



Exporter Verification Report

Verification & Case Details

Initiation Date	30/06/2020	ADN:	2020/068
Case Number	559		
The goods under consideration	Aluminium Zinc Coated Steel (< 600mm)		
Case type	Dumping and Subsidy Investigation		
Exporter	Nam Kim Steel Joint Stock Company		
Location	Remote verification		
Verification from	26/02/2021	to	5/03/2021
Investigation Period	1/04/2019	to	31/03/2020

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

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PREFACE

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping Commission (Commission) by the verification team for publication on the public record.

It provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under section 269SMG and 269SMR of the *Customs Act 1901* (the Act).¹

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

1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Nam Kim Steel Joint Stock Company (Nam Kim), located in the Socialist Republic of Vietnam (Vietnam), manufactures and sells various steel and iron products in its domestic market and around the world.

Nam Kim has been publicly listed on the Ho Chi Minh City Stock Exchange (HOSE) since 2011, is not part of a group and has no subsidiaries. Five shareholders own more than a combined total of 40 per cent of Nam Kim's shares, being:

- Ho Minh Quang (Chairman), 11.8 per cent
- Vo Hoang Vu (Board member), 10.5 per cent
- Kim Vietnam Growth Equity Fund, 7.1 per cent
- Unicoh Specialty Chemicals, 6.9 per cent and
- Investment Trading SMC Joint Stock Company, 5 per cent

The remaining 58.7 per cent is owned by other shareholders who, individually, own less than 5 per cent of Nam Kim's total shares. No sales of the goods have been made to any of the above listed shareholders. Nam Kim has also not purchased any materials or other inputs from these shareholders.

1.2 Related Parties

The verification team found that Nam Kim did not have any related party customers or suppliers of the goods during the investigation period.

1.3 Accounting records

Nam Kim's audited financial statement was audited by PricewaterhouseCoopers (PwC) and includes a statement that the financial accounts comply with the Vietnamese Accounting Standards, the Vietnamese Enterprise Accounting System, and statutory requirements relevant to the preparation and presentation of the financial statements.

Therefore, the verification team considers that the accounting records held by the company are in accordance with the generally accepted accounting principles of Vietnam.

2 THE GOODS AND LIKE GOODS

2.1 Production Process

Nam Kim's production process for goods produced for domestic consumption is the same as those for export consumption. The goods are produced in four stages:

- Stage 1 - Produce Picked and Oiled (PO)

Hot rolled steel coil (HRC) is the raw material for the goods. The HRC goes through a pickling line to remove dust to ensure a clean surface, using hot water and a light liquid acid chemical. Oil is sprayed on the surface of the HRC to protect the coil during the time it is warehoused. The output product is referred to as PO.

- Stage 2 - Produce Cold rolled steel coil (CRC)

The PO then goes through the cold rolling mills to be rolled down to the base metal of order thickness and produces a smooth material surface. The output product is referred to as CRC.

- Stage 3 - Produce Hot-dip Aluminium/Zinc-Coated Steel Coil (GL)

The CRC is then welded, cleaned again, then goes through an annealing furnace to adjust the mechanical properties of the material to the ordered specifications. The sheet continues to be dipped in a hot aluminium-zinc bath to allow the aluminium-zinc to coat the sheet, then moves to the post-coating cooling tower and is treated in a chemical coater for surface treatment. At the end of the production line, the coil is re-coiled in coil shape, checked for quality and packed to be a master coil of GL (if moving on to stage 4 for slitting) or packed to be a finished good.

- Stage 4 - Produce Slitted Hot-dip Aluminium/Zinc-Coated Steel Coil

The master coil of GL is put on a slitting line and is slit to a specific width based on the customer's order.

2.2 Model Control Codes (MCCs)

Nam Kim provided sales and cost data in its response to the exporter questionnaire (REQ) in accordance with the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) No. 2020/068.

Sales and cost data were provided to the mandatory MCC level.

2.2.1 Amendments to MCCs

Based on analysis of the price comparability of the goods under consideration, the verification team considers it is not necessary to make amendments to the MCC structure.

