INDIAN Economy & Policy WATCH

Week ended May 06, 2006

Issue No: 58 FY2006

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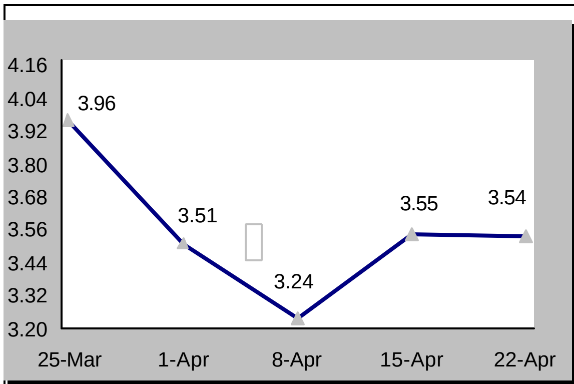
- IFIs must correct global imbalances: Manmohan
- Traditional items drive exports in April-Dec 2005
- Forex reserves surge by $3.41 billion

IRIS

ECONOMIC INDICATORS



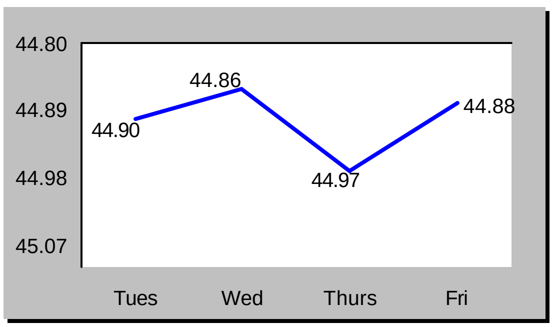
Inflation

The annual wholesale price index-based inflation rose 3.54 percent during the week ended April 22, marginally lower than the previous week's annual rise of 3.55 percent.

The dip in the year-on-year inflation rate was mainly on account of lower prices of raw cotton and castor seeds, according to data released by the Ministry of Commerce and Industry on Friday.

During the latest reported week, the Wholesale Price Index (WPI) was up 0.2 percent to 198.8 points, against 198.5 points a year ago.

The inflation rate was at 5.96 percent during the corresponding week of the previous year.

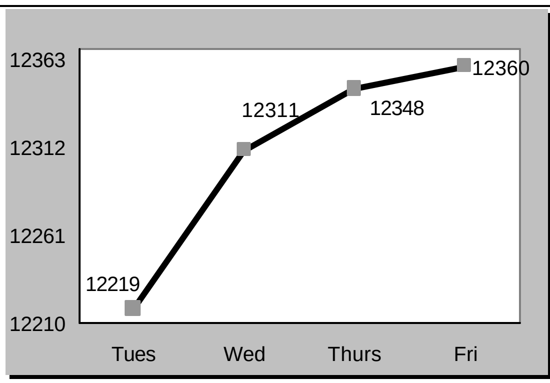


Rs v/s US $

The rupee climbed on Tuesday on the back of a euro that rallied towards a recent one-year peak against the dollar, and spurred by rising foreign inflows into a buoyant stock market.

The rupee, which analysts say is overvalued by a little over 5 percent on a trade-weighted basis, ended at 44.88/89 a dollar, off an intra-day high of 44.85.

The Indian rupee was held in check on Wednesday by suspected central intervention, after it climbed to a one-week high on a booming stock market and the dollar's drop to near one-year lows against the euro.



BSE Sensex

The markets opened on Tuesday (Monday being a holiday on the ocassion of International Labour day and Maharashatra Day) in the positive zone after gaining 201 points on Saturday and continmued its northward journey. The optimism continued over to Wednesday after the previous day`s upside close of 176 points.However, the market witnessed certain volatility throghout the day before settling at the closing levels of 12310.72, up by 92 points. Profit booking on Thursday kept the index on higher levels throughout the day to finally settle at 12, 347.63. The bullish mood was visible even on Friday but the index later slipped below the red line. The index jumped up 12 points to close at 12,359.70 on Friday.

