March 18, 2014

MEMORANDUM TO: Paul Piquado
   Assistant Secretary
   for Enforcement and Compliance

FROM: Christian Marsh
   Deputy Assistant Secretary
   for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Results of Antidumping Duty Administrative Review: Stainless Steel Bar from India

SUMMARY

The Department of Commerce (Department) is conducting an administrative review of the antidumping duty (AD) order on stainless steel bar (SSB) from India. The period of review (POR) is February 1, 2012, through January 31, 2013. This review covers three exporters/producers of the subject merchandise, of which Ambica Steels Limited (Ambica) was individually examined. We are rescinding the review with respect to the other two companies. We preliminarily determine that Ambica did not make sales of subject merchandise at prices below normal value (NV) during this POR.

BACKGROUND

On February 21, 1995, the Department published the AD Order on SSB from India.¹

On February 27, 2013, Ambica and Chandan Steel Limited (Chandan) requested reviews of their respective sales of subject merchandise.² On February 28, 2013, Carpenter Technology Corporation, Crucible Industries LLC, Electralloy, a Division of G.O. Carlson, Inc., North American Stainless, Universal Stainless & Alloy Products, Inc., and Valbruna Slater Stainless, Inc. (collectively, Petitioners) requested a review of Ambica. Mukand, Ltd. (Mukand) requested a review of its own sales of subject merchandise on February 28, 2013.³

¹ See Antidumping Duty Orders: Stainless Steel Bar from Brazil, India and Japan, 60 FR 9661 (February 21, 1995) (Order).
On March 29, 2013, we initiated this administrative review.\(^4\)

As explained in the memorandum from the Assistant Secretary for Enforcement and Compliance, the Department exercised its discretion to toll deadlines for the duration of the closure of the Federal Government from October 1, through October 16, 2013. Therefore, all deadlines in this segment of the proceeding were extended by 16 days. \(^5\) The revised deadline for the preliminary results was thus scheduled for November 16, 2013. However, on October 21, 2013, the Department extended the deadline for the preliminary results by 120 days to March 17, 2014. \(^6\)

The deadline for the preliminary determination of this investigation was March 17, 2014. Due to the closure of the Federal Government in Washington, DC on March 17, 2014, the Department reached this determination on the next business day (i.e., March 18, 2014). \(^7\)

**Partial Rescission**

On June 5, 2013, Chandan and Mukand timely withdrew their respective requests for an administrative review. \(^8\) On June 25, 2013, Ambica also timely withdrew its request for an administrative review. \(^9\) However, we noted that Petitioners also requested an administrative review of Ambica and did not withdraw their request, so the review is continuing with respect to Ambica. \(^10\) Pursuant to 19 CFR 351.213(d)(1), we are rescinding this administrative review with respect to Mukand and Chandan because the review requests were timely withdrawn.

**SCOPE OF ORDER**

The merchandise subject to the *Order* is stainless steel bar. Stainless steel bar means articles of stainless steel in straight lengths that have been either hot-rolled, forged, turned, cold-drawn, cold-rolled or otherwise cold-finished, or ground, having a uniform solid cross section along their whole length in the shape of circles, segments of circles, ovals, rectangles (including squares), triangles, hexagons, octagons, or other convex polygons. Stainless steel bar includes cold-finished stainless steel bars that are turned or ground in straight lengths, whether produced from hot-rolled bar or from straightened and cut rod or wire, and reinforcing bars that have indentations, ribs, grooves, or other deformations produced during the rolling process.

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\(^5\) See Memorandum for the Record from Paul Piquado, Assistant Secretary for Enforcement and Compliance, “Deadlines Affected by the Shutdown of the Federal Government” (October 18, 2013).


\(^7\) See *Notice of Clarification: Application of “Next Business Day” Rule for Administrative Determination Deadlines Pursuant to the Tariff Act of 1930, As Amended*, 70 FR 24533 (May 10, 2005).


Except as specified above, the term does not include stainless steel semi-finished products, cut-to-length flat-rolled products (i.e., cut-to-length rolled products which if less than 4.75 mm in thickness have a width measuring at least 10 times the thickness, or if 4.75 mm or more in thickness having a width which exceeds 150 mm and measures at least twice the thickness), wire (i.e., cold-formed products in coils, of any uniform solid cross section along their whole length, which do not conform to the definition of flat-rolled products), and angles, shapes, and sections.

