



A-533-843
Administrative Review
POR: 09/01/2017 – 8/31/2018
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April 1, 2020

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

FROM: James Maeder
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Certain Lined Paper Products from India: Issues and Decision
Memorandum for the Final Results of Antidumping Duty
Administrative Review; 2017-2018

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, 2017 through August 31, 2018. Based on our analysis of the comments received, we have made changes to the *Preliminary Results*.² We determine that, during the POR, Navneet Education Ltd. (Navneet) made sales of subject merchandise at less than normal value, and SAB International (SAB) did not. 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.

II. LIST OF COMMENTS

Comments Concerning Navneet

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

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, Preliminary Determination of No Shipments; 2017-2018*, 84 FR 61887 (November 14, 2019) (*Preliminary Results*), and accompanying Preliminary Decision Memorandum (PDM).



- Comment 2:** Whether Commerce Should Adjust Navneet's General and Administrative (G&A) Expenses
- Comment 3:** Whether Commerce Should Adjust the SAS Margin Program to Use Navneet's Comparison Market Sales for Normal Value (NV) Instead of Constructed Value (CV)

Comments Concerning SAB

- Comment 4:** Whether Commerce Should Apply Total or Partial AFA to SAB's Classification of Certain Sales as Canadian Sales Rather than U.S. Sales
- Comment 5:** Whether Commerce Should Adjust SAB's Calculations of Rent Paid to an Affiliated Party
- Comment 6:** Whether Commerce Should Recalculate SAB's Reported Scrap Offset
- Comment 7:** Whether Commerce Should Adjust SAB's Treatment of Certain Costs
- Comment 8:** Whether Commerce Incorrectly Converted Negative Credit Expenses into Positive Credit Expenses

III. BACKGROUND

On November 14, 2019, Commerce published the *Preliminary Results* in the *Federal Register*. On November 15 and 18, 2019, Commerce issued the sales and cost verification reports concerning the sales and cost of production (COP) responses submitted by Navneet.³ On December 14, 2019, SAB submitted a case brief.⁴ On December 16, 2019, the Association of American School Paper Suppliers and its individual members (the petitioners) and Navneet submitted their respective case briefs.⁵ On December 19, 2019, Navneet and SAB each requested a one-week extension for submission of rebuttal briefs,⁶ which Commerce granted.⁷ On December 30, 2019, Navneet and SAB submitted their respective rebuttal briefs.⁸ On January 31, 2020, Commerce rejected Navneet's rebuttal brief for containing untimely filed new factual information and provided Navneet an opportunity to resubmit a revised, redacted rebuttal

³ See Memorandum, "Verification of the Sales Response of Navneet Education Limited in the Antidumping Review of Certain Lined Paper Products from India," dated November 7, 2019 (Navneet Sales Verification Report); see also "Verification of the Cost of Production Response of Navneet Education Limited (Navneet) in the Antidumping Review of Certain Lined Paper Products from India," dated November 7, 2019 (Navneet Cost Verification Report).

⁴ See SAB's Letter, "Certain Lined Paper Products from India: Case Brief of SAB International," dated December 14, 2019 (SAB's Case Brief).

⁵ See Petitioners' Letter, "Certain Lined Paper Products from India: Case Brief and Hearing Request," dated December 16, 2019 (Petitioners' Case Brief); see also Navneet's Letter, "Certain Lined Paper Products from India: Case Brief of Navneet Education Ltd.," dated December 16, 2019 (Navneet's Case Brief).

⁶ See Navneet's Letter, "Certain Lined Paper Products from India: Request for Extension for the Rebuttal Brief of Navneet Education Ltd.," dated December 19, 2019; see also SAB's Letter, "Certain Lined Paper Products from India: Request for Extension for Rebuttal Comments to Petitioners Case Brief," dated December 19, 2019.

⁷ See Memorandum, "Certain Lined Paper Products from India: Extension of Deadline to Submit Rebuttal Briefs," dated December 19, 2019.

⁸ See Navneet's Letter, "Certain Lined Paper Products from India: Rebuttal Brief of Navneet Education Limited," dated December 30, 2019; see also SAB's Letter, "Certain Lined Paper Products from India: Rebuttal Brief of SAB International," dated December 30, 2019 (SAB's Rebuttal Brief).

brief.⁹ On January 31, 2020, Navneet re-submitted its rebuttal brief with the untimely filed new factual information redacted.¹⁰ The petitioners did not file a rebuttal brief.