Economy & its sectors

IFIs must correct global imbalances: Manmohan

Prime Minister Manmohan Singh today said international financial institutions (IFIs) needed to play a proactive role in correcting global payment imbalances.

He also called for a coordinated action, both from countries with current account surpluses and those with current account deficits, for prevention of a sudden downturn in economies.

"The process of correcting imbalances can be disruptive if it is sudden and unexpected," Singh cautioned during his address to the board of governors of the ADB. He said the role of the IFIs was even more relevant in this context.

Saying that the current global imbalance was reflected in huge disparities in the current account positions of different countries, he added that while mismatches in current account positions were to be expected to some extent and even desirable, large disparities raised concerns about unsustainability and hard landings.

Singh said in 2005, the current account deficit of the US stood at $805 billion, which was as much as 6.4 percent of its GDP. In the same year, its current account surplus was $163.9 billion, that of China was $158.6 billion and that of the Middle-East $196 billion.

Referring to the rise in oil prices, the prime minister said, "It is incumbent on all major IFIs to pool in their collective wisdom, expertise and experience to devise credible strategies to enable the world economy to cope with the increased unpredictability and volatility of energy prices and their impact on processes of economic growth."

Stating that an important lesson India needed to learn from the Asian financial crisis of 1997 was the need for effective, quick and credible response from the IFIs.

Post-crisis analysis revealed that it was very important for the IFIs to inject sufficiently large funding to economies in crisis to provide an assurance of stability. It had also demonstrated that financial crises could be contagious and that foreign exchange markets were prone to a bandwagon effect.

"This means that the IFIs need to be ahead of the curve, identify potential victims and go to their support in good times so as to contain crisis. This also means that the size of the funding can be quite large," the prime minister said.

Traditional items drive exports in April-Dec 2005

The close to 29 percent growth of exports in dollar terms during the first three quarters of the fiscal 2005-06 stemmed essentially from salutary performance of traditional items like agri and allied products, chemicals and related products, gems and jewellery, engineering goods and, surprisingly, to a greater extent by textiles. These products together constitute more than 70 percent of the country's aggregate exports.

Disaggregated trade data for the period April to December 2005, compiled by the Economic Division of the Commerce Ministry based on provisional figures of the Directorate General of Commercial Intelligence & Statistics (DGCI&S), Kolkata, show that surprisingly petroleum products with a weightage of 11.21 percent in total exports put up a splendid growth of close to 64 percent at $8,003.61 million, against $4,953.78 million in the corresponding months of 2004.

While exports of agri and allied products (weightage: 7.08 percent) logged a growth of 19.04 percent at $1,442.53 million, against $1,327.18 million, exports of gems and jewellery (15.41) recorded a growth of 18.01 percent at $11,128.63 million ($9,430.21 million). Exports of chemicals and related products (14.94 percent) clocked up a growth of 19.94 percent at $10,788.29 million ($8,994.66 million). Engineering goods exports (18.4 percent) posted a hefty 30.68 percent growth at $13,288.78 million ($10,168.59 million).

Particularly noteworthy is the performance of textiles exports (14.95 percent), which after a series of setbacks in the past couple of years, looked up by registering a robust 21.21 percent at $10,799.64 million ($8,909.76 million). Within this category, exports of readymade garments, accounting for more than half of the textile exports, turned out to be a star performer notching up an impressive 34 percent growth at $5,874.40 million during the first three quarters of last fiscal ($4,384.34 million).

Even unclassified exports with a share of 3.51 percent in aggregate exports did exceedingly well, growing by 65 percent at $2,535.85 million ($1,539.84 million). However, low and negative growth was noticed in the export of primary and semi-finished iron and steel (-4 percent), manmade yarn, fabrics and made-ups (-2 percent).

Destination-wise, India's exports to West Europe, which absorbs close to a quarter of the country's exports, posted a wholesome 32.72 percent growth at $17,728.60 million during April-December 2005, against $13,358.26 million in the corresponding period of 2004. Asia and Oceania, which account for as much as 46 percent of India's exports revealed an equally strong growth 27 percent at $33,436.48 million ($26,426.46 million). While exports to the Americas (21.09 percent) grew by 28 percent at $15,236,63 million ($11,948.15 million), exports to Africa (6.84 percent) registered an impressive 36 percent growth at $4,942.09 million ($3,639.03 million).

