



A-533-843  
Administrative Review  
POR: 9/1/12 – 8/31/13  
Public Document  
AD/CVD OIII: CR

April 3, 2015

**MEMORANDUM TO:** Paul Piquado  
Assistant Secretary  
for Enforcement and Compliance

**FROM:** Gary Taverman   
Associate Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations

**SUBJECT:** Certain Lined Paper Products from India: Issues and Decision  
Memorandum for the Final Results of the Antidumping Duty  
Administrative Review; 2012-2013

## I. Summary

We analyzed the case and rebuttal briefs of Petitioners<sup>1</sup> and the respondent<sup>2</sup> for the final results in the 2012-2013 antidumping duty administrative review of certain lined paper products (CLPP) from India. Based on our analyses of the comments received from interested parties, these final results differ from the *Preliminary Results*<sup>3</sup> with respect to the final weighted-average dumping margin calculated for Super Impex. Further, we continue to find that AR Printing & Packaging (India) Pvt. Ltd. (AR Printing) had no sales of subject merchandise to the United States during the period of review (POR). We recommend that you approve the positions set forth in the “Analysis of Comments” section of this memorandum.

## II. List of Comments

- Comment 1: Selection of Financial Statements for Constructed Value (CV) Profit and Selling Expenses Rates Calculation
- Comment 2: Whether Super Impex Reduced its Direct Material Costs Using Improper Inventory Adjustments
- Comment 3: Whether Certain Indirect Selling Expenses Should be Reclassified as General and Administrative (G&A) Expenses

---

<sup>1</sup> Petitioners are the Association of American School Paper Suppliers (AASPS) and its individual members, which consists of the following companies: ACCO Brands USA LLC, Norcom Inc., and Top Flight, Inc. *See, e.g.*, Petitioners’ letter dated September 24, 2014.

<sup>2</sup> The Respondent in this review is Super Impex.

<sup>3</sup> *See Certain Lined Paper Products From India: Notice of Partial Rescission and Preliminary Results of Antidumping Duty Administrative Review; 2012–2013*, 79 FR 60450 (October 7, 2014) (*Preliminary Results*) and accompanying Issues and Decision Memorandum (Preliminary Decision Memorandum).



- Comment 4: Valuation of Super Impex’s Affiliated Party Transactions  
Comment 5: Whether Super Impex Failed to Report Certain Sales to the United States  
Comment 6: Selection of Proper Interest Rate for Imputed Credit Expense Calculation  
Comment 7: Whether Super Impex Should Exclude Certain Electricity Bills Paid during the POR

### **III. Background**

On October 7, 2014, the Department published in the *Federal Register* the *Preliminary Results* of the antidumping duty administrative review for CLPP from India.<sup>4</sup> The POR is September 1, 2012, through August 31, 2013. We invited parties to comment on our *Preliminary Results*.

On November 4, 2014, Super Impex submitted its case brief, and on November 6, 2014, Petitioners filed their case brief.<sup>5</sup> On November 12, 2014, both Super Impex and Petitioners submitted rebuttal briefs.<sup>6</sup> On November 6, 2014, Petitioners submitted a hearing request, which was subsequently withdrawn by Petitioners on December 2, 2014.<sup>7</sup> On January 7, 2015, Petitioners’ legal counsel met with Department officials to discuss the issues raised in their case and rebuttal briefs.<sup>8</sup>

On January 22, 2015, the Department issued a memorandum extending the time period for issuing the final results of this administrative review from February 4, 2015, to April 6, 2015.<sup>9</sup>

### **IV. No Shipment Claim by AR Printing**

Based on AR Printing’s claim of no shipments and no information received to the contrary from U.S. Customs and Border Protection (CBP), we preliminarily determined that AR Printing had no shipments to the United States during the POR.<sup>10</sup> We received no information or arguments from interested parties that warrants a different finding in these final results. Therefore, we continue to find that AR Printing had no shipments to the United States during the POR.

In our May 6, 2003, “automatic assessment” clarification, we explained that, where respondents in an administrative review demonstrate that they had no knowledge of sales through resellers to the United States, we would instruct CBP to liquidate such entries at the all-others rate applicable to the proceeding.<sup>11</sup> In accordance with the “automatic assessment” clarification, we have taken

---

<sup>4</sup> *Id.*

<sup>5</sup> See Super Impex’s letter dated November 4, 2014, and Petitioners’ letter dated November 6, 2014.

<sup>6</sup> See Super Impex’s and Petitioners’ letters dated November 12, 2014, respectively.

<sup>7</sup> See Petitioners’ letters dated November 6, 2014 and December 2, 2014, respectively.

<sup>8</sup> See Memorandum to File, through Melissa Skinner, Director, Office III, from Cindy Robinson, Case Analyst, “Certain Lined Paper Products from India: Meeting with Interested Party,” dated January 14, 2015.

<sup>9</sup> See Memorandum to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, “Certain Lined Paper Products from India: Extension of Time Limit for Final Results of Antidumping Duty Administrative Review, 2012-2013,” dated January 22, 2015.

<sup>10</sup> See *Preliminary Results*, 79 FR at 60451.

<sup>11</sup> See *Antidumping and Countervailing Duty Proceedings: Assessment of Antidumping Duties*, 68 FR 23954 (May 6, 2003).

this approach with regard to any subject merchandise produced by AR Printing that entered the United States during the POR *via* resellers without the knowledge of AR Printing.

## **V. Scope of the Order**

The scope of this order includes certain lined paper products, typically school supplies (for purposes of this scope definition, the actual use of or labeling these products as school supplies or non-school supplies is not a defining characteristic) composed of or including paper that incorporates straight horizontal and/or vertical lines on ten or more paper sheets (there shall be no minimum page requirement for looseleaf filler paper) including but not limited to such products as single- and multi-subject notebooks, composition books, wireless notebooks, looseleaf or glued filler paper, graph paper, and laboratory notebooks, and with the smaller dimension of the paper measuring 6 inches to 15 inches (inclusive) and the larger dimension of the paper measuring 8-3/4 inches to 15 inches (inclusive). Page dimensions are measured size (not advertised, stated, or “tear-out” size), and are measured as they appear in the product (*i.e.*, stitched and folded pages in a notebook are measured by the size of the page as it appears in the notebook page, not the size of the unfolded paper). However, for measurement purposes, pages with tapered or rounded edges shall be measured at their longest and widest points. Subject lined paper products may be loose, packaged or bound using any binding method (other than case bound through the inclusion of binders board, a spine strip, and cover wrap). Subject merchandise may or may not contain any combination of a front cover, a rear cover, and/or backing of any composition, regardless of the inclusion of images or graphics on the cover, backing, or paper. Subject merchandise is within the scope of this order whether or not the lined paper and/or cover are hole punched, drilled, perforated, and/or reinforced. Subject merchandise may contain accessory or informational items including but not limited to pockets, tabs, dividers, closure devices, index cards, stencils, protractors, writing implements, reference materials such as mathematical tables, or printed items such as sticker sheets or miniature calendars, if such items are physically incorporated, included with, or attached to the product, cover and/or backing thereto.

Specifically excluded from the scope of this order are:

- unlined copy machine paper;
- writing pads with a backing (including but not limited to products commonly known as “tablets,” “note pads,” “legal pads,” and “quadrille pads”), provided that they do not have a front cover (whether permanent or removable). This exclusion does not apply to such writing pads if they consist of hole-punched or drilled filler paper;
- three-ring or multiple-ring binders, or notebook organizers incorporating such a ring binder provided that they do not include subject paper;
- index cards;
- printed books and other books that are case bound through the inclusion of binders board, a spine strip, and cover wrap;
- newspapers;
- pictures and photographs;
- desk and wall calendars and organizers (including but not limited to such products generally known as “office planners,” “time books,” and “appointment books”);

- telephone logs;
- address books;
- columnar pads & tablets, with or without covers, primarily suited for the recording of written numerical business data;
- lined business or office forms, including but not limited to: pre-printed business forms, lined invoice pads and paper, mailing and address labels, manifests, and shipping log books;
- lined continuous computer paper;
- boxed or packaged writing stationery (including but not limited to products commonly known as “fine business paper,” “parchment paper”, and “letterhead”), whether or not containing a lined header or decorative lines;
- Stenographic pads (steno pads), Gregg ruled (“Gregg ruling” consists of a single- or double-margin vertical ruling line down the center of the page. For a six-inch by nine-inch stenographic pad, the ruling would be located approximately three inches from the left of the book.), measuring 6 inches by 9 inches.