On December 16, 2019, the petitioners and Navneet requested a hearing.¹¹ On January 17 and 27, 2020, the petitioners and Navneet withdrew their respective requests for a hearing.¹² On February 28, 2020, Commerce extended the time period for issuing the final results to 180 days after the date of publication of the preliminary results, until May 12, 2020.¹³ On March 12, 2020, Commerce staff conducted a phone call with counsel to the petitioners in lieu of a hearing.¹⁴

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 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,

⁹ See Commerce’s Letter, “Rejection of December 30, 2019 Rebuttal Brief Filed by Navneet Education Ltd.,” dated January 31, 2020; *see also* Petitioners’ Letter, “Certain Lined Paper Products from India: Request to Reject Navneet’s Rebuttal Brief,” dated January 17, 2020.

¹⁰ See Navneet’s Letter, “Certain Lined Paper Products from India: Resubmission of Redacted Rebuttal Brief of Navneet Education Limited,” dated January 31, 2020 (Navneet’s Rebuttal Brief).

¹¹ See Petitioners’ Letter, “Certain Lined Paper Products from India: Case Brief and Hearing Request,” dated December 16, 2019; *see also* Navneet’s Letter, “Certain Lined Paper Products from India: Request for Hearing of Navneet Education Ltd.,” dated December 16, 2019.

¹² See Petitioners’ Letter, “Certain Lined Paper Products from India: Withdrawal of Hearing Request,” dated January 17, 2020; *see also* Navneet’s Letter, “Certain Lined Paper Products from India: Withdrawal of Hearing Request for Navneet Education Ltd.,” dated January 27, 2020.

¹³ See Memorandum, “Certain Lined Paper Products from India: Extension of Time Limit for Final Results of Antidumping Duty Administrative Review: 2017-2018,” dated February 28, 2020.

¹⁴ See Memorandum, “Phone Call with Interested Party,” dated March 12, 2020, during which counsel reiterated the arguments raised in Petitioners’ Case Brief.

closure devices, index cards, stencils, protractors, writing implements, reference materials such as mathematical tables, or printed items such as sticker sheets or miniature calendars, if such items are physically incorporated, included with, or attached to the product, cover and/or backing thereto.

Specifically excluded from the scope of this order are:

- unlined copy machine paper;
- writing pads with a backing (including but not limited to products commonly known as “tablets,” “note pads,” “legal pads,” and “quadrille pads”), provided that they do not have a front cover (whether permanent or removable). This exclusion does not apply to such writing pads if they consist of hole-punched or drilled filler paper;
- three-ring or multiple-ring binders, or notebook organizers incorporating such a ring binder provided that they do not include subject paper;
- index cards;
- printed books and other books that are case bound through the inclusion of binders board, a spine strip, and cover wrap;
- newspapers;
- pictures and photographs;
- desk and wall calendars and organizers (including but not limited to such products generally known as “office planners,” “time books,” and “appointment books”);
- telephone logs;
- address books;
- columnar pads & tablets, with or without covers, primarily suited for the recording of written numerical business data;
- lined business or office forms, including but not limited to: pre-printed business forms, lined invoice pads and paper, mailing and address labels, manifests, and shipping log books;
- lined continuous computer paper;
- boxed or packaged writing stationery (including but not limited to products commonly known as “fine business paper,” “parchment paper”, and “letterhead”), whether or not containing a lined header or decorative lines;
- Stenographic pads (“steno pads”), Gregg ruled (“Gregg ruling” consists of a single- or double-margin vertical ruling line down the center of the page. For a six-inch by nine-inch stenographic pad, the ruling would be located approximately three inches from the left of the book.), measuring 6 inches by 9 inches.

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

- Fly™ lined paper products: A notebook, notebook organizer, loose or glued note paper, with papers that are printed with infrared reflective inks and readable only by a Fly™ pen-top computer. The product must bear the valid trademark Fly™ (products found to be bearing an invalidly licensed or used trademark are not excluded from the scope).
- Zwipes™: A notebook or notebook organizer made with a blended polyolefin writing surface as the cover and pocket surfaces of the notebook, suitable for writing using a specially-developed permanent marker and erase system (known as a Zwipes™ pen).

This system allows the marker portion to mark the writing surface with a permanent ink. The eraser portion of the marker dispenses a solvent capable of solubilizing the permanent ink allowing the ink to be removed. The product must bear the valid trademark Zwipes™ (products found to be bearing an invalidly licensed or used trademark are not excluded from the scope).

