



A-533-843
Administrative Review
POR: 9/1/2016 - 8/31/2017
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DATE: May 15, 2019

MEMORANDUM TO: Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

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

RE: Antidumping Duty Administrative Review: Certain Lined Paper
Products from India

SUBJECT: Issues and Decision Memorandum for the Final Results of
Administrative Review; 2016-2017

I. Summary

The Department of Commerce (Commerce) analyzed the case and rebuttal briefs submitted by interested parties in the administrative review of the antidumping duty (AD) order on certain lined paper products (lined paper) from India¹ covering the period of review (POR), September 1, 2016, through August 31, 2017. Based on our analysis of the comments received, we have made changes to the *Preliminary Results*.² We determine that Kokuyo Riddhi Paper Products Pvt. Ltd. (Kokuyo) and Navneet Education Ltd. (Navneet) did not make sales of subject merchandise at less than normal value during the POR. We recommend that you approve the positions set forth in the “Analysis of Comments” section of this memorandum. Below is the complete list of the issues in this review for which we received comments.

¹ See *Notice of Amended Final Determination of Sales at Less Than Fair Value: Certain Lined Paper Products from the People’s Republic of China; Notice of Antidumping Duty Orders: Certain Lined Paper Products from India, Indonesia and the People’s Republic of China; and Notice of Countervailing Duty Orders: Certain Lined Paper Products from India and Indonesia*, 71 FR 56949 (September 28, 2006) (*Order*).

² See *Certain Lined Paper Products from India: Preliminary Results of Antidumping Duty Administrative Review and Preliminary Determination of No Shipments; 2016–2017*, 83 FR 50886 (October 10, 2018) (*Preliminary Results*) and accompanying Preliminary Decision Memorandum (PDM).



II. List of Comments

Comments Concerning Navneet

Comment 1: Whether Commerce Should Apply Total or Partial Adverse Facts Available (AFA) to Navneet in the Final Results

Comment 2: Whether Commerce Should Make a Central Excise Tax (CET) Adjustment for Navneet's Home Market Price and/or Navneet's Total Cost of Manufacture (TCOM)

Comments Concerning Kokuyo

Comment 3: Whether Commerce Should Grant a Full Scrap Offset to Kokuyo

Comment 4: Whether Commerce Used the Correct Version of Kokuyo's Comparison Market Database

III. Background

On October 10, 2018, Commerce published the *Preliminary Results* in the *Federal Register*. On November 30, 2018, the Association of American School Paper Suppliers and its individual members (the petitioners) and Kokuyo submitted case briefs.³ Navneet and the petitioners submitted their rebuttal briefs on December 7 and 10, 2018, respectively.⁴

Navneet and the petitioners each requested a hearing on November 7 and 9, 2018, respectively.⁵ On February 15, 2019, Commerce staff met with counsel to the petitioners in lieu of a hearing.⁶ On February 19, 2019, Navneet withdrew its request for a hearing.⁷

On December 21, 2018, we extended the deadline for these final results until April 5, 2019.⁸ Commerce exercised its discretion to toll all deadlines affected by the partial federal government closure from December 22, 2018, through the resumption of operations on January 29, 2019.⁹

³ See Letter from the Petitioners, "Certain Lined Paper Products from India: Case Brief," dated November 30, 2018 (Petitioners' Case Brief); see also Letter from Kokuyo, "Certain Lined Paper Products from India: Kokuyo Riddhi Case Brief," dated November 30, 2018 (Kokuyo Case Brief).

⁴ See Letter from Navneet, "Certain Lined Paper Products from India: Rebuttal Brief of Navneet Education Limited," dated December 7, 2018 (Navneet Rebuttal Brief); see also Letter from the Petitioners, "Rebuttal Brief of the Association of American School Paper Suppliers," dated December 10, 2018 (Petitioners Rebuttal Brief).

⁵ See Letter from Navneet, "Certain Lined Paper Products from India: Request for Hearing of Navneet Education Ltd.," dated November 7, 2018; see also Letter from the Petitioners, "Certain Lined Paper Products from India: Request for Hearing," dated November 9, 2018.

⁶ See Memorandum, "Meeting with Interested Party," dated February 15, 2019, during which counsel reiterated the arguments raised in Petitioners Case Brief.

⁷ See Letter from Navneet, "Certain Lined Paper Products from India: Withdrawal of Request for Hearing of Navneet Education Ltd.," dated February 19, 2019.

⁸ See Memorandum, "Certain Lined Paper Products from India: Extension of Time Limit for Final Results of Antidumping Duty Administrative Review: 2016-2017," dated December 21, 2018.

⁹ See Memorandum to the Record from Gary Taverman, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, performing the non-exclusive functions and duties of the Assistant Secretary for Enforcement and Compliance, "Deadlines Affected by the Partial Shutdown of the Federal Government," dated

Accordingly, the revised deadline for the final results of this administrative review is now May 15, 2019.

On April 15, 2019, Commerce determined that Kokuyo's case brief contained untimely filed new factual information (NFI), and allowed Kokuyo an opportunity to submit a revised case brief omitting the NFI or adding citations to demonstrate where the listed factual information exists on the record.¹⁰ We also rejected the petitioners' rebuttal brief, because it referred to the untimely-filed NFI contained in Kokuyo's case brief, and we invited the petitioners to submit a revised rebuttal brief.¹¹ Kokuyo timely filed a revised case brief on April 17, 2019.¹² We found that Kokuyo's submission failed to follow Commerce's instructions and altered certain sections of the case brief.¹³ Thus, Commerce rejected Kokuyo's revised case brief and provided Kokuyo another opportunity to resubmit its case brief without the unsolicited alterations.¹⁴ On April 22, 2019, Kokuyo timely filed a revised case brief that complied with Commerce's instructions to remove the references to NFI.¹⁵ On April 24, 2019, the petitioners submitted their revised rebuttal brief.¹⁶

IV. 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

January 28, 2019. All deadlines in this segment of the proceeding affected by the partial federal government closure have been extended by 40 days.

¹⁰ See Commerce Letter, "Antidumping Duty Administrative Review of Certain Lined Paper Products from India (AR11) – Rejection of November 30, 2018 Case Brief from Kokuyo," dated April 15, 2019.

¹¹ See Commerce Letter, "Antidumping Duty Administrative Review of Certain Lined Paper Products from India (AR11) – Rejection of December 10, 2018 Rebuttal Case Brief," dated April 17, 2019.

¹² See Letter from Kokuyo, "Certain Lined Paper Products from India: Kokuyo Riddhi's Case Brief (Revised)," dated April 17, 2019.

¹³ See Commerce Letter, "Antidumping Duty Administrative Review of Certain Lined Paper Products from India (AR11) – Rejection of Kokuyo Revised Case Brief," dated April 19, 2019.