Also excluded from the scope of this order are the following trademarked products:

- Fly™ lined paper products: A notebook, notebook organizer, loose or glued note paper, with papers that are printed with infrared reflective inks and readable only by a Fly™ pen-top computer. The product must bear the valid trademark Fly™ (products found to be bearing an invalidly licensed or used trademark are not excluded from the scope).
- Zwipes™: A notebook or notebook organizer made with a blended polyolefin writing surface as the cover and pocket surfaces of the notebook, suitable for writing using a specially-developed permanent marker and erase system (known as a Zwipes™ pen). This system allows the marker portion to mark the writing surface with a permanent ink. The eraser portion of the marker dispenses a solvent capable of solubilizing the permanent ink allowing the ink to be removed. The product must bear the valid trademark Zwipes™ (products found to be bearing an invalidly licensed or used trademark are not excluded from the scope).
- FiveStar®Advance™: A notebook or notebook organizer bound by a continuous spiral, or helical, wire and with plastic front and rear covers made of a blended polyolefin plastic material joined by 300 denier polyester, coated on the backside with PVC (poly vinyl chloride) coating, and extending the entire length of the spiral or helical wire. The polyolefin plastic covers are of specific thickness; front cover is 0.019 inches (within normal manufacturing tolerances) and rear cover is 0.028 inches (within normal manufacturing tolerances). Integral with the stitching that attaches the polyester spine covering, is captured both ends of a 1" wide elastic fabric band. This band is located 2-3/8" from the top of the front plastic cover and provides pen or pencil storage. Both ends of the spiral wire are cut and then bent backwards to overlap with the previous coil but specifically outside the coil diameter but inside the polyester covering. During construction, the polyester covering is sewn to the front and rear covers face to face (outside to outside) so that when the book is closed, the stitching is concealed from the outside. Both free ends (the ends not sewn to the cover and back) are stitched with a

turned edge construction. The flexible polyester material forms a covering over the spiral wire to protect it and provide a comfortable grip on the product. The product must bear the valid trademarks FiveStar®Advance™ (products found to be bearing an invalidly licensed or used trademark are not excluded from the scope).

- FiveStar Flex™: A notebook, a notebook organizer, or binder with plastic polyolefin front and rear covers joined by 300 denier polyester spine cover extending the entire length of the spine and bound by a 3-ring plastic fixture. The polyolefin plastic covers are of a specific thickness; front cover is 0.019 inches (within normal manufacturing tolerances) and rear cover is 0.028 inches (within normal manufacturing tolerances). During construction, the polyester covering is sewn to the front cover face to face (outside to outside) so that when the book is closed, the stitching is concealed from the outside. During construction, the polyester cover is sewn to the back cover with the outside of the polyester spine cover to the inside back cover. Both free ends (the ends not sewn to the cover and back) are stitched with a turned edge construction. Each ring within the fixture is comprised of a flexible strap portion that snaps into a stationery post which forms a closed binding ring. The ring fixture is riveted with six metal rivets and sewn to the back plastic cover and is specifically positioned on the outside back cover. The product must bear the valid trademark FiveStar Flex™ (products found to be bearing an invalidly licensed or used trademark are not excluded from the scope).

Merchandise subject to this order is typically imported under headings 4810.22.5044, 4811.90.9050, 4820.10.2010, 4820.10.2020, 4820.10.2030, 4820.10.2040, 4820.10.2060, and 4820.10.4000 of the Harmonized Tariff Schedule of the United States (HTSUS). The HTSUS headings are provided for convenience and customs purposes; however, the written description of the scope of this order is dispositive.

## VI. Analysis of Comments

### **Comment 1:** Selection of Financial Statements for Constructed Value (CV) Profit and Selling Expenses Rates Calculation

#### **Background:**

- Super Impex did not sell foreign like product in the home market nor did it have viable third-country market sales. Therefore, we have based normal value (NV) on CV.
- In calculation of the CV profit rate and selling expense ratios (CV Ratios) for the *Preliminary Results*, we overlooked the financial statements of Vata Paper Ltd. (Vata) submitted by Super Impex. Therefore, we calculated the CV profit rate and selling expense ratio (CV Ratios) using Navneet's 2011-12 financial statements,<sup>12</sup> instead of the audited 2012-13 financial statements of Vata.<sup>13</sup>

---

<sup>12</sup> See Memorandum to File, "Placing on the Record the Public Version of Navneet's 2011-2012 Consolidated Financial Statements for Constructed Value Calculation," dated September 30, 2014 (Navneet's consolidated financial statements).

<sup>13</sup> See Super Impex's submission dated September 29, 2014 at Exhibit CV-1 at 13, and Exhibit CV-2 at 1 (Vata Financial Statements).

### *Super Impex's Arguments*

- The Department should use Vata's financial statements to calculate the CV Ratios. Vata's financial statements are more relevant and more contemporaneous because they cover seven months of the POR. In contrast, Navneet's financial statements cover none of the POR.<sup>14</sup>
- Vata's level of operations is closer to Super Impex's level of operations/business. In contrast, Navneet and Super Impex are not at the same level of operations/business because Navneet is a much larger company than Super Impex in terms of revenue and fixed asset bases.<sup>15</sup>
- Vata's profit percentage is more representative of Super Impex's home market than that of Navneet. Vata produces and sells products of the same general category (*i.e.*, notebooks) in the home market as Super Impex. Further, Vata's entire revenue is from the sale of notebooks, while only 41 percent of Navneet's revenue is from the sales of notebooks, in part due to its non-CLPP business divisions.<sup>16</sup>
- In calculating the CV Ratios in the *Preliminary Results*, the Department used Navneet's company-wide percentage of profit and indirect selling expenses, instead of the percentage of Navneet's Stationery Division (which produces subject merchandise).<sup>17</sup>
- If the Department continues to use Navneet's financial statements for calculation of the CV Ratios in the final results, it should use Navneet's profit and selling expense ratios relating to its "stationery division," instead of using Navneet's company-wide profit percentage.<sup>18</sup> Such a revision is necessary because Navneet's overall profit also includes the operations of two other divisions, a publication division and an "Other Division," which involves such miscellaneous activities as power generation and trading activities. Thus, neither of these two divisions is related to subject merchandise.
- A profit rate which reflects all of Navneet's divisions exceeds the profit normally realized in connection with the sale of subject merchandise and, therefore, does not comport with section 773(e)(B)(2)(iii) of the Tariff Act of 1930, as amended (the Act).

### *Petitioners' Arguments*

- The Department should disregard Vata's financial statements because: (1) Vata has never been reviewed by the Department; (2) Vata's financial statements are missing pages 1 and 2 of its financial notes and many words and numbers are not fully legible; (3) Vata's financial statements are in disarray, as pages were submitted out of order; and (4) the record does not establish that Vata is more similar to Super Impex than Navneet.<sup>19</sup>
- Super Impex is wrong to argue that Vata's financial statements constitute the best surrogate data source for the CV ratios on the grounds that Vata's revenue is generated solely from subject merchandise, and Vata's level of operations is similar to that of Super

---

<sup>14</sup> See Super Impex's case brief dated November 6, 2014, at 7-9.

<sup>15</sup> *Id.*, at 9.

<sup>16</sup> *Id.*, at 8.

<sup>17</sup> *Id.*, at 9-14.

<sup>18</sup> *Id.* See also Memorandum to File, "Super Impex Preliminary Sales and Constructed Value Calculation Memorandum" dated September 30, 2014 (Super Impex Preliminary Sales and CV Memorandum), at 5 and Appendix I.

<sup>19</sup> See Petitioners' rebuttal brief dated November 12, 2014, at 4-7.

