

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

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

Delhi, 27th December, 2010

Sub:- Initiation of safeguard investigation concerning imports of N1,3-dimethyl butyl-N'Phenylenediamine (PX-13 also known as 6PPD).

1. 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. NOCIL Ltd., C-37 TTC Industrial Area, Thane- Belapur Road, Navi Mumbai-400705 for imposition of Safeguard Duty on imports of N1,3-dimethyl butyl-N'Phenylenediamine(PX-13 also known as 6PPD), into India to protect the domestic producers of the said product against serious injury caused by the increased imports of N1,3-dimethyl butyl-N'Phenylenediamine(PX-13 also known as 6PPD) into India.

2. **Domestic Industry:** The application has been filed by M/s. NOCIL Ltd., C-37 TTC Industrial Area, Thane- Belapur Road, Navi Mumbai-400705 for imposition of Safeguard Duty on imports of N1,3-dimethyl butyl-N'Phenylenediamine(PX-13 also known as 6PPD). There are three domestic producers of N1,3-dimethyl butyl-N'Phenylenediamine(PX-13 also known as 6PPD) and M/s NOCIL Ltd. accounts for more than 70% of domestic production(80.91% in F.Y. 2009-2010).

3. **Product Involved:** The applicants have alleged serious injury caused by the increased imports of Rubber Chemical N-1, 3-dimethyl butyl-N'Phenyl paraphenylenediamine, also known (and referred in this petition) as PX-13 or 6-PPD. It is produced by hydrogenation of a mixture of 4-nitrodiphenylamine and methyl isobutyl ketone in an autoclave at moderately high pressure in presence of a noble metal catalyst. PX-13 is extensively used in treating natural rubber, synthetic rubber (SBR, Butadiene Rubber, Nitrile Rubber, and Carboxylated Rubber) and other synthetic rubber based compounds used for manufacture of various rubber products.

4. The product under consideration is classified under various subheadings of customs classification heads 38.12.10, 38.12.20 and 38.12.30 as well as under 29.34.20 and 29.25.20 (at six digit levels) of the Customs Tariff Act 1975.

5. **Increased Imports:** Rubber Chemical N-1, 3-dimethyl butyl-N'Phenyl paraphenylenediamine, also known as PX-13 or 6-PPD is imported into India mainly from South Korea, China, USA and Europe. The imports of PX-13 or 6-PPD have shown an increasing trend in absolute terms as well as compared to the production by applicant industry as per the data furnished in the table below.

TABLE-1

| Sl. No. | Financial Year | Import (MT) | Import (Indexed) | Production (Indexed) |
|---------|------------------------|--------------|------------------|----------------------|
| 1 | 2000-01 | 1,418 | 100 | 100 |
| 2 | 2001-02 | 1,106 | 80 | 112 |
| 3 | 2002-03 | 3,456 | 244 | 125 |
| 4 | 2003-04 | 3,440 | 243 | 169 |
| 5 | 2004-05 | 5,655 | 399 | 179 |
| 6 | 2005-06 | 4,077 | 288 | 173 |
| 7 | 2006-07 | 5,652 | 399 | 157 |
| 8 | 2007-08 | 6,860 | 484 | 235 |
| 9 | 2008-09 | 5,606 | 395 | 238 |
| 10 | 2009-10 | 8,834 | 623 | 273 |
| 11 | 2010-11(Apr'10-Sep'10) | 4,533 | *640 | *253 |

*Annualised

Source: Applicant M/s. NOCIL Ltd.

6. **Injury to the domestic producers** :- Applicant has claimed that the increased imports of PX-13 have caused and are threatening to cause serious injury to the domestic industry.

TABLE-2

| Year | Capacity (Indexed) | Production (Indexed) | % Capacity Utilisation (Indexed) | Sales (Indexed) | % Share Of D.I. in total consumption (Indexed) | % Share of Imports in total Consumption (Indexed) |
|----------|---------------------|----------------------|----------------------------------|-----------------|--|---|
| 2001 -01 | 100 | 100 | 100 | 100 | 100 | 100 |
| 2001 -02 | 108 | 112 | 104 | 103 | 106 | 86 |
| 2002 -03 | 177 | 125 | 70 | 110 | 70 | 174 |

| | | | | | | |
|----------|-----|-----|----|-----|----|-----|
| 2003-04 | 177 | 169 | 95 | 130 | 59 | 202 |
| 2004-05 | 184 | 179 | 97 | 121 | 41 | 247 |
| 2005-06 | 184 | 173 | 94 | 126 | 63 | 192 |
| 2006-07 | 190 | 157 | 82 | 88 | 50 | 226 |
| 2007-08 | 258 | 235 | 91 | 122 | 53 | 216 |
| 2008-09 | 258 | 238 | 92 | 117 | 62 | 195 |
| 2009-10 | 274 | 273 | 99 | 174 | 47 | 232 |
| *2010-11 | 274 | 253 | 92 | 177 | 47 | 233 |

*2010-11 data submitted is for April to September 2010 which has been annualized.