¹⁴ *Id.*

¹⁵ See Letter from Kokuyo, "Certain Lined Paper Products from India: Kokuyo Riddhi Case Brief (Revised)," dated April 22, 2019 (Kokuyo Revised Case Brief).

¹⁶ See Letter from the Petitioners, "Certain Lined Paper Products from India: Revised Rebuttal Brief of the Association of American School Paper Suppliers," dated April 24, 2019 (Petitioners Revised Rebuttal Brief).

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).

- Zwipec™: 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 Zwipec™ 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 Zwipec™ (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 stationary 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 4811.90.9035, 4811.90.9080, 4820.30.0040, 4810.22.5044, 4811.90.9050, 4811.90.9090, 4820.10.2010,

4820.10.2020, 4820.10.2030, 4820.10.2040, 4820.10.2050, 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.

V. Changes Made Since the *Preliminary Results*

Based on our analysis of the comments received from parties, we made certain changes to the margin calculations of Navneet and Kokuyo.¹⁷

VI. Analysis of Comments

Comments Concerning Navneet

Comment 1: Whether Commerce Should Apply Total or Partial Adverse Facts Available to Navneet in the Final Results

Petitioners' Case Brief Arguments:

- Navneet has impeded Commerce's review by providing inaccurate data regarding its standard cost accounting and its cost reporting in this review.¹⁸
- Navneet maintains product-specific standard costs in its SAP® system that are regularly updated and used in the normal course of business, including in preparation of financial statements and pricing decisions. However, without demonstrating that its standard costs in the SAP® system are unreasonable, Navneet did not use these standard costs in calculating its reported cost of production (COP).¹⁹
- Rather, Navneet developed a different set of standard costs for its section D responses,²⁰ by which it calculated costs using an alternative method (*i.e.*, based on its bill of material (BOM) and standard routing information).²¹
- Navneet initially claimed that it did not have a standard cost system and does not maintain standard costs,²² but it admitted in its first supplemental questionnaire response that it does

¹⁷ See Memorandum, "Certain Lined Paper Products from India (2016-2017): Sales and Cost of Production Calculation Memorandum for the Final Results of Navneet Education Ltd.," dated concurrently with these final results (Navneet's Final Calculation Memorandum); see also Memorandum, "2016-2017 Antidumping Duty Administrative Review of Certain Lined Paper Products from India – Kokuyo Final Results," dated concurrently with these final results (Kokuyo Final Calculation Memorandum).

¹⁸ See Petitioners' Case Brief at 5.

¹⁹ *Id.* at 1, 4-6.

²⁰ *Id.* at 6-7.

²¹ *Id.* at 1 and 4; see also Letter from the Petitioners, "Re: Certain Lined Paper Products from India: Petitioner's Additional Pre-Preliminary Comments as to Navneet," dated September 27, 2018 (Petitioners' 2nd Pre-Prelim Comments) at 3-4.

²² See Petitioners' Case Brief at 6; see also Navneet's Letter, "Certain Lined Paper Products from India: Response of Navneet Education Limited to Antidumping Questionnaire, Sections B, C, and D," dated March 9, 2018 (Navneet's BCDQR) at D-16.

maintain standard costs in the normal course of business.²³ The inventory valuation in the financial statements contained in SQR1 at Exhibit D.31a indicates that Navneet does, in fact, use its SAP® standard values in preparing its financial statements.²⁴ Navneet has, therefore, failed to support its claim that it has no normal standard costs.²⁵

- Despite Commerce’s requests in the first and third supplemental questionnaires for clarification and justification on its departure from its normal books and records, Navneet provided unpersuasive and evasive answers.²⁶ Thus, Navneet did not provide an adequate response to Commerce’s questions.²⁷
- Navneet’s cost reporting in this review has not only deviated from its normal books and records without adequate justification, the company has made misleading and conflicting claims regarding its reasons for departing from those normal books and records.²⁸
- Regardless of any subsequent adjustments to the SAP® standard values, Exhibit D.31 in Navneet’s SQR1 indicates that the inventory valuation reflected in Navneet’s financial statements begins from these values, such that they are fundamental to the calculations of the financial statements’ inventory balances. Thus, Navneet has failed to establish that its standard inventory values are somehow unreasonable or otherwise do not properly reflect the value of its products, such that it should be permitted to depart from its normal books and records in reporting costs.²⁹
- Navneet failed to demonstrate that its alternative cost-reporting methodology is accurate.³⁰ It also failed to show that its reported costs comply with the Tariff Act of 1930, as amended (the Act).³¹
- Navneet asserted that its “actual product BOMs. . . show the actual quantity of materials consumed, multiplied by actual material rates for the same period.”³² Navneet also stated that “the cost thus calculated based on BOMs and routing information is adjusted for the variance between the standard cost and the aggregate total cost.”³³ The fact that Navneet must apply a variance to the BOMs demonstrates that the BOMs do not reflect actual consumption information.
- Furthermore, Navneet has noted that the costs it “derived from the BOM and the routing sheet” are “a proxy for a standard cost.”³⁴ As such, Navneet has failed to demonstrate that its

²³ See Petitioners’ Case Brief at 6; *see also* Navneet’s Letter, “Certain Lined Paper Products from India: Response of Navneet Education Limited to Supplemental Antidumping Questionnaire,” dated June 22, 2018 (Navneet’s SQR1) at 38-41.

²⁴ See Petitioners’ 2nd Pre-Prelim Comments at 7.

²⁵ See Petitioners’ Case Brief at 4.

²⁶ See Letter from Navneet, “Certain Lined Paper Products from India: Response of Navneet Education Limited to Third Supplemental Antidumping Questionnaire,” dated September 17, 2018 (Navneet’s SQR3) at 1-5; *see also* Petitioners’ 2nd Pre-Prelim Comments at 7.

²⁷ See Petitioners’ Case Brief at 7-8.

²⁸ *Id.* at 4.

²⁹ *Id.* at 12-13.

³⁰ *Id.* at 1 and 4; *see also* Petitioners’ 2nd Pre-Prelim Comments at 3-4.

³¹ See Petitioners’ Case Brief at 8.

³² *Id.* at 12; *see also* Navneet’s SQR3 at 6.

³³ See Petitioners’ Case Brief at 12; *see also* Navneet’s SQR3 at 6.

³⁴ See Petitioners’ Case Brief at 12; *see also* Navneet’s BCDQR at D-22.

alternative cost reporting methodology reflects actual costs, or otherwise provides greater accuracy than a reporting method based on its normal books and records.

- There is nothing wrong with using the estimated product-specific costs recorded in Navneet's SAP® system, which were estimated based on prevailing market prices.³⁵ There is good reason to believe that the normal standard costs do, in fact, "reasonably reflect" Navneet's costs.³⁶
- Nonetheless, Navneet attempted to discredit its normal standard inventory values. It argued that the costs it reported are superior to the costs recorded in its normal books and records, because the former are based on BOMs that reflect actual costs. However, it failed to demonstrate either that its normal books and records are distortive, or that its alternative cost-reporting methodology is accurate.³⁷ Navneet's descriptions in both its SQR1 and SQR3 indicate that the company's normal standard costs are rooted in a commonly-used methodology and are updated regularly.³⁸
- Navneet's analysis of all 30 products covered by Exhibits D.68 to D.97 of its SQR3 demonstrates that the differences between the SAP® standard values and the standard costs calculated for antidumping purposes are insufficient to support Navneet's claim that "there is significant variation between the estimated SAP® inventory values and the BOM-derived standard cost."³⁹
- Because Navneet has failed to act to the best of its ability to provide complete and accurate information in the form requested by Commerce, Commerce should apply total adverse inferences by assigning a dumping margin of 72.03 percent to Navneet, or apply adverse inferences to Navneet's cost reporting, assigning Navneet the highest reported cost across the margin calculations.⁴⁰

Navneet's Rebuttal Arguments

- Navneet has fully cooperated with Commerce in this review. It did not withhold any information requested by Commerce, nor did it impede the progress of the proceeding. Navneet provided timely responses to each of Commerce's questionnaires in exactly the form requested. When asked to clarify or explain its cost methodology, Navneet did so at length. Commerce did not indicate any dissatisfaction with Navneet's explanation in the *Preliminary Results*.⁴¹
- Navneet has followed the same cost methodologies that Commerce has reviewed and verified before.⁴² From the inception of this case, because it has no cost accounting system, Navneet has used a BOM-based methodology, by which it derived per-product costs based on per-

³⁵ See Petitioners' Case Brief at 15, citing *Ripe Olives from Spain: Final Affirmative Determination of Sales at Less Than Fair Value*, 83 FR 28193 (June 18, 2018) and accompanying Issues and Decision Memorandum (IDM) at Comment 20.

³⁶ See Petitioners' Case Brief at 1 and 4; see also Petitioners' 2nd Pre-Prelim Comments at 14.

³⁷ See Petitioners' Case Brief at 8.

³⁸ *Id.* at 9; see also Navneet's SQR1 at 38; and Navneet's SQR3 at 4.

³⁹ See Petitioners' Case Brief at 19.

⁴⁰ *Id.* at 1 and 4; see also Petitioners' 2nd Pre-Prelim Comments at 3 and 14-17.

⁴¹ See Navneet's Rebuttal Brief at 8-9.

⁴² *Id.*

product BOMs and the actual cost for each input, as indicated in Navneet's actual production accounts maintained in the ordinary course of business.⁴³

- Further, Navneet compared the total of its calculated product-specific costs with the total actual costs of all products booked in the trial balance during the POR.⁴⁴ Navneet then adjusted its cost data for the variance between the costs so derived and the aggregate total cost.
- Navneet's cost data are accurate, complete, reconcilable to the financial statements, and verifiable. The petitioners do not dispute that Navneet's reported cost figures are derived from its verifiable accounts, nor do they attempt to demonstrate, or allege, that Navneet's established methodology is inaccurate or biased.⁴⁵
- In the normal course of business, Navneet maintains in its SAP® system product-specific base cost estimates. The estimated product-specific costs that Navneet uses to value its inventory in the SAP® system are updated for each item at the beginning of the business period. The product-specific costs in the SAP® system are for Navneet's normal inventory valuation only and is not used for year/quarter-end inventory valuation. Navneet performs the year/quarter-end inventory valuation based on aggregate actual costs incurred during the respective period.⁴⁶
- Navneet refers to the COP calculated for the antidumping exercise based on the BOM as the "standard" cost. Navneet does not refer to the cost estimates based on the SAP® inventory values as "standard" costs.⁴⁷
- Commerce's acceptance of Navneet's cost methodology in the *Preliminary Results* is in accordance with its practice, its verifications on the same issue in previous reviews, and by the facts of the instant review. There is no reason for Commerce to reject Navneet's longstanding cost reporting methodology.⁴⁸
- In its SQR3, Navneet provided a complete explanation, hundreds of pages of documentation, including a detailed calculation of the fifteen largest quantity CONNUMs, together with a step-by-step illustration of the methodology employed. These exhibits counter the petitioners' claim that Navneet failed to explain its cost methodology.⁴⁹
- In its SQR3, Navneet also submitted a different methodology as proposed by petitioners. However, in the *Preliminary Results* Commerce accepted Navneet's explanation without requesting further follow-up information from Navneet. Thus, with the record now closed, Commerce cannot reasonably follow the petitioners' proposed change of methodology, without providing Navneet an opportunity to remedy the purported "defect" or otherwise update the record with a revised response.⁵⁰
- With regard to inventory valuation, in both SQR1 and SQR3, Navneet stated that it updates the estimated per-piece rate of each product at the beginning of its business period (*i.e.*,

⁴³ *Id.* at 2.

⁴⁴ *Id.* at 4; Navneet's BCDQR at D-20 –D-26; and Navneet's SQR1 at 39-41.

⁴⁵ See Navneet's Rebuttal Brief at 5-6.

⁴⁶ *Id.* at 4; *see also* Navneet's SQR1 at 39-40.

⁴⁷ See Navneet's Rebuttal Brief at 4.

⁴⁸ *Id.* at 7.

⁴⁹ *Id.* at 5; *see also* Navneet's SQR3 at 1-7, and Exhibits D.38 to D.97.

⁵⁰ See Navneet's Rebuttal Brief at 7-8.

September to October every year). Thus, for every product, there is an estimated cost per-piece that is used for normal inventory valuation in the SAP® system throughout the year.⁵¹

- In Navneet's SQR3, it further noted that, to value its inventory of finished goods, Navneet identifies the item-wise inventory quantity in pieces and its selling price to determine the aggregate value of sales for the closing inventory. Thereafter, Navneet applies the ratio between aggregate costs to aggregate sales value to the sales value of the closing stock to determine the value of the closing inventory. This actual inventory value is compared with the estimated value, as per the SAP® system, and an adjustment is made after passing journal entries at every respective period.⁵²
- The input quantity required for each input, as stated on the BOM maintained by Navneet for each product, also includes an allowance for expected losses due to trimming.⁵³
- It is not uncommon for a company like Navneet not to rely on SAP®'s ready-made cost accounting system to generate COP-ready data. For example, in *Prestressed Concrete Steel Rail Wire*, a respondent could not use unreliable cost figures that appeared in its SAP® system, and instead was permitted by Commerce to derive accurate and verifiable cost data from its actual production and inventory records.⁵⁴ Substituting an inaccurate figure from SAP® with a correct one derived from the company's accounts is normal and reasonable.⁵⁵
- Commerce's goal should be to obtain the very best, most accurate, most verifiable, and most appropriate data, including COP data. As demonstrated in its responses referenced above, Navneet's bill-of-materials based cost methodology is an accurate and reliable reporting method. The petitioners' proposed alternative would result in irrational, unverifiable, and demonstrably inaccurate costs.⁵⁶
- The data source the petitioners prefer, the estimated cost used in SAP® for inventory purposes, merely constitutes placeholder estimates that are without any documentary basis and which are calculated for the sole purpose of providing an input in SAP®. The estimated costs used in Navneet's SAP® system for inventory purposes are not intended to reflect actual costs. Navneet does not use the estimated costs for its inventory valuation in its quarterly and annual financial statements, and they cannot be tied to the financial accounts.⁵⁷ Thus, the estimated figures in SAP® system cannot be used as a basis for cost calculations.⁵⁸
- The petitioners mischaracterize the estimated costs that appear in Navneet's SAP® system as Navneet's normal standard inventory values. The petitioners then argue that since the numbers appear in SAP®, they must necessarily be Navneet's "actual" costs.⁵⁹ The Petitioners' argument is an exercise in intentional misunderstanding, since they should know that a number appears in company's SAP® system does not mean it is an actual cost figure.⁶⁰

⁵¹ *Id.* at 9-10; Navneet's SQR1 at 38; and Navneet's SQR3 at 3.

⁵² See Navneet's Rebuttal Brief at 12; Navneet's SQR1 at 39, 41, and Exhibit D.31; and Navneet's SQR3 at 3-4.

⁵³ See Navneet's Rebuttal Brief at 12; see also Navneet's BCDQR at D-17, D-18, and D-22.

⁵⁴ See *Final Determination of Sales at Not Less Than Fair Value: Prestressed Concrete Steel Rail Tie Wire from Thailand*, 79 FR 25574 (May 5, 2014) (*Prestressed Concrete Steel Rail Wire*) and accompanying IDM at Comment 1.

⁵⁵ See Navneet's Rebuttal Brief at 4-5.

⁵⁶ *Id.* at 10.

⁵⁷ *Id.* at 6.

⁵⁸ *Id.* at 4; see also Navneet's BCDQR at D-14; and Navneet's SQR1 at 39.

⁵⁹ See Navneet's Rebuttal Brief at 3.

⁶⁰ *Id.* at 3-4.

- In response to the petitioners' complaints that Navneet had abandoned its SAP® system in favor of BOM cost data, Navneet explained in its SQR1 the shortcomings and deficiencies of the figures appearing in SAP®, demonstrating that the base values would be inappropriate, inaccurate, and non-verifiable if used for the Section D cost calculations. Navneet also described the accuracy and verifiability of the actual BOM based cost figures it reported.⁶¹
- Navneet's costs as reported are accurate, reasonable, are tied directly to the company's actual cost information maintained in the ordinary course of business and are verifiable. There is no reason to consider any level of a "facts available" substitution for actual data, and certainly no justification for the application of total adverse facts available.⁶²
- The statute authorizes Commerce to "use the facts otherwise available" only where "an interested party: (1) withholds information requested by the Department; (2) fails to provide information in a timely manner or in the form requested; (3) significantly impedes a proceeding; or (4) provides information that cannot be verified." None of these conditions is present here.⁶³

Commerce's Position

We disagree with the petitioners. Pursuant to section 773(f)(1)(A) of the Act, costs shall normally be calculated based on a respondent's normal books and records, provided those records "are kept in accordance with the generally accepted accounting principles of the exporting country (or the producing country, where appropriate) and reasonably reflect the costs associated with the production and sale of the merchandise."

Commerce requested Navneet to report product-specific cost data.⁶⁴ Record evidence demonstrates that Navneet did not have a cost accounting system that calculates actual product-specific costs.⁶⁵ Navneet explained that, for every product in its product master list, there is an estimated per-unit cost it uses to value the inventory of finished goods on a day-to-day basis. It uses the estimated product-specific unit costs in the normal inventory valuation in the SAP® system throughout the year.⁶⁶ However, for year-end and quarter-end reporting purposes, Navneet values its inventory based on actual costs as opposed to estimated costs.⁶⁷ Since Navneet did not have a separate cost accounting system that calculated actual product-specific costs, it developed actual product-specific ending inventory values for purposes of yearly/quarterly financial statements, based on the BOM and standard routing information from its SAP® system (*i.e.*, Navneet's normal books and records) and the prevailing product-specific maximum retail price at that time.⁶⁸

⁶¹ *Id.* at 5; *see also* Navneet's SQR1 at 39-41 and Exhibit D.31.

⁶² *See* Navneet's Rebuttal Brief at 11.

⁶³ *Id.* at 8, where Navneet cites to section 776(a) of the Act.

⁶⁴ *See* Commerce's initial questionnaire, Section E, at E-4.

⁶⁵ *See* Navneet's Rebuttal Brief at 2; *see also* Navneet's SQR1 at 39-40.

⁶⁶ *See* Navneet's Rebuttal Brief at 9-10; *see also* Navneet's SQR1 at 38; and Navneet's SQR3 at 3 and 5.

⁶⁷ *See* Navneet's Rebuttal Brief at 9-10; *see also* Navneet's SQR1 at 39-40.

⁶⁸ *Id.*

The BOMs indicate the actual quantity of each input needed to produce the finished product.⁶⁹ Navneet multiplied these quantities by the actual average input prices incurred during the POR, as recorded in its SAP® system.⁷⁰ Navneet then used the standard routing through the factory of each product to calculate the product-specific conversion costs (*e.g.*, labor, energy, depreciation etc.).⁷¹ Navneet then accumulated the costs by production stage.⁷² Next, Navneet allocated the costs at each production stage to the products produced at each production stage based on throughput (*i.e.*, production time).⁷³ Navneet then compared the calculated costs for all products to its total actual costs.⁷⁴ Navneet applied a variance where the calculated total costs differed from the total actual costs.⁷⁵ The costs Navneet reported reconcile to its audited financial statements.⁷⁶ Navneet's cost reporting method is also consistent with the cost methodology Navneet has employed in prior segments of this proceeding, including segments in which Commerce has conducted a cost verification of Navneet.⁷⁷ Thus, we find that Navneet's reported costs are based on the company's normal books and records that are kept in accordance with the generally accepted accounting principles (GAAP) of India⁷⁸ and reasonably reflect the company's costs for producing subject merchandise.

We disagree with the petitioners that Navneet has not relied upon its normal books and records in reporting costs to Commerce. The petitioners argue that Navneet should have reported the estimated product-specific costs recorded in its SAP® system, but, as explained above, the BOMs are from the same SAP® system as the petitioners' preferred source. We also disagree with the petitioners' argument that the estimated costs recorded in Navneet's SAP® system are the most appropriate because they reflect the inventory valuation that flows into the financial statements. While Navneet estimated product-specific costs and entered those costs into its SAP® system at the beginning of each business period (*i.e.*, September to October every year), Navneet did not use those estimated costs in the calculation of the finished goods inventory that reconciles to Navneet's financial statements.⁷⁹ Navneet calculated its product-specific finished goods inventory based on a ratio between the aggregate COP and the aggregate

⁶⁹ See Navneet's Rebuttal Brief at 2, 5-6; *see also* Navneet's SQR3 at 6 and Exhibits D.38b -D.38d.

⁷⁰ See Navneet's Rebuttal Brief at 2; *see also* Navneet's BCDQR at D-22, D-25, and Exhibits D-23 and D-24.

⁷¹ See Navneet's SQR3 at 2 and Exhibit D.38e.

⁷² *Id.*

⁷³ See Navneet's BCDQR at D-24-D25.

⁷⁴ *Id.* at D-20 -D-26; and Navneet's SQR1 at 39-41.

⁷⁵ See Navneet's Rebuttal Brief at 5-6; Navneet's BCDQR at D-26; Navneet's SQR1 at 40; and Navneet's SQR3 at 6.

⁷⁶ See Navneet's Rebuttal Brief at 2, 5-6; Navneet's BCDQR at D-22-25 and Exhibits S.12 -D-13; Navneet's SQR1 at 39-40; and Navneet's SQR3 at 2, 6, and Exhibits D.38b - D.38c.

⁷⁷ See *Certain Lined Paper Products from India: Preliminary Results of Antidumping Duty Administrative Review; 2014-2015*, 81 FR 71046 (October 14, 2016) (*Lined Paper from India Preliminary Results 2014-2015*) and accompanying PDM at 15-17; *see also* *Certain Lined Paper Products from India: Final Results of Antidumping Duty Administrative Review; 2014-2015*, 82 FR 14201 (March 17, 2017) (*Lined Paper from India 2014-2015*) and accompanying IDM at 9-11.

⁷⁸ Navneet's year-end and quarter-end inventory valuation is done on the basis of actual costs, which is consistent with Note 3.6 ("Significant Accounting Policies-Inventories") to the audited financial statements. See Navneet's SQR1 at 39-40.

⁷⁹ See Navneet's Rebuttal Brief at 4-6; Navneet's BCDQR at D-20 -D-26; and Navneet's SQR1 at 39-41.

maximum retail price.⁸⁰ It then applied this ratio to the maximum retail price of each finished product in the ending inventory to value the product-specific finished goods inventory.⁸¹ The resulting product-specific inventory values reflect the year-end price for each product. The total of all product-specific ending inventory values is what Navneet entered into its financial statements in the ordinary course of business.⁸² Thus, we find that Navneet's reported costs tie to Navneet's financial accounts.⁸³ Conversely, the SAP® estimated product-specific costs recorded at the beginning of the year in the SAP® system were never used in the calculation of Navneet's finished goods inventory of the current year.⁸⁴ The beginning inventory value estimates that Navneet enters into its SAP® system reflect the previous business period's ending product-specific inventory value.⁸⁵ Throughout the year, the beginning estimated values remain unchanged in Navneet's SAP® system, and these estimated values do not tie to Navneet's financial statements.⁸⁶ We find these facts support Navneet's claim that it merely uses the inventory valuations in the SAP® system as placeholder estimates. Contrary to the petitioners' arguments, we find that Navneet's reported costs reasonably reflect the actual cost of lined paper because they are product-specific, rely on the normal books and records, and reconcile to the audited financial statements of Navneet, which are prepared in accordance with Indian GAAP.

We also disagree with the petitioners that the differences between the estimated inventory values in the SAP® system and the inventory values Navneet reported to Commerce are insufficient to support Navneet's selection of the BOMs as a reasonable source of product-specific costs. As noted above, the estimated inventory values that Navneet enters into the SAP® system reflect the previous business period's ending product-specific inventory value.⁸⁷ Thus, the estimated inventory values Navneet enters into the SAP® system at the beginning of the business period do not reflect the actual costs incurred during the POR to produce lined paper. Further, as noted above, the estimated inventory values in the SAP® system remain unchanged throughout the year.⁸⁸

Additionally, we find that the application of total or partial AFA is not warranted. Section 776(a) of the Act provides that Commerce shall apply facts otherwise available if necessary information is not on the record or an interested party or any other person: (A) withholds information that has been requested; (B) fails to provide information in the form and manner requested by Commerce; (C) significantly impedes a proceeding; or (D) provides information that cannot be verified. Section 776(b) of the Act provides that Commerce may apply an adverse inference when selecting from among the facts otherwise available if an interested party has failed to cooperate by not acting to the best of its ability to comply with a request for

⁸⁰ See Navneet's SQR1 at 39-41.

⁸¹ See Navneet's Rebuttal Brief at 3; Navneet's SQR1 at 38-39; and Navneet's SQR3 at 3-4.

⁸² See Navneet's Rebuttal Brief at 4; Navneet's SQR1 at 38-40; and Navneet's SQR3 at 3.

⁸³ See Navneet's Rebuttal Brief at 2, 5-6; Navneet's BCDQR at D-22-25, and Exhibits S.12 –D-13; Navneet's SQR1 at 39-40; and Navneet's SQR3 at 2, 6, and Exhibits D.38b – D.38c.

⁸⁴ See Navneet's Rebuttal Brief at 3-4; Navneet's SQR1 at 38-39; and Navneet's SQR3 at 3.

⁸⁵ See Navneet's SQR1 at 39-40.

⁸⁶ See Navneet's Rebuttal Brief at 4; *see also* Navneet's SQR1 at 39-40.

⁸⁷ *Id.*

⁸⁸ See Navneet's SQR1 at 38; Navneet's SQR3 at 3.

information. The issues raised by the petitioners concerning Navneet's reported costs do not meet the criteria for facts otherwise available, as provided in section 776(a) of the Act, much less demonstrate that Navneet has failed to comply to the best of its ability, as provided in section 776(b) of the Act. Navneet has complied with all our requests for information and acted to the best of its ability when supplying cost information to Commerce. During this segment of the proceeding, in addition to its initial questionnaire response,⁸⁹ Navneet has submitted three supplemental responses.⁹⁰ In its SQR3, Navneet provided a detailed explanation of its cost reporting method, including documentation and exhibits that included a detailed calculation of the fifteen largest quantity CONNUMs, and a step-by-step illustration of the cost reporting methodology it employed.⁹¹ These exhibits demonstrate that the reported costs satisfy section 773(f)(1)(A) of the Act and counter the petitioners' arguments that Navneet failed to cooperate to the best of its ability or adequately explain its cost methodology.⁹² Based on the facts of the record and on Commerce's practice in this⁹³ and other AD proceedings,⁹⁴ we find that Navneet has provided complete and accurate information in this review and its reported cost data reasonably reflect the cost to produce lined paper. Therefore, we have continued to rely on Navneet's cost data, as reported, in the final results and find that the application of AFA is not warranted.

Comment 2: Whether Commerce Should Make a Central Excise Tax (CET) Adjustment to Navneet's Home Market Price and/or Navneet's Total Cost of Manufacture (TCOM)

Petitioners' Case Brief Arguments

- Should Commerce determine not to apply total or partial AFA to Navneet's reported COP, it should include the CET in Navneet's TCOM calculation.⁹⁵
- The record information indicates that the CET relates to production and not selling activities. Therefore, it should be included in the COP. Indeed, Navneet accounts for the CET in its normal books and records as a production cost.⁹⁶
- In its BCDQR, Navneet stated that the CET is similar to a value-added tax (VAT). It claimed that it did "not incur the CET on the inputs purchased for the production of merchandise sold in export markets."⁹⁷

⁸⁹ See Navneet's BCDQR; see also Letter from Navneet, "Certain Lined Paper Products from India: Response of Navneet Education Limited to Antidumping Questionnaire, Section A," dated February 12, 2018 (Navneet's AQR).

⁹⁰ See Navneet's SQR1; Navneet's SQR3; Letter from Navneet, "Certain Lined Paper Products from India: Response of Navneet Education Limited to Second Supplemental Antidumping Questionnaire," dated July 6, 2018 (Navneet's SQR2).

⁹¹ See Navneet's SQR3 at 1-7, and Exhibits D.38 to D.97.

⁹² See Navneet's Rebuttal Brief at 5; see also Navneet's SQR3 at 1-7, and Exhibits D.38 to D.97.

⁹³ See *Lined Paper from India 2014-2015 PDM* at 15-17; see also *Lined Paper from India 2014-2015 IDM* at 9-11.

⁹⁴ See, e.g., *Prestressed Concrete Steel Rail Wire IDM* at Comment 1, where Commerce allowed a respondent to refrain from basing its cost reporting method on SAP-based information and instead utilize an alternative cost reporting method after the respondent sufficiently had demonstrated that such SAP-based information was not an accurate reflection of its costs during the period under examination.

⁹⁵ See Petitioners' Case Brief at 21.

⁹⁶ *Id.* at 22.

⁹⁷ *Id.* at 23; see also Navneet's BCDQR at D-8 and D-9.

- Navneet explained that the CET is simply passed on to the producer’s domestic customers and, thus, does not constitute a cost to Navneet. However, CET for sales of school supplies cannot be passed on to the domestic customer. Therefore, Navneet absorbs the tax by charging higher prices in the home market.⁹⁸
- Navneet initially identified these additional costs as an “unreimbursed excise tax” and treated the costs as a direct selling expense reported in a separate field EXCISEH.⁹⁹
- However, in its SQR1, Navneet provided additional information and an explanation indicating that the CET does not function like a VAT.¹⁰⁰
- Navneet explained that, under Indian law, a seller in India had two options. Under option 1, the seller could pay excise duty at the regular rate of 6 percent and claim an input credit for the excise duty it paid on the input.¹⁰¹ This option is consistent with the explanations Navneet originally provided, and is similar to VAT. Or, under option 2, the seller could pay an excise duty at a “concessional” rate of 2 percent (during the POR), but forgo any offset for the input credit.¹⁰² This option was not like a VAT, and it was the option that Navneet chose during the POR.
- Because Navneet did not utilize the first option, no taxes were passed on or refunded. Rather, Navneet, under the second option, underwent two separate instances of taxation that increase its costs: first, a tax on purchases of inputs, and, second, a tax on sales of finished products.¹⁰³
- Both taxes must be included in the company’s reported costs. The first cost represents internal taxes imposed on the purchase of materials used to produce the merchandise under consideration. The second tax was not assessed on sales. Rather, Navneet paid this tax when it transferred the products to the warehouse/depot from the plant.¹⁰⁴ Because this tax is incurred in advance of the sale, it is related to production, and should be included in the COP.¹⁰⁵
- Despite Navneet’s claims that “this excise duty element is built into the price, the invoice to the customer indicates zero excise duty paid.”¹⁰⁶ In its response, Navneet stated that, in the normal course of business, it records the excise taxes with its normal costs as part of the COP.¹⁰⁷ Therefore, Commerce should adjust Navneet’s reported costs by including the field EXCISE in Navneet’s cost database in the calculation of TCOM.
- Navneet stated that it still pays the additional concessional excise duty of 2 percent, which has the effect of increasing the overall excise cost for Navneet because Navneet has paid twice: first at the time of purchase of inputs, and then again at the time of transfer of the goods from the plant.¹⁰⁸

⁹⁸ See Navneet’s BCDQR at D-8 and D-9.

⁹⁹ *Id.* at B-52 and B-33.

¹⁰⁰ See Petitioners’ Case Brief at 22; *see also* Navneet’s SQR1 at 24-25.

¹⁰¹ See Petitioners’ Case Brief at 25; *see also* Navneet’s SQR1 at 28.

¹⁰² See Petitioners’ Case Brief at 25; *see also* Navneet’s SQR1 at 28.

¹⁰³ See Petitioners’ Case Brief at 27-29; *see also* Navneet’s SQR1 at 25-27.

¹⁰⁴ See Petitioners’ Case Brief at 27-29; *see also* Navneet’s SQR1 at 25-27.

¹⁰⁵ See Navneet’s SQR1 at Exhibit A.7

¹⁰⁶ *Id.*

¹⁰⁷ See Petitioners’ Case Brief at 30; *see also* Navneet’s BCDQR at B-53.

¹⁰⁸ See Petitioners’ Case Brief at 28-29; *see also* Navneet’s SQR1 at 25.

Navneet did not make any comments on this issue.

Commerce's Position

We agree with the petitioners. In determining whether to adjust Navneet's home market price for the CET, we relied on guidance provided in section 773(a)(6)(B)(iii) of the Act, which directs Commerce to adjust for "the amount of any taxes imposed directly upon the foreign like product . . . which have been rebated, or which have not been collected, on the subject merchandise, but only to the extent that such taxes are added to or included in the price of the foreign like product." In its initial questionnaire response, Navneet explained that its products are sold in both domestic and export markets. For domestic sales, Navneet claimed that it pays the CET twice: once when it purchases the raw materials, and then again when it transfers the products to the warehouse/depot from the plant.¹⁰⁹ For export sales, Navneet stated that under Rule 19 of the Indian Central Excise Law, exporters can buy their inputs for export products free of CET, so long as the inputs are used in the production of export goods.¹¹⁰ However, record evidence indicates that Navneet paid CET on the inputs used in the production of lined paper sold in both the home market and export markets.¹¹¹

Furthermore, Navneet has provided additional information which indicates that the CET that Navneet paid during the POR does not function like a VAT.¹¹² Specifically, Navneet explained that the law provides two options for the payment of CET. Under the first option, the seller could pay the duty at the regular rate of 6 percent and claim an input credit for the duty paid on the input.¹¹³ This option is similar to a VAT. Alternatively, under the second option, the seller can pay the duty at a concessional rate of two percent and forego any offset for the input credit.¹¹⁴ This option does not function like a VAT. Navneet opted for the second option and paid the concessional rate of two percent without any offset for the input credit.¹¹⁵ Navneet explained that because the CET cannot be passed on to its customers, the CET is not separately charged to the customer, and the invoice to the customer shows zero CET paid.¹¹⁶ Thus, Navneet must bear the expense of the CET, which in turn raises its costs, and Navneet charges a higher price to cover the additional expense.

Upon review of Navneet's responses, we find that Navneet first paid CET on the purchase of inputs and then paid an additional CET amount at the time it transferred the finished goods from its production plant to the depot/warehouse. The "Excise Tax Table and Documentation" in Exhibit D-30 of Navneet's SQR1 demonstrates that Navneet paid CET on inputs used in its production of lined paper sold in both the domestic and export markets.¹¹⁷ Further, Navneet

¹⁰⁹ See Navneet's BCDQR at B-33, B-52, D-8, and D-9; *see also* Navneet's SQR1 at 25, where Navneet noted that almost all its home market sales are made from sales depots.

¹¹⁰ See Navneet's SQR1 at 35.

¹¹¹ See June 22, 2018 Supplemental Questionnaire Exhibit D.30a.

¹¹² See Navneet's SQR1 at 24-25; *see also* Petitioners' Case Brief at 22.

¹¹³ See Navneet's SQR1 at 28.

¹¹⁴ *Id.*

¹¹⁵ *Id.* at 28 and Exhibit D.30.

¹¹⁶ *Id.* at 24-25; and Navneet's AQR at Exhibit A.7.

¹¹⁷ See Navneet's SQR1 at Exhibit D-30.

stated that it did not claim, nor did it receive, any refund of the CET.¹¹⁸ Because Navneet selected a CET payment option which is unlike VAT, Navneet cannot request reimbursement from the Indian government.¹¹⁹ Navneet reported the CET as part of its COP in the data field “EXCISE.” Accordingly, as the CET was paid on inputs used in the production of lined paper that was sold to all markets, and the taxes were not rebated or not reimbursed, we agree with the petitioners that no adjustment to normal value is warranted, and that the CET should be added to Navneet’s TCOM in these final results.¹²⁰ Specifically, in the final SAS program, we have used Navneet’s reported home market price (GRSUPRH), which is reported net of the CET, and added the CET (EXCISE) to Navneet’s TCOM.¹²¹

Comments Concerning Kokuyo

Comment 3: Whether Commerce Should Grant a Full Scrap Offset to Kokuyo

Kokuyo’s Revised Case Brief

- In the *Preliminary Results*, Commerce applied a factor that reduced Kokuyo’s reported scrap offset based on the petitioners’ pre-preliminary comments,¹²² which alleged that Kokuyo failed to provide evidence that the quantity of scrap sold approximates the quantity of scrap generated.
- However, Kokuyo reported that the company does not record the generation of scrap in the normal course of business. To provide the information requested by Commerce, Kokuyo provided an exhibit that compared the input quantities consumed and output quantities produced during the POR.¹²³
- The difference between the input quantity and the output quantity is a reasonable approximation of Kokuyo’s scrap generated for the POR.¹²⁴ The exhibit demonstrates that the scrap sale quantity approximates the scrap generation quantity, as requested by Commerce.
- However, in the *Preliminary Results*, Commerce applied a factor that revised Kokuyo’s reported scrap offset downward.¹²⁵ Commerce’s approach is illogical and similar to applying an adverse inference, because Kokuyo demonstrated that the quantity of scrap sales approximates the quantity of scrap generated during the POR based on the best information available in the company’s normal course of business.

¹¹⁸ See June 22, 2018 supplemental response at 37.

¹¹⁹ See Navneet’s SQR1 at 27-28.

¹²⁰ See section 773(b)(3)(A) of the Act.

¹²¹ See Navneet’s Final SAS HM program at Part 3-C and Part 4-B-ii for details.

¹²² See Letter from the Petitioners, “Certain Lined Paper Products from India: Petitioner’s Pre-Preliminary Comments,” dated September 18, 2018.

¹²³ See Kokuyo’s Revised Case Brief at 2; see also Letter from Kokuyo, “Kokuvo Riddhi Paper Products Private Limited (Kokuyo)’s Response to Supplemental Section ABCD of the Original Antidumping Questionnaire,” dated July 10, 2018 (Kokuyo Supplemental Questionnaire Response) at 23-24 and Exhibit S1-20.

¹²⁴ See Kokuyo’s Revised Case Brief at 2.

¹²⁵ See Memorandum, “2016-2017 Antidumping Duty Administrative Review of Certain Lined Paper Products from India – Preliminary Results,” dated October 3, 2018 (Kokuyo Preliminary Calculation Memorandum); see also Kokuyo’s Revised Case Brief at 1-2.

- For the final results, Commerce should allow a full scrap offset, as reported by Kokuyo, or, alternatively, Commerce may restrict the scrap offset with Kokuyo's estimated amount of scrap generation during the POR.

Petitioners' Revised Rebuttal Brief

- Kokuyo claimed a scrap offset, but failed to offer any evidence of the amount of scrap it generated during the POR. While Kokuyo argued that it provided evidence that the quantity of scrap sold during the POR approximates the quantity of scrap generated during the POR, the exhibit to which the company refers does not actually provide a comparison of scrap sold with scrap generated.
- A comparison of Kokuyo's monthly quantities of raw materials sold demonstrates that there is little correlation between monthly quantities, with fluctuations in the monthly percentages.¹²⁶ Since Kokuyo claims it does not keep records of the scrap collected, it cannot know what portion of the full yield loss was completely lost and what portion was collected as scrap. Therefore, Kokuyo's claimed quantity of scrap generated is overstated.
- Commerce's well-established policy provides that a scrap offset should be based on the quantity of scrap generated during the POR, rather than quantity sold.¹²⁷ Because Kokuyo failed to provide the necessary evidence for its reported scrap offset, Commerce should continue to limit its reduction of Kokuyo's scrap offset by the same adjustment factor, which was applied at the *Preliminary Results*.