Imports of these products are currently classifiable under subheadings 7222.10.00, 7222.11.00, 7222.19.00, 7222.20.00,7222.30.00 of the Harmonized Tariff Schedule (HTS). Although the HTS subheadings are provided for convenience and customs purposes, our written description of the scope of the Order is dispositive.

DISCUSSION OF THE METHODOLOGY

Comparisons to Normal Value

Pursuant to section 773(a)(1)(B)(ii) of the Act and 19 CFR 351.414(c)(1) and (d), we compared the export price (EP) to NV as described in the “Export Price” and “Normal Value” sections of this decision memorandum, to determine whether Ambica’s sales of SSB from India were made in the United States at less than NV.

A. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average constructed export prices (CEPs) or EPs (the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. In AD investigations, the Department examines whether to use the average-to-transaction method as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern the Department’s examination of this question in the context of administrative reviews, the Department, nevertheless, finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in AD investigations. In recent investigations, the Department applied a “differential pricing” analysis to determine whether application of average-to-transaction comparisons is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act. The Department finds that the differential pricing analysis used in these preliminary results and other recent proceedings may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. The Department intends to continue to develop its approach in this area based on comments received in this and other proceedings, and

11 See Ball Bearings and Parts Thereof From France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews; 2010 –2011, 77 FR 73415 (December 10, 2012), and accompanying Issues and Decision Memorandum at Comment 1.

on the Department’s additional experience with addressing the potential masking of dumping that can occur when the Department uses the average-to-average method in calculating weighted-average dumping margins.

The differential pricing analysis used in these preliminary results requires a finding of a pattern of EPs (or CEPs) for comparable merchandise that differs significantly among purchasers, regions, or time periods. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the average-to-average method to calculate the weighted-average dumping margin. The differential pricing analysis used here evaluates all purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported customer codes. Regions are defined using the reported zip codes and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POR being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region and time period, that the Department uses in making comparisons between CEP (or EP) and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the “Cohen’s $d$ test” is applied. The Cohen’s $d$ test is a generally recognized statistical measure of the extent of the difference between the mean of a test group and the mean of a comparison group. First, for comparable merchandise, the Cohen’s $d$ coefficient is calculated when the test and comparison groups of data each has at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen’s $d$ coefficient is used to evaluate the extent to which the net prices to a particular purchaser, region or time period differ significantly from the net prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen’s $d$ test: small, medium or large. Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the means of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference was considered significant, and passed the Cohen’s $d$ test, if the calculated Cohen’s $d$ coefficient is equal to or exceeds the large (i.e., 0.8) threshold.

Next, the “ratio test” assesses the extent of the significant price differences for all sales as measured by the Cohen’s $d$ test. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s $d$ test account for 66 percent or more of the value of total sales, then the identified pattern of CEPs that differ significantly supports the consideration of the application of the average-to-transaction method to all sales as an alternative to the average-to-average method. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s $d$ test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of an average-to-transaction method to those sales identified as passing the Cohen’s $d$ test as an alternative to the average-to-average method, and application of the average-to-average method to those sales identified as not passing the Cohen’s
If 33 percent or less of the value of total sales passes the Cohen’s $d$ test, then the results of the Cohen’s $d$ test do not support consideration of an alternative to the average-to-average method.

If both tests in the first stage (i.e., the Cohen’s $d$ test and the ratio test) demonstrate the existence of a pattern of CEPs (or EPs) that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, we examine whether using only the average-to-average method can appropriately account for such differences. In considering this question, the Department tests whether using an alternative method, based on the results of the Cohen’s $d$ and ratio tests described above, yields a meaningful difference in the weighted-average dumping margin as compared to that resulting from the use of the average-to-average method only. If the difference between the two calculations is meaningful, this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis, and, therefore, an alternative method would be appropriate. A difference in the weighted-average dumping margins is considered meaningful if 1) there is a 25 percent relative change in the weighted-average dumping margin between the average-to-average method and the appropriate alternative method where both rates are above the $de minimis$ threshold, or 2) the resulting weighted-average dumping margin moves across the $de minimis$ threshold.