Source: Applicant M/s NOCIL.

- (a) **Production** : The production index (2000-01=100) increased by 173 basic points to 273 in 2009-10 with gradual addition in production capacity index (2000-01=100) to 274 in f.y. 2009-10. However the production has decreased by 20 basic points to 253 in the current f.y. 2010-11(April to Sep. annualized).
- (b) **Sales of the domestic industry**: Sales index (2000-01=100) increased by 77 basic points to 177 in 2010-11 but the same is far disproportionately lower than the increase in imports index(2000-01=100) by 540 basic points which is 640 in 2010-11(Table-1).
- (c) **Share of domestic producers in domestic consumption**: Market share of domestic producers has fallen sharply and that of import has increased. The fall in market share for domestic industry is significant in F.Y. 2009-10 and 2010-11(April to Sep.).
- (d) **Capacity Utilization**: The capacity utilization index (2000-01=100) has fallen from 99 in f.y. 2009-10 to 92 in f.y. 2010-11.
- (e) The petitioner is not able to utilize its production capacity is evidenced from the data of production hour lost which is tabulated below in indexed form (2007-08=100) along with loss in production.

Table-3

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|-----------------------|---------|---------|---------|---------|
| Production hours lost | 100 | 780 | 297 | 947 |
| Production loss MT | 100 | 780 | 297 | 948 |

(f) Profit/ (Loss):- The landing price of imports is much less than the cost of production of the subject goods. The difference has increased even more in F.Y. 2009-10 and 2010-11 leading to fall in profit. The applicant have submitted that they are going for export as distress sale even below the cost of production, in order to minimize the loss due to low price increased imports despite of Antidumping duty imposed.

Table-4

| Year | Landed Price of Imports | Selling Price of D.Industry (Rs./kg) | Cost of Production of D.I. (Rs./Kg) | Profit/Loss |
|---------|-------------------------|--------------------------------------|-------------------------------------|-------------|
| | Rs./Kg. | Indexed | Indexed | Indexed |
| 2000-01 | 202.31 | 100 | 100 | 100 |
| 2001-02 | 193.40 | 90.88 | 90.60 | 93.42 |
| 2002-03 | 150.62 | 79.20 | 101.29 | (119.55) |
| 2003-04 | 128.94 | 68.88 | 89.28 | (114.70) |
| 2004-05 | 132.93 | 87.84 | 101.18 | (32.25) |
| 2005-06 | 224.96 | 117.15 | 109.56 | 185.50 |
| 2006-07 | 184.56 | 105.73 | 111.57 | 53.14 |
| 2007-08 | 142.25 | 96.28 | 107.50 | (4.68) |
| 2008-09 | 215.59 | 131.87 | 136.66 | 88.74 |
| 2009-10 | 168.26 | 120.68 | 122.27 | 106.43 |
| 2010-11 | 170.59 | 120.38 | 123.94 | 88.32 |

Source: Applicant M/s NOCIL

7. The domestic producers have requested for imposition of Safeguard Duty on imports of subject goods i.e. N-1, 3-dimethyl butyl-N'Phenyl paraphenylenediamine PX-13 for a period of three years to the full extent of injury margin. The Petitioner has claimed injury after taking into account the injury caused to the Domestic Industry from dumped imports. The Petitioner have also requested for an immediate imposition of provisional Safeguard Duty in view of the prevailing critical circumstances leading to irreparable damage.

8. The application has been examined and prima facie it is found that increased imports of Rubber Chemical N-1, 3-dimethyl butyl-N'Phenyl paraphenylenediamine (PX-13 or 6PPD) have caused and are threatening to cause serious injury to the domestic industry

of the said goods and therefore it has been decided to initiate an investigation through this notice.

9. 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: 91-11-23741542/91-11-23741537
E-mail: dgsafeguards@nic.in

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

11. 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) within 21 days from the date of this notice.

Sd/-

(I.D.Majumder)

Director General (Safeguards)

File No. D- 22011/32/2010