2.3 Verification of MCCs

Table 1 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Prime	The company was able to identify whether the sales were prime or non-prime from its internal sales and costing systems.
Coating mass	Based on the coating mass on the commercial invoices and sales order.
Steel grade	Based on the steel grade on the commercial invoices and sales order.
Base metal thickness (BMT)	Based on the base metal thickness listed on the commercial invoices and sales order and as recorded by the company in its accounting system.
Width	Based on the nominal width shown listed on the commercial invoices and sales order and as recorded by the company in its accounting system.
Form	Based on the form on the commercial invoices and sales order.

Table 1 - MCC sub-category determination

2.4 The goods exported to Australia

The verification team was satisfied that Nam Kim produced and exported the goods to Australia. Nam Kim exported the goods to Australia with the following MCCs during the period:

- P-2-D-5-1-C
- P-2-F-2-1-C
- P-2-F-3-1-C
- P-2-F-4-1-C
- P-2-F-5-1-C

2.5 Like goods sold on the domestic market

The verification team was satisfied that Nam Kim 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 (the exported goods and goods sold on the domestic market are produced in the same way, 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;
- 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.

Nam Kim sold like goods on the domestic market with the following MCCs during the period:

Domestic like goods MCC			
N-1-D-3-1-C	N-1-F-5-1-C	N-2-F-5-1-C	P-1-F-4-1-C
N-1-F-1-1-C	N-2-D-2-1-C	P-1-D-3-1-C	P-1-F-5-1-C
N-1-F-2-1-C	N-2-D-3-1-C	P-1-E-3-1-C	P-2-F-2-1-C
N-1-F-3-1-C	N-2-F-3-1-C	P-1-F-1-1-C	P-2-F-3-1-C
N-1-F-4-1-C	N-2-F-4-1-C	P-1-F-3-1-C	P-2-F-4-1-C
P-2-F-5-1-C			

Table 2 - Domestic Models

2.6 Like goods – assessment

The verification team considers that the goods produced by Nam Kim for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with section 269T(1) of the Act.

3 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. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

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.

The verification team verified the relevance and completeness of the sales data as follows:

- Nam Kim's sales revenue for the relevant period was reconciled to audited financial reports, quarterly income statements, and trial balance;
- Nam Kim's trial balance reconciled to a detailed sales ledger;
- The detailed sales ledger was reconciled to the domestic and export sales listing submitted in the REQ; and,
- Relevant exports to Australia were reconciled to the ABF import database.

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**.

3.1 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by Nam Kim is complete and relevant.

4 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 down to source documents. This verifies the accuracy of the data.

The verification team verified accuracy of the export and domestic sales listings submitted in the REQ by reconciling these to source documents 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**.

No.	Exception	Resolution
1	Marine insurance costs were not listed for a single invoice in the Australian sales listing.	Nam Kim provided an updated Australian Sales listing with the correct marine insurance value.
2	Nam Kim did not include bank charges in the Australian sales listing.	The verification team calculated an export sales adjustment for bank charges using the weighted average of bank charges based on the sample source documents provided.
3	Payment dates did not correspond with the dates of payment in the accounts receivable for domestic sales.	The verification team requested Nam Kim to recalculate the payment days using accounts receivable turnover ratio in line with the Dumping and Subsidy manual. The verification team verified the calculation and applied the value to the sales listings.

Table 3 Exceptions during verification of accuracy of sales data

4.1 Sales accuracy finding

The verification team is satisfied that the sales data provided by Nam Kim, including any required amendments as outlined in the exception tables above, is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5 VERIFICATION OF COST TO MAKE AND SELL (CTMS) COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total cost to make data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs have been excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that were excluded or should be excluded.

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 audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the cost data as follows:

- Nam Kim provided:
 - its audited financial report for 2019;
 - income statements for 2019 and the period extracted from its accounting system; and,
 - the trial balances for 2019, the period and the first quarters of 2019 and 2020.
 The verification team was able to reconcile the cost of goods sold (COGS) in the audited financial report and the income statement extract for 2019. The COGS for both 2019 and the investigation period in the respective trial balance were reconciled to detailed ledgers.
- Nam Kim reported a variance between the COGS in the income statement and cost of production. Nam Kim explained the variance was an outcome of when it recognised finished goods, and demonstrated to the verification team live in its accounting system, the total production costs and volumes when considering this.
- Nam Kim provided the spreadsheets behind its CTM listing. Nam Kim allocated costs to each category of products manufactured during the investigation period. The data behind the spreadsheets are directly from Nam Kim's accounting system.

