

REGULATIONS

COMMISSION IMPLEMENTING REGULATION (EU) 2017/1141

of 27 June 2017

imposing a definitive countervailing duty on imports of certain stainless steel bars and rods originating in India following an expiry review under Article 18 of Regulation (EU) 2016/1037 of the European Parliament and the Council

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2016/1037 of the European Parliament and of the Council of 8 June 2016 on protection against subsidised imports from countries not members of the European Union ⁽¹⁾ ('the basic Regulation'), and in particular Article 18 thereof,

Whereas:

1. PROCEDURE

1.1. Measures in force

- (1) In April 2011, following an anti-subsidy investigation ('the original investigation'), the Council imposed by Implementing Regulation (EU) No 405/2011 ⁽²⁾ ('the definitive Regulation'), a definitive countervailing duty on imports of certain stainless steel bars and rods ('SSB') currently falling within CN codes 7222 20 21, 7222 20 29, 7222 20 31, 7222 20 39, 7222 20 81 and 7222 20 89 and originating in India.
- (2) The definitive Regulation imposed a countervailing duty at rates ranging between 3,3 % and 4,3 % on imports from the sampled exporting producers, 4,0 % on the non-sampled cooperating companies and a duty rate of 4,3 % on all other companies in India.
- (3) In July 2013, following a partial interim review ('the interim review'), the Council changed by Implementing Regulation (EU) No 721/2013 ⁽³⁾ ('the amending Regulation'), the duty rate applicable to Indian exporting producer Viraj Profiles Limited, Palghar, Maharashtra and Mumbai, Maharashtra ('Viraj') from 4,3 % to 0 % and revised the duty rate for all other companies from 4,3 % to 4,0 %.

1.2. Request for an expiry review

- (4) In June 2015 the Commission published a notice of impending expiry of the countervailing measures on SSB originating in India in the *Official Journal of the European Union* ⁽⁴⁾.
- (5) On 28 January 2016 the European Steel Association ('Eurofer'), representing more than 25 % of the total production of SSB in the European Union ('the Union'), lodged a request for review under Article 18 of Council Regulation (EC) No 597/2009 ⁽⁵⁾.

⁽¹⁾ OJ L 176, 30.6.2016, p. 55.

⁽²⁾ Council Implementing Regulation (EU) No 405/2011 of 19 April 2011 imposing a definitive countervailing duty and collecting definitively the provisional duty imposed on imports of certain stainless steel bars and rods originating in India (OJ L 108, 28.4.2011, p. 3).

⁽³⁾ Council Implementing Regulation (EU) No 721/2013 of 22 July 2013 amending Implementing Regulation (EU) No 405/2011 imposing a definitive countervailing duty and collecting definitively the provisional duty imposed on imports of certain stainless steel bars and rods originating in India (OJ L 202, 27.7.2013, p. 2).

⁽⁴⁾ OJ C 248, 29.7.2015, p. 4.

⁽⁵⁾ Council Regulation (EC) No 597/2009 of 11 June 2009 on protection against subsidised imports from countries not members of the European Community (OJ L 188, 18.7.2009, p. 93). This Regulation has been codified by the basic Regulation.

- (6) Eurofer based their request on the grounds that the expiry of the measures would be likely to result in continuation of subsidisation and continuation or recurrence of injury to the Union industry.

1.3. Initiation

- (7) Having determined that sufficient evidence existed for the initiation of an expiry review, on 27 April 2016 the Commission published a notice of initiation in the *Official Journal of the European Union* ⁽¹⁾ ('the Notice of Initiation')

1.4. Interested parties

- (8) The Commission invited in the Notice of Initiation all interested parties to contact it in order to participate in the investigation.
- (9) In addition, the Commission specifically informed Eurofer; known Union producers and their associations; known importers and users of SSB in the Union; as well as the Government of India ('the GOI') and known exporting producers in India of the initiation of the expiry review and invited them to participate.
- (10) All interested parties had the opportunity to comment on the initiation of the investigation and to request a hearing with the Commission and/or the Hearing Officer in trade proceedings.

1.4.1. Sampling

- (11) In the Notice of Initiation, the Commission stated that it might sample interested parties, in accordance with Article 27 of the basic Regulation.

1.4.1.1. Sampling of Union producers

- (12) The Commission stated in the Notice of Initiation that it had provisionally selected a sample of Union producers.
- (13) In accordance with Article 27(1) of the basic Regulation the Commission selected the sample on the basis of the largest representative volume of sales that could be investigated in the time available, whilst ensuring a geographical spread.
- (14) The provisionally selected sample consisted of three Union producers accounting for around 50 % of the total sales of cooperating Union producers. The Commission invited interested parties to comment on the provisional sample.
- (15) The Commission was notified that one Union producer had reported sales between group members as sales to the Union and therefore replaced it with another Union producer. The final sample also covered around 50 % of total sales of cooperating Union producers.

1.4.1.2. Sampling of importers

- (16) The Commission invited in the Notice of Initiation importers and their representative associations to make themselves known and to provide specific information necessary to decide whether sampling was necessary and, if so, to select a sample. Two importers came forward.

1.4.1.3. Sampling of exporting producers

- (17) To decide whether sampling is necessary and, if so, to select a sample, the Commission asked all exporting producers in India to provide the information specified in the Notice of Initiation. In addition, the Commission requested the authorities of India to identify and/or contact other exporting producers, if any, that could be interested in participating in the investigation.

⁽¹⁾ OJ C 148, 27.4.2016, p. 8.

- (18) Fourteen exporting producers/group of exporting producers, representing around 46 % of the total imports in the Union of SSB from India, provided the information requested in Annex I to the Notice of Initiation for the purpose of sampling. The Commission sampled three exporting producers/groups of exporting producers with the highest volume of export sales to the Union (representing 62 % of the volume of exports by the cooperating companies) that could reasonably be investigated within the time available.
- (19) In accordance with Article 27(2) of the basic Regulation, all known exporting producers concerned, and the authorities of India, were consulted on the selection of the sample. No comments were made.

1.4.1.4. Users

- (20) The Commission invited in the Notice of Initiation the users and their representative associations, and representative consumer organisations make themselves known and cooperate. No users in the Union or their associations came forward.

1.4.2. Questionnaires and verification visits

- (21) The Commission sent questionnaires to all parties known to be concerned and to all other companies that made themselves known within the deadlines set out in the Notice of Initiation.
- (22) This included the GOI, three sampled exporting producers in India, three sampled Union producers, two importers referred to in recital 16 above, Eurofer and another association of Union producers.
- (23) Questionnaire replies were received from three sampled Union producers, Eurofer the GOI, and three sampled exporting producers in India.
- (24) The Commission sought and verified all the information it deemed necessary for the determination of the likelihood of continuation or recurrence of subsidisation; and continuation or recurrence of injury; and whether maintaining the countervailing measures would not be against the Union interest.
- (25) Verification visits under Article 26 of the basic Regulation were carried out at the premises of the GOI in Delhi, India and at the premises of Eurofer in Brussels, Belgium, and the following companies:
- (a) Union producers:
- Ugitech SA, Ugine, France;
 - Acerinox SA, Madrid, Spain;
 - A.I. Olarra SA, Bilbao, Spain.
- (b) Exporting producers in India:
- Chandan Steel Limited, Mumbai, India;
 - Isinox Steel Limited, Mumbai, India;
 - Venus Group:
 - Hindustan Inox Ltd, Mumbai, India;
 - Precision Metals, Mumbai, India;
 - Sieves Manufactures Pvt. Ltd, Mumbai, India;
 - Venus Wire Industries Pvt. Ltd, Mumbai, India.

1.5. Review investigation period and period considered

- (26) The investigation of the likelihood of continuation or recurrence of subsidisation and injury covered the period from 1 April 2015 to 31 March 2016 ('the RIP').

- (27) The examination of trends relevant for the assessment of the likelihood of a continuation or recurrence of injury covered the period from 1 January 2012 to the end of the review investigation period ('the period considered').

2. PRODUCT UNDER REVIEW AND THE LIKE PRODUCT

2.1. Product concerned

- (28) The product concerned is the same product as the one defined in the original investigation, that is stainless steel bars and rods, not further worked than cold-formed or cold-finished, other than bars and rods of circular cross-section of a diameter of 80 mm or more ('SSB' or 'the product under review'), currently falling within CN codes 7222 20 21, 7222 20 29, 7222 20 31, 7222 20 39, 7222 20 81 and 7222 20 89 and originating in India ('the product concerned').

