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DIRECTORATE GENERAL OF SAFEGUARDS

CUSTOMS AND CENTRAL EXCISE

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BHAI VIR SINGH MARG, GOLE MARKET

NEW DELHI-110001

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F.No. D-22011/17/2012/179

Dated: 22nd April, 2013

To

The Embassy of Italy
50, Chandra Gupta Marg,
Chanakyapuri,
New Delhi -110021

Sir,

Sub: Initiation of investigation in the case of imports of “Seamless pipes, Tubes and Hollow profiles of iron or non –alloy steel” into India.

In terms of the Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997 an investigation to determine the existence of “serious injury” or “threat of serious injury” to the domestic industry caused by the increased import of “Seamless pipes, Tubes and Hollow profiles of iron or non –alloy steel” into India has been initiated on 22nd April, 2013.

A copy of Notice of Initiation, a copy of the non confidential version of the application in one CD is forwarded herewith in terms of Rule 6(2) of the above mentioned Rules for information and further necessary action by your Government.

Yours faithfully,

(Manish Kumar)
Asstt. Commissioner

Encl. : As above

DIRECTORATE GENERAL OF SAFEGUARDS

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NOTICE OF INITIATION OF A SAFEGUARD INVESTIGATION

[Under Rule 6 of the Custom Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997]

F.No. D-22011/17/2012

New Delhi, 22nd April 2013

Sub: Initiation of Safeguard Investigation concerning Imports of “Seamless pipes, Tubes and Hollow profiles of iron or non –alloy steel” into India.

G.S.R. An application has been filed before me under Rule 5 of the Custom Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997, by M/s. Jindal Saw Ltd, Jindal Centre, 12 Bhikaji Cama Place, New Delhi - 110066 and M/s ISMT, Lunkad Towers, Viman Nagar, Pune 411014 for imposition of Safeguard Duty on imports of “Seamless pipes, Tubes and Hollow profiles of iron or non –alloy steel” into India to protect the domestic producers of Seamless Pipes and Tubes against serious injury /threat of serious injury caused by the increased imports of Seamless pipes, Tubes and Hollow profiles of iron or non –alloy steel.

2. Domestic Industry: The application has been jointly filed by M/s. Jindal Saw Ltd, Jindal Centre, 12 Bhikaji Cama Place, New Delhi -110066 and M/s ISMT, Lunkad Towers, Viman Nagar, Pune 411014 for imposition of Safeguard Duty on imports of Seamless pipes and tubes. The applicants account for more than 50% of the total production of Seamless pipes and tubes in India. The petition is also supported by M/s Maharashtra Seamless Ltd (MSL), Jindal Corporate Centre, Plot No.30, Institutional Sector -44, Gurgaon -122001.

3. Product Involved: The present application is filed for imposition of Safeguard duty on imports of Tubes, Pipes and Hollow Profiles, Seamless of iron, alloy or non alloy steel (other than cast iron and stainless steel) whether hot finished or cold drawn or cold rolled, of external diameter not exceeding 273.1 mm (O.D) with the tolerance as specified under relevant standards (herein after referred to as Seamless Pipes and Tubes) excluding :

1. Seamless alloy–steel pipes, tubes and hollow profiles of specification ASTM A213/ASME SA 213 and ASTM A335 /ASME SA 335 or equivalent BIS/DIN/BS/EN or any other equivalent specifications
2. Non API and Patented Premium Joints/Premium Connections/Premium Threaded Tubes & Pipes of grades Q-125, 13CR,L-80,P110,C-90C-95,T-90 &T-95
3. All 13 Chromium (13CR) Grades Tubes and Pipes not included in(2) above and
4. Drill Collars.

The product under consideration is classified under Customs sub –heading No.73.04 of Chapter 73 of the Customs Tariff Act 1975. An indicative list of the various classifications under which the product under consideration may be classified into is provided below as the product under consideration is imported under 8 digit level classification:-

73041910;73041920;73041990;73042310;73042390;73042910;73042990;73043111;73043119;
73043121;73043129;73043131;73043139;73043911;73043919;73043921;73043929;73043931;
73043939;73045110;73045120;73045130;73045910;73045920;73045930;73049000:

4. Period of investigation (POI): Present application is a fresh case based on serious injury /threat of serious injury to domestic industry caused by increased import of Seamless Pipes and Tubes into India. The POI in the case has been taken from 2009-10 onwards till 2012-13.

5. Source of information: The import data for the product under consideration has been taken from DGCIS as submitted by the applicant till December, 2012 and same has been relied upon and taken into consideration for analysis. The domestic data from 2009-10 to 2012-13(up to June, 2012) has been submitted by the applicant whereas the data up to December, 2012 has been verified by onsite visits to the manufacturing units of the domestic industry by the department. The verified data has been taken into consideration for injury analysis.

6. Increased Imports: Imports of Seamless Pipes and tubes into India have shown significant increase. The data relating to imports of Seamless Pipes and Tubes from 2009-10 onwards as per DGCIS data, is as under:

Financial Year	Total Import (MT)	Import Indexed
2009-10	307581	100
2010-11	344829	112
2011-12	425194	138
2012-13 (Q1)	99880	
2012-13 (Q2)	76118	
2012-13 (Q3)	104335	
2012-13 (Annualized)	373777	122

It is evident that imports of the product under consideration have sharply increased during the injury period. The imports have increased from 307581 MT in 2009-10 to 373777 MT till 2012-13 (Annualized.) recording an increase of 22 %. Even though there is a decline in 2012-13(annualized) over 2011-12, but quarter wise analysis in 2012-13 till Q3 shows a sharp rising trend from Q2-Q3 2012-13 on absolute basis.