Impex. In *Thai Shrimp*, the Department found that, under section 773(e)(2)(B)(ii) of the Act, it does not need to analyze a company's business operations . . . and customers to determine the most appropriate CV profit rate as it does under section 773(e)(2)(B)(iii) of the Act.<sup>20</sup>

- Super Impex's argument that its level of operations is dissimilar to that of Navneet is irrelevant as it is not a factor normally considered by the Department in calculating a company's CV profit under section 773(e)(2)(B)(ii) of the Act. In *Pasta from Italy*, the Department found "that alternative (B)(ii) . . . allows the Department to rely on the data from other respondents to the proceeding without analyzing the similarity of selling practices."<sup>21</sup>
- Super Impex is a much larger company than Vata, and it derives its entire revenue from international sales, whereas Vata only has local sales. Although Super Impex claims that one hundred percent of Vata's revenue is derived from the sale of subject merchandise, Vata's website does not identify the products or volumes that it, in fact, sells.
- By contrast, Navneet is a known producer and exporter of subject merchandise and it has been reviewed by the Department many times. Its financial records have been verified by the Department and the validity of its profit calculations are not in doubt. In this case, the reliability and appropriateness of Navneet's data trumps contemporaneity.
- The Department should also decline to calculate a CV profit amount for Navneet's stationery division. Super Impex's claims that Navneet's stationery division is most similar to the products under review, is unfounded.<sup>22</sup>
- Navneet's financial statements report sales by each division, but the financial statements do not break out the cost of production applicable to each division. There is no indication in Navneet's financials what costs, expenses, revenues, and incomes comprise the "Segment Results." Navneet's segmental reporting information also does not contain detailed information separating the Other Expenses between the business segments. Thus, Navneet's production and sales costs to its different divisions cannot be accurately allocated from its financial statements.<sup>23</sup>

**Department's Position:** In the *Preliminary Results*, we calculated the CV ratios for Super Impex using Navneet's 2011-2012 audited consolidated financial statements, in accordance with section 773(e)(2)(B)(iii) of the Act. However, after considering the record evidence and the arguments from interested parties, for these final results we recalculated CV ratios for Super Impex using the 2012-2013 audited financial statements of Vata.

---

<sup>20</sup> See Petitioners' rebuttal brief dated November 12, 2014, at 3. See also *Certain Frozen Warmwater Shrimp from Thailand: Final Results and Final Partial Rescission of Antidumping Duty Administrative Review*, 72 FR 52065 (September 12, 2007) (*Thai Shrimp*), and the accompanying Issues and Decision Memorandum at Comment 17, where the Department found that, under section 773(e)(2)(B)(ii), it does not need to analyze a company's business operations, channels of distribution, and customers to determine the most appropriate CV profit rate as it does under section 773(e)(2)(B)(iii).

<sup>21</sup> See *Notice of Final Results of the Ninth Administrative Review of the Antidumping Duty Order on Certain Pasta from Italy*, 72 FR. 7011 (February 14, 2007) (*Pasta from Italy*), and the accompanying Issues and Decision Memorandum, at Comment 2.

<sup>22</sup> See Petitioners' rebuttal brief, at 7-8.

<sup>23</sup> *Id.*

As stated above, Super Impex had no sales of subject merchandise in the home market and its sales to third-country markets are not viable. In the absence of a viable comparison market, we are unable to calculate CV profit and CV selling expenses using the preferred method and must instead rely on one of the following three alternatives outlined in section 773(e)(2)(B) of the Act:

(i) the actual amounts incurred and realized by the specific exporter or producer being examined in the investigation or review . . . for profits, in connection with the production and sale, for consumption in the foreign country, of merchandise that is in the same general category of products as the subject merchandise;

(ii) the weighted average of the actual amounts incurred and realized by exporters or producers that are subject to the investigation or review (other than the exporter or producer described in clause (i)) . . . for profits, in connection with the production and sale of a foreign like product, in the ordinary course of trade, for consumption in the foreign country;

or (iii) the amounts incurred and realized . . . for profits, based on any other reasonable method, except that the amount allowed for profit may not exceed the amount normally realized by exporters or producers (other than the exporter or producer described in clause (i)) in connection with the sale, for consumption in the foreign country, of merchandise that is in the same general category of products as the subject merchandise; [(i.e., the “profit cap”)].

The statute does not establish a hierarchy for selecting among the alternatives for calculating CV profit.<sup>24</sup> Moreover, as noted in the Statement of Administrative Action (SAA), “the selection of an alternative will be made on a case- by-case basis, and will depend, to an extent, on available data.”<sup>25</sup> Thus, the Department has discretion to select from any of the three alternative methods, depending on the information available on the record.

We find the specific language of both the preferred and alternative methods indicates a preference that the profit and selling expenses reflect: (1) production and sales in the foreign country; and (2) the foreign like product, *i.e.*, the merchandise under consideration. However, when selecting a profit from available record evidence, we may not be able to find a source that reflects both of these factors. In addition, there may be varying degrees to which a potential profit source reflects the merchandise under consideration. Consequently, we must weigh the quality of the data against these factors. For example, we may have profit information that reflects production and sales in the foreign country of merchandise that is similar to the foreign like product but also includes significant sales of completely different merchandise, or profit information that reflects production and sales of the merchandise under consideration but no sales in the foreign country. Determining how specialized the foreign like product is, what percentage of sales are of the foreign like product or general category of merchandise, what

---

<sup>24</sup> See SAA, at 840 (“At the outset, it should be emphasized, consistent with the Antidumping Agreement, new section 773(e)(2)(B) does not establish a hierarchy or preference among these alternative methods. Further, no one approach is necessarily appropriate for use in all cases.”)

<sup>25</sup> See SAA, at 840.

portion of sales are to which markets, *etc.*, judged against the above criteria, may help to determine what profit source to rely upon.

In this case, based on the available data, we are faced with several alternatives for CV profit that reflect at least one of the criteria noted above. We must, therefore, weigh the value of the available data and, in particular, determine which requirement is more relevant for this case based on the record before us. With each of the statutory alternatives in mind, we evaluated the data available and weighed each of the alternatives to determine which surrogate data source most closely fulfills the aim of the statute. We note that we could not rely on alternative (i), *i.e.*, profit for the same general category of products as subject merchandise, because the record evidence shows that Super Impex had no sales in the same general category during the POR. We also note that we could not rely on alternative (ii), *i.e.*, profit for other exporters or producers subject to the review, because there were no other respondents subject to the instant review. Therefore, we continue to rely on the alternative under subsection (iii) *i.e.*, any other reasonable method to determine the appropriate data to use to calculate CV profit.

In weighing the alternative information and determining which source to use, we first determined which products fit within “the same general category of products as the subject merchandise.” The term “general category of products” is not defined in the statute. However, the SAA provides that the term “encompasses a category of merchandise broader than the foreign-like product.”<sup>26</sup>

In that regard, we considered whether various products produced by Vata and Navneet (*e.g.*, paper products, lined paper, and knowledge-based information products in the form of educational/general books or in electronic format) are similar enough to the subject merchandise produced by Super Impex to be considered within the general category of product. Determining which of these products are sufficiently similar to lined paper products to be considered within the same general category of product is important under alternative (iii) because it goes directly to the question of how to evaluate the surrogate financial information of Vata and Navneet, as well as general information related to the sales to the U.S. and the sales by Indian lined paper products producers in India.

In assessing whether a given product is in the same general category of products as the subject merchandise for purposes of calculating a CV profit, we evaluated the products produced by Vata and Navneet from both a production and sales perspective, as profit is a function of both cost and price. Differences between the physical characteristics of products, how the products will be used, and the market conditions associated with the industries and customers who purchase and use the different products all materially impact the profit earned on the different products.

We find that the knowledge-based information products in the form of educational/general books or in electronic format, as produced by Navneet, are not in the same general category of products as lined paper products. We further determine that the graph notebooks, practical notebooks, scrapbooks, and clipboards produced by Vata and the paper and lined paper products produced by Navneet are in the same general category of products as lined paper products.

---

<sup>26</sup> *Id.*

Further, in evaluating the different alternatives available under subsection (iii), we also followed the analysis established in *Pure Magnesium from Israel*.<sup>27</sup> In *Pure Magnesium from Israel*, the Department set out three criteria for choosing among surrogate data under section 772(e)(2)(B)(iii) of the Act: 1) the similarity of the potential surrogate company's business operations and products to the respondent's business operations and products; 2) the extent to which the financial data of the surrogate company reflects sales in the home market and does not reflect sales to the United States; and, 3) the contemporaneity of the data to the POR. In *CTVs from Malaysia*, the Department added a fourth criterion - the extent to which the customer base of the surrogate and the respondent were similar (e.g., original equipment manufacturers versus retailers).<sup>28</sup> These criteria have since been adopted by the Department in recent cases for choosing among surrogate data under section 772(e)(2)(B)(iii) of the Act.<sup>29</sup>

As stated above, in this review we have on the record financial data for two companies from which to calculate CV ratios: Vata and Navneet. Based on the language in the statute and on the four criteria developed in *Pure Magnesium from Israel* and *CTVs from Malaysia*, we find Vata's financial statements to be the best available surrogate data source for purposes of determining the CV ratios.