2.2. Like product

- (29) The investigation showed that the following products have the same basic physical and technical characteristics as well as the same basic uses:
- the product concerned
 - the product produced and sold in the Union by the Union industry.
- (30) The Commission concluded that these products are like products within the meaning of Article 2(c) of the basic Regulation.

3. LIKELIHOOD OF CONTINUATION OF SUBSIDISATION

3.1. Introduction

- (31) In accordance with Article 18(1) of the basic Regulation, the Commission examined whether the expiry of the existing measures would be likely to lead to a continuation of subsidisation.
- (32) On the basis of the information contained in the review request, the following schemes, which allegedly involve the granting of subsidies, were investigated:

Nationwide schemes

- (a) Advance Authorisation Scheme (AAS)
- (b) Duty Drawback Scheme (DDS)
- (c) Duty Entitlement Passbook Scheme (DEPBS)
- (d) Duty Free Import Authorisation (DFIA)
- (e) Exemption of Export Credit from Interest Taxes
- (f) Export Credit Scheme (ECS)
- (g) Export Promotion Capital Goods Scheme (EPCGS)
- (h) Loan Guarantees and direct transfers of funds from the Government of India
- (i) Merchandise Exports from India Scheme (MEIS)

Regional schemes

- (j) Package Scheme of Incentives (PSI)
- (k) Regional Subsidies

- (33) The schemes listed in points (a), (c), (d), (g) and (i) above are based on the Foreign Trade (Development and Regulation) Act 1992 (No 22 of 1992) which entered into force on 7 August 1992 ('Foreign Trade Act'). The Foreign Trade Act authorises the GOI to issue notifications regarding the export and import policy. These are summarised in 'Foreign Trade Policy' documents, which are issued by the Ministry of Commerce every 5 years and updated regularly. Two Foreign Trade Policy documents are relevant for the review investigation period of this investigation: Foreign Trade Policy 2009-2014 ('FTP 09-14') and Foreign Trade Policy 2015-2020 ('FTP 15-20'). The latter entered into force in April 2015. The GOI also sets out the procedures governing FTP 09-14 and FTP 15-20 in a 'Handbook of Procedures, Volume I, 2009-2014' ('HOP I 04-09') and a 'Handbook of Procedures, Volume I, 2015-2020' ('HOP I 15-20') respectively. The Handbooks of Procedures are updated on a regular basis.
- (34) The DDS in point (b) above is based on section 75 of the Customs Act of 1962, on section 37 of the Central Excise Act of 1944, on sections 93A and 94 of the Financial Act of 1994 and on the Customs, Central Excise Duties and Service Tax Drawback Rules of 1995. Drawback rates are published on a regular basis.
- (35) The Exemption of Export Credit from Interest Taxes in point (e) above is based on the Interest Tax Act, 1974.
- (36) The ECS in point (f) above is based on sections 21 and 35A of the Banking Regulation Act 1949, which allow the Reserve Bank of India ('RBI') to direct commercial banks in the field of export credits.
- (37) The Loan Guarantees and direct transfers of funds from the GOI in point (h) above are governed by the Government Guarantee Policy.
- (38) The PSI in point (j), applicable from 1 April 2013, is based on Resolution No: PSI-2013/(CR-54)/IND-8, issued by the Government of Maharashtra Industries, Energy and Labour Department.
- (39) Regional Subsidy Schemes in point (k) are governed by regional governments.

3.2. Advance Authorisation Scheme (AAS)

3.2.1. Legal basis

- (40) The detailed description of the scheme is contained in paragraphs 4.1.1 to 4.1.14 of the FTP 09-14 and chapters 4.1 to 4.30 of the HOP I 09-14 as well as paragraphs 4.03 to 4.24 of FTP 15-20 and chapters 4.04 to 4.52 of HOP I 15-20.

3.2.2. Eligibility

- (41) The AAS consists of six sub-schemes, as described in more detail in recital 42 below. Those sub-schemes differ, inter alia, in the scope of eligibility. Manufacturer-exporters and merchant-exporters 'tied to' supporting manufacturers are eligible for the AAS physical exports and for the AAS for annual requirement sub-schemes. Manufacturer-exporters supplying the ultimate exporter are eligible for AAS for intermediate supplies. Main contractors which supply to the 'deemed export' categories mentioned in paragraph 7.02 of the FTP 15-20, such as suppliers of an export oriented unit ('EOU'), are eligible for the AAS deemed export sub-scheme. Eventually, intermediate suppliers to manufacturer-exporters are eligible for 'deemed export' benefits under the sub-schemes Advance Release Order and Back to back inland letter of credit.

3.2.3. Practical implementation

- (42) The AAS can be issued for:
- (a) Physical exports: This is the main sub-scheme. It allows for duty-free import of input materials for the production of a specific resulting export product. 'Physical' in this context means that the export product has to leave the Indian territory. An import allowance and export obligation including the type of export product are specified in the licence;

- (b) Annual requirement: Such an authorisation is not linked to a specific export product, but to a wider product group (e.g. chemical and allied products). The licence holder can — up to a certain value threshold set by its past export performance — import duty-free any input to be used in manufacturing any of the items falling under such a product group. It can choose to export any resulting product falling under the product group using such duty-exempt material;
- (c) Intermediate supplies: This sub-scheme covers cases where two manufacturers intend to produce a single export product and divide the production process. The manufacturer-exporter who produces the intermediate product can import duty-free input materials and can obtain for this purpose an AAS for intermediate supplies. The ultimate exporter finalises the production and is obliged to export the finished product;
- (d) Deemed exports: This sub-scheme allows a main contractor to import inputs free of duty which are required in manufacturing goods to be sold as 'deemed exports' to the categories of customers mentioned in paragraph 7.02 (b) to (f), (g), (i) and (j) of the FTP 15-20. According to the GOI, deemed exports refer to those transactions in which the goods supplied do not leave the country. A number of categories of supply is regarded as deemed exports provided the goods are manufactured in India, e.g. supply of goods to an EOU or to a company situated in a special economic zone ('SEZ');
- (e) Advance Release Order ('ARO'): The AAS holder intending to source the inputs from indigenous sources, in lieu of direct import, has the option to source them against AROs. In such cases the Advance Authorisations are validated as AROs and are endorsed to the indigenous supplier upon delivery of the items specified therein. The endorsement of the ARO entitles the indigenous supplier to the benefits of deemed exports as set out in paragraph 7.03 of the FTP 15-20 (i.e. AAS for intermediate supplies/deemed export, deemed export drawback and refund of terminal excise duty). The ARO mechanism refunds taxes and duties to the supplier instead of refunding the same to the ultimate exporter in the form of drawback/refund of duties. The refund of taxes/duties is available both for indigenous inputs as well as imported inputs;
- (f) Back to back inland letter of credit: This sub-scheme again covers indigenous supplies to an Advance Authorisation holder. The holder of an Advance Authorisation can approach a bank for opening an inland letter of credit in favour of an indigenous supplier. The authorisation will be validated by the bank for direct import only in respect of the value and volume of items being sourced indigenously instead of importation. The indigenous supplier will be entitled to deemed export benefits as set out in paragraph 7.03 of the FTP 15-20 (i.e. AAS for intermediate supplies/deemed export, deemed export drawback and refund of terminal excise duty).
- (43) The Commission found that the cooperating exporting producers using the scheme obtained concessions under the first sub-scheme i.e. AAS physical exports during the review investigation period. It is therefore not necessary to establish the countervailability of the remaining unused sub-schemes.
- (44) For verification purposes by the Indian authorities, an Advance Authorisation holder is legally obliged to maintain 'a true and proper account of consumption and utilisation of duty-free imported/domestically procured goods' in a specified format (chapters 4.47, 4.51 and Appendix 4H HOP I 15-20), i.e. an actual consumption register. This register has to be verified by an external chartered accountant/cost and works accountant who issues a certificate stating that the prescribed registers and relevant records have been examined and the information furnished under Appendix 4H is true and correct in all respects.
- (45) With regard to the sub-scheme used during the review investigation period by the companies concerned, i.e. physical exports, the import allowance and the export obligation are fixed in volume and value by the GOI and are documented on the Authorisation. In addition, at the time of import and of export, the corresponding transactions are to be documented by Government officials on the Authorisation. The volume of imports allowed under the AAS is determined by the GOI on the basis of Standard Input Output Norms ('SIONs') which exist for most products including the product concerned.
- (46) Imported input materials are not transferable and have to be used to produce the resultant export product. The export obligation must be fulfilled within a prescribed time frame after issuance of the licence (18 months with two possible extensions of 6 months each).