Commerce's Position

We agree with Kokuyo, in part, and with the petitioners, in part. Commerce's practice with respect to scrap offsets to the COP is to allow such offsets based on the amount of scrap generated, once the generated scrap has been demonstrated to have commercial value, through evidence of sales or reintroduction into the production process.¹²⁸ Scrap offsets are only granted for merchandise that is either sold or reintroduced into production during the POR, up to the amount of scrap actually produced during the POR.¹²⁹ Moreover, parties requesting a scrap offset have the burden of presenting to Commerce not only evidence that the scrap is sold or re-

¹²⁶ See Letter from Kokuyo, "Certain Lined Paper Products from India: Kokuyo Riddhi Paper Products Private Limited (Kokuyo)'s Response to Section D of the Original Antidumping Questionnaire," dated April 30, 2018 (Kokuyo DQR) at D-16 and Exhibits D-4 and D-7.

¹²⁷ See *Certain Steel Nails from the Sultanate of Oman: Final Results of Antidumping Duty Administrative Review; 2014-2016*, 83 FR 4030 (January 29, 2018) and accompanying IDM at Comment 11.

¹²⁸ See, e.g., *Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2010-2011*, 78 FR 35245 (June 12, 2013) and accompanying IDM at Comment 10.

¹²⁹ See, e.g., *Certain Steel Nails from the People's Republic of China: Final Results of Antidumping Duty Administrative Review, Final Determination of No Shipments and Final Partial Rescission; 2014-2015*, 82 FR 14344 (March 20, 2017) and accompanying IDM at Comment 6; see also *Certain Steel Nails From the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2016-2017*, 84 FR 4770 (February 19, 2019) and accompanying IDM at Comment 1.

used in the production of the subject merchandise, but also all the information necessary for Commerce to incorporate such offsets into the margin calculation.¹³⁰

Kokuyo has demonstrated on the record that scrap paper has commercial value and that the scrap paper it generated was sold and not reintroduced into the production process.¹³¹ Kokuyo reported that it sold all scrap paper it collected in the production process during the POR.¹³² Kokuyo stated that it does not record the generation of scrap in the normal course of business.¹³³ We instructed Kokuyo to provide evidence that the quantity of scrap sold during the POR approximates the quantity of scrap generated during the POR.¹³⁴ Kokuyo provided an exhibit that compared the input quantities consumed and output quantities produced during the POR, which it presented as a proxy for its generated scrap, given the fact that Kokuyo does not maintain a record of scrap inventory in the normal course of business.¹³⁵ However, the exhibit indicates that Kokuyo's quantity of scrap sold is larger than the quantity of the scrap it generated during the POR.¹³⁶

In the *Preliminary Results*, we determined that a scrap offset is warranted, because Kokuyo has demonstrated that the scrap paper generated in the production process has commercial value, and Kokuyo sold all the scrap paper it generated during the POR.¹³⁷ However, we adjusted Kokuyo's reported scrap offset, because Kokuyo based its reported scrap offset on the amount of scrap sold, which is larger than the amount of scrap generated.¹³⁸ For the final results, we have reexamined the record and have revised Kokuyo's scrap offset. When respondents demonstrate that a scrap offset is warranted, Commerce's practice is to limit the offset to the amount of scrap actually produced during the POR.¹³⁹ When the quantity sold exceeds the quantity generated, we limit the scrap offset to the quantity generated during the POR, because it would be unreasonable to offset the POR costs for scrap produced outside of the POR.¹⁴⁰ As noted above, the record indicates that Kokuyo's quantity of scrap sold is larger than the quantity of the scrap it generated

¹³⁰ See *Certain New Pneumatic Off-The-Road Tires from the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances*, 74 FR 40485 (July 15, 2018) and accompanying IDM at Comment 34.

¹³¹ See Kokuyo DQR at 16-17.

¹³² *Id.*; see also Kokuyo Supplemental Questionnaire Response at 23-24 and Exhibit S1-20.

¹³³ *Id.*

¹³⁴ See Commerce's Letter, "Antidumping Duty Administrative Review of Certain Lined Paper Products from India (AR11) - Sections A-D Supplemental Questionnaire," dated June 5, 2018 at 6.

¹³⁵ See Kokuyo Supplemental Questionnaire Response at 23-24 and Exhibit S1-20.

¹³⁶ *Id.* at Exhibit S1-20.

¹³⁷ See *Preliminary Results* PDM at 14; see also Kokuyo DQR at D-16 and Exhibits D-4 and D-7; and Kokuyo Supplemental Questionnaire Response at 23-24 and Exhibit S1-20.

¹³⁸ See *Preliminary Results* PDM at 14; see also Kokuyo Preliminary Calculation Memorandum at 1-2.

¹³⁹ See, e.g., *Certain Steel Nails from the People's Republic of China: Final Results of Antidumping Duty Administrative Review, Final Determination of No Shipments and Final Partial Rescission; 2014-2015*, 82 FR 14344 (March 20, 2017) and accompanying IDM at Comment 6; see also *Certain Steel Nails From the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2016-2017*, 84 FR 4770 (February 19, 2019) and accompanying IDM at Comment 1.

¹⁴⁰ See, e.g., *Certain Steel Nails from Taiwan: Final Results of Antidumping Duty Administrative Review and Partial Rescission of Administrative Review; 2016-2017*, 84 FR 11506 (March 27, 2019) and accompanying IDM at Comment 6.

during the POR.¹⁴¹ For the final results, in accordance with our practice, we have adjusted Kokuyo's reported scrap offset by capping it at the quantity of scrap Kokuyo could have reasonably produced during the POR.¹⁴² We find that this is a more accurate approximation of the amount of scrap that Kokuyo generated during the POR.

Comment 4: Whether Commerce Used the Correct Version of Kokuyo's Comparison Market Database

Kokuyo's Revised Case Brief

- In the *Preliminary Results*, Commerce did not use the most recently filed comparison market dataset that Kokuyo submitted on July 10, 2018. Commerce should use the most recent iteration of Kokuyo's comparison market dataset in the final results.

The petitioners did not comment on this issue.

Commerce's Position

We agree with Kokuyo and have used the most recent iteration of Kokuyo's comparison market dataset for purposes of the margin calculations for the final results.

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

5/15/2019

X 

Signed by: JEFFREY KESSLER

Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

¹⁴¹ See Kokuyo Supplemental Questionnaire Response at Exhibit S1-20.

¹⁴² See Kokuyo Final Calculation Memorandum.