On the whole, exports during the first three quarters of the fiscal 2005-06 grew by 27.9 percent at $72,228.74 million ($56,473.96 million). Among the top 15 countries for exports, the Netherlands logged the highest growth (71 percent) followed by South Africa (63 percent), Singapore (55 percent), the UK (50 percent), Sri Lanka (50 percent) and China (46 percent).

On the import front, bulk imports accounting for a substantial share of 42.24 percent in total imports, registered a high growth of 45.82 percent at $44,070.93 million during the period under review ($30,222.14 million). Import of petroleum crude and products, which account for the next slot with a share of 30.17 percent in aggregate imports, grew by a whopping 46.93 percent at $1,476.94 million ($21,422.92 million).

While import of machinery (10.66 percent) registered a growth of 48.19 percent at $11,125.50 million ($7,507.64 million), import of fertilisers (1.5 percent) grew by a high 73.22 percent at $1,568.44 million ($905.46 million).

Electronics goods with a share of 9.09 percent in total imports posted a growth of 32.27 percent at $9,485.35 million ($7,171.25 million), import of gold and silver (8.16 percent) showed a relatively supine growth of 15.68 percent at $8,510.25 million ($7,356.98 million).

India's imports from West Europe (21.45 percent) grew by 33.1 percent at $22,375.78 million ($16,811.66 million), import from East Europe (0.24 percent) showed a massive 70.33 percent growth of 79.33 percent at $249.82 million ($139.31 million). Imports from Asia and Oceania (34.41 percent) registered a wholesome growth of 32.6 percent at $35,898.61 million ($27,072.83 million), while imports from the Americas (7.98 percent) posted a relatively high 27 percent growth at $8,330.34 million ($6,559.26 million).

On the whole, import growth during the period under review was 36.81 percent at $1,04,331.33 million ($76,261.27 million) Among the top 15 countries for imports, the highest growth came from Russia (74 percent), followed by Germany (55 percent), South Korea (38 percent), the UK (32 percent) and Switzerland (30 percent).

We will join league of developed nations in 14 years: Chidambaram

Finance Minister P Chidambaram expressed confidence that India would join the league of developed nations in less than 14 years and the country's services exports would touch $150 billion by the end of the decade.

"It has taken India 14 years to evolve from a poor and perhaps-forgotten country to a thriving and increasingly-noticed emerging economy. I am confident it would take us much shorter than 14 years to join the league of developed nations," he said at the "Advantage India" session of the ongoing the Asian Development Bank annual meeting in Hyderabad.

Stating that the country has emerged as the second most attractive investment destination among transnational corporations, Chidambaram said one half of the multinational companies earned higher returns in India than their global average.

"I understand that all the European and American banks operating in India are more profitable here than their global average," he said.

ADB set to up investment in clean energy projects to $1billion

The Asian Development Bank is working on an energy efficiency initiative to expand its investment in clean energy projects to $1 billion a year, ADB President Haruhiko Kuroda has said.

In his address to the ADB board of governors, Kuroda said the bank would be introducing a "carbon market" initiative that would look into the aspects of climate change and energy security with significant benefits for both the developing and industrialised countries.

Kuroda said he would also set up a panel of eminent people for insights into the region's future.

"The panel's views will be discussed at our 2007 annual meeting and will help guide us in a comprehensive, consultative review of our long-term strategic framework. This will also help define the ADB's role in the changing Asia-Pacific region," he said.

Finance Minister P Chidambaram, who is also chairman of the ADB's board of governors, said the bank had started preparation of a new strategy for regional cooperation and integration to better reflect and respond to the region's new financial, economic and political dynamics.

Under the "Innovation and Efficiency Initiative", he said the ADB had introduced three measures to remove business bottlenecks and increase flexibility and responsiveness.

