

**DIRECTORATE GENERAL OF SAFEGUARDS
CUSTOMS AND CENTRAL EXCISE
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NOTICE OF INITIATION OF A SAFEGUARD INVESTIGATION

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

New Delhi, 28th February, 2014
F.No. D-22011/ 23/2013

Sub: Initiation of safeguard investigation concerning imports of Bare Elastomeric Filament Yarn into India.

G.S.R.----An application has been filed before me under Rule 5 of the Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997 by M/S Indorama Industries Ltd, Plot No.10, Industrial Area, Lodhi Majra, Baddi, Distt. Solan(H.P.) for imposition of Safeguard Duty on imports of Bare Elastomeric Filament Yarn into India to protect the domestic producer of Bare Elastomeric Filament Yarn against serious injury/threat of serious injury caused by the increased imports of Bare Elastomeric Filament Yarn into India.

2. Domestic Industry: M/S Indorama Industries Ltd, claimed that they are the only producer in India who are producing the Bare Elastomeric filament Yarn in India and hence they account for 100% of total domestic production and thus have the standing to file the present petition.

3. Product Involved: The product under consideration in the present case is “Bare Elastomeric Filament Yarn of all deniers and varieties” classified under Customs Tariff sub-heading nos. 54024400 and 54041100 of Chapter 54 of the Customs Tariff Act, 1975. The applicant claimed that this product is also commonly referred to as “Spandex” or “Elastane”. Elastomeric filament Yarn is manufactured from two main raw materials, namely Poly Tera Methylene Ether Glycol and Mono Diphenyl Methane Diisocynate and is used in various applications such as denim jeans, Sportswear, T-Shirts, Suitings Socks & other garments.

4. Period of Investigation (POI): As the applicant has started the commercial production of Elastomeric filament Yarn in March,2012, the domestic data related to production, sales and capacity etc. provided by the applicant is for one month of the year

2011-12, for 12 months of the year 2012-13 and for nine months of the year 2013-14. The period of investigation selected for injury analysis is 2012-13 to 2013-14 which is a reasonable period considering the fact that prior to this period there was no Domestic Industry for this product in India at all.

5. **Source of information:** The import data for the product under consideration has been received from DGCI&S, Kolkata till October,2013 and same has been taken into consideration for analysis. The domestic data from 2012-13 to 2013-14 (upto Dec.,2013) has been submitted by the domestic industry and same has been verified by on-site visit by the department to the extent deemed necessary and the verified data has been taken into consideration for injury analysis.

6. **Increased Imports (Absolute & in relative terms):** Bare Elastomeric Filament Yarn is imported into India from a number of countries, and primarily from Vietnam, Korea, China, Singapore, Taiwan and Thailand. The imports and production of Bare Elastomeric Filament Yarn during financial year 2012-13 to 2013-14(up to Dec,13) remained as under:

Financial Year	Total Imports (MT)	All India Production (MT)	Domestic Sales(MT)	Total Demand(MT)	% of import with respect to production
2012-13(Q1)	2488	683	220	2708	364
2012-13(Q2)	2628	400	293	2921	657
2012-13(Q3)	2114	363	351	2465	582
2012-13(Q4)	2111	921	815	2926	229
2013-14(Q1)	2428	1247	931	3359	195
2013-14(Q2)	2565	1152	892	3457	223
Oct,13	894				
2013-14(Q3)	2682	1127	670	3352	238

The Imports decreased from 2488MT in Q1 of 2012-13 to 2111MT in Q4 of 2012-13 and then increased to 2682MT in Q3(extrapolated) of 2013-14. Further the import with respect to total production decreased from 364% to 229% and then increased to 238% during the same period. Thus imports of Bare Elastomeric Filament Yarn have shown an increasing trend in absolute terms as well as in relative terms, when compared to the total production during recent past.

7. **Injury:** The applicant has claimed that the increased imports of Bare Elastomeric Filament Yarn has caused and is threatening to cause serious injury to the domestic producers of Bare Elastomeric Filament as indicated by the following factors:

a) **Production:** Though the production of the domestic industry increased upto Q1 of 2013-14, it declined from 1247 MT in Q1 of 2013-14 to 1127 MT in Q3 of 2013-14.