- (47) The Commission established that there is no close nexus between the imported inputs and the exported finished products. The eligible input materials are also imported and used for products other than the product concerned. Moreover, licences for various products can be clubbed. This means that exports under AAS licence of one product may give right to duty-free imports of inputs under an AAS licence for another product.
- (48) During the verification visit conducted by the Commission, one of the exporting producers confirmed that because of this lack of a clear nexus, the consumption of inputs is being reported on the basis of SIONs. The other exporting producer using the scheme stated that it has a tracing system whereby inputs imported under the scheme are traced to the final product. However, the company was unable to provide any description of this system in their internal documents. No audit of this system ever took place.
- (49) One of the exporting producers was unable to show any appendix 4H for their AAS licences. The other exporting producer was able to furnish one appendix 4H form showing no excess remission. However, it is clear from the wording of the chartered accountant's declaration in appendix 4H and confirmed by the GOI during the verification visit that the examination by chartered accountant is limited to whether the figures in the relevant Appendix 4H match company records. Furthermore, one exporting producer confirmed that the chartered accountant focuses on whether the export obligation matches the import allowance as per SION under the relevant licences. He does not question nor indeed examine whether the actual consumption corresponds to the relevant SION. Consequently, the chartered accountant does not verify whether the records themselves show a true and proper account of consumption and utilisation of duty-free imported/domestically procured goods. It is also of note that during and after the verification visit the GOI was unable to provide the Commission with a copy of a single appendix 4H form submitted to it by the sampled exporting producers. In sum, the Commission concluded that both companies using the scheme were unable to demonstrate that the relevant FTP provisions were met.

3.2.4. *Conclusion on the AAS*

- (50) The exemption from import duties is a subsidy within the meaning of Article 3(1)(a)(ii) and Article 3(2) of the basic Regulation, namely it constitutes a financial contribution of the GOI since it decreases duty revenue which would otherwise be due and it confers a benefit upon the investigated exporter since it improves its liquidity.
- (51) In addition, AAS physical exports are contingent in law upon export performance, and therefore deemed to be specific and countervailable under Article 4(4), first subparagraph, point (a) of the basic Regulation. Without an export commitment a company cannot obtain benefits under this scheme.
- (52) The sub-scheme used in the present case cannot be considered a permissible duty drawback system or substitution drawback system within the meaning of Article 3(1)(a)(ii) of the basic Regulation. It does not conform to the rules laid down in Annex I item (i), Annex II (definition and rules for drawback) and Annex III (definition and rules for substitution drawback) of the basic Regulation. The GOI did not effectively apply a verification system or a procedure to confirm whether and in what amounts inputs were consumed in the production of the exported product (Annex II(4) of the basic Regulation and, in the case of substitution drawback schemes, Annex III(II)(2) of the basic Regulation). It is also considered that the SIONs for the product under review were not sufficiently precise and that themselves cannot constitute a verification system of actual consumption because the design of those standard norms does not enable the GOI to verify with sufficient precision what amounts of inputs were consumed in the export production. In addition, the GOI did not carry out a further examination based on actual inputs involved, although this would need to be carried out in the absence of an effectively applied verification system (Annex II(5) and Annex III(II)(3) to the basic Regulation).
- (53) The sub-scheme is therefore countervailable.

3.2.5. *Calculation of the subsidy amount*

- (54) In the absence of permitted duty drawback systems or substitution drawback systems, the countervailable benefit is the remission of total import duties normally due upon importation of inputs. In this respect, it is noted that the basic Regulation does not only provide for the countervailing of an 'excess' remission of duties. According to Article 3(1)(a)(ii) and Annex I(i) of the basic Regulation only the excess remission of duties can be countervailed,

when the conditions of Annexes II and III of the basic Regulation are met. However, these conditions were not fulfilled in the present case. Thus, if an adequate monitoring process is not demonstrated, the above exception for drawback schemes is not applicable and the normal rule for countervailing the amount of unpaid duties (revenue forgone), applies, rather than for any purported excess remission. As set out in Annexes II(II) and III(II) of the basic Regulation the burden is not upon the investigating authority to calculate such excess remission. To the contrary, according to Article 3(1)(a)(ii) of the basic Regulation, the investigating authority only has to establish sufficient evidence to refute the appropriateness of an alleged verification system.

- (55) As explained in recital 47 above, the benefit entitlement (i.e. the export under the licence) and the benefit conferral (i.e. duty free import of the input) are only loosely linked to one another. They do not have to occur in any particular order or time proximity. It is thus possible that whilst the entitlement occurs during the review investigation period, the related conferral may occur before as well as after the review investigation period. Furthermore, through clubbing, benefit entitlement under a licence for one product may be transferred so that it ultimately confers a benefit on another product.
- (56) In the definitive Regulation the subsidy amount derived from AAS was calculated on the basis of import duties forgone on all material imported for SSB products under the scheme during the original investigation period. This subsidy amount was then allocated over the export turnover of the product concerned during the original investigation period.
- (57) The two exporting producers using the AAS agreed with the Commission's assessment laid out in recital 55 above and confirmed that exports during the review investigation period of the product concerned entitled them to a benefit, part of which was or will be conferred outside of the review investigation period. Furthermore, one of the exporting producers confirmed that, due to the way the melting process was conducted during the review investigation period, it cannot be excluded that inputs imports under AAS licences for SSB ended up in other products and that inputs imports under AAS licences for other products ended up in SSB. Consequently, the exporting producer agreed that looking only at the duty foregone for imports under AAS licences for SSB during the review investigation period would not reflect the actual benefit conferred on exports of SSB during that period by the scheme. Due to the lack of the appropriate data, the Commission was unable to calculate the subsidy amount on the basis of import duties forgone on all material imported for SSB under the scheme during the review investigation period as in the original investigation.
- (58) In these circumstances, both companies agreed to calculate the subsidy amount on the basis of the total export transactions cleared during the review investigation period under the AAS licences related to the product concerned. Each company proposed a methodology appropriate to their particular situation (in this case depending on the range of the raw materials imported for the production of the product concerned). Either by using the SION or the average added value under all previous licences opened for the product concerned, the amount of duty saved on imported inputs could be reliably calculated. The Commission considered these methodologies as appropriate and accepted them.
- (59) In accordance with Article 7(2) of the basic Regulation these subsidy amounts have been allocated over the total export turnover of the product concerned during the review investigation period as appropriate denominator, because the subsidy is contingent upon export performance and it was not granted by reference to the quantities manufactured, produced, exported or transported.
- (60) The Commission thus established that the subsidy rates in respect of this scheme during the review investigation period amounted to 0,88 % for Chandan Steel Limited and 1,56 % for Isinox Steel Limited.

3.3. Duty Drawback Scheme (DDS)

3.3.1. *Legal basis*

- (61) The detailed description of the DDS is contained in the Custom & Central Excise Duties Drawback Rules 1995 as amended by successive notifications.

3.3.2. Eligibility

- (62) Any manufacturer-exporter or merchant-exporter is eligible for this scheme.

3.3.3. Practical implementation

- (63) An eligible exporter can apply for a drawback amount which is calculated as a percentage of the free-on-board ('FOB') value of products exported under this scheme. The drawback rates have been established by the GOI for a number of products, including the product concerned. They are determined on the basis of the average quantity or value of materials used as inputs in the manufacturing of a product and the average amount of duties paid on inputs. They are applicable regardless of whether import duties have actually been paid or not. During the review investigation period the DDS rate was 1,9 % until 22 November 2015, then 2 % with a cap of 3,2 INR/kg until 10 February 2016 and then 2 % with a cap of 4,3 INR/kg thereafter.
- (64) To benefit from this scheme a company must export. At the moment when shipment details are entered in the Customs server (ICEGATE), it is indicated that the export is taking place under the DDS and the DDS amount is fixed irrevocably. After the shipping company has filed the Export General Manifest (EGM) and the Customs office has satisfactorily compared that document with the shipping bill data, all conditions are fulfilled to authorise the payment of the drawback amount by either direct payment on the exporter's bank account or by draft.
- (65) The exporter also has to produce evidence of realisation of export proceeds by means of a Bank Realisation Certificate (BRC). This document can be provided after the drawback amount has been paid but the GOI will recover the paid amount if the exporter fails to submit the BRC within a given delay.
- (66) The drawback amount can be used for any purpose.
- (67) In accordance with Indian accounting standards, the duty drawback amount can be booked on an accrual basis as income in the commercial accounts, upon fulfilment of the export obligation.
- (68) The Commission found that all the cooperating exporting producers continued benefiting from the DDS during the review investigation period.

