The verification team considered the following categories when comparing sales of domestic models and export models.

<b>Variable</b>	<b>Rationale for Model Matching</b>	<b>Used in Model Matching</b>
<b>Finish</b>	Substantial element to determine price	Y
<b>Alloy</b>	Difference in alloy used to distinguish goods for sales data	Y
<b>Temper</b>	Difference in temper contributes to better understand sales differentials	Y
<b>Anodising microns</b>	No significant price component	N

## 2.5 Like goods – assessment

The verification team considers that the goods produced by Alumac for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore ‘like goods’ in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).<sup>1</sup>

---

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

## 3 UPWARDS VERIFICATION OF SALES

### 3.1 Verification of Sales Completeness and Relevance

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts or preliminary management reports. The verification team verified the completeness and relevance of the export and domestic sales listings provided in the REQ by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

Alumac presented their upwards verification steps reconciling total sales volume and its value during the (investigation period) IP to trial balances from their accounting system.

Alumac provided a diagram on how the values reconcile with Alumac's income statement first by identifying the values relevant to the POI, then finished goods, and then export values to Australia and other countries.

### 3.2 Completeness and Relevance Finding

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

The verification team are satisfied that the sales data provided in the exporter questionnaire response by Alumac is complete and relevant.

**4 DOWNWARDS VERIFICATION OF SALES**

**4.1 Verification of Sales Accuracy**

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data and cost data down to source documents. This verifies the accuracy of the data (e.g. for sales data, the volume and value of the records for selected transactions are accurate and reflect sales that did occur). The verification team verified accuracy of the export and domestic sales listings submitted in the REQ by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

**4.1.1 Exceptions during Verification of Sales Accuracy**

No.	Exception	Resolution	Evidence Relied On
1	The company included as part of their domestic sales listing model SAMPLE-PC-6A-T1. This model, which corresponds to a negligible quantity, required more processing to conduct functional tests requested by the customer, presenting significant variance in its costs. This model corresponds to less than 0.1% of domestic sales quantities.	The Commission considers this model not appropriate for inclusion in domestic sales as it is not a usual model sold domestically.	Analytical procedures conducted on sales data.

**4.2 Sales Accuracy Finding**

The verification team are satisfied that the sales data provided in the exporter questionnaire response by Alumac, including any required amendments as outlined as an exception above, is accurate.

**5 COST TO MAKE AND SELL**

**5.1 Verification of completeness and relevance of CTMS data**

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information provided in the REQ by reconciling it to financial statements in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

**5.2 Completeness and Relevance Finding of CTMS data**

The verification team are satisfied that the cost to make and sell (CTMS) data provided in the exporter questionnaire response by Alumac is complete and relevant.

Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

**5.3 Verification of CTMS Allocation Methodology**

The verification team verified the reasonableness of the methodology used to allocate the CTMS information provided in the REQ to the relevant models, in accordance with ADN No. 2016/30.

<b>Cost Area</b>	<b>Methodology Applied</b>	<b>Evidence Relied On</b>
Aluminium purchase	Direct allocation	Accounting records
Direct labour	Direct allocation	Accounting records
Electricity	Direct allocation	Accounting records
Repair and maintenance	Direct allocation	Accounting records
Depreciation	As per depreciation schedule	Accounting records

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.



#### **5.4 Verification of CTMS Methodology Finding**

The verification team are satisfied that the allocation methodology for the cost to make and sell (CTMS) data provided in the exporter questionnaire response by Alumac is reasonable.

#### **5.5 Verification of Accuracy of CTMS data**

The verification team verified the accuracy of the CTMS information provided in the REQ 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 this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

#### **5.6 Accuracy Finding of CTMS data**

The verification team are satisfied that the cost to make and sell (CTMS) data provided in the exporter questionnaire response by Alumac is accurate.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

## 6 EXPORT PRICE

### 6.1 The importers

Alumac manufactures and exports extrusions to end-users in Australia.

The verification team consider these Australian customers to be the beneficial owners of the goods at the time of importation and therefore the importer as they:

- are declared as the importer on the importation declaration to ABF;
- arrange and pay duties, customs clearance;
- pay for all the importation charges; and
- arrange delivery from the port to their customers.

### 6.2 The exporter

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.

The verification team were satisfied that for all Australian export sales during the period Alumac were the exporter of the goods.

### 6.3 Arms length

In respect of Alumac's Australian sales of the goods during the 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 receive a benefit for, or in respect of, the whole or any part of the price.<sup>2</sup>

The verification team therefore considers that all export sales to Australia made by Alumac during the period were arms length transactions.

### 6.4 Export Price – assessment

In respect of Australian sales of the goods by Alumac, the verification team recommends that the export price be determined under subsections 269TAB(1)(a).