The verification team verified the relevance and completeness of the SG&A data as follows:

- The SG&A listing for the period reconciled to the income statement. The verification team verified the expenses in the investigation period to the trial balance and to the relevant ledgers.

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**.

5.1 Completeness and relevance finding of CTMS data

The verification team is satisfied that the CTMS data provided in the REQ by Nam Kim, is complete and relevant.

6 VERIFICATION OF COST TO MAKE AND SELL (CTMS) ACCURACY

6.1 Cost allocation method

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

The verification team identified the issue 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**.

Table 4 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Weighted average actual raw materials cost allocated based on production quantity. Ledgers were examined.
Scrap Allocation	Scrap is allocated based on production quantity. Ledgers were examined.
Manufacturing Overheads	Weighted average manufacturing overheads costs are allocated based on production quantity. Ledgers were examined.
Labour	Weighted average labour costs are allocated based on production quantity. Ledgers were examined.
Depreciation	Depreciation costs are allocated based on production quantity. Ledgers were examined.

Table 4 Cost allocation method

6.2 Exceptions during verification of CTMS allocation method

No.	Exception	Resolution
4	Nam Kim included packing costs in its domestic and export cost to make instead of the sales listings.	The verification team calculated separate weighted average packing costs for exports sales and domestic sales, and removed the packing costs from the cost to make spreadsheets.

Table 5 Exceptions during verification of CTMS allocation method

6.3 Verification of Accuracy of CTMS data

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 cost data down to source documents. This verifies the accuracy of the 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**.

6.4 Accuracy finding

The verification team is satisfied that the CTMS data provided in the REQ by Nam Kim, including any required amendments as outlined as an exception above, is accurate and reasonably reflect the costs associated with the production and sale of the goods under consideration.

7 EXPORT PRICE

7.1 The importers

The verification team considers Nam Kim's Australian customers to be the beneficial owner of the goods at the time of importation and therefore the importer as the Australian customers are:

- named on the commercial invoice as the purchaser;
- named as the consignee on the bill of lading; and
- declared as the importer on the importation declaration to ABF.

In relation to the goods exported by Nam Kim to Australia, the verification team considers that the customers listed for each shipment were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

7.2 The exporter

The verification team considers Nam Kim to be the exporter of the goods², as Nam Kim is:

- the manufacturer of the goods;
- named on the commercial invoice as the seller; and
- named as the shipper on the bill of lading.

The verification team is satisfied that for all Australian export sales during the period that Nam Kim was the exporter of the goods.

7.3 Arms length

7.3.1 Unrelated customers

In respect of Nam Kim's Australian sales of the goods to its unrelated customers 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 appeared to be 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.³

The verification team therefore considers that all export sales made by Nam Kim to its unrelated Australian customers during the period were arms length transactions.

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 refers.

7.4 Export Price – assessment

In respect of Australian sales of the goods by Nam Kim, the verification team recommends that the export price be determined under section 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 export price calculations are at **Confidential Appendix 1**.

8 DOMESTIC SALES

Section 269TAC(1) provides the general rule for calculating normal value. For sales to be relevant for the purpose of section 269TAC(1), they must be sales of like goods sold in the exporter's domestic market for home consumption that are at arms length and in the ordinary course of trade (OCOT).

8.1 Arms length

8.1.1 Unrelated customers

In respect of Nam Kim's domestic sales of like goods to its unrelated customers 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 appeared to be 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.

The verification team therefore considers that all domestic sales made by Nam Kim to its unrelated domestic customers during the period were arm's length transactions.

8.2 Ordinary course of trade

Section 269TAAD states that domestic sales of like goods are not in the OCOT if arms length transactions are:

- unprofitable in substantial quantities over an extended period; and
- unlikely to be recoverable within a reasonable period.⁴

The verification team have collected the necessary data to conduct an OCOT assessment, based on the reported costs and sales at the time of verification. The application has claimed that Vietnamese exporters' records do not reasonably reflect competitive market costs associated with the production or manufacture of like goods. The Commission is currently considering this claim. Therefore, the assessment of whether domestic sales are in the OCOT has been referred to the case management team for consideration.

8.3 Volume of relevant sales

The verification team have collected the necessary data to conduct a volume analysis, based on the reported costs and sales at the time of verification. The application has claimed that the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1) (section 269TAC(2)(a)(ii)). The

⁴ In general, the Commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.