Interested parties may present arguments and justifications in relation to the above-described differential pricing approach used in these preliminary results, including arguments for modifying the group definitions used in this proceeding.

B. Results of the Differential Pricing Analysis

For Ambica, based on the results of the differential pricing analysis, the Department finds that 47.94 percent of the value of Ambica’s U.S. sales pass the Cohen’s $d$ test and confirms the existence of a pattern of EPs for comparable merchandise that differ significantly among purchasers, regions, or time periods. Further, the Department determines that the average-to-average method can appropriately account for such differences because there is not a meaningful difference in the weighted-average dumping margins when calculated using the average-to-average method as compared to when calculated using an alternative method based on the average-to-transaction method applied to the U.S. sales which pass the Cohen’s $d$ test. Accordingly, the Department determines to use the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for Ambica.

Product Comparisons

In accordance with section 771(16) of the Act, we compared products produced by Ambica and sold in the U.S. and home markets on the basis of the comparison product which was either identical or most similar in terms of the physical characteristics to the product sold in the United States. In the order of importance, these physical characteristics are: (1) general type of finish; (2) grade; (3) remelting; (4) type of final finishing operation; (5) shape; and (6) size, consistent...
with the original investigation. Where there were no sales of identical merchandise in the comparison market made in the ordinary course of trade to compare to U.S. sales, we compared U.S. sales to the next most similar product on the basis of the characteristics listed above. Where there were no sales of identical or similar merchandise made in the ordinary course of trade in the comparison market, we compared U.S. sales to constructed value (CV).

On April 16, 2013, Ambica provided additional grade codes of SSB produced/sold during the POR but not identified in the sections B and C questionnaires. On April 22, 2013, the Department replied to Ambica, changing one of Ambica’s codes for one grade of steel.

**Date of Sale**
Section 351.401(i) of the Department’s regulations states that, normally, the Department will use the date of invoice, as recorded in the producer’s or exporter’s records kept in the ordinary course of business, as the date of sale. The regulation provides further that the Department may use a date other than the date of the invoice if the Secretary is satisfied that a different date better reflects the date on which the material terms of sale are established.

For all U.S. sales, Ambica reported the commercial invoice date as the date of sale as it represents the first document in which the finally-agreed price and quantity are memorialized in writing. For this administrative review, and consistent with the presumption established in the Department’s regulation, we preliminarily used Ambica’s reported commercial invoice date as the date of sale for all U.S. sales.

With respect to its home-market sales, Ambica reported the commercial invoice date as the date of sale, as the invoice contains the final terms of sale and the price and quantity terms do not change after Ambica issues its commercial invoice. We used Ambica’s reported commercial invoice date as the date of sale in the home market.

**Export Price**
Ambica reported that the subject merchandise was sold prior to importation by the exporter or producer outside the United States to the first unaffiliated purchaser in the United States. Therefore, we based the U.S. price on EP, as defined in section 772(a) of the Act.

Ambica’s EP is based on the packed, delivered prices to unaffiliated purchasers in the United States. We adjusted the starting price for billing adjustments. Where appropriate, we made

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16 See Ambica’s May 13, 2013 Section A Questionnaire Response (AQR) at Exhibit A-6, June 5, 2013 Section C Questionnaire Response (CQR) at 20 and September 13, 2013 Supplemental Questionnaire Response (SQR) at exhibit S1-2.
17 See AQR at exhibit A-7, Ambica’s June 5, 2013 Section B Questionnaire Response (BQR) at 23, and SQR at 5 and exhibits S1-3(a) through S1-3(e).
18 See section 772(c) of the Act.
deductions for movement expenses, including home market and U.S. freight expenses, home market and U.S. brokerage and handling expenses, international freight expenses, marine insurance expenses, and U.S. customs duties, in accordance with section 772(c)(2)(A) of the Act. 19

Level of Trade

To the extent practicable, we determine NV using home market sales made at the same level of trade as the U.S. sales.

Pursuant to section 773(a)(1)(B)(i) of the Act, in identifying levels of trade for EP and comparison market sales (i.e., NV based on either comparison market or third country prices), the Department considers the starting prices before any adjustments. If the home-market sales are at a different level of trade from that of a U.S. sale and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and home-market sales at the level of trade of the export transaction, we make a level-of-trade adjustment under section 773(a)(7)(A) of the Act. To determine whether home market sales are at a different level of trade than U.S. sales, the Department examined stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer.

A. Analysis of Home Market Sales Level of Trade

In the home market, Ambica reported sales through five channels of distribution to three customer types (traders, end-users, and consignment agents). 20 Within these channels of distribution (i.e., direct sales to traders and end-users, sales through a godown sale depot to traders and end-users, and sales through a consignment agent), Ambica reported a single level of trade. 21

Ambica reported generally similar levels of intensity for each selling function in the home market. Ambica reported differences between its channels of distribution for sales/marketing and commissions. 22 The Department analyzed these differences and preliminarily determines that the differences are not significant. The sales/marketing services that Ambica reported are limited to customer visits by sales representatives and customer correspondence. 23 Ambica reported no warranty or technical service programs for its home market sales. The activity associated with commissions does not appear to extend beyond Ambica making payments to commissioned agents. As no significant differences in the selling functions associated with Ambica’s reported five channels of distribution are apparent, the Department preliminarily determines that Ambica’s home market sales are made at a single level of trade.

19 See Department Memorandum, “Preliminary Results Calculation Memorandum for Ambica Steels Limited” dated March 18, 2014.
20 See Ambica’s AQR, at 15-26 and exhibit A-5, and SQR, at 5 and exhibits S1-3(a) to S1-3(f).
21 See AQR, at 25
22 Id., at exhibit A-5.
23 Id.
B. Analysis of U.S. Sales Level of Trade

Ambica reported only one channel of distribution for all U.S. sales and one customer type (i.e., traders).\textsuperscript{24} Accordingly, we preliminarily determine that there is one level of trade for Ambica's U.S. market.

C. Level of Trade Determination

The Department compared Ambica's selling activities performed in the home market to those performed in the U.S. market and notes that the differences are limited to sales forecasting, strategic/economic planning, and inventory maintenance.\textsuperscript{25} The Department preliminary determines that Ambica's reported levels of activity associated with these differences do not constitute a difference in level of trade as they are limited in scope and intensity. Ambica's remaining selling functions performed in both the home market and U.S. market are broadly similar and all selling functions are executed by Ambica.\textsuperscript{26} Therefore, we preliminarily determine that sales to the United States and home markets during the POR were made at the same level of trade and, as a result, no level of trade adjustment is warranted.

Normal Value

A. Selection of Comparison Market

To determine whether there was a sufficient volume of sales in India to serve as a viable basis for calculating NV, we compared Ambica's volume of home market sales of the foreign like product to Ambica's U.S. sales volumes, in accordance with section 773(a)(1)(B) of the Act. As the volume of home market sales of the foreign like product exceeded five percent of Ambica's aggregate U.S. sales volumes of the subject merchandise, we preliminarily determine that the home market was viable for comparison purposes.

B. Cost of Production

In the most recently completed administrative review of SSB in which Ambica was a respondent, we disregarded sales by Ambica that were below the cost of production (COP).\textsuperscript{27} Thus, in accordance with section 773(b)(2)(A)(ii) of the Act, the Department has reasonable grounds to believe or suspect that Ambica made sales of the subject merchandise in the comparison market at prices below the COP in the current review period. Pursuant to section 773(b)(l) of the Act, the Department initiated a COP investigation of sales by Ambica.

\textsuperscript{24} Id.
\textsuperscript{25} See AQR, at exhibit A-5.
\textsuperscript{26} Id.
\textsuperscript{27} See Stainless Steel Bar From India: Preliminary Results of Antidumping Duty Administrative Review, 75 FR 12199 (March 15, 2010) (unchanged in Stainless Steel Bar From India: Final Results of Antidumping Duty Administrative Review, 75 FR 54090 (September 3, 2010)).
1. Calculation of Cost of Production

We calculated the COP based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for selling, general and administrative (SG&A) expenses, in accordance with section 773(b)(3) of the Act. Except as noted below, we relied on the COP data submitted by Ambica in its questionnaire responses for the COP calculation.

The Department examined the cost data and determined that a quarterly cost methodology is not warranted. Therefore, we applied the standard methodology of using annual costs based on the reported data except as follows: We revised the financial expense rate calculation to reflect an arm’s-length interest expense on affiliated loans and excluded interest income from security deposits.

For additional details, see Memorandum to Neal M. Halper, Director of Office of Accounting, “Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results – Ambica Steels Limited,” dated March 18, 2014.

2. Test of Comparison Market Sales Prices

As required under section 773(b)(2) of the Act, we compared the weighted average of the COP for the POR to the per-unit price of the comparison market sales of the foreign like product to determine whether these sales had been made at prices below the COP within an extended period of time in substantial quantities, and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time. The Department determined the net comparison market prices for the below cost test by subtracting from the gross unit price any applicable movement charges, discounts, rebates, billing adjustments, direct and indirect selling expenses, and packing expenses.

Pursuant to section 773(b)(2)(C)(i) of the Act, where less than 20 percent of sales of a given product were at prices less than the COP, we disregarded no below-cost sales of that product because we determined that the below-cost sales were not made in substantial quantities. Where 20 percent or more of a respondent’s home market sales of a given model were at prices less than the COP, we disregarded the below-cost sales because (1) they were made within an extended period of time in substantial quantities in accordance with sections 773(b)(2)(B) and (C) of the Act and (2) based on our comparison of prices to the weighted average of the COPs, they were at prices which would not permit the recovery of all costs within a reasonable period of time in accordance with section 773(b)(2)(D) of the Act.

3. Results of the COP Test

Our cost test for Ambica indicated that for comparison market sales of certain products, more than 20 percent were sold at prices below the COP within an extended period of time and were at prices which would not permit the recovery of all costs within a reasonable period of time. Thus, in accordance with section 773(b)(1) of the Act, we disregarded these below-cost sales from our analysis and used the remaining above-cost sales to determine NV.
C. Calculation of Normal Value Based on Comparison Market Prices

For those comparison products for which there were an appropriate number of sales at prices above the COP for Ambica, we based NV on comparison market prices. We calculated NV based on packed, ex-factory or delivered prices to unaffiliated customers in India. We adjusted the starting price for billing adjustments, interest revenue, foreign inland freight, warehousing, and inland insurance, pursuant to section 773(a)(6)(B)(ii) of the Act. We made adjustments for differences in packing, in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act, and in circumstances of sale (for imputed credit, warranty expenses, and direct selling expenses) in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410. When applicable, we also made adjustments, in accordance with 19 CFR 351.410(e), for indirect selling expenses incurred on comparison market or U.S. sales where commissions were granted on sales in one market not in the other. Specifically, where commissions were granted in the U.S. market but not in the comparison market, we made a downward adjustment to NV for the lesser of (1) the amount of the commission paid in the U.S. market, or (2) the amount of indirect selling expenses incurred in the comparison market. If commissions were granted in the comparison market but not in the U.S. market, we made an upward adjustment to NV following the same methodology.

When comparing U.S. sales with comparison market sales of similar, but not identical, merchandise, we also made adjustments for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable cost of manufacturing for the foreign like products and the subject merchandise.28

D. Calculation of Normal Value Based on Constructed Value

In accordance with section 773(e) of the Act, we calculated CV for Ambica based on the sum of its material and fabrication costs, SG&A expenses, profit, and U.S. packing costs. We calculated the COP component of CV as described above in the “Cost of Production Analysis” section of this memorandum. In accordance with section 773(e)(2)(A) of the Act, we based SG&A expenses and profit on the amounts incurred and realized by Ambica in connection with the production and sale of the foreign like product in the ordinary course of trade, for consumption in the comparison market.

Currency Conversion

We made currency conversions into U.S. dollars in accordance with section 773A of the Act and 19 CFR 351.415, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

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28 See 19 CFR 351.411(b).
RECOMMENDATION

We recommend applying the above methodology for these preliminary results.

Agree

Disagree

Paul Piquado
Assistant Secretary
for Enforcement and Compliance

18 MARCH 2014
(Date)