

**Non-Confidential**

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Date 21 April 2021

**By Email**

Anti-Dumping Commissioner  
Anti-Dumping Commission  
Level 35  
55 Collins Street  
Melbourne Victoria 3000

Received 21 April 2021

**Attention:** Mr Gavin Crooks  
Assistant Director, Investigations 3

Dear Mr Crooks,

***RE: Dumping investigations – exports of certain aluminium extrusions from Malaysia – Investigations Nos 540 and 541 & Review No 544 – Statements of Essential Facts – Non-Injurious Price***

I refer to the Anti-Dumping Commission's (**Commission**) Statements of Essential Facts dated 9 December 2020 (**SEFs**) in relation to Investigations Nos 540 and 541 (**Investigations**) and Review No 544 (**Review**) and prior correspondence regarding Capral Limited's (**Capral**) economic performance.

As you are no doubt aware, Allegro Funds Pty Ltd (**Allegro**) recently made a non-binding offer to acquire Capral under a scheme of arrangement: see **attached** announcement by Capral dated 14 April 2021. The offer was to acquire all of the shares of Capral at \$7.00 per share, which, as the notice indicates, is a premium to the volume weighted average price (VWAP) of the shares on the Australian Stock Exchange (**ASX**) as of 13 April 2021. Further, the Board of Capral, according to the notice, supported the offer.

Such an offer would not seem indicative of a company incurring 'material injury'.

However, on 20 April 2021 the Board of Capral announced that the offer would not be proceeding see **attached** notice. The reason given by the Board was that a majority of shareholders of Capral considered that the offer by Allegro undervalued the company. Consequently, it was clear that a majority of shareholders would not support the bid.

While the offer is not proceeding, it is nevertheless clear that a majority of the owners of Capral, a majority of its shareholders, considered that the premium offered by Allegro to acquire the company undervalued the company. In other words, both the Board and the shareholders considered that Capral was worth more than the VWAP that its shares were trading at on the ASX and the premium that Allegro was prepared to pay. Again, clearly not indicative of a company incurring 'material injury'.

It also is interesting to note that the offer price was subject to, amongst other things, the payment of a 'special dividend'. This seemingly would be in addition to the dividend announced on 25 February 2021 (see **attached**) for the period ending 31 December 2020. As you would be aware, dividends may only legally be paid out of the profits of a company. Consequently, to pay a 'special dividend' and the dividend announced on 25 February 2021, Capral must have profits from which to pay the dividends. Again, that would not be consistent with it incurring 'material injury'.

In this context, Capral also announced on 13 April 2021 an upgrade to its forecast EBITDA for Financial Year 2021: see **attached**. The improved economic performance, consistent with prior submissions made to the Commission, is due to "*a robust new housing market driven by low interest rates and government stimulus*". That is, improved economic performance due to the usual 'ebb and flow of business' as previously submitted.

In relation to government stimulus, it would appear that Capral has used part of its approximately \$12 million JobKeeper grant from government to acquire G James' manufacturing plant in Smithfield, NSW: see [Capral set to acquire G James' Smithfield extrusion plant in NSW - Australian Manufacturing](#) and **attached** notice to the ASX. That acquisition involved a 12 month tolling arrangement pursuant to which, presumably, Capral is to supply the aluminium for G James to manufacture into extrusions that Capral will supply to its customers. In other words, Capral takes the commercial risk on aluminium prices and sales to customers but avoids having the manufacturing operations on its balance sheet while the tolling arrangements are in place and is able to book the increased sales revenues from the arrangement.

Again, this would not seem indicative of a company incurring 'material injury' but, presumably, again improved economic performance due to the usual 'ebb and flow of business' as previously submitted.

Finally, Capral's submission of 15 April 2020 on the public file is noted but does not require a response other than that:

- the support by the Australian industry did not translate into participation in the Investigations or the Review in the provision of information and evidence; and
- the submission identifies no evidence before the Commission that the Australian industry incurred any injury, let alone injury caused through the effects of dumping. No doubt this is because the Australian industry has not incurred injury.

If you have any questions or queries regarding any of the foregoing, please do not hesitate to contact me.

Yours faithfully,



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