3.3.4. Conclusion on the DDS

- (69) The DDS provides subsidies within the meaning of Article 3(1)(a)(i) and Article 3(2) of the basic Regulation. The so-called duty drawback amount is a financial contribution by the GOI as it takes the form of a direct transfer of funds by the GOI. There are no restrictions as to the use of these funds. In addition, the duty drawback amount confers a benefit upon the exporter, because it improves its liquidity.
- (70) The rate of duty drawback for exports is determined by the GOI on a product by product basis. However, although the subsidy is referred to as a duty drawback, the scheme does not have the characteristics of a permissible duty drawback system or substitution drawback system within the meaning of Article 3(1)(a)(ii) of the basic Regulation. The cash payment to the exporter is not linked to actual payments of import duties on raw materials and is not a duty credit to offset import duties on past or future imports of raw materials.
- (71) During the verification visit, the GOI claimed that there was an adequate link between the drawback rates as well as the duties paid on raw materials. This is because the GOI takes into account the average quantity or value of materials used as inputs in the manufacturing of the product as well as the average amount of duties paid on inputs in determining the duty drawback rates.
- (72) The Commission however does not consider that the alleged link between the drawback rates and the duties paid on raw materials is sufficient in order for the scheme to conform to the rules laid down in Annex I, Annex II (definition and rules for drawback) and Annex III (definition and rules for substitution drawback) of the basic Regulation. In particular, the amount of credit is not calculated in relation to actual inputs used. Moreover, there is no system or procedure in place to confirm which inputs (including their amounts and origin) are consumed in the production process of the exported product or whether an excess payment of import duties occurred

within the meaning of item (l) of Annex I, and Annexes II and III of the basic Regulation. Moreover, no further examination by the GOI was conducted on the basis of actual inputs and transactions in order to determine whether an excess payment occurred. Therefore, the claim was rejected.

- (73) Consequently, the payment which takes form of a direct transfer of funds by the GOI subsequent to exports made by exporters has to be considered as a direct grant from the GOI contingent on export performance and is therefore deemed to be specific and countervailable under Article 4(4), first subparagraph, point (a) of the basic Regulation.

3.3.5. Calculation of the subsidy amount

- (74) In accordance with Article 3(2) and Article 5 of the basic Regulation, the amount of countervailable subsidies was calculated in terms of the benefit conferred on the recipient, which is found to exist during the review investigation period. In this regard, it was considered that the benefit is conferred on the recipient at the time when an export transaction is made under this scheme. At this moment, the GOI is liable to the payment of the drawback amount, which constitutes a financial contribution within the meaning of Article 3(1)(a)(ii) of the basic Regulation. Once the customs authorities issue an export shipping bill which shows, inter alia, the amount of drawback which is to be granted for that export transaction, the GOI has no discretion as to whether or not to grant the subsidy. In the light of the above, and since there is no reliable evidence showing otherwise, it is considered appropriate to assess the benefit under the DDS as being the sums of the drawback amounts earned on export transactions made under this scheme during the review investigation period.
- (75) In accordance with Article 7(2) of the basic Regulation these subsidy amounts have been allocated over the total export turnover of the product concerned during the review investigation period as appropriate denominator, because the subsidy is contingent upon export performance and it was not granted by reference to the quantities manufactured, produced, exported or transported.
- (76) The Commission thus established that the subsidy rates in respect of this scheme during the review investigation period amounted to 1,02 % for Chandan Steel Limited, 0,66 % for Isinox Steel Limited and 1,82 % for the Venus Group.

3.4. Duty Entitlement Passbook Scheme (DEPBS)

- (77) The investigation revealed that this scheme was discontinued and did not confer any benefit on the sampled exporting producers during the review investigation period, rendering further evaluation of its countervailability unnecessary for the purposes of this investigation.

3.5. Duty Free Import Authorisation (DFIA)

- (78) The investigation revealed that none of the sampled exporting producers benefited from this scheme during the review investigation period, rendering further evaluation of its countervailability unnecessary for the purposes of this investigation.

3.6. Exemption of Export Credit from Interest Taxes

- (79) The investigation revealed that this scheme was discontinued and did not confer any benefit on the sampled exporting producers during the review investigation period, rendering further evaluation of its countervailability unnecessary for the purposes of this investigation.

3.7. Export Credit Scheme (ECS)

- (80) The investigation revealed that all of the sampled exporting producers used this scheme during the review investigation period. However, as it was found that the incentives received were negligible, further evaluation of countervailability of this scheme is unnecessary for the purposes of this investigation.

3.8. Export Promotion Capital Goods Scheme (EPCGS)

- (81) The investigation revealed that all of the sampled exporting producers used this scheme during the review investigation period. However, as it was found that the incentives received were negligible, further evaluation of countervailability of this scheme is unnecessary for the purposes of this investigation.

3.9. Loan Guarantees and direct transfers of funds from the GOI

- (82) The investigation revealed that none of the sampled exporting producers received loan guarantees and direct transfers of funds from the GOI that would confer a benefit during the review investigation period, rendering further evaluation of countervailability of these arrangements unnecessary for the purposes of this investigation.

3.10. Merchandise Exports from India Scheme (MEIS)

3.10.1. *Legal basis*

- (83) The detailed description of MEIS is contained in chapter 3 of FTP 15-20 and in chapter 3 of HOP I 15-20.
- (84) MEIS is the successor scheme of 5 other schemes (Focus Market Scheme, Focus Product Scheme, Market Linked Focus Product Scheme, Agricultural Infrastructure Incentive Scrip and VKGUY).

3.10.2. *Eligibility*

- (85) Any manufacturer-exporter or merchant-exporter is eligible for this scheme.

3.10.3. *Practical implementation*

- (86) Eligible companies can benefit from MEIS by exporting specific products to specific countries which were categorised into Group A ('Traditional Markets' including all EU Member States), Group B ('Emerging and Focus Markets') and Group C ('Other Markets'). The countries falling under each group and the list of products with corresponding reward rates were specified in Table 1 and Table 2 respectively of Appendix 3B of FTP 15-20. Towards the end of review investigation period the distinction between various markets was abolished and the scheme became available for all.
- (87) The benefit takes the form of a duty credit equivalent to a percentage of the FOB value of the export. In the case of SSB, at the beginning of the review investigation period this percentage was found to be 2 % for exports to Group B countries and 0 % for exports to Group A and C countries. As mentioned in recital 86 above, at the end of the review investigation period the distinction between groups of countries was abolished and the 2 % became applicable for all countries. Certain types of exports are excluded from the scheme, e.g. exports of imported goods or transhipped goods, deemed exports, service exports and export turnover of units operating under special economic zones/export operating units.
- (88) The duty credits under MEIS are freely transferable and valid for a period of 18 months from the date of issue. They can be used for: (i) payment of custom duties on imports of inputs or goods including capital goods, (ii) payment of excise duties on domestic procurement of inputs or goods including capital goods and, (iii) payment of service tax on procurement of services.
- (89) An application for claiming benefits under MEIS must be filed on line on the Directorate-General of Foreign Trade website. Relevant documentation (shipping bills, bank realisation certificate and proof of landing) must be linked with the on-line application. The relevant Regional Authority ('RA') of the GOI issues the duty credit after scrutiny of the documents. As long as the exporter provides the relevant documentation, the RA has no discretion over the granting of the duty credits.
- (90) The Commission found that the sampled exporting producers received benefits under the MEIS during the review investigation period.