Concerning the first criterion, Vata's financial statements indicate that it is a producer of paper products such as craft books, drawing notebooks, five-subject notebooks, graph notebooks, practical notebooks, scrapbooks, clipboards, notepads, and long notebooks.<sup>30</sup> In contrast, the financial statements of Navneet indicate that it is a producer with three distinct divisions/segments, of which only one, the stationery division, relates to manufacturing of paper and other stationery items.<sup>31</sup> Concerning Navneet's other two divisions, the publication division relates to the publication of educational materials in electronic and book format while its "other division" oversees such miscellaneous activities as power generation and trading activities.<sup>32</sup> Further, Navneet's financial statements indicate that only 40 percent of its revenue is attributable to the stationery division, while 59 percent of its revenue is attributable to the publication division.<sup>33</sup> Based on this information, we find the products produced by Vata are the most similar to the products produced by Super Impex.

---

<sup>27</sup> See *Notice of Final Determination of Sales at Less Than Fair Value: Pure Magnesium from Israel*, 66 FR 49349 (Sept. 27, 2001) (*Pure Magnesium from Israel*) and accompanying Issues and Decision Memorandum, at Comment 8.

<sup>28</sup> See *Notice of Final Determination of Sales at Less Than Fair Value: Certain Color Television Receiver from Malaysia*, 69 FR 20592 (April 16, 2004) (*CTVs from Malaysia*), and accompanying Issues and Decision Memorandum (CTVs from Malaysia Decision Memo), at Comment 26.

<sup>29</sup> See, e.g., *Certain Oil Country Tubular Goods From the Republic of Korea: Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances*, 79 FR 41983 (July 18, 2014) (*OCTG from Korea*), and accompanying Issues and Decision Memorandum, at Comment 1.

<sup>30</sup> See Vata Financial Statements, at Exhibit CV-2 at 2.

<sup>31</sup> *Id.*

<sup>32</sup> See Navneet's consolidated financial statements, at 36, 80, 82.

<sup>33</sup> See Navneet's consolidated financial statements, at 81. The remaining one percent of its sales is attributable to sales of its "Other" division.

Concerning the second criterion, Vata's financial statements indicate that it sells exclusively in the Indian market and, thus, its financial data do not reflect sales to the United States.<sup>34</sup> In contrast, Navneet's financial statements indicate that it caters to the educational needs of the Indian market as well as the global market.<sup>35</sup> Further Navneet has been a respondent in prior reviews in this proceeding, thereby further demonstrating that its financial data reflect sales to the United States. Thus, we find that the financial information from Vata best reflects sales in the Indian market and does not reflect sales to the United States.

Concerning the third criterion, Vata's financial statements reflect fiscal year 2012-2013, which overlaps with seven months of the POR.<sup>36</sup> The financial statements of Navneet reflect Fiscal Year (FY) 2011-2012 and, thus, do not overlap with any of the POR.<sup>37</sup> Therefore, based on this information, we find that financial information for Vata is the most contemporaneous with the POR.

Concerning the fourth criterion, Vata's financial statements indicate that its production and sales are attributable to paper products, leading us to conclude that Vata's customer base is similar to that of Super Impex.<sup>38</sup> In contrast, less than half of Navneet's sales are attributable to lined paper products, therefore leading us to conclude that the bulk of its customer base is not centered on lined paper products.<sup>39</sup> On this basis, we find that the customer base of Vata is the most similar to that of Super Impex.

With respect to Petitioners' arguments that pages 1 and 2 of Vata's financial notes are missing, we disagree. We find that the financial notes provided immediately after Vata's balance sheet addressed all balance sheet items.<sup>40</sup> Similarly, the notes provided immediately after Vata's profit and loss statement also addressed all profit and loss statement items.<sup>41</sup> Therefore, we find that Vata's financial notes as contained in Vata's financial statements appear to be complete.

Lastly, we disagree with Petitioners that Vata's financial information is illegible or otherwise incomprehensible. Based on our review, we find that we are able to calculate CV ratios based on the available financial information for Vata.

Thus, in accordance with section 772(e)(2)(B)(iii) of the Act and based on the criteria enumerated in *Pure Magnesium from Israel* and *CTVs from Malaysia*, we find that Vata's 2012-2013 financial statements constitute the best available surrogate data source for purposes of calculating the CV ratios. Therefore, for the final results, we calculated the CV Ratios using the 2012-2013 audited financial statements of Vata.

---

<sup>34</sup> *Id.*, and Exhibit CV-2, at 2.

<sup>35</sup> See Navneet's consolidated financial statements, at 52.

<sup>36</sup> See Vata Financial Statements, at 19.

<sup>37</sup> See Navneet's consolidated financial statements, at 81.

<sup>38</sup> See Vata Financial Statements, at Exhibit CV-2 at 2.

<sup>39</sup> See Navneet's consolidated financial statements, at 81.

<sup>40</sup> See Vata Financial Statements, at 32-35.

<sup>41</sup> *Id.*, at 36-38.

## **Comment 2: Whether Super Impex Reduced its Direct Material Costs by Improper Inventory Adjustments**

### *Petitioners' Arguments*

- Generally speaking, the inventory records of Super Impex are suspicious by virtue of the fact that the manual entries reflect the same hand writing over an extended and uninterrupted period of time.
- Further, the records indicate a very large increase in paper inputs over the POR that are not related to subject merchandise. The increased inventory of these inputs significantly lowered the direct material cost reported to the Department.
- Additionally, the Department should exclude the finished goods inventory included in Super Impex's direct material adjustment. Changes in finished goods inventory do not have any relevance to product costs, and excluding them would be consistent with the Department's practice.<sup>42</sup>
- Similarly, the Department should exclude the raw materials in transit from the direct material adjustment because it remains unexplained and contrary to acceptable accounting methodology. By including raw materials in transit in the direct materials calculation, Super Impex is attempting to lower its reported cost of production by the amount of raw materials that have not yet arrived to its factory.
- In calculating its cost of production, Super Impex made certain adjustments for many raw materials that are not used to make subject merchandise. Inventory adjustments for inputs not related to subject merchandise should not be allowed to lower cost of subject merchandise and should be excluded from direct materials.

### *Super Impex's Arguments*

- Petitioners allege that the inventory records of Super Impex are not reliable based merely on supported and imaginative assertions and should be dismissed by the Department.
- Super Impex's entire inventory adjustment is appropriate and correct and does not need a recalculation for the reported total cost of manufacturing. Super Impex has not adjusted the change in inventory values of finished goods, other materials, or raw material in transit. In calculating the consumption value of paper of 52 & 54 GSM (the paper type used for subject merchandise), Super Impex did not adjust the change in inventory value of paper and board (other than 52 & 54 GSM) in order to lower the cost of production of subject merchandise, as alleged by Petitioners.<sup>43</sup>
- It is evident from Exhibit D1-5 (a),<sup>44</sup> where Super Impex presented the calculation of the unit consumption value for paper 52 & 54 GSM, that Super Impex has adjusted only the opening and closing inventory value of paper of 52 & 54 GSM, and it did not consider the change in inventory value of finished goods, paper & board (other than 52 & 54

---

<sup>42</sup> See Petitioners' case brief, at 5. See also *Carbon and Certain Alloy Steel Wire Rod From Trinidad and Tobago: Preliminary Results of Antidumping Duty Administrative Review*, 74 FR 57648, 57650 ((November 9, 2009) (*Wire Rod from Trinidad*)), where the Department disallowed AMPL's finished goods inventory adjustment to the reported costs because the cost of manufacturing of the merchandise under consideration (*i.e.*, wire rod) must necessarily be derived based on the POR costs incurred and should not take into account the value of wire rod in beginning inventory.

<sup>43</sup> See Super Impex's rebuttal brief dated November 12, 2014, at 5.

<sup>44</sup> See Super Impex's first supplemental questionnaire response dated June 28, 2014 (SQR1), at Exhibit D1-5(a).