These included a new approach to cost-sharing, financing modalities such as multi-tranche, sub-sovereign and non-sovereign financing, and expansion of local currency lending to reduce currency mismatches.

EEPC hopes to double exports to Germany in 3 years

The total business generated through Indian companies' participation in the five-day Hannover Messe 2006 fair has been put at $1.3 billion.

Briefing newspersons here on Wednesday on the outcome of India's participation, said to be the largest by any partner country in the history of the fair, Rakesh Shah, Chairman, Engineering Export Promotion Council (EEPC), said enquiries to the tune of $100 million, nearly 18 percent of the country's total engineering exports to Germany ($545 million in 2004-05), have been made.

Shah said the engineering sector, with an export basket of over $19 billion in 2005-06, was among the most vibrant export sectors. Pointing out that the current export of engineering items and services from India to Germany was around $545 million, he said, "I am confident that this could be doubled in the next three years to $1,090 million."

The EEPC chief was optimistic that FDI from Germany into India would multiply after the Hannover Fair 2006 in which 343 Indian engineering companies showcased their technological skills. A large Indian contingent representing the SME sector, said to be the growth engine of the Indian engineering industry, had participated in the fair.

Shah said India's burgeoning auto components industry had recorded an explosive growth and exports are expected to reach $25 billion by the end of the decade.

Sounding optimistic about German companies in India expanding their operations and making India the manufacturing hub of the future, he said Volkswagen was contemplating substantial investments in India.

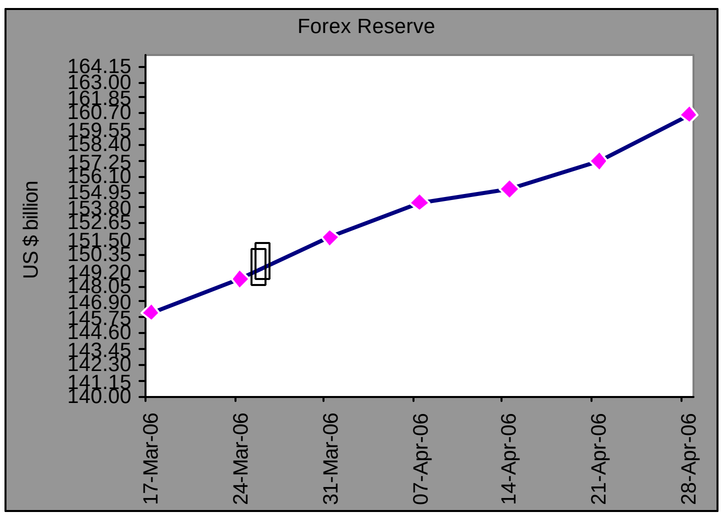
External sector

FOREIGN EXCHANGE RESERVES

Forex reserves surge by $3.41 billion

The country's forex reserves have surged by $3.41 billion for the week ended April 28, the largest inflow in a single week in the recent past.

The reserves rose to touch $160.67 billion in the week ended April 28, up from $157.262 billion in the previous week, according to the RBI's weekly statistical supplement. This is the 14th consecutive week that the country's reserves have posted gains. The rise in the value of gold reserves also caused the accretion to the reserves. Foreign currency assets increased by $2.861 billion to touch $153.598 billion during the week. These assets, expressed in dollar terms, include the effect of appreciation or depreciation of non-US currencies such as euro, sterling, and yen. The total FII inflow into the equity market during that week was $436.6 million. Another reason the reserves have increased is that all the major currencies had appreciated against the dollar, during the week under review. The euro gained from $1.2390 on April 24 to $1.2630 on April 28.



Money & Banking

INTEREST RATES & DEBT MARKET

Gilts prices fall on interest rate concerns

Indian gilts prices slipped on Tuesday after the central bank governor said the authorities were constantly watching firm crude oil prices.

The yield on the benchmark 10-year bond rose to 7.48 percent from 7.46 percent before the comments and higher than Friday's close of 7.38 percent.

Gilts prices closed lower for a second straight day on Wednesday, undermined by concerns that high global oil prices would trigger inflation and prompt the central bank to raise domestic interest rates.