3.10.4. *Conclusion on the MEIS*

- (91) The MEIS provides subsidies within the meaning of Article 3(1)(a)(ii) and Article 3(2) of the basic Regulation. MEIS duty credit is a financial contribution by the GOI, since the credit will eventually be used to offset import duties, thus decreasing the GOI's duty revenue which would be otherwise due. In addition, the MEIS duty credit confers a benefit upon the exporter, because it improves its liquidity.
- (92) Furthermore, MEIS is contingent in law upon export performance, and therefore deemed to be specific and countervailable under Article 4(4), first subparagraph, point (a) of the basic Regulation.
- (93) This scheme cannot be considered a permissible duty drawback system or substitution drawback system within the meaning of Article 3(1)(a)(ii) of the basic Regulation. It does not conform to the strict rules laid down in Annex I point (i), Annex II (definition and rules for drawback) and Annex III (definition and rules for substitution drawback) of the basic Regulation. An exporter is under no obligation to actually consume the goods imported free of duty in the production process and the amount of credit is not calculated in relation to actual inputs used. There is no system or procedure in place to confirm which inputs are consumed in the production process of the exported product or whether an excess payment of import duties occurred within the meaning of point (i) of Annex I and Annexes II and III of the basic Regulation. An exporter is eligible for MEIS benefits regardless of whether it imports any inputs at all. In order to obtain the benefit, it is sufficient for an exporter to simply export goods without having to demonstrate that any input material was imported. Thus, even exporters which procure all of their inputs locally and do not import any goods which can be used as inputs are still entitled to benefit from MEIS. Moreover, an exporter can use MEIS duty credits in order to import capital goods although capital goods are not covered by the scope of permissible duty drawback systems, as set out in Annex I point (i) of the basic Regulation, because they are not consumed in the production of the exported products. Moreover, no further examination by the GOI was conducted on the basis of actual inputs and transactions in order to determine whether an excess payment occurred.

3.10.5. *Calculation of the subsidy amount*

- (94) In accordance with Article 3(2) and Article 5 of the basic Regulation, the amount of countervailable subsidies was calculated in terms of the benefit conferred on the recipient, which is found to exist during the review investigation period. In this regard, it was considered that the benefit is conferred on the recipient at the time when an export transaction is made under this scheme.
- (95) In accordance with Article 7(2) of the basic Regulation these subsidy amounts have been allocated over the total export turnover of the product concerned during the review investigation period as appropriate denominator, because the subsidy is contingent upon export performance and it was not granted by reference to the quantities manufactured, produced, exported or transported.
- (96) The Commission thus established that the subsidy rates in respect of this scheme during the review investigation period amounted to 1,31 % for Chandan Steel Limited, 1,33 % for Isinox Steel Limited and 1,00 % for the Venus Group.
- (97) Following disclosure, one party argued that only the benefit conferred on the account of the sales to the Union during the review investigation period should be countervailed. However, as mentioned in recital 95 above, in accordance with Article 7(2) of the basic Regulation, the subsidy amount was allocated over the total export turnover of the product concerned during the review investigation period as appropriate denominator. The amount of the benefit allocated to the turnover generated by the exports to the Union was then countervailed.

3.11. **Package Scheme of Incentives (PSI) of Maharashtra**

- (98) The investigation revealed that none of the sampled exporting producers benefited from this scheme during the review investigation period, rendering further evaluation of its countervailability unnecessary for the purposes of this investigation.

3.12. Regional Subsidies

- (99) The investigation revealed that none of the sampled exporting producers benefited from these schemes during the review investigation period, rendering further evaluation of their countervailability unnecessary for the purposes of this investigation.

3.13. Amounts of countervailable subsidies

- (100) The amounts of countervailable subsidies in accordance with the provisions of the basic Regulation, expressed *ad valorem*, for the cooperating exporting producer were as follows:

Table 1

Countervailable subsidies

COMPANIES \ SCHEMES	AAS (%)	DDS (%)	MEIS (%)	Total (%)
Chandan Steel Limited	0,88	1,02	1,31	3,21
Isinox Steels Limited	1,56	0,66	1,33	3,55
Venus Group	n/a	1,82	1,00	2,82

Source: Investigation.

- (101) The total amount of subsidisation exceeds the *de minimis* threshold mentioned in Article 14(5) of the basic Regulation.

3.14. Conclusions on the likelihood of a continuation of subsidisation

- (102) In accordance with Article 18(2) of the basic Regulation, the Commission examined whether the expiry of the measures in force would be likely to lead to a continuation of subsidisation.
- (103) As set out under recitals 31 to 101 above, it was established that during the review investigation period Indian exporters of the product concerned continued to benefit from countervailable subsidisation by the Indian authorities.
- (104) The subsidy schemes give recurring benefits and there is no indication that these benefits will be phased out in the foreseeable future. Indeed, the subsidisation under the DDS and the MEIS increased during the review investigation period. The rate and the cap under the DDS increased whereas the MEIS, which was available for exports to a group of countries at the beginning of the review investigation period (not including the Member States), became available for all countries towards its end. The latter change increased the attractiveness of exports to the Union.
- (105) Although SSB prices to the Union are similar to those to third markets, all sampled exporting producers have significant spare capacities ranging from 14 % to 66 %. The capacity utilisation of all cooperating exporting producers (representing around 46 % of the total Union imports of SSB from India) is at around 42 %. The spare capacity of only those producers is at around 156 000 metric tons i.e. 50 % of the entire Union consumption during the review investigation period. Considering that this figure does not include the spare capacity of exporting producers representing the other 54 % of the total Union imports of SSB from India as well as those Indian producers who do not export to the Union, this is a conservative estimate as to the total spare capacity in India.
- (106) According to the Indian draft National Steel Policy 2017, in 2015, India was the only large economy in the world where steel demand continued to demonstrate positive growth at 5,3 %. Whilst, the production for domestic consumption amongst the sampled exporting producers during the review investigation period varies from 1 to 17 % of the total production, the excess capacity of the cooperating exporting producers is at around 58 %. Consequently, even if the domestic consumption growth remained at its 2015 level, it would take many years for it to be able to absorb the excess capacity.

- (107) Union market is attractive, despite the measures. All sampled exporting producers are export oriented, exporting between 83 % and 99 % of their entire SSB production. Despite the measures in force the Union remained an important export destination for the sampled exporting producers, representing from 35 % to 53 % of their entire SSB exports during the review investigation period. Should the measures be repealed it is likely that export volumes to the Union, which are already significant during the review investigation period, would increase. Indeed, as further discussed in recital 183 below, this is well illustrated by the example of one exporting producer, whose duty was reduced to 0 % following an interim review in 2013.
- (108) In view of the above, the Commission concluded that there is a likelihood of a continuation of subsidisation.

4. LIKELIHOOD OF CONTINUATION OR RECURRENCE OF INJURY

4.1. Definition of the Union industry and Union production

- (109) During the review investigation period, the like product was produced by 25 producers. They constitute the 'Union industry' within the meaning of Article 9(1) of the basic Regulation.

4.2. Preliminary remarks

- (110) Injury has been assessed on the basis of trends concerning production, production capacity, capacity utilisation, sales, market share, employment, productivity and growth collected at the level of the total Union industry and trends concerning prices, profitability, cash flow, ability to raise capital and investments, stocks, return on investment and wages collected at the level of the sampled Union producers.
- (111) During the period considered, except for 2013, positive market conditions prevailed with an increase in consumption of SSB in the Union. As referred to in recital 3 above, in 2013 an interim review reduced the duty rate applicable to Viraj to 0 %.

4.3. Union consumption

- (112) The Commission established Union consumption by adding together:
- (a) the verified sales in the Union of the three sampled Union producers;
 - (b) the sales in the Union of non-sampled cooperating Union producers, obtained from the review request and after verification of data supplied by Eurofer; and
 - (c) imports as reported by Eurostat.
- (113) Union consumption of SSB developed as follows:

Table 2

Union consumption (MT)

	2012	2013	2014	2015	RIP
Total Union consumption (MT)	270 254	259 213	301 309	310 418	314 305
<i>Index (2012 = 100)</i>	100	96	111	115	116

Source: Eurostat, Eurofer and questionnaire replies.

- (114) Union consumption increased by 16 % over the period considered. A year-by-year analysis shows an initial drop of 4 % between 2012 and 2013 and a subsequent gradual increase of 20 percentage points or over 55 thousand tonnes over the period 2014 till the end of the review investigation period.

4.4. Imports from India

4.4.1. Volume and market share of imports from India

- (115) The Commission established the volume of imports of SSB from India into the Union on the basis of Eurostat data and the market shares of the imports by comparing these import volumes with the Union consumption as shown in Table 2.
- (116) Imports of SSB into from India into the Union developed as follows:

Table 3

Indian import volumes (MT) and market shares

	2012	2013	2014	2015	RIP
Volume of imports from India (MT)	27 138	27 053	42 631	44 494	44 636
<i>Index (2012 = 100)</i>	100	100	157	164	164
Market share of Indian imports (%)	10	10	14	14	14
<i>Index (2012 = 100)</i>	100	102	140	141	140

Source: Eurostat.