GSM), or other materials in the calculation of consumption value for paper of 52 & 54 GSM.

- The calculated unit consumption value of paper of 52 & 54 GSM in Exhibit D1-5 (a) are used in Exhibit D-8 (a) Part-2 for the purpose of calculation of the paper cost of subject merchandise, which is produced using paper of 52 & 54 GSM.<sup>45</sup> Further, the opening and closing inventory value of paper of 52 & 54 GSM in Exhibit D1-5 (a) can be tied to the POR opening and closing inventory value of paper of 52 & 54 GSM in Exhibit S2-6.<sup>46</sup>
- In Exhibit S2-6, Super Impex provided a complete inventory quantity and value by line items to demonstrate that it did not consider the change in inventory value of finished goods, paper and board (other than 52 & 54 GSM), and other materials when calculating its direct materials cost.<sup>47</sup>
- Super Impex has allocated the opening and closing inventory value of all the goods in the appropriate columns, *e.g.*, the inventory value of finished goods is considered as “Not Part of COP.”<sup>48</sup>
- Petitioners wrongly argue that *Wire Rod from Trinidad* demonstrates that the Department should exclude the finished inventory, which is included in Super Impex’s direct material adjustment.
- In *Wire Rod from Trinidad*, wire rod was the finished good and hence, in that case, the Department determined that the inventory value of finished goods should not be part of the cost for the POR. Similarly, Super Impex has also not adjusted the change in inventory value of finished goods in the calculation of consumption value of paper of 52 & 54 GSM.
- Petitioners claim that Super Impex’s “raw material in transit” adjustment should be excluded alleging that Super Impex is trying to lower its reported cost of production by the amount of raw materials not yet arrived at the factory. Their allegation is unfounded.
- Super Impex accounts for the purchases of raw materials based on invoice date, but its raw material stock record is based on receiving date.
- Thus, Super Impex included the stock in transit fields in its inventory calculations, which are provided in Exhibit D1-5(a), for presentation purposes only in order to reconcile the values in Exhibit D1-5(a) to the stock records and accounting records maintained by Super Impex.<sup>49</sup>

**Department’s Position:** We disagree with Petitioners’ arguments that Super Impex made improper inventory adjustments. Upon examination of the record evidence, we find that Super Impex did not improperly reduce its reported direct materials of subject merchandise by changing its respective inventory for finished goods, raw materials in transit, and raw materials only used for non-subject merchandise. We also disagree with Petitioners’ claim that Super Impex’s “inventory records” appear suspicious because the handwriting in the inventory records is too consistent over time. Petitioners’ claim regarding the appearance of handwriting is speculative, and Petitioners did not put forth any evidence to support this contention.

---

<sup>45</sup> See Super Impex’s section D questionnaire response dated March 14, 2014 (QRD) at Exhibit D-8(a).

<sup>46</sup> See Super Impex’s second supplemental questionnaire dated September 15, 2014(SQR2) at Exhibit S2-6.

<sup>47</sup> See Super Impex’s rebuttal brief, at 5.

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*, at 6 and at Exhibit RB-1.

### A. *Finished Goods Inventory*

In its SQR1 at Exhibit D-5(a), Super Impex provided a worksheet demonstrating the overall quantity and value reconciliation of the two major inputs (paper of 52 & 54 GSM) used for subject merchandise production. Super Impex provides a step-by-step calculation of total paper consumption for each paper specification during the POR, from which Super Impex derived the per kilogram (kg) cost of paper for the POR.<sup>50</sup>

Based on the reconciliation worksheet in Exhibit D-5(a), we find that in calculating the actual consumption rate for each paper specification, Super Impex only made adjustments for each specific paper inventory (*i.e.*, 52 GSM or 54 GSM paper, as appropriate), and it did not make any inventory adjustments for finished goods. Similarly, we find that in its calculation of each type of direct material cost for the POR in Exhibit D-7,<sup>51</sup> Super Impex only made inventory adjustments for each specific type of direct materials (*e.g.*, paper, cover and back material, inserts binding materials, *etc.*) in separate columns. In addition, Super Impex also provided the opening and closing inventory information for finished goods under the column “Not Forming Part of COP.” Furthermore, in its Exhibit D-13,<sup>52</sup> we find that the opening and closing inventories of finished goods for financial year 2012-13 are clearly placed under the column “Not Forming Part of COP” and therefore, they are properly excluded from the calculation of total cost of manufacturing.

Therefore, we find that the record evidence contradicts Petitioners’ argument that Super Impex has included finished good inventory adjustments in its raw material cost calculation for subject merchandise. Accordingly, no recalculation is warranted.

### B. *Raw Material in Transit*

As noted above, Super Impex accounts for the purchases of raw materials based on invoice date, but its raw material stock record is based on receiving date. We find that the information on the record indicates that Super Impex included the stock in transit fields in its inventory calculation for presentation purposes only so that the data in Exhibit D1-5(a) reconciled with its stock records and accounting records. This is evidenced by the consumption value calculation included at the end of Exhibit D1-5(a). Specifically, the data in the exhibit indicate that the values for the “Opening Inventory Stock in Transit” and “Closing Inventory Stock in Transit” are completely canceled out of the “purchase to consumption ratio” reported by Super Impex.<sup>53</sup>

Therefore, we find that the record evidence does not support Petitioners’ argument that Super Impex is trying to lower its reported cost of production by the amount of raw materials not yet arrived at the factory. Accordingly, we find no recalculation is warranted.

---

<sup>50</sup> See Super Impex QRD, at Exhibit D-8(a) at 2.

<sup>51</sup> See Super Impex’s cost allocation table provided in Super Impex QRD, at Exhibit D-7 at 6 and 10. See also Super Impex’s SQR2, at Revised Exhibit D-7 at 6 and 10.

<sup>52</sup> See Super Impex’s QRD at Exhibit D-13 at 1 and 3 and Super Impex’s SQR1 at Exhibit D-13.

<sup>53</sup> See Super Impex’s QRD at Exhibit D1-5(a).

### *C. Raw Materials Which Were Only Used for Non-subject Merchandise Production*

Petitioners claim that Super Impex made large adjustments for many raw materials not used for subject merchandise production. Referring to Exhibit S2-6 of Super Impex's SQR2, Petitioners argue that Super Impex is claiming an adjustment based on total beginning inventory and total ending inventory and, therefore, the Department should only grant an adjustment for the two types of paper used in subject merchandise production, and "Others," which is also presumably used in the production of subject merchandise. We disagree.

As discussed in item A above, we find that in its calculation of each type of direct material cost for the POR in Exhibits D-5(a) and D-7, Super Impex only made inventory adjustments for each specific type of direct material (*e.g.*, paper, cover and back material, inserts binding materials, *etc.*) in separate columns. Further, in the calculation worksheets of CONNUM specific per kg paper cost, Exhibit D-8(a) at 2-3, we find that Super Impex separately lists paper cost by GSM specification for subject and non-subject merchandise. We further find that in making adjustments for the GSM 52 and GSM 54 paper costs, Super Impex did not include raw materials inventory not used for subject merchandise production.

Super Impex applied a similar calculation methodology to derive the CONNUM-specific per kg cost for other raw materials (*e.g.*, cover/back material, insert and other paper material, *etc.*). Concerning this calculation, we reached the same conclusion; that Super Impex did not make any improper adjustments concerning raw materials inventory that is not related to the production of subject merchandise.<sup>54</sup>

With respect to Exhibit S2-6 of Super Impex's SQR2, to which Petitioners refer, we find that Exhibit S2-6 is simply a listing showing the opening and closing quantity and value of all raw materials and finished goods inventory, as listed in Super Impex's trial balance for the POR. Thus, we find that Petitioners' assertion that Super Impex is claiming an adjustment based on total beginning inventory and total ending inventory is baseless.

Accordingly, it is not necessary to grant any adjustment to Super Impex for the two types of paper used in subject merchandise production.

### **Comment 3: Whether Certain Indirect Selling Expenses Should Be Reclassified as General and Administrative (G&A) Expenses**

#### *Petitioners' Arguments*

- Super Impex incorrectly assigns almost all amounts recorded under "postage & courier expenses," "professional charges," and "traveling expenses," which typically concern the general operation of the company, to indirect selling expenses.<sup>55</sup>
- It is the Department's normal methodology to treat each of these expense categories as G&A expenses. Super Impex has the burden to prove any deviation from the Department's normal methodology, but Super Impex has not provided any legitimate reason to exclude them from G&A, nor does the record support any such exclusion.