7. Serious Injury to the Domestic industry: The applicants (hereinafter referred to as DI) have claimed that the increased imports of Seamless Pipes and Tubes have caused and are threatening to cause serious injury to the domestic producers of Seamless Tubes and Pipes. The growth of DI has turned negative in recent period and is unable to increase its production and sales in tandem with the rate of increase in consumption. The threat of serious injury to domestic industry is clearly visible from the data provided by the applicants as detailed below:

a) Production: The domestic production of DI increased up to FY2011-12, but declined drastically thereafter. The production index of Domestic Industry fell to 116 in 2012-13(Annualized) from 142 in FY 2011-12, as shown below:

Financial Year	Production (MT)	Production Indexed
2009-10	224216	100
2010-11	283619	126
2011-12	318968	142
2012-13(Dec. 2012)	195752	
2012-13(Annualized)	261003	116

b) Increased Imports w.r.t total production: Seamless Pipes and Tubes are imported into India from a number of countries, and mainly from China and Italy. The imports of Seamless Pipes and Tubes have shown an increasing trend in absolute terms as well as compared to the total production. The imports and production of Seamless Pipes and Tubes during financial year 2009-10 to 2012-13 are as under:

Financial Year	Total Imports (MT)	All India Production (MT)	% of Increase in import with respect to production
2009-10	307581	422820	73
2010-11	344829	538554	64
2011-12	425194	583780	73
2012-13 (Annualised)	373777	417511	90

The Imports have increased from 307581 MT in 2009-10 to 373777 MT in 2012-13(Annualised) which shows an increase of 22%. The import with respect to total production was 73 % in 2009-10 and increased to 90% in 2012-13(Annualised).

c) Market Share & Changes in levels of Sales: The market share of the DI has declined sharply in the recent period whereas share of the import has increased significantly. Applicants had a market share of 26% in 2009-10, it has increased to 27 % in year 2010-11. However, in subsequent years it fell to 25 % in 2011-12 and further to 23% during 2012-13. During the same period, market share of import has increased from 55% in 2009-10 to 64% in 2012-13(Annualized).

In MT

Financial Year	Import	Sales of DI	Sales of other Indian Producers	Total Demand	% of Market Share	
					DI	Import
2009-10	307581	143017	104823	555420	26	55
2010-11	344829	168740	101020	614589	27	56
2011-12	425194	170826	93386	689406	25	62
2012-13(Dec.)	280333	101126				
2012-13(Annualized)	373777	134835	77910	586522	23	64

Though the sales of the domestic industry increased up to FY 2011-12, it declined in the most recent period from 170826 MT in 2011-12 to 134835 MT in 2012-13(annualized). The demand of the product increased significantly from 555420 MT in 2009-10 to 586522 MT in 2012-13(annualized). It clearly shows that the DI suffered noticeable loss in sales as well as market share, caused by increased imports

d) Capacity Utilization: The increasing imports are resulting in significant idling of production capacity of the domestic producers. The capacity utilization by the DI has sharply declined in recent period from 60% in 2009-10 to 38% in 2012-13 as can be seen in the Table below:

Financial Year	Installed Capacity(MT)	Production(MT)	Capacity Utilisation (%)
2009-10	375000	224216	60
2010-11	685000	283619	41
2011-12	685000	318968	47
2012-13 (Annualized)	685000	261003	38

e) **Profit/loss** –The profitability of the domestic industry has steeply deteriorated and the domestic industry is now suffering financial losses. This is evident from the table below:-

Financial Year	Profitability (Indexed)
2009-10	100
2010-11	76
2011-12	102
2012-13(Dec). 2012)	23

f) **Inventories** – In view of surging imports and loss of market share, the inventories with the domestic industry have also increased significantly. The table below depicts the inventory levels which have witnessed a massive surge from 5691 MT in 2009-10 to 14170 MT in 2012-13(December) reflecting the plight of the domestic industry.

Financial Year	Inventory (in MT)
2009-10	5691
2010-11	8805
2011-12	9583
2012-13(Dec. 2012)	14170

g) **Productivity & Employment:** There is increase in the level of employment keeping in tandem with increasing capacity. The productivity too had been rising till 2011-12 but has since gone down during 2012-13. Due to loss of market share and accumulation of high inventory, the DI had to stagger the production and face drop in productivity.

Financial Year	Production (MT)	Employment (Nos.)	Productivity per employee(MT)
2009-10	224216	2245	100
2010-11	283619	2388	118
2011-12	318968	2567	124
2012-13(Annualised)	261003	2469	105

8. The DI has requested in their application for immediate imposition of Safeguard duty on imports of Seamless pipes and tubes into India for a period of four years. They have also requested for imposition of provisional

Safeguard duty in view of the steep deterioration in performance of the domestic industry due to serious injury and threat to serious injury as a result of increased imports of the product under consideration.

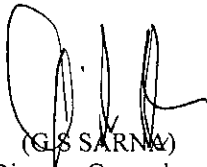
9. The application has been examined and it has been found that prima facie increased imports of Seamless Pipes and Tubes have caused and are threatening to cause serious injury to the domestic producers of Seamless Pipes and Tubes and as such it has been decided to initiate an investigation in the matter through this notice.

10. All interested parties may make their views known within a period of 30 days from the date of this notice to:

The Director General (Safeguards)
Bhai Vir Singh Sahitya Sadan; 2nd Floor,
Bhai Vir Singh Marg,
Gole Market, New Delhi-110 001,
INDIA.
Telephone: 011- 23741537
FAX: 011-23741542
E-mail: dgsafeguards@nic.in

11. All known interested parties are also being addressed separately.

12. Any other party to the investigation who wishes to be considered as an interested party may submit its request so as to reach the Director General (Safeguards) on the aforementioned address within 21 days from the date of this notice.


(G. S. SARNA)
Director General.