- (117) The import volume from India to the Union increased significantly by 64 % or by nearly 18 000 tonnes over the period considered. A year-by-year analysis shows an initial insignificant decrease in 2013 and a subsequent increase of 57 percentage points in 2014, further increase by 7 percentage points to 2015 and the review investigation period.
- (118) Initially, between 2012 and 2013 imports from India were stable while the Union consumption decreased by 3 %. Between 2013 and the review investigation period imports from India increased by 64 % while the Union consumption increased by 20 %. Since the increase in imports from India was higher than the increase of the Union consumption the market share of those imports increased from 10 % to 14 %.

4.4.2. Prices of imports from India

- (119) The Commission used the prices of imports from India reported by Eurostat.
- (120) The average prices of SSB imports from India into the Union developed as follows:

Table 4

Indian import prices

	2012	2013	2014	2015	RIP
Indian import prices (EUR per MT)	2 509	2 233	2 095	2 225	2 165
<i>Index (2012 = 100)</i>	100	89	84	89	86

Source: Eurostat.

- (121) The import prices from India decreased by 14 % over the period considered with the biggest decrease occurring between 2012 and 2013. They decreased by 11 % in 2013 and by further 5 percentage points in 2014 to pick up by 5 percentage points in 2015 and further decrease by 3 percentage points in the review investigation period.

(122) Although this decrease followed the downward trend of the raw material prices, the Commission noted that throughout the period considered, the average import price per unit from India was significantly lower than both the average per unit sales price and the average unit cost of production of the Union industry as reported in Table 9, resulting in strong price pressure on the Union sales prices.

4.4.3. Price undercutting

(123) The Commission determined the price undercutting during the review investigation period by comparing:

- (a) the weighted average sales prices per product type of the sampled Union producers charged to unrelated customers in the Union market, adjusted to an ex-works level; and
- (b) the corresponding weighted average prices per product type of the imports from the sampled Indian producers to the first independent customer in the Union market, established on a cost, insurance and freight ("CIF") basis, with appropriate adjustments for post-importation costs.

(124) The price comparison was made on a type-by-type basis for transactions at the same level of trade, duly adjusted where necessary, and after deduction of rebates and discounts. The result of the comparison was expressed as a percentage of the sampled Union producers' turnover during the review investigation period.

(125) The comparison showed for cooperating exporting producers a weighted average undercutting margin of 12 % in the Union market during the review investigation period.

4.5. Imports from other countries

(126) The Commission established the volume of imports from countries other than India on the basis of data from Eurostat and the market shares of these imports by comparing import volumes with the Union consumption as shown in Table 2.

(127) Imports of SSB into the Union from other countries developed as follows:

Table 5

Imports of SSB from other countries

		2012	2013	2014	2015	RIP
Total other countries	Volume of imports (MT)	22 035	19 243	20 326	20 367	20 262
	<i>Index (2012 = 100)</i>	100	87	92	92	92
	Market share (%)	8	7	7	7	6
	Average price (EUR/MT)	4 395	4 171	4 178	4 236	4 145
	<i>Index (2012 = 100)</i>	100	95	95	96	94
Switzerland	Volume of imports (MT)	9 911	10 122	10 921	10 268	10 578
	<i>Index (2012 = 100)</i>	100	102	110	104	107
	Market share (%)	4	4	4	3	3
	Average price (EUR/MT)	4 364	4 080	4 013	3 960	3 866
	<i>Index (2012 = 100)</i>	100	93	92	91	89

		2012	2013	2014	2015	RIP
Ukraine	Volume of imports (MT)	4 276	3 344	2 891	3 773	3 573
	<i>Index (2012 = 100)</i>	100	78	68	88	84
	Market share (%)	2	1	1	1	1
	Average price (EUR/MT)	3 174	2 834	2 805	2 612	2 406
	<i>Index (2012 = 100)</i>	100	89	88	82	76
Remaining other countries	Volume of imports (MT)	7 849	5 777	6 514	6 327	6 111
	<i>Index (2012 = 100)</i>	100	74	83	81	78
	Market share (%)	3	2	2	2	2
	Average price (EUR/MT)	5 099	5 103	5 065	5 651	5 646
	<i>Index (2012 = 100)</i>	100	100	99	111	111

Source: Eurostat.

- (128) The volume of imports from third countries other than India decreased by 8 % compared to the 64 % increase of the volume of imports from India.
- (129) Over the period considered the market share of imports from countries other than India decreased from 8 % to 6 % while the market share of imports from India increased from 10 % to 14 %.
- (130) The market shares of the two most important importing countries after India decreased over the period considered: for Switzerland the market share dropped from 4 % to 3 % and for Ukraine from 2 % to 1 %.
- (131) In the context of Union consumption increasing by 16 % and market share of the Union industry decreasing by 3 % over the period considered this means that the imports from the India gained market not only from the Union industry but also from other imports.
- (132) The average import price from other third countries decreased much slower than import prices from India. They decreased by 6 % while the import prices from India decreased by 14 %.
- (133) The import prices from Switzerland and Ukraine are on average significantly above the import prices from India over the whole period considered. Yet these prices are not necessarily directly comparable, since the average price is affected by a different product mix.
- (134) Furthermore the import volumes from Switzerland (+ 7 %) and Ukraine (– 16 %) in particular, or from all other third countries (– 8 %) in general did not follow such strong increases as those from India (+ 64 %).
- (135) While the volume of imports from India increased by over 17 000 tonnes over the period considered, the import volume from Ukraine decreased by around 700 tonnes, that from Switzerland increased by around 700 tonnes and that from all other third countries (including Switzerland and Ukraine) by around 1 700 tonnes.
- (136) On the basis of the above and given the much smaller import volumes from Switzerland and Ukraine as compared to those from India there is no indication that imports from these two countries were causing injury to the Union industry.
- (137) Imports from countries other India (including Switzerland and Ukraine) are — on average- higher priced than imports from India and had a market share loss of 2 % during the period considered.

4.6. Economic situation of the Union industry

4.6.1. General remarks

- (138) In accordance with Article 8(4) of the basic Regulation, the Commission examined the effect of the subsidised imports on the Union industry by evaluating all the economic indicators that had a bearing on the state of the Union industry during the period considered.
- (139) As referred to in recital 12 above sampling was used for the determination of possible injury suffered by the Union industry.
- (140) For the injury determination, the Commission distinguished between macroeconomic and microeconomic injury indicators.
- (141) The Commission evaluated the macroeconomic indicators on the basis of data in the review request, data submitted by Eurofer and the verified questionnaire replies of the sampled Union producers. The data related to all Union producers.
- (142) The Commission evaluated the microeconomic indicators on the basis of verified data in the questionnaire replies from the sampled Union producers.
- (143) Both sets of data were found to be representative of the economic situation of the Union industry.
- (144) The macroeconomic indicators are: production, production capacity, capacity utilisation, sales volume, market share, growth, employment, productivity, magnitude of the amount of countervailable subsidies, and recovery from past subsidisation.
- (145) The microeconomic indicators are: average unit prices, unit cost, labour costs, inventories, profitability, cash flow, investments, return on investments and ability to raise capital.

4.6.2. Macroeconomic indicators

4.6.2.1. Production, production capacity and capacity utilisation

- (146) The total Union industry's production, production capacity and capacity utilisation developed over the period considered as follows:

Table 6

Production, production capacity and capacity utilisation of Union producers

	2012	2013	2014	2015	RIP
Production volume (MT)	285 000	269 000	314 000	325 000	326 000
<i>Index (2012 = 100)</i>	100	94	110	114	114
Production capacity (MT)	475 000	470 000	491 000	494 000	493 500
<i>Index (2012 = 100)</i>	100	99	103	104	104
Capacity utilisation (%)	60	57	64	66	66
<i>Index (2012 = 100)</i>	100	95	107	110	110

Source: Eurostat, Eurofer and questionnaire replies.

- (147) The production volume of the Union industry increased by 14 % over the period considered. A year by year analysis demonstrates that it first decreased by 6 % in 2013 and then gradually increased by 16 percentage points in 2014 and further 4 percentage points in 2015 to stay at the same level in the review investigation period.
- (148) The production capacity of the Union industry increased by 4 % over the period considered.

- (149) As a result of the increase in production volume, the capacity utilisation by the Union industry increased by 10 % during the period considered.

4.6.2.2. Sales volume and market share

- (150) The Union industry's sales volume in the Union and market share developed over the period considered as follows:

Table 7

Sales volume and market share of Union producers

	2012	2013	2014	2015	RIP
Sales volume in the Union (MT)	221 081	212 917	238 352	245 557	249 407
<i>Index (2012 = 100)</i>	100	96	108	111	113
Market share (%)	82	82	79	79	79
<i>Index (2012 = 100)</i>	100	99	96	96	96

Source: Eurostat, Eurofer and questionnaire replies.