<sup>54</sup> See Super Impex's QRD at Exhibit D-8(b) – D-8(e).

<sup>55</sup> See Petitioners' case brief, at 7-9.

- Super Impex implies that all the expenses recorded in its “Postage & Courier Expenses” are for product samples and, therefore, should be excluded. It is impossible that Super Impex did not incur postage for many other general activities of the business not directly related to sales.
- The amount of professional expenses that Super Impex claims and the invoice it submits are questionable. According to Super Impex it incurred a large amount of professional services to make samples of Super Impex products and meet various present and prospective buyers. The invoice submitted by Super Impex also indicates that Super Impex’s payment for professional services should be categorized as G&A. On the other hand, Super Impex had no professional services for accounting, taxes, *etc.*
- Super Impex does not make the claim that all the expenses recorded under these categories relate to the explanations it provides. Rather, it merely states that a service was recorded under these categories which relates indirectly to selling and, therefore, it classified this category as an indirect selling expense.

### *Super Impex’s Arguments*

- The Department should not reallocate the three expenses, which Super Impex booked in “postage & courier expenses,” “professional charges,” and “traveling expenses,” from indirect selling expenses to G&A expenses.
- Although these three expenses are generally associated with the general operations of a company, Super Impex has reviewed each account head in the trial balance, for purpose of cost allocation, to ascertain the type of expenses booked in each account before it allocated them into the following categories: total cost of manufacturing, G&A expenses, interest expenses, direct selling expenses, and indirect selling expenses.<sup>56</sup>
- Super Impex incurred the postage and couriers expenses to courier samples to customers or their agents. Because the couriers are related to sales, they should be considered as indirect selling expenses, as defined in the Departments section B and C questionnaire.<sup>57</sup>
- Super Impex has considered part of “professional charges” as G&A expenses and part as indirect selling expenses. As explained in SQR2,<sup>58</sup> Super Impex has hired professionals to promote its product and production facilities to potential export markets. The professional takes the samples of Super Impex products and meets various buyers in United States and refers the prospective buyers to Super Impex and *vice-versa*. The professionals charges fees to Super Impex for providing these services. Since these charges are solely for selling activities, they are considered as part of indirect selling expenses.
- Super Impex has explained in SQR2 that it considered the entire amount of travelling expenses as indirect selling expenses because all of the travelling conducted by Super Impex officials is carried by the partners of the firm who travel to meet customers and buying agents in India and abroad. Hence Super Impex considered the travelling expenses as part of indirect selling expenses rather than G&A expenses.<sup>59</sup>

---

<sup>56</sup> See Super Impex’s rebuttal brief, at 7-8. See also Super Impex’s QRD at Exhibit D-13.

<sup>57</sup> See Super Impex’s rebuttal brief, at 7-8.

<sup>58</sup> *Id.*, at 8-9.

<sup>59</sup> *Id.*, at 9.

**Department's Position:** We agree with Super Impex that the three expenses which Super Impex reported as indirect selling expenses – “postage & courier expenses,” “professional charges,” and “traveling expenses” – need not be reclassified as G&A expenses.

*A. Postage & Courier Expenses*

As stated in Super Impex's SQR2, these expenses are Super Impex's payments for courier services in connection with delivery of certain free product samples to Super Impex's buying agents of customers in India or abroad. Super Impex further indicated that the expenses incurred on such courier services are debited in the account head “Postage & Courier Expenses.”<sup>60</sup>

In the Department's standard antidumping duty questionnaire, the Department defines indirect expenses as: “. . . fixed expenses that are incurred whether or not a sale is made.”<sup>61</sup> In this case, it is clear that the courier expenses for sending product samples to agents of the customer in India or abroad are related to sales of Super Impex's products.<sup>62</sup> However, such courier expenses may or may not induce any sales by the free product samples. Therefore, they are qualified as indirect selling expenses. Furthermore, it appears that in the normal course of business, Super Impex books these expenses in the account head “Postage & Courier Expenses.”

Accordingly, we continue to treat Super Impex's reported postage and courier expenses as indirect selling expenses in these final results.

*B. Professional Charges*

As stated in Super Impex's SQR2, these expenses are Super Impex's payments to certain professionals hired by Super Impex to help promote its product and production facilities to customers in India and abroad.<sup>63</sup> Super Impex explains that these professionals take the samples of its products to prospective buyers in the United States, and refer the prospective buyers to Super Impex and *vice-versa*. Super Impex further stated that it debits such expenses in the account head “Professional Charges.”<sup>64</sup>

Furthermore, Super Impex clarifies that upon review it reclassified a certain amount of professional charges as G&A expenses.<sup>65</sup> Therefore, the amount which still remains as “Professional Charges” is not typical G&A expenses.

Based on this information we find that that Super Impex's reported professional charges are related to Super Impex's product sales. However, such professional charges may or may not induce subsequent sales. Therefore, we find they qualify as indirect selling expenses as defined

---

<sup>60</sup> See Super Impex's SQR2, at 3.

<sup>61</sup> See the Department's Antidumping Duty Questionnaire, at Appendix I, page 5.

<sup>62</sup> See e.g., Super Impex's SQR2 at Exhibit S2-4(a), for a sample copy of bill received from Courier Company and its accounting voucher.

<sup>63</sup> See Super Impex's SQR2, at 4, and at Exhibit S2-4 (b) for a copy of bill and its accounting voucher for the professional fees paid.

<sup>64</sup> *Id.*, at 4.

<sup>65</sup> See Super Impex's rebuttal brief, at 9.

in the Department's questionnaire. Furthermore, it appears that in the normal course of business, Super Impex books these expenses in the account head "Professional Charges."

Accordingly, we continue to treat Super Impex's reported professional charges as indirect selling expenses in these final results.

### *C. Traveling Expenses*

As stated in Super Impex's SQR24, these expenses are related to the traveling activities which are carried out by one of partners of the firm. Super Impex explains that the partner travels to meet the buying agents in and outside of India.<sup>66</sup>

Based on this information, we find that Super Impex's reported travel expenses are related to Super Impex's product sales. However, such travel expenses may or may not induce subsequent sales. Therefore, we find they qualify as indirect selling expenses as defined in the Department's questionnaire. Furthermore, we find that in the normal course of business Super Impex books these expenses in the account head "Traveling Expenses."

Accordingly, we continue to treat Super Impex's reported travel expenses as indirect selling expenses in these final results.

### **Comment 4:** Valuation of Super Impex's Affiliated Party Transactions

#### *Petitioners' Arguments*

- Super Impex has benefitted greatly from three affiliated party transactions that it made at significantly below market prices. It is the Department's standard practice to examine affiliated party transactions and determine whether the amount paid reflects the market value.
- Section 773(f)(2) of the Act states that transactions between affiliated persons may be disregarded if they do not "fairly reflect the amount usually reflected in sales of the merchandise under consideration in the market under consideration."

#### *A. Interest Free Loans*

- An affiliate of Super Impex provided it with a considerable amount of interest free loans. Because Super Impex is not in a good position to obtain a commercial loan of that size, it would, in a market transaction, have to pay an extremely high interest rate. It is the Department's standard practice to value affiliated party loans using market interest rates and to add that interest to the reported interest expense if the interest rate is below the market rate.<sup>67</sup>
- In *Silicomanganese from Venezuela*, the Department stated that it "normally imputes an interest expense on affiliated-party transactions when the rate charged by the affiliated lender does not reflect a fair market rate."<sup>68</sup> Similarly, in *Stainless Steel Bar From India*,

<sup>66</sup> See Super Impex's SQR2, at Exhibit S2-4(c) for a copy of travelling bill and its accounting and voucher.

<sup>67</sup> See Petitioners' case brief, at 10.

<sup>68</sup> See *Notice of Final Determination of Sales at Less Than Fair Value: Silicomanganese From Venezuela*, 67 FR

the Department compared the interest rate charged by the respondent's affiliate to the rate charged on market-based loans and adjusted the reported interest expense upwards to account for the difference.<sup>69</sup>

- The Department should apply the simple average of 14.65 percent, which is based on the State Bank of India's published two prime lending rates during the POR, to calculate the interest expense for Super Impex's interest free loans. Specifically, this average interest rate should be applied to Super Impex's average POR loan balance. The Department should add the resulting amount to Super Impex's interest expense calculations.