The benchmark 10-year bond yield ended at 7.49 percent, up from Tuesday's close of 7.47 percent.

It had crossed the psychologically important 7.50 percent mark during the day on growing worries that higher domestic energy prices could fuel inflation pressures in a robustly growing economy.

Indian gilts fell for the third straight session on Thursday, weighed down by lower-than-expected cut-off prices at the auction of two bonds worth Rs 10,000 crore earlier in the day.

The central bank auctioned the 7.59 percent bond maturing in 2016 at a cut-off price of 100.26 rupees and the 7.50 percent 2034 bond at 92.90 rupees. The yield on the 10-year bond at the cut-off price was 7.55 percent.

The yield on the benchmark 10-year bond ended at 7.53 percent, up from Wednesday's close of 7.49 percent.

Gilts prices on Friday erased the session's gains after the central bank said that rising global oil prices continue to be a matter of concern.

Reserve Bank of India (RBI) Governor Yaga Venugopal Reddy told reporters that monetary measures have to be taken by the central bank as and when required, in line with global developments.

Reddy said there was no change in the central bank's stance on economic growth and inflation. "The future course of inflation is dependent on domestic demand and oil price pass-through," he said.

The yield on the benchmark 10-year bond firmed to 7.53 percent, from 7.51 percent at opening.

Call rates end up

Call rates trended steady at 5.50-5.60% through the auction week. Rates had ended on April 29 at 5.50-5.70%. On Friday, rates were at 5.55-5.65%.

Rupee lower on global trends

The rupee climbed on Tuesday on the back of a euro that rallied towards a recent one-year peak against the dollar, and spurred by rising foreign inflows into a buoyant stock market.

The rupee, which analysts say is overvalued by a little over 5 percent on a trade-weighted basis, ended at 44.88/89 a dollar, off an intra-day high of 44.85.

The Indian rupee was held in check on Wednesday by suspected central intervention, after it climbed to a one-week high on a booming stock market and the dollar's drop to near one-year lows against the euro. The rupee rose to 44.83 a dollar before coming off to close at 44.86/87.

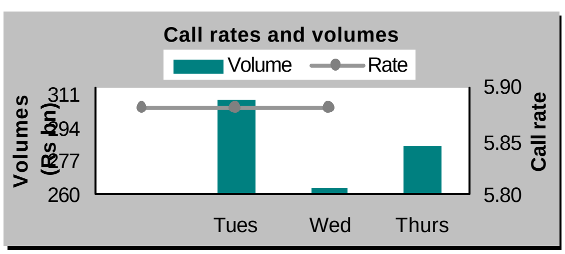
The Indian rupee ended a little weaker on Thursday as the dollar rose against the yen and other major currencies, but losses were muted as a booming stock market continued to lend support.

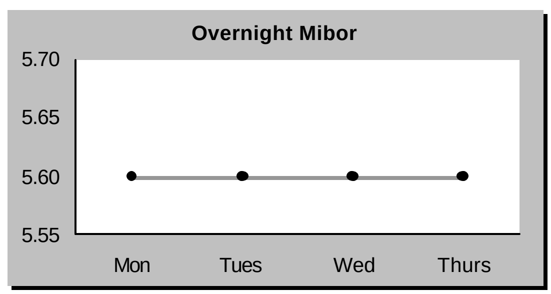
The Indian currency eased in morning trade on dollar buying by oil companies, defence purchases and suspected central bank intervention. India imports two-thirds of its oil.

The rupee closed at 44.8950/9050, down from Wednesday's 44.86/87.

The Indian rupee shed its early gains and ended lower on Friday, on dollar demand from oil companies and on suspected central bank intervention. The rupee closed at 44.94/95 against the dollar, down from Thursday's 44.8950/9050.

It rose to as high as 44.85, tracking the dollar's weakness against the euro, but came off after the Reserve Bank of India stepped in to buy dollars to keep exports competitive.