Financial Year	All India Production (MT)
2012-13(Q1)	683
2012-13(Q2)	400
2012-13(Q3)	363
2012-13(Q4)	921
2013-14(Q1)	1247
2013-14(Q2)	1152
2013-14(Q3)	1127

b) **Capacity Utilization:** Capacity utilization of the domestic industry has declined in the most recent period, from 99.8% in Q1 of 2013-14 to 90.2% in Q3 of 2013-14.

Financial Year/Quarter	Installed Capacity (MT)	Capacity utilized(%)
2012-13(Q1)	1250	54.6
2012-13(Q2)	1250	32.0
2012-13(Q3)	1250	29.0
2012-13(Q4)	1250	73.7
2013-14(Q1)	1250	99.8
2013-14(Q2)	1250	92.2
2013-14(Q3)	1250	90.2

c) **Market share in domestic demand:.**

Financial Year/Quarter	Total Import(MT)	Domestic Sales of DI (MT)	Total Demand (MT)	Market Share(%)	
				DI	Import
2012-13(Q1)	2488	220	2708	9	92
2012-13(Q2)	2628	293	2921	11	90
2012-13(Q3)	2114	351	2465	17	86
2012-13(Q4)	2111	815	2926	39	72
2013-14(Q1)	2428	931	3359	38	72
2013-14(Q2)	2565	892	3457	35	74
Oct,13	894				
2013-14(Q3)	2682	670	3352	25	80

Market share of domestic producer has increased from 9% in Q1 of 2012-13 to 25% in Q3 of 2013-14 and during same period market share of import has decreased from 92%

to 80%. However in the recent quarters, market share of the domestic producer has decreased from 39% in Q4 of 2012-13 to 25% in Q3 of 2013-14 and during same period market share of import has increased from 72% to 80% .

d) **Changes in the level of Sales:** -Though the sales of the domestic industry increased up to Q1 of 2013-14, it declined from 931MT in Q1 of 2013-14 to 670 MT in Q3 of 2013-14. This clearly shows that the domestic industry suffered losses in sales in the recent past.

e) **Profit/loss** – the profitability claimed by the domestic industry is as under:-

Financial Year/Quarter	Profitability (Rs. lacs) Indexed
2012-13(Q1)	-100
2012-13(Q2)	-127
2012-13(Q3)	-138
2012-13(Q4)	-96
2013-14(Q1)	-89
2013-14(Q2)	-122
2013-14(Q3)	-54

f) **Productivity & Employment-** There is increase in the level of employment .The productivity too has been rising till (Q1)2013-14 but has since gone down in Q2 & Q3 of 2013-14

Financial Year/Quarter	Production (MT)	Avg. Employment	Productivity per employee(MT)
2012-13(Q1)	683	221	3.0
2012-13(Q2)	400	230	1.7
2012-13(Q3)	363	227	1.5
2012-13(Q4)	921	236	3.9
2013-14(Q1)	1247	249	5.0
2013-14(Q2)	1152	252	4.5
2013-14(Q3)	1127	256	4.4

g) **Inventory-** The table below depicts the inventory levels which have witnessed a surge from 477 MT (Q1) 2012-13 to 601 MT (Q3) 2013-14 reflecting the plight of the domestic industry.

Financial Year/Quarter	Inventory (MT)
2012-13(Q1)	477
2012-13(Q2)	584
2012-13(Q3)	521
2012-13(Q4)	528
2013-14(Q1)	646
2013-14(Q2)	675
2013-14(Q3)	601

8. The domestic industry has requested for immediate imposition of safeguard measures for a period of three year in their application. The domestic industry has also requested for imposition of provisional safeguard duty in view of steep deterioration in performance of the domestic industry as a result of increased imports of product under consideration.

9. The application has been examined and it has been found that prima facie increased imports of Bare Elastomeric Filament Yarn have caused or are threatening to cause serious injury to the domestic producers of Bare Elastomeric Filament Yarn and such increase in imports has caused irreparable damage to the domestic industry and accordingly, it has been decided to initiate an investigation 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.
 Telefax: 011-23741542/ 23741537
 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 15 days from the date of this notice.

13. In terms of Rule 6(7) of Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997, any interested party may inspect the public file containing non-confidential versions of the evidence submitted by the other interested parties after the expiry of 30 days from the date of this notice.

(R.K SINGLA)
 DIRECTOR GENERAL.