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

---

<sup>2</sup> Section 269TAA of the Act refers.

## 7 DOMESTIC SALES SUITABILITY

The verification team has assessed the domestic sales to determine if the prices paid in respect of domestic sales of like goods are suitable for assessing normal value under subsection 269TAC(1).

### 7.1 Arms length

In respect of domestic sales of the goods made by Alumac to its customers during the review period, the verification team found that for all customers there was 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 not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

### 7.2 Ordinary course of trade

Section 269TAAD 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).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of like goods to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent for a particular model, the visit team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the inquiry period. Those sales found to be unrecoverable were considered not to be in the ordinary course of trade.

The results of the verification team's testing of the ordinary course of trade are as follows.

Number of Models	Models in OCOT
3	3

### 7.3 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 percent of the total volume of the goods under consideration that are exported to Australia.

The verification team's assessment of the suitability of domestic models to the models exported to Australia is detailed below:

Export MCCs	Sufficient sales of identical model sold on the domestic market
M-6A-T1	Yes
A-6A-T1	Yes

**PUBLIC RECORD**

PC-6A-T1	Yes
----------	-----

## 8 ADJUSTMENTS

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

### 8.1 Rationale and Methodology

Adjustment Type	Rationale for Adjustment	Calculation Methodology	Source documents	Commission's decision and reasoning
Packing – domestic & export	Differences in domestic and export packaging	Actual cost	Ledger and invoices	Adjustment accepted as it is directly relevant to the comparability of Australian and domestic sales.
Ocean Freight (export only)	Sales to Australian customers were sold on C&F terms	As per invoice	Ledgers, invoice, and proof of payment.	Adjustment accepted as it is directly relevant to the comparability of Australian and domestic sales.
Inland transport (domestic & export)	Sales to Australia were sold on CIF terms	As per invoice and methodology detailed in confidential appendix 1.	Ledger and invoices	Adjustment accepted as it is directly relevant to the comparability of Australian and domestic sales.

**PUBLIC RECORD**

Fumigation	Alumac incurs costs of fumigation for certain sales to Australian customers.	As per invoice	Ledger and invoices	Adjustment accepted as it is directly relevant to the comparability of Australian and domestic sales.
Cutting cost	Alumac incurs costs of cutting and machining to meet requirements of domestic customers.	As per methodology supported by accounting records	Ledger and invoices	Adjustment accepted as it is directly relevant to the comparability of Australian and domestic sales
Machining	Alumac incurs costs of cutting and machining to meet requirements of domestic customers.	As per methodology supported by accounting records	Ledger and invoices	Adjustment accepted as it is directly relevant to the comparability of Australian and domestic sales

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

## 9 NORMAL VALUE

The verification found that there were models with sufficient volumes of domestic sales of the goods, exported to Australia, that were arms length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of these models of the goods are suitable for assessing normal value under subsection 269TAC(1).

In using domestic sales as a basis for normal value, the verification team consider that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices, as outlined in section 8.

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

## **10 DUMPING MARGIN**

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period, in accordance with paragraph 269TACB(2)(a) of the Act.

The dumping margin in respect of the goods exported to Australia by Alumatic for the investigation period is **-6.78% per cent**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.



## 11 SUBSIDIES

### 11.1 Verification of Completeness and Relevance of Subsidies Data

Alumac claimed on its REQ that no subsidies had been received in regards to the selling of aluminium extrusions.

The verification team verified the accuracy, completeness and relevance of the data relating to subsidy programs by reviewing financial statements in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

### 11.2 Completeness and Relevance Finding

The verification team is satisfied that the subsidies data provided in the exporter questionnaire response by Alumac is complete and relevant.

### 11.3 Verification of Subsidies Accuracy

The accuracy of subsidies data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the value and nature of subsidies within the submitted subsidies down to source documents. This verifies the accuracy of the data. The verification team verified accuracy of the subsidies details submitted in the REQ by reconciling these to source documents in accordance with ADN. No 2016/30.

### 11.4 Subsidies Accuracy Finding

The verification team are satisfied that the subsidies information provided in the exporter questionnaire response by Alumac is accurate.

### 11.5 Subsidies Preliminary Findings

The verification team did not identify Alumac to be the beneficiary of a subsidy and therefore the subsidy margin is **0.00 per cent**.

**12 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Export price
<b>Confidential Appendix 2</b>	Cost to make and sell
<b>Confidential Appendix 3</b>	Domestic sales, OCOT and profitability
<b>Confidential Appendix 4</b>	Normal Value
<b>Confidential Appendix 5</b>	Dumping Margin
<b>Confidential Attachment 1</b>	Verification work program