#### *B. Factory Rental*

- Super Impex rents its entire factory from an affiliated party at rates well below the fair market value.<sup>70</sup> As demonstrated in Exhibit S2-10 of SQR2, Super Impex's factory rental payment represents an insignificant percentage of its total sales during the 2012-2013 financial year and is designed to avoid reporting legitimate costs to the Department.<sup>71</sup>
- Since Super Impex did not document the fair market value for this rent or the actual costs its affiliates pay or incur for the factory, the Department should value the factory rent based on the weight average of the market rate rental information provided by Petitioners, which reflects the rent paid with respect to three factories in Palghar, the region in which Super Impex is located.<sup>72</sup>

#### *C. Office Rental*

- An affiliate of Super Imex provides Super Impex a free office of 100 square feet in Mumbai, which is used by Super Impex's owner for conducting business. Since Super Impex did not pay its affiliate for the office space in Mumbai, the Department should value this space, which is much more valuable than Super Impex approximates.
- Super Impex did not document the fair market value for the rent it pays its affiliate. Therefore, the Department should use the weight average of the market rate rental information provided by Petitioners, which reflects the rent paid with respect to four similarly sized office spaces in Mumbai.<sup>73</sup> The Department should then add this amount to Super Impex's cost of manufacturing.

---

15533 (April 2, 2002) (*Silicomanganese from Venezuela*), and the accompanying Issues and Decision Memorandum, at Comment 3. See also *Stainless Steel Bar From India: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012 (Stainless Steel Bar From India)*, 78 FR 7395 (February 1, 2013)) and the accompanying Issues and Decision Memorandum, at Comment 7. In the final results, however, the Department reclassified a previously affiliated loan from the Preliminary Results as non-affiliated and recalculated the respondent's net financial expense ratio, excluding the previously affiliated loan.

<sup>69</sup> See *Stainless Steel Bar From India: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 34337 (June 7, 2013) (*Stainless Steel Bar From India*).

<sup>70</sup> See Petitioners' case brief, at 12. See also Petitioners pre-preliminary comments dated September 24, 2014, at 9-10.

<sup>71</sup> See Petitioners' case brief, at 13-14. See also Petitioners' pre-preliminary comments dated September 24, 2014, at 9-10 and Exhibit 3.

<sup>72</sup> *Id.*

<sup>73</sup> See Petitioners' case brief, at 15-16. See also Petitioners' pre-preliminary comments at Exhibit 4.

## *Super Impex's Arguments*

### *A. Interest Free Loans*

- The Department should reject Petitioners' claim for an adjustment to the factory rent amount and consider the rent paid by Super Impex to its affiliate to be an arm's length price.
- For purposes of calculating the interest stemming from the interest-free loan from affiliates, the Department should derive an interest expense based on the average balance of Super Impex's affiliate for financial year 2012-2013.
- Petitioners' proposed interest calculation is overstated because it is based, in part, on a time period during which Super Impex received no interest-free loans. Thus, in calculating the imputed interest on the interest-free loans, the Department should use the average balance of interest free loans during the financial year 2012-2013 (*i.e.*, the beginning balance of zero on April 1, 2012) and the ending balance as of March 31, 2013), and not based on the average balance of interest free loans during the POR (*i.e.*, September 1, 2012 through August 31, 2013), as Petitioners claim.<sup>74</sup>
- Since the interest on interest free loan has to be calculated for the financial year 2012-2013 the interest rate should correspond to the same period. However, Petitioners have nonetheless based their calculations using interest rates that correspond to a period that falls after financial year 2012-2013.<sup>75</sup>
- Therefore, the Department should recalculate the average interest rate for FY 2012-2013, by averaging the following two interest rates, which were effective during FY 2012-2013 -- 14.45 percent (effective from February 4, 2013) and 14.5 percent (effective from September 27, 2012). The Department should then apply the resulting interest rate of 14.475 percent to the average balance of Super Impex's interest-free loans during FY 2012-2013.<sup>76</sup>

### *B. Factory Rental*

- The rental rates quoted by Petitioners are not comparable with the rents being paid by Super Impex. The three rental properties identified by Petitioners are in areas that differ from the site where the factory of Super Impex is located. Specifically, the properties cited by Petitioners have different infrastructure and utilities provided by the lessor.
- The fact that the rent Super Impex paid for its factory is a small percentage of its total sales is of no relevance. Factory rent is determined upon the premises and infrastructure as well as utilities provided by the lessor and is not dependent upon sale of any company.<sup>77</sup>

---

<sup>74</sup> See Petitioners' pre-preliminary comments, at 7.

<sup>75</sup> *Id.*, at Exhibit 2.

<sup>76</sup> See Super Impex rebuttal brief, at 11.

<sup>77</sup> *Id.*, at 12-14.

### C. Office Space in Mumbai

- The rental properties cited by Petitioners are not comparable with the office space rented by Super Impex. The properties identified by Petitioners are located in central Mumbai, while the office space rented by Super Impex is situated in the sub-urban area of Mumbai.
- The rentals identified by Petitioners are effective from various months in 2014, and thus reflect a time period outside of the POR.

## Department's Position:

### A. Interest Free Loans

We agree with Petitioners that pursuant to 773(f)(2) of the Act, the Department normally values affiliated party loans using market interest rates and that the Department adds such calculated interest to the reported interest expense provided that the Department finds that the interest rate charged on the loan in question is below the market rate. In this case, Super Impex paid no interest for the loans that it received during the POR from its affiliated lender.<sup>78</sup> Therefore, in these final results, the Department has imputed an interest expense on these interest free loans using a fair market interest rate.

In selecting the proper fair market interest rate, we agree with Petitioners that a simple average rate which is calculated based on the prime lending rates published by the State Bank of India is appropriate. However, we find that the two prime rates used by Petitioners were not in effect until after the POR. Specifically, the average interest rate calculated by Petitioners, 14.65 percent, is based on the simple average of 14.75 percent (effective from November 7, 2013) and 14.55 percent (effective from September 9, 2013). Because both of these time periods used by Petitioners fall outside the POR (September 1, 2012 through August 31, 2013), we calculated a simple interest rate of 14.475 percent using the two State Bank of India prime lending rates that were in effect during the POR. These two prime lending rates are: the 14.5 percent rate, effective from September 27, 2012, and the 14.45 percent rate, effective from February 4, 2013.<sup>79</sup> See Super Impex Sales and Cost Calculation Memo for further details.<sup>80</sup>

With respect the loan balance, the record indicates that Super Impex did not receive any interest free loans from its affiliate during FY 2011-2012. Rather, Super Impex received the interest free loans only during FY 2012-2013.<sup>81</sup> Therefore, we agree with Super Impex that the average

---

<sup>78</sup> See Super Impex's first supplemental response for section A, at Exhibit A1-5, dated June 19, 2014.

<sup>79</sup> See Petitioners' pre-preliminary comments at Exhibit 2, where Petitioners submitted POR prime lending rate of the State Bank of India, based on which, Petitioners calculated a simple average interest rate of 14.65 percent during the POR for Super Impex (*i.e.*, 14.55 percent effective from September 9, 2013, and 14.75 percent effective from November 7, 2013).

<sup>80</sup> See Memorandum to File, Subject: Sales and Cost Calculation Memorandum for Super Impex, "Final Results of Antidumping Duty Administrative Review of Certain Lined Paper Products from India (2012-2013)," dated concurrent with this memorandum (Super Impex Sales and Cost Calculation Memo).

<sup>81</sup> See Super Impex's FY2011-2012 and 2012-2013 balance sheets as provided in Super Impex's section A response dated February 26, 2014 (QRA), at Exhibits A-8(b). In the Impex's FY2012-2013 balance sheets, Super Impex lists Super Impex Bhayandar's loan as current liability. However, Super Impex's FY2011-2012 balance sheets in QRA

interest free loans balance should be calculated based on the average balance of interest free loans during FY 2012-2013 (*i.e.*, the beginning balance of zero on April 1, 2012) and the ending balance as of March 31, 2013).<sup>82</sup>

Accordingly, pursuant to section 773(f)(2) of the Act and our practice in *Silicomanganese from Venezuela*, we calculated an imputed interest expenses for Super Impex's interest free loans received during the POR by applying a simple average interest rate of 14.475 percent to Super Impex's average interest free loans balance during FY 2012-2013.