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application has also claimed that Vietnamese exporters' records do not reasonably reflect competitive market costs associated with the production or manufacture of like goods.

The Commission is currently considering these claims. Therefore, the verification team has referred the consideration of the volume of relevant sales to the case management team.

9 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 may be necessary.

9.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic credit terms	Nam Kim incurred costs for providing credit for domestic sales.	A single credit adjustment rate (average over the investigation period) was determined based on the average payment days and the interest rates of Nam Kim's short term borrowings facilities as disclosed in Nam Kim's REQ.	Yes	Yes
Domestic and export packaging	Packaging costs differ for domestic and export sales.	Nam Kim allocated the packing based on the actual costs incurred for each applicable product. The verification team calculated a weighted average amount for packing from its costs data and applied this to its sales listing on the basis of weight.	No	Yes
Export inland transport costs	Nam Kim incurred inland transport expenses for the delivery of goods for export to Australia from its factory to the port.	Nam Kim allocated the inland transport based on the actual costs incurred for each applicable invoice, allocating on a line-by-line basis by weight.	Yes	Yes
Export port and handling charges	Nam Kim incurred port and handling charges for its export sales to Australia.	Nam Kim allocated the port and other charges based on the actual costs incurred for each applicable invoice, allocating on a line-by-line basis by weight.	Yes	Yes
Export Container Cost	Nam Kim incurred costs associated with loading containers onto the ships	Nam Kim allocated the port and other charges based on the actual costs incurred for each applicable invoice, allocating on a line-by-line basis by weight.	Yes	Yes
Export bank charges	Nam Kim incurred bank charges in relation to its export sales to Australia.	The verification team manually allocated the bank charges to listing based on a weighted average amount of the charges in the bank receipts in the sample source documents.	No	Yes

Table 6 Assessment of adjustments

9.2 Adjustments

The verification team considers the following adjustments are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit
Domestic packaging	Deduct an amount for domestic packaging
Export inland transport	Add an amount for export inland transport
Export container loading charges	Add an amount for export container loading charges
Export port and handling charges	Add an amount for port and handling charges
Export packaging	Add an amount for export packaging
Export bank charges	Add an amount for export credit terms

Table 7 Summary of adjustments

10 NORMAL VALUE

As stated in chapter 8, the application has claimed that the situation in the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1) (section 269TAC(2)(a)(ii)). Where section 269TAC(2)(a)(ii) is satisfied, normal value may be constructed under section 269TAC(2)(c).

The verification team has not considered whether section 269TAC(2)(a)(ii) is satisfied. Therefore, the verification team has not calculated a normal value and has referred the calculation of the normal value to the case management team.

The verification team recommends that, in the event the normal value is determined under section 269TAC(2)(c), certain adjustments in accordance with section 269TAC(9) are necessary to ensure that normal values are properly comparable with export prices.

11 DUMPING MARGIN

Normal values were not determined as part of the verification process (see chapter 10 of this report). As such, the verification team was not able to calculate a dumping margin for the goods exported to Australia by Nam Kim for the investigation period. The calculation of the dumping margin has been referred to the case management team and will be detailed in the Statement of Essential Facts.

12 SUBSIDIES

12.1 Less than adequate remuneration

The verification team verified the completeness, relevance and accuracy of the raw material purchase listing provided in the REQ by reconciling the listing up to the general ledger and down to source documents.

The verification team also collected information on whether the raw material was supplied by and/or manufactured by a State Invested Enterprise.

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**.

12.2 Tax benefits

The verification team verified the income tax information provided in the REQ by reconciling the information to the tax returns and proof of payment documents.

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**.

12.3 Financial Grants

The verification team verified the completeness, relevance and accuracy of the financial grants listing provided in the REQ by reconciling the listing up to the general ledger and down to source documents.

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**.

12.4 Preferential interest rate/loans

The verification team verified the completeness, relevance and accuracy of the financial loans listing provided in the REQ by reconciling the listing up to the general ledger and down to source documents.

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**.

12.5 Subsidy margin

The verification team found no evidence that Nam Kim received a benefit in relation to any of the alleged programs. Accordingly, it has not calculated a preliminary subsidy margin.

13 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Attachment 1	Verification work program