- (151) The sales volume of the Union industry in the Union market increased over the period considered by around 13 % or by over 28 000 tonnes, which is below the market growth of 16 %, as reported in Table 2.
- (152) A year-by-year analysis shows an initial decrease of 4 % between 2012 and 2013 and subsequent increases of 12 percentage points in 2014, 3 points in 2015, and a further 2 points in the review investigation period.
- (153) The Union industry's market share decreased by 3 % during the period considered, from 82 % in 2012 and 2013 to 79 % over the period between 2014 and the review investigation period.

4.6.2.3. Growth

- (154) The Union consumption increased over the period considered by 16 % or by over 44 000 tonnes. The sales volume of the Union industry increased by 13 % or over 23 000 tonnes which, nonetheless, translated into a Union industry's loss in market share of 4 percentage points.

4.6.2.4. Employment and productivity

- (155) Employment and productivity of the Union industry developed over the period considered as follows:

Table 8

Employment and productivity of Union producers

	2012	2013	2014	2015	RIP
Number of employees	2 150	2 150	2 150	2 150	2 150
<i>Index (2012 = 100)</i>	100	100	100	100	100
Productivity (MT/employee)	133	125	146	151	152
<i>Index (2012 = 100)</i>	100	94	110	114	114

Source: Eurostat, Eurofer and questionnaire replies.

- (156) Employment of the Union industry remained at the same level during the period considered.

- (157) Due to the increase in production of 14 % over the period considered, the productivity also increased by 14 % over the same period. A year-by-year analysis shows an initial decrease of 6 % between 2012 and 2013 and subsequent increases of 16 percentage points in 2014 and further 4 in 2015 to keep the same level in the review investigation period.

4.6.2.5. Magnitude of the subsidy margin and recovery from past subsidisation

- (158) The Commission established that imports of SSB from India continued to enter the Union market at subsidised prices. The subsidy margin established for India during the review investigation period was well above the de minimis level as described in recital 100 above.
- (159) This coincided with a decrease in Indian import prices by 14 % over the period considered. In result the Union industry was not able to fully benefit from the countervailing measures in force as their market share decreased by 4 % and their profitability decreased by almost 5 percentage points.

4.6.3. Microeconomic indicators

4.6.3.1. Prices and factors affecting prices

- (160) The average sales prices of the sampled Union producers to unrelated customers in the Union developed over the period considered as follows:

Table 9

Average sales prices in the Union and unit cost

	2012	2013	2014	2015	RIP
Average unit selling price in the Union (EUR/MT)	3 190	2 832	2 804	2 680	2 482
<i>Index (2012 = 100)</i>	100	89	88	84	78
Unit cost of production (EUR/MT)	3 012	2 772	2 681	2 561	2 459
<i>Index (2012 = 100)</i>	100	92	89	85	82

Source: Questionnaire replies.

- (161) The Union industry's average unit sales price to unrelated customers in the Union decreased steadily by 22 % over the period considered to reach 2 482 EUR/tonne in the review investigation period. The Union industry had to adjust its prices downwards in order to reflect the general decrease of selling prices in the SSB market.
- (162) The average cost of production of the Union industry decreased to a lesser extent, by 18 % over the period considered. The major factor having influenced the decrease in the unit cost of production was the decrease in the raw material prices, but also the increasing productivity.

4.6.3.2. Labour costs

- (163) The average labour costs of the sampled Union producers developed over the period considered as follows:

Table 10

Average labour costs per employee

	2012	2013	2014	2015	RIP
Average labour costs per employee (EUR/employee)	51 304	52 672	54 130	54 393	52 462
<i>Index (2012 = 100)</i>	100	103	106	107	103

Source: Questionnaire replies.

- (164) The average labour costs per employee the Union industry increased over the period considered by a marginal 3 %.

4.6.3.3. Stocks

- (165) Stock levels of the sampled Union producers developed over the period considered as follows:

Table 11

Stocks

	2012	2013	2014	2015	RIP
Closing stock (MT)	6 857	9 336	8 493	6 331	5 778
<i>Index (2012 = 100)</i>	100	136	124	92	84
Closing stock as a percentage of production (%)	6	8	7	5	5
<i>Index (2012 = 100)</i>	100	134	114	85	77

Source: Questionnaire replies.

- (166) The level of closing stocks of the Union industry decreased by 16 % during the period considered. In the review investigation period, the level of stocks represented around 5 % of their production.

4.6.3.4. Profitability, cash flow, investments, return on investments and ability to raise capital

- (167) The Commission established the profitability of the Union industry by expressing the pre-tax net profit of the sales of the like product to unrelated customers in the Union as a percentage of the turnover of those sales.
- (168) Profitability, cash flow, investments and return on investments of the sampled Union producers developed over the period considered as follows:

Table 12

Profitability, cash flow, investments and return on investments

	2012	2013	2014	2015	RIP
Profitability of EU sales to unrelated customers (% of sales turnover)	8,1	3,8	6,4	6,1	3,3
<i>Index (2012 = 100)</i>	100	47	79	76	41
Cash flow (million EUR)	28,4	9,6	26,8	28,4	16,5
<i>Index (2012 = 100)</i>	100	34	94	100	58
Investments (million EUR)	7,7	6,9	6,8	7,1	7,0
<i>Index (2012 = 100)</i>	100	90	88	92	91
Return on investments (%)	44	20	34	38	23
<i>Index (2012 = 100)</i>	100	46	78	86	53

Source: Questionnaire replies.

- (169) The profitability of the Union industry decreased gradually from 8,1 % in 2012 to 3,3 % in the review investigation period, what translates into a decrease of 59 %. A year-by-year analysis shows an initial dramatic decrease of 53 % between 2012 and 2013 and subsequent increases of 32 percentage points in 2014, further slight decrease of 3 percentage points in 2015 and further dramatic decrease by 35 percentage points in the review investigation period.
- (170) The net cash flow is the Union industry's ability to self-finance its activities. The net cash flow decreased by 42 % during the period considered. A year-by-year analysis shows an erratic evolution of this indicator. An initial dramatic decrease of 66 % between 2012 and 2013 and subsequent increases of 60 percentage points in 2014, further slight increase of 6 percentage points in 2015 followed by dramatic decrease by 42 percentage points in the review investigation period.
- (171) The substantial decrease in cash flow of the Union industry is mainly explained by the significant decrease in profitability, as described in recital 169 above.
- (172) During the period considered the annual investments in the like product made by the Union industry decreased by 9 %, that is from 7,7 million EUR in 2012 to 7,0 million EUR in the review investigation period.
- (173) The return on investments is the profit as a percentage of the net book value of investments. The Union's industry's return on investment from the production and sale of the like product decreased over the period considered by 47 %.

4.6.4. *Conclusion on the situation of the Union industry*

- (174) The investigation showed that despite the measures in force most of the injury indicators developed negatively and the economic and financial situation of the Union industry deteriorated during the period considered.
- (175) The Union industry lost its market share by 4 % and achieved continuously lower profits, decreasing cash flow, investments and return on investments.
- (176) These negative developments happened in parallel to the significant increase in the Union consumption by 16 % during the period considered. At the same time, the imports from India were increasing constantly their volume and share of the Union market.
- (177) These subsidised imports from India undercut the Union industry's prices by 12 % in the review investigation period, exerting price pressure. In fact the price pressure during the review investigation period was higher than in the original investigation when undercutting was less than 2 %.
- (178) The Union industry was therefore forced to decrease its sales prices in an attempt to limit the loss of market share. As a consequence, its profit, although still positive (3,3 %) in the review investigation period, was below the 9,5 % target profit established in the original investigation.
- (179) At the same time, as indicated in recital 133 above, the imports of SSB from countries other than India were priced higher than the imports from India and lost market share of 2 % during the period considered.
- (180) The Commission therefore concluded that the Union industry continued to be injured during the period considered and during the review investigation period.

4.7. **Likelihood of continuation of injury**

- (181) To establish the likelihood of continuation of injury if the measures against India were repealed the Commission analysed the production capacity and the spare capacity in India, exports from India to other countries and the attractiveness of the Union market.