- FiveStar®Advance™: A notebook or notebook organizer bound by a continuous spiral, or helical, wire and with plastic front and rear covers made of a blended polyolefin plastic material joined by 300 denier polyester, coated on the backside with PVC (poly vinyl chloride) coating, and extending the entire length of the spiral or helical wire. The polyolefin plastic covers are of specific thickness; front cover is 0.019 inches (within normal manufacturing tolerances) and rear cover is 0.028 inches (within normal manufacturing tolerances). Integral with the stitching that attaches the polyester spine covering, is captured both ends of a 1" wide elastic fabric band. This band is located 2-3/8" from the top of the front plastic cover and provides pen or pencil storage. Both ends of the spiral wire are cut and then bent backwards to overlap with the previous coil but specifically outside the coil diameter but inside the polyester covering. During construction, the polyester covering is sewn to the front and rear covers face to face (outside to outside) so that when the book is closed, the stitching is concealed from the outside. Both free ends (the ends not sewn to the cover and back) are stitched with a turned edge construction. The flexible polyester material forms a covering over the spiral wire to protect it and provide a comfortable grip on the product. The product must bear the valid trademarks FiveStar®Advance™ (products found to be bearing an invalidly licensed or used trademark are not excluded from the scope).
- FiveStar Flex™: A notebook, a notebook organizer, or binder with plastic polyolefin front and rear covers joined by 300 denier polyester spine cover extending the entire length of the spine and bound by a 3-ring plastic fixture. The polyolefin plastic covers are of a specific thickness; front cover is 0.019 inches (within normal manufacturing tolerances) and rear cover is 0.028 inches (within normal manufacturing tolerances). During construction, the polyester covering is sewn to the front cover face to face (outside to outside) so that when the book is closed, the stitching is concealed from the outside. During construction, the polyester cover is sewn to the back cover with the outside of the polyester spine cover to the inside back cover. Both free ends (the ends not sewn to the cover and back) are stitched with a turned edge construction. Each ring within the fixture is comprised of a flexible strap portion that snaps into a 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 SAB. For Navneet, we adjusted the SAS programs to rely on NV instead of CV.¹⁵ For SAB, we revised SAB's rent payment to an affiliated party, recalculated SAB's reported scrap offset, and reversed the incorrect conversion for credit expenses from positive to negative.¹⁶

VI. ANALYSIS OF COMMENTS

Comments Concerning Navneet Education Ltd. (Navneet)

Comment 1: Whether Commerce Should Apply Total or Partial AFA to Navneet

Petitioners' Case Brief Comments

- Navneet departed from its normal records by abandoning the product-specific standard costs it maintains in the normal course of business and instead reported an alternative set of standard costs developed solely for the purposes of its antidumping cost calculations.¹⁷
- In doing so, Navneet failed to demonstrate that: (1) its normal books and records were not kept in accordance with applicable accounting principles, (2) its books and records do not reasonably reflect the costs associated with subject merchandise, and (3) that its alternative cost-reporting methodology is more accurate.¹⁸
- Navneet has failed to cooperate to the best of its ability and its reported cost information is not reliable. Therefore, Commerce should apply total AFA or, at the least, an adjustment to Navneet's reported costs by the difference between its normal and reported standard costs.¹⁹
- Record evidence indicates that Navneet's product-specific standard costs, which it maintains in its SAP accounting software, are more accurate than the reported standard costs that are based on the bill of materials (BOM), which Navneet specifically developed for antidumping cost calculation purposes.²⁰
- Navneet's product-specific standard costs in SAP – once they are adjusted to reflect actual costs – more accurately reflect actual consumption than under the BOM-based method.²¹
- During Commerce's cost verification, Navneet emphasized that the company's "estimated" costs (*i.e.*, the costs used in its books and records, such as SAP) are used to calculate a more

¹⁵ See Memorandum, "Certain Lined Paper Products from India (2017-2018): Sales and Cost of Production Calculation Memorandum for the Final Results of Navneet Education Ltd.," dated concurrently with these final results (Navneet's Final Sales and Cost Calculation Memorandum).

¹⁶ See Memorandum, "2017-2018 Antidumping Duty Administrative Review of Certain Lined Paper Products from India – SAB International Final Results," dated concurrently with these final results (SAB's Final Sales and Cost Calculation Memorandum).

¹⁷ See Petitioners' Case Brief at 13.

¹⁸ *Id.* at 13 and 16.

¹⁹ *Id.* at 14.

²⁰ *Id.* at 14 and 16.

²¹ *Id.* at 16.

accurate estimated cost for paper, and are used for price setting in order to be more competitive.²²

- After developing detailed estimates of its paper costs, Navneet then performs further adjustments to derive fully-loaded estimated product-specific costs that reflect input materials and conversion costs, and then updates these “estimated costs” once or twice a year. Therefore, these normal, estimated product-specific per-unit costs are as specific, accurate, and reasonably reflect the cost to produce subject merchandise.²³
- