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**F. No. 22/2/2022-DGTR
Government of India
Department of Commerce
Ministry of Commerce & Industry
(Directorate General of Trade Remedies)
4th Floor, Jeevan Tara Building,
Parliament Street, New Delhi – 110001**

INITIATION NOTIFICATION

Case No - (SG) - 02/2022

[Under Rule 5 of the Safeguard Measures (Quantitative Restrictions) Rules, 2012]

Dated: 16th September, 2022

Subject: - Initiation of Safeguard (Quantitative Restrictions) investigation concerning imports of PVC Suspension Resins with Residual VCM above 2 PPM.

1. Having regards to the Foreign Trade (Development and Regulation) Act, 1992, as amended from time to time (hereinafter also referred to as the “Act”) and the Safeguard Measures (Quantitative Restrictions) Rules, 2012 thereof, as amended from time to time (hereinafter also referred to as the “Rules), Chemplast Cuddalore Vinyls Limited and DCW Limited (hereinafter referred to as the "Petitioners") have filed an application before the Designating Authority (hereinafter referred to as the "Authority") for initiation of Safeguard (Quantitative Restrictions) investigation concerning imports of PVC Suspension Resins having residual VCM content above 2 PPM (hereinafter referred to as the "subject goods" or the "product under consideration") into India.
2. The petitioners have alleged that there has been sudden, sharp and recent increase in the volume of imports of the product under consideration, i.e., PVC Suspension Resins having residual VCM content above 2 PPM, in India which has started causing serious injury to the domestic industry and is posing threat of further aggravated injury. Accordingly, the petitioners have requested for imposition of Safeguard Measures in form of Quantitative Restrictions on the imports of the product under consideration into India.
 - A. **Product Under Consideration**
3. The product under consideration in the present investigation is “Polyvinyl Chloride (PVC) Suspension Resins with Residual Vinyl Chloride Monomer (RVCM) above 2 PPM”.

4. The petitioners have categorized PVC suspension resin into two categories – (a) PVC suspension resin with residual VCM above 2 PPM and (b) PVC suspension resin with residual VCM below 2 PPM. The petitioners have justified the definition of the product under consideration on the basis of Residual VCM content by referring to the BIS standards. The BIS standard IS 17658: 2021 states as follows:

“RVCM content of PVC-SR and PVC-PR shall not exceed 2 ppm, However, RVCM content of PVC-SR shall not exceed 5 ppm when manufactured by mass/bulk polymerization process. RVCM content shall be tested in accordance with IS 10151/ISO 24538.”

5. PVC Resins manufactured through bulk mass polymerization, emulsion polymerization and micro suspension polymerization process are excluded from the scope of the product under consideration. The following types of PVC resins are specifically excluded from the scope of the product under consideration:
 - a. PVC Suspension Resins with Residual VCM below 2 PPM
 - b. Cross-linked Poly Vinyl Chloride
 - c. Chlorinated Poly Vinyl Chloride (CPVC)
 - d. Vinyl Chloride Vinyl Acetate Copolymer (VC-Vac)
 - e. Poly Vinyl Chloride Paste Resin
 - f. Poly Vinyl Chloride Blending Resin
6. PVC Suspension Resins are homopolymers of vinyl chloride monomer and are produced through suspension polymerization. Vinyl chloride monomer may be obtained either from EDC route or through carbide route using coal and limestone.
7. PVC Suspension Resin finds applications in pipes (for municipal, construction, and industrial applications), packaging (in stretch and shrink wrapping, rigid blister packaging, and food and film packaging besides bottles and containers), wiring and insulations, medical products (such as blood and intravenous bags, kidney dialysis and blood transfusion equipment, cardiac catheters, endotracheal tubes, artificial heart valves, etc.), automotive applications (such as side mouldings, windshield system components, interior upholstery, dashboards, arm rests, floor mats, etc.), artificial leather for diverse applications like upholstery, furnishing, jackets, purse, belts, shoes besides a varied range of consumer goods, etc.
8. The product under consideration is classified in Chapter 39 under the HS Code 39041020. The customs classification is only indicative and is not binding on the scope of the present investigation.
9. The petitioners have adopted the import data of the product under consideration from the secondary source as well as the technical information of the product under consideration of the foreign producers available in public domain.

10. The Authority has segregated the imports of the product under consideration submitted in the petition on the basis of the technical specifications of the product under consideration of the foreign producers made available by the petitioners. Wherever the petitioners have not provided information on the residual VCM content, the Authority has treated those imports as imports of PVC suspension resin with residual VCM below 2 PPM.

B. Like Article

11. The petitioners have stated that none of the producers in India manufactures PVC Suspension Resin with Residual VCM above 2 PPM. The petitioners have stated that that even though PVC Suspension Resin with Residual VCM above 2 PPM is not produced in India, PVC Suspension Resin with Residual VCM below 2 PPM should be treated as a like article produced in India. The petitioners have further stated that should the Authority consider that the goods produced by the Indian industry are not like article on the basis of VCM content, the goods produced by the Indian industry should be treated as directly competitive article as both are interchangeable in usage.
12. The petitioners have stated that the consumers use the imported and domestically produced product interchangeably, for the same purpose and in the same manner.
13. Section 9A(4)(b) of Foreign Trade (Development And Regulation) Act, 1992 provides as follows
“domestic industry” means the producers of goods (including producers of agricultural goods)
 - (i) *as a whole of the like goods or directly competitive goods in India; or*
 - (ii) *whose collective output of the like goods or directly competitive goods in India constitutes a major share of the total production of the said goods in India;*
14. Rule 2(e) of the Safeguard Measures (Quantitative Restriction) Rules, 2012 defines like goods as:

“(e) “like goods” means goods which is identical or alike in all respects to the goods under investigation, or in the absence of such goods, other goods which has characteristics closely resembling those of the goods under investigation”
15. The Authority has noted that even though PVC Suspension Resin produced by the domestic industry is different from the product under consideration in terms of the residual VCM content, the domestic industry is producing comparable and interchangeable product to the product under consideration. The Authority has, therefore, for the purpose of the present investigation, considered that the product produced by the

domestic industry is a like article to the product under consideration, being a directly competitive article.

C. Domestic Industry and Standing

16. The application has been filed by Chemplast Cuddalore Vinyls Limited and DCW Limited. The petitioners are the domestic producers of like or directly competitive article in India. The application is supported by DCM Shriram Limited, Finolex Industries Limited and Reliance Industries Limited. The petitioners account for a major proportion of the total domestic production, constituting domestic industry under Section 9A(4)(b) of the Act read with Rule 2(e) of the Rules. Further, the petitioners together with the supporters account for the total domestic production in India.

D. Period of investigation

17. The period of investigation in the present investigation is the period from 1st April, 2019 to 30th June, 2022. The petitioners have submitted that there has been a sudden, sharp and significant surge recently in imports of the product under consideration in India. The Authority has considered 1st January, 2022 to 30th June, 2022 as the most recent period for the purpose of the present investigation. Further, the Authority has undertaken quarterly evaluation of the imports over this period.

E. Increase in imports as a result of unforeseen developments

18. The petitioners have claimed that there is a sudden, sharp and significant increase in the imports of the product under consideration in 2021-22 both in absolute terms as well as relative to domestic production. It is noted that the imports in 2021-22 have increased by more than 267%, as compared to that in 2020-2021.
19. The petitioners have claimed that the imports have increased primarily due to a number of unforeseen factors, including the following:
- a. Increase in the cost of petrochemical products including VCM leading to increase in the cost of production of PVC Suspension Resins produced through VCM route;
 - b. No material increase in the cost of production of the product produced through coal route;
 - c. While global freight rates increased, Chinese producers were insulated from such increase, as coal was available domestically to them;
 - d. In China, the consumers of the product under consideration are situated in the eastern part of China, which faced decline in demand for the product due to multiple lockdowns caused by Covid pandemic;
 - e. The production of the product in China is majorly located in the western part of China which had not faced as much difficulty due to COVID-19. While the production was not impacted in China as much as the demand was impacted, the same led to disparity

in production and consumption of product in China, leading to huge exportable volumes of the product and resultantly increased imports from China.

F. Serious injury and threat of serious injury to the domestic industry and causal link between imports and serious injury and threat of serious injury

20. The petitioners have claimed that sudden and sharp increase in the import of the product under consideration in substantial quantity in recent times has started causing serious injury to the domestic industry. The petitioners have also contended that the increased imports also pose a further threat of serious injury. The petitioners have claimed that given the nature of production process and the volume of production undertaken by the domestic industry, the effect of low-priced imports is directly felt on the price in the Indian market. The petitioners have further stated that any lower price offered by the foreign producers in comparison to the prices offered by the domestic industry immediately forces the domestic industry to adjust its prices. The domestic industry has submitted that the domestic industry sets its prices every month, having regard to the prevailing prices and expected market situation. However, so significant has been the price reduction made by some producers in their successive offers that the domestic industry has been sometimes constrained to revise its prices even in between the month. The price offers made by some producers are materially below the prices offered by the domestic industry, thus causing significant price undercutting to the Indian industry. Further, even when the Indian industry has been reducing the prices, the successive price reductions being offered by some producers resulted in rapid increase in the imports. The domestic industry has also stated that its profitability has declined significantly in recent period of April-June, 2022 with the rapid increase in the imports of the product. The petitioners have further claimed that at the current rate of the import prices, the domestic industry will incur significant financial losses if it starts competing with the imports by matching the import prices.
21. After examining the application filed by the petitioners, the Authority, prime facie, finds that imports of the subject goods have increased during the most recent period as a result of unforeseen development and the same have started causing serious injury to the domestic industry in the most recent period. Further, the imports pose a threat of serious injury.

G. Initiation of Safeguard Measures (Quantitative Restrictions) Investigation

22. On the basis of the duly substantiated application filed by the petitioners, and having satisfied itself on the basis of the prima facie evidence submitted by the domestic industry, the Authority considers that there is sufficient evidence to justify initiation of safeguard investigation under Rule 5 of the Rules to determine whether imports have increased suddenly and sharply in the recent period as a result of unforeseen developments, and whether such increased imports have caused or pose a threat of serious injury to the domestic industry.

H. **Submission of Information**

23. In view of the special circumstances arising out of COVID-19 pandemic, any information relating to the present investigation should be sent to the Authority via email at the email addresses adg15-dgtr@gov.in, adv11-dgtr@gov.in, dir16-dgtr@gov.in and dd15-dgtr@gov.in within 30 days from the date of receipt of the notice. It may, however, be noted that in terms of explanation of the said Rule, the notice calling for information and other documents shall be deemed to have been received within one week from the date on which it was sent by the Authority or transmitted to the appropriate diplomatic representative of the exporting country. If no information is received within the prescribed time limit or the information received is incomplete, the Authority may record its finding on the basis of the facts available on record in accordance with the Rules.
24. Parties interested in the investigation are hereby advised to intimate their interest (including the nature of interest) in the instant investigation and file their questionnaire response/submissions within the time limit specified above.
25. All known interested parties are being informed separately to enable them to file the relevant information in the form and manner prescribed within the time limit specified above.
26. Any other interested party may also make its submissions relevant to the investigation in the form and manner prescribed within the time limit specified above.
27. Any party making any confidential submission before the Authority is required to make a non-confidential version of the same available to the other interested parties.
28. Any party making any confidential submission or providing information on confidential basis before the Authority, is required to simultaneously submit a non-confidential version of the same. Failure to adhere to the above may lead to rejection of the response / submissions.
29. The parties making any submission (including Appendices/Annexures attached thereto), before the Authority including questionnaire response, are required to file Confidential and Non-Confidential versions separately.
30. The “confidential” or “non-confidential” submissions must be clearly marked as “confidential” or “non-confidential” at the top of each page. Any submission made without such marking shall be treated as non-confidential by the Authority, and the Authority shall be at liberty to allow the other interested parties to inspect such

submissions.

31. The confidential version shall contain all information which is by nature confidential and/or other information which the supplier of such information claims as confidential. For information which are claimed to be confidential by nature or the information on which confidentiality is claimed because of other reasons, the supplier of the information is required to provide a good cause statement along with the supplied information as to why such information cannot be disclosed.
32. The non-confidential version is required to be a replica of the confidential version with the confidential information preferably indexed or blanked out (in case indexation is not feasible) and summarized depending upon the information on which confidentiality is claimed. The non-confidential summary must be in sufficient detail to permit a reasonable understanding of the substance of the information furnished on confidential basis. However, in exceptional circumstances, the party submitting the confidential information may indicate that such information is not susceptible to summary, and a statement of reasons why summarization is not possible must be provided to the satisfaction of the Authority. In case any interested party is not satisfied on the claim of confidentiality the party can raise an objection on the claim within seven (7) days of receiving the non-confidential version of the documents.
33. The Authority may accept or reject the request for confidentiality on examination of the nature of the information submitted. If the Authority is satisfied, the request for confidentiality is not warranted or if the supplier of the information is either unwilling to make the information public or to authorize its disclosure in generalized or in summary form, it may disregard such information.
34. Any submission made without a meaningful non-confidential version thereof or without good cause statement on the confidentiality claim shall not be taken on record by the Authority.
35. The Authority on being satisfied and accepting the need for confidentiality of the information provided, shall not disclose it to any party without specific authorization of the party providing such information.

I. Sharing of responses / submissions amongst interested parties

36. A list of registered interested parties will be uploaded on DGTR's website along with the request therein to email the non-confidential version of the submissions made to all other interested parties. The public file will not be accessible physically due to the ongoing pandemic.

J. Non-cooperation

37. In case where an interested party refuses access to, or otherwise does not provide necessary information within a reasonable period, or significantly impedes the investigation, the Authority may record its findings on the basis of the facts available to it and make such recommendations to the Central Government as deemed fit.



(Anant Swarup)

Joint Secretary and Designated Authority