- (182) As explained in recital 105 above, Indian spare capacity is conservatively estimated to be above 156 000 tonnes in the review investigation period, which already represented 50 % of the Union consumption during the same period.
- (183) The Commission also noted that following the reduction of the duty rate of Viraj to 0 % in 2013, as a result of the review referred to in recital 3 above, this producer significantly increased its presence on the Union market.
- (184) Indeed between 2013 and the review investigation period Viraj acquired a majority share in the Indian imports to the Union. Imports of Viraj almost tripled during this period, increasing their share by more than 60 %.
- (185) Over the same period the volume of Indian imports increased by 64 % and their share of the Union market increased by 40 %. The vast majority of this increase was caused by the significantly increasing imports of Viraj. This indicates the increased attractiveness of the Union market to the Indian producers. During the same period the Union industry lost 3 percentage points of market share and almost 5 percentage points of profitability, leading to a deterioration of its situation.
- (186) The price level of Indian exports to other countries was comparable to the one of their exports to the Union.
- (187) As a consequence of the attractiveness of the Union market described in recitals 105, 182 and 183 above, should the measures be repealed, at least part of the spare capacity will, in all likelihood, be directed to the Union market. Also, as described in recital 107 above, Indian producers are highly export oriented.
- (188) The Indian imports undercut the Union sales prices by 12 %. This is an indication of what could be the likely price level of imports from India should the measures be repealed. On this basis, it is likely that the price pressure on the Union market will significantly increase should the measure be repealed, thus further worsening the economic situation of the Union industry.
- (189) On this basis, in the absence of measures, Indian exporting producers will likely increase their presence in the Union market, in terms of both volume and market shares, and at subsidised prices which would significantly undercut the Union industry's sales prices.
- (190) This would create an increased price pressure on the Union market with a negative impact on the Union industry's profitability and financial situation, further deteriorating the economic situation of the Union industry.
- (191) The Commission therefore concluded that that there is a strong likelihood of continuation of injury should the measures be repealed.

5. UNION INTEREST

- (192) In accordance with Article 31 of the basic Regulation, the Commission examined whether maintaining the existing countervailing measures against India would be against the interest of the Union as a whole.
- (193) The Commission based the determination of the Union interest on an appreciation of all the various interests involved, including those of the Union industry, importers and users. All interested parties were given the opportunity to make their views known pursuant to Article 31(2) of the basic Regulation.
- (194) On this basis, the Commission examined whether, despite the conclusions on the likelihood of a continuation of subsidisation and continuation of injury, compelling reasons existed which would lead to the conclusion that it was not in the Union interest to maintain the existing measures.

5.1. Interest of the Union industry

- (195) As explained in recital 153 above, the measures did not prevent the Union industry from losing 4 % of market share during the period considered.

- (196) At the same time, the Commission also concluded in recital 188 above that the Union industry would be likely to experience a deterioration of its situation in case the countervailing measures against India were allowed to lapse.
- (197) Therefore, the Commission concluded that the continuation of the measures against India would benefit the Union industry.

5.2. Interest of importers

- (198) The Commission sent questionnaires to the two cooperating importers. As referred to in recital 23 above none of them either replied or otherwise cooperated in this investigation. No other importers made themselves known.
- (199) Therefore the Commission concluded that there are no indications that the maintenance of the measures would have a negative impact on the importers outweighing the positive impact of the measures.

5.3. Interest of users

- (200) As referred to in recital 20 above no users in the Union came forward after the initiation or otherwise cooperated in this investigation.
- (201) SSB are used in a wide variety of applications including the automotive industry, domestic appliances, medical and laboratory instruments, etc.
- (202) Yet, as the Commission found in the original investigation, the users are only intermediate players that produce and supply the elements for the aforementioned applications.
- (203) As such these users are in a position to pass on all or almost all of the increase in prices resulting from the countervailing duty to the final users, bearing in mind that for the latter, the impact of such measures is negligible.
- (204) These findings were confirmed in the current review as the investigation did not reveal any indication that would infringe this original finding for the period after the imposition of the measures in force.
- (205) In addition, despite that the measures are in force since 2011, the users in the Union continued to source their supply, inter alia, from India. The users did not submit any information showing that there have been difficulties in finding other sources of supply and the investigation did also not reveal such information.
- (206) On this basis, and in line with the conclusions drawn in the original investigation, the Commission concluded that the continuation of measures will not have a significant negative impact on users.

5.4. Conclusion on Union interest

- (207) In view of the above, the Commission concluded that there are no compelling reasons to conclude that it is not in the Union interest to extend the existing countervailing measures on imports of SSB originating in India.

6. COUNTERVAILING MEASURES

- (208) All interested parties were informed of the essential facts and considerations on the basis of which it was intended to maintain the countervailing measures in force. They were also granted a period within which they could submit comments subsequent to this disclosure and to request a hearing with the Commission and/or the Hearing Officer in trade proceedings. The submissions and comments were duly taken into consideration.
- (209) It follows from the above considerations that, under Article 18 of the basic Regulation, the countervailing measures applicable to imports of SSB originating in India imposed by the definitive Regulation, as amended by the amending Regulation, should be maintained.

- (210) The individual company countervailing duty rates specified in this Regulation are solely applicable to imports of the product concerned produced by these companies and thus by the specific legal entities mentioned. Imports of the product concerned manufactured by any other company not specifically mentioned in the operative part of this Regulation with its name and address, including entities related to those specifically mentioned, cannot benefit from these rates and shall be subject to the duty rate applicable to 'all other companies'.
- (211) Any claim requesting the application of these individual countervailing duty rates (e.g. following a change in the name of the entity or following the setting up of new production or sales entities) should be addressed to the Commission ⁽¹⁾ forthwith with all relevant information, in particular any modification in the company's activities linked to production, domestic and export sales associated with, for instance, that name change or that change in the production and sales entities. If appropriate, the Regulation will then be amended accordingly by updating the list of companies benefiting from individual duty rates.
- (212) The measures provided for in this Regulation are in accordance with the opinion of the Committee established by Article 15(1) of Regulation (EU) 2016/1036 of the European Parliament and of the Council ⁽²⁾,

HAS ADOPTED THIS REGULATION:

Article 1

1. A definitive countervailing duty is hereby imposed on imports of stainless steel bars and rods, not further worked than cold-formed or cold-finished, other than bars and rods of circular cross-section of a diameter of 80 mm or more, currently falling within CN codes 7222 20 21, 7222 20 29, 7222 20 31, 7222 20 39, 7222 20 81 and 7222 20 89 and originating in India.

2. The rate of the definitive countervailing duty applicable to the net, free-at-Union-frontier price, before duty, for the product described in paragraph 1 and produced by the companies listed below shall be as follows:

Company	Duty (%)	TARIC additional code
Chandan Steel Ltd, Mumbai	3,4	B002
Venus Wire Industries Pvt. Ltd, Mumbai; Precision Metals, Mumbai; Hindustan Inox Ltd, Mumbai; Sieves Manufacturer India Pvt. Ltd, Mumbai	3,3	B003
Viraj Profiles Limited, Palghar, Maharashtra and Mumbai, Maharashtra	0	B004
Companies listed in the Annex	4,0	B005
All other companies	4,0	B999

3. Unless otherwise specified, the provisions in force concerning customs duties shall apply.

Article 2

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

⁽¹⁾ European Commission, Directorate-General for Trade, Directorate H, 1049 Brussels, BELGIUM.

⁽²⁾ Regulation (EU) 2016/1036 of the European Parliament and of the Council of 8 June 2016 on protection against dumped imports from countries not members of the European Union (OJ L 176, 30.6.2016, p. 21).

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 27 June 2017.

For the Commission

The President

Jean-Claude JUNCKER

ANNEX

Indian cooperating exporting producers not sampled**TARIC additional code B005**

Company name	City
Ambica Steel Ltd	New Delhi
Bhansali Bright Bars Pvt. Ltd	Navi Mumbai
Chase Bright Steel Ltd	Navi Mumbai
D.H. Exports Pvt. Ltd	Mumbai
Facor Steels Ltd	Nagpur
Global Smelters Ltd	Kanpur
Indian Steel Works Ltd	Navi Mumbai
Jyoti Steel Industries Ltd	Mumbai
Laxcon Steels Ltd	Ahmedabad
Meltroll Engineering Pvt. Ltd	Mumbai
Mukand Ltd	Thane
Nevatia Steel & Alloys Pvt. Ltd	Mumbai
Panchmahal Steel Ltd	Kalol
Raajratna Metal Industries Ltd	Ahmedabad
Rimjhim Ispat Ltd	Kanpur
Sindia Steels Ltd	Mumbai
SKM Steels Ltd	Mumbai
Parekh Bright Bars Pvt. Ltd	Thane
Shah Alloys Ltd	Gandhinagar