#### B. *Factory Rental*

The record indicates that Super Impex rents its factory from an affiliated party. In responding to the Department's second supplemental questionnaire regarding whether Super Impex's rent for the factory is at arm's length, Super Impex provided in SQR2 at Exhibit S2-10 a table of monthly rental payments and its rent agreement with the lessor.<sup>83</sup> In addition, Super Impex stated that “{t}he plant is located in a village area which is in the outskirts of Palghar town. However the rental is reasonable looking into the location of the factory shed. Further Palghar itself is a small town hence it is not possible to give any comparable rent.”

Although we agree with Super Impex that the percentage of a company's factory rental payment is not dependent on the total sales of a company, we agree with Petitioners that Super Impex was given an opportunity to provide evidence to demonstrate its factory rental is at arm's length, but that Super Impex failed to provide or document the fair market value for this rent.

Therefore, for these final results, we valued Super Impex's factory rent at the higher of the fair market value or the price Super Impex pays its affiliates in accordance with section 773(f)(2) of the Act. Specifically, we valued the factory rent based on the weight average of the three rental rates, as provided by Petitioners.<sup>84</sup>

#### C. *Office Rental in Mumbai*

The record indicates that Super Impex used a small area of an office in Mumbai that is owned by an affiliated party. In responding to the Department's second supplemental questionnaire regarding whether Super Impex paid an arm's length rent for the Mumbai office, Super Impex stated that the small office area is approximately one hundred square feet and was used by a partner of Super Impex as well as by staff during the POR.<sup>85</sup>

---

at Exhibit A-8(a) did not list Super Impex Bhayandar's loan. Therefore, for FY 2012-2013, the beginning balance for the interest free loans as of April 1, 2012, is zero.

<sup>82</sup> See Petitioners' pre-preliminary comments at 7, where Petitioners derived an average POR balance for the Super Impex Bhayandar (interest free) loans, based on the POR beginning balance and POR ending balance, which is provided in Super Impex's first section A supplemental response, dated June 19, 2014 (SQR1A) at Exhibit A1-5.

<sup>83</sup> See SQR2, at 11.

<sup>84</sup> See Petitioners' pre-preliminary comments, at 9-10 and Exhibit 3.

<sup>85</sup> Super Impex noted that as part of family separation MOU, Super Impex moved out of Super Impex Bhayandar after the POR.

Super Impex further indicated that it did not pay any rent for the use of office space because the office was owned by family members of one of Super Impex's partners. Nonetheless, Super Impex provided an estimated monthly rent for the office. However, Super Impex did not provide any evidence indicating that the estimated rental rate reflects the market rental rate.

We find that we cannot rely on Super Impex's estimated rent because Super Impex failed to provide any evidence to support its claim that the estimated rent reflects a market rate.

Accordingly, for these final results, we calculated a rental rate for the office space in question that is based on the four rental rates provided by Petitioners. We also adjusted Super Impex's reported costs by this rent accordingly.

#### **Comment 5:** Whether Super Impex Failed to Report Certain Sales to the United States

##### *Petitioners' Arguments*

- Super Impex submitted an invoice detailing certain sales of subject merchandise to the United States during the POR which it did not report in its U.S. sales database.
- The invoice at issue, as provided in Exhibit S2-1(b) of Super Impex's SQR2, clearly indicates that subject merchandise is sold to the United States at a lower price.<sup>86</sup>
- The Department should apply an adverse facts available (AFA) rate of 72.96 percent to Super Impex's unreported U.S. sales.

##### *Super Impex's Arguments*

- Super Impex does not have any unreported U.S. sales of subject merchandise.
- Super Impex did not include the sales at issue in its U.S. sales database because these sales were not destined to the United States. Rather, the goods covered by this particular invoice were shipped to Belize.<sup>87</sup>
- Super Impex acknowledges that it inadvertently listed the destination on the invoice at issue as "Belize, USA, as opposed to "Belize." Therefore, the application of AFA with regard to this particular sale is not warranted.

**Department's Position:** We agree with Super Impex that the sales in question were not shipped to the United States. We find that the invoice in question indicates that the merchandise was shipped to Belize.<sup>88</sup> Therefore, we did not apply an AFA rate with regard to these sales.

#### **Comment 6:** Selection of Proper Interest Rate for Imputed Credit Expense Calculation

##### *Petitioners' Arguments*

- Super Impex failed to demonstrate the use of the interest rate expense it provided in its questionnaire responses is warranted.
- The Department should recalculate Super Impex's credit expenses using the "other" category during the POR (3.76 percent), as reported by the U.S. Federal Reserve.<sup>89</sup>

---

<sup>86</sup> See Petitioners' case brief, at 15-17.

<sup>87</sup> See Super Impex's SQR2, at Exhibit S2-1(b).

<sup>88</sup> See *id.*

<sup>89</sup> See Petitioners' case brief, at 17-18.

### *Super Impex's Arguments*

- The fact that Super Impex has not received a credit rating does not mean that it falls under the “other” category, which reflects the highest interest rate.
- In the absence of specific information pertaining to its credit rating, an average interest rate would be appropriate. Hence, the Department should continue with the credit expenses as calculated by Super Impex and reject the Petitioners’ claim to recalculate credit expenses of Super Impex.

**Department’s Position:** We utilized the simple average of the “moderate risk” category, as reported by the U.S. Federal Reserve, to calculate Super Impex’s imputed credit expenses and inventory carrying cost for these final results.<sup>90</sup> We find that this category reflects a credit risk that is in the middle in terms of available interest rates. We find this approach is appropriate given the lack of information on the record concerning Super Impex’s credit rating.

**Comment 7:** Whether Super Impex Should Exclude Certain Electricity Bills Paid during the POR

### *Petitioners’ Arguments*

- Super Impex excluded an electricity bill which it paid during the POR (September 2012) because it pertained to electricity incurred before the POR (August 2012).
- The exclusion of this expense was unjustified because Super Impex did not demonstrate that it also included the August 2013 electricity bill that it paid in September 2013.<sup>91</sup>
- The Department should add the electricity payment Super Impex made during the POR to the reported COM.

### *Super Impex’s Arguments*

- The electricity cost which Super Impex paid in September 2012 should not be added to the total cost of manufacturing for the POR because Super Impex did not incur this cost during the POR.
- Super Impex has added the electricity cost for the month of August 2013 to the reported COM although the same has been paid during the month of September 2013. Therefore, including the August 2012 cost to the cost of manufacturing for the POR would result in calculation of power cost based on a 13-month period.<sup>92</sup>
- If the Department decides to add the power cost incurred in August 2012 to the cost of manufacturing, then the Department should also reduce the cost of manufacturing incurred in August 2013 and paid in September 2013.

**Department’s Position:** We find that Super Impex has added the electricity cost, which it incurred in August 2013, to the reported COM. Thus, to adjust the electricity costs, as suggested by Petitioners, would have accounted for 13 months, instead of the 12 months of the costs of the POR, which would overstate the COM calculation. Therefore, we find we should not add the

---

<sup>90</sup> The calculated simple average for the four interest rates under the moderate risk category during the POR is 2.4275 percent, based on the moderate risk rates of: 2.37 percent, 2.60 percent, 2.34 percent, and 2.40 percent. *See* Super Impex Sales and Cost Calculation Memo for further details.

<sup>91</sup> *See* Petitioners’ case brief, at 18.

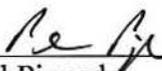
<sup>92</sup> *See* Super Impex’s rebuttal brief, at 17. *See also* Super Impex’s QRD, at Exhibit D-6 (b).

electricity cost Super Impex incurred in August 2012 and paid in September 2012, to the cost of manufacturing.<sup>93</sup>

## VII. Recommendation

Based on our analysis of the comments received, we recommend adopting the above positions. If these recommendations are accepted, we will publish the final results of this review and the final weighted-average dumping margins in the *Federal Register*.

Agree  Disagree

  
\_\_\_\_\_  
Paul Piquado  
Assistant Secretary  
for Enforcement and Compliance

3 APRIL 2015  
\_\_\_\_\_  
Date

---

<sup>93</sup> See Super Impex's QRD, at Exhibit D-6(b).