Stock Markets

Weekly Wrap :

The markets opened on Tuesday (Monday being a holiday on the ocassion of International Labour day and Maharashatra Day) in the positive zone after gaining 201 points on Saturday an d continmued its northward journey. The optimism continued over to Wednesday after the previous day`s upside close of 176 points.However, the market witnessed certain volatility throghout the day before settling at the closing levels of 12310.72, up by 92 points. Profit booking on

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points to close at 12,359.70 on Friday.

FII were net buyers this week to the tune of USD 339.3 million. Mutual Fund also were net buyers this week to the extent of Rs 297.13.

Tata Consultancy Services (TCS) rose 088% to Rs 2003.90. The company is likely to bag mega deals in Indonesia, banking on that country`s drive to implent IT to improve efficiencies across all sectors. The Tata group company is also bidding for the Indonesian finance ministry`s project, slated to be one of the largest in that country, for setting up a data centre and provide IT services.

ICICI Bank shed 3.29% to Rs 630.60 on Friday. On a consolidated basis, the bank has posted 28.08% increase in net profit of Rs 7747.30 million for the quarter ended March 31, 2006 as compared to Rs 6048.70 million for the quarter ended March 31, 2005.

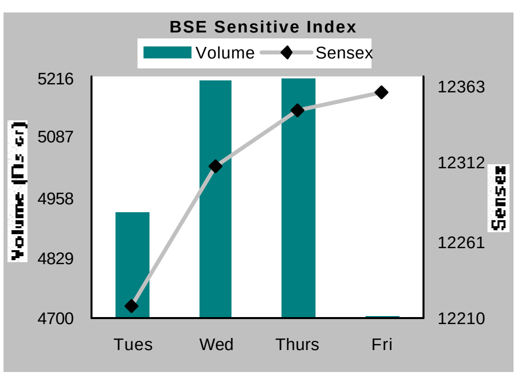
GAIL shed 0.90% to trade at Rs 291.90. The company will set up liquefied petroleum gas (LPG) plants in Uzbekistan. The LPG plants with a capacity of 0.1 million tonnes per annum (MMTPA) each will be set up in western parts of Uzbekistan along with Uzbekneftegaz, a national gas major of that country.

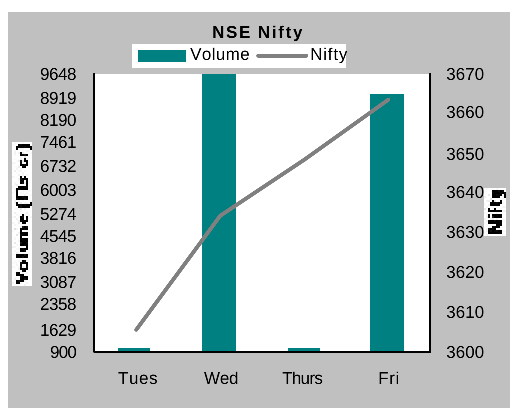
Siemens Ltd rose 2.22% to close at Rs 5920.90. The company and Bharat Heavy Electricals Ltd (BHEL) have signed a memorandum of understanding in Erlangen,Germany, for cooperation in the field of advanced power plant technology in India.

Mphasis BFL Ltd went up 0.62% to close at Rs 201.45. The company has said that Integrien Corporation, the leader in integrity management software and solutions has announced a unique partnership with the company, a leading provider of IT and business process outsourcing services.

MTNL rose 0.21 % to close at Rs 216.60. The company has approached the government for an additional frequency of two MHz to expand its cellular mobile sevices. For this it has already applied with Department of Telecom
(DoT).

Dishman Pharmaceuticals & Chemicals Ltd surged 7.92% to close at Rs 224.95. The company has completed US FDA inspection for its facility located at, Bavla, which is a 100% EOU, to manufacture Eprosartan Mesylate, an anti-hypertension drug, to be supplied to Solvay Pharmaceuticals, BV, a fortune 500 company.





Inflation

Inflation lower on cheaper non-food items

The annual wholesale price index-based inflation rose 3.54 percent during the week ended April 22, marginally lower than the previous week's annual rise of 3.55 percent.

The dip in the year-on-year inflation rate was mainly on account of lower prices of raw cotton and castor seeds, according to data released by the Ministry of Commerce and Industry on Friday.

During the latest reported week, the Wholesale Price Index (WPI) was up 0.2 percent to 198.8 points, against 198.5 points a year ago.

The inflation rate was at 5.96 percent during the corresponding week of the previous year.

On a disaggregated basis, the Primary Articles' group index rose 0.2 percent to 194.7 points due to increase in prices of food articles while non-food items declined.

The Fuel, Power, Light and Lubricants group index remained unchanged at the previous week's levels of 316.8 points. The index of Manufactured Products group rose 0.2 percent to 173.9 points due to increase in prices of food, chemicals, non-metallic minerals, base metals, machinery and beverage tobacco.

Among the Primary Articles' group, the index for Food Articles group rose 0.3 percent to 197.3 points due to higher prices of eggs (11 percent), condiments and spices and wheat (two percent each) and jowar, barley, bajra and gram (one percent each). However, the prices of maize and arhar declined by one percent each.

The Non-Food Articles group index declined by 0.1 percent to 176.5 points owing to lower prices of copra (four percent), linseed (three percent), raw cotton (two percent) and raw jute and castor seed (one percent each).

Among the Manufactured Products' group, the Food Products group index rose by 0.2 percent to 178.8 points due to costlier groundnut oil (two percent) and ricebran oil, coconut oil and sugar (one percent each).

However, the prices of unblended black tea leaf and cotton seed oil declined by four percent and one percent respectively.

The Government revised the inflation figure downward to 4.18 percent for the week ended February 25 from provisional 4.29 percent and WPI stood corrected at 196.8 points from earlier estimate of 197.0 points.

INDIAN Policy WATCH

May 06, 2006 Issue No: 58 FY2006

HIGHLIGHTS

- Govt okays 43.5 mt additional coal capacity in April
- Commerce Ministry recommends imposition of definitive anti-dumping duty

C O N T E N T S

POLICY WATCH

Coal

Anti Dumping Duty

POLICY WATCH

COAL

Govt okays 43.5 mt additional coal capacity in April

To tide over the coal shortage plaguing the country, the Government is focusing hard on increasing domestic coal production in a big way.

During the first month of the current fiscal itself, the Government has approved the creation of an additional 43.5 million tonnes of coal production capacity. India currently produces a little over 400 mt of coal annually.

The Cabinet Committee on Economic Affairs (CCEA), which had three meetings during the month, has approved these additional capacity all of which would be through opencast mining.

In the first meeting, the CCEA okayed increase in the production capacity of Ashok open cast project of Central Coalfields from 1.5 mt to 6.5 mt in the first phase and another 3.5 mt in the second phase taking the total capacity to 10 mt annually.

This coal, it has been decided, would be made available to Rosa Thermal Power Station and other consumers.

In the second meeting, the CCEA again went ahead with plans to increase production in Bhubaneshwari opencast project of Mahanadi Coalfields from the existing 10 mt a year to 20 mt a year.

This coal, according to the approved plan, will be made available to NTPC and other State Government-owned thermal power stations in Orissa.

In the same meeting, the CCEA also approved outsourcing coal production to the tune of 10 mt from Kaniah opencast coal mining project of Mahanadi Coalfields, which would be completed in 2008-09 and would be supplied to Rajiv Gandhi thermal power station of NTPC in Orissa.

In the third meeting earlier this week, the CCEA gave the green signal for floating tenders for outsourcing additional coal production in Dipka opencast mine project by 5 million tonnes annually and in Gevra opencast project by 10 mt annually.

Commerce Ministry recommends imposition of definitive anti-dumping duty

The Designated Authority in the Commerce Ministry has recommended the imposition of definitive anti-dumping duty on imported viscose filament yarn originating in or exported from China.

Viscose rayon filament yarn is a regenerated cellulosic yarn, which is produced from natural renewable resources i.e., wood pulp.

The Authority held that the product under consideration in this probe is viscose Rayon Filament Yarn up to 150 deniers (and +- 4 percent permissible variation thereof) including mono filament yarn of less than 67 decitex also known as viscose filament yarn or VFY, rayon filament yarn, art silk yarn, cellulose yarn or rayon yarn and includes all yarns made of 100 percent viscose yarns such as dyed yarn, flat yarn, microfilament micro yarn, twisted yarn (with the exclusion of embroidered yarn), doubled/multiple ply yarn, etc of VFY.

The application has been filed by the Association of Man-Made Fibre industry on behalf of NRC Ltd, Kesoram Industries Ltd and Indian Rayon & Industries Ltd.

While the anti-dumping investigations are terminated in the case of Ukraine as imports from that country have been found to be negligible, the subject goods have been exported to India from China below its normal value. The domestic industry has suffered material injury, caused by the dumped imports from China, the Authority held. Accordingly, it recommended imposition of anti-dumping duty on Chinese firm Yibin Grace Co Ltd the difference between $3.91 per kg and the landed value of imports. In the case of Chinese firm Yibin Heist Co Ltd, the anti-dumping duty recommended is the difference between $4.04 per kg and the landed value of imports. For the Chinese firm XinXiang Chemical Fibre Co Ltd and any other exporter from China, the recommended anti-dumping duty is the difference between $4.82 per kg and the landed value of imports, the Authority said.

The Authority has examined the share of dumped imports from the subject country in consumption in India. It found that the share of subject country, which was 6.06 percent in 2001-02 increased to 14.14 percent of the demand during the period of investigation (PoI), which is from January 1, 2004 to December 2004. On the other hand, market share of imports from countries other than the subject country declined from 3.04 percent to 1.71 percent during the same period. Moreover, the very fact that sales volume increased significantly after 2002-03 to the PoI without increase in the sales value points out "deterioration in the sales turnover of the domestic industry," the Authority said adding that the domestic industry has suffered significant injury by not being able to increase its sales turnover in line with increase in sales volume.

The Authority argued that the potential increase in imports from the subject country remains significant given the fact that consumption of the subject goods in China remains limited as compared to production capacity. Chinese producers are under pressure to restrict the production, which would lead to higher fixed costs. The Chinese producers are also under severe pressure to export more and more so as to keep their cost of production at lower level, the Authority said.

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The application has been filed by the Association of Man-Made Fibre industry on behalf of NRC Ltd, Kesoram Industries Ltd and Indian Rayon & Industries Ltd.

While the anti-dumping investigations are terminated in the case of Ukraine as imports from that country have been found to be negligible, the subject goods have been exported to India from China below its normal value. The domestic industry has suffered material injury, caused by the dumped imports from China, the Authority held. Accordingly, it recommended imposition of anti-dumping duty on Chinese firm Yibin Grace Co Ltd the difference between $3.91 per kg and the landed value of imports. In the case of Chinese firm Yibin Heist Co Ltd, the anti-dumping duty recommended is the difference between $4.04 per kg and the landed value of imports. For the Chinese firm XinXiang Chemical Fibre Co Ltd and any other exporter from China, the recommended anti-dumping duty is the difference between $4.82 per kg and the landed value of imports, the Authority said.

The Authority has examined the share of dumped imports from the subject country in consumption in India. It found that the share of subject country, which was 6.06 percent in 2001-02 increased to 14.14 percent of the demand during the period of investigation (PoI), which is from January 1, 2004 to December 2004. On the other hand, market share of imports from countries other than the subject country declined from 3.04 percent to 1.71 percent during the same period. Moreover, the very fact that sales volume increased significantly after 2002-03 to the PoI without increase in the sales value points out "deterioration in the sales turnover of the domestic industry," the Authority said adding that the domestic industry has suffered significant injury by not being able to increase its sales turnover in line with increase in sales volume.

The Authority argued that the potential increase in imports from the subject country remains significant given the fact that consumption of the subject goods in China remains limited as compared to production capacity. Chinese producers are under pressure to restrict the production, which would lead to higher fixed costs. The Chinese producers are also under severe pressure to export more and more so as to keep their cost of production at lower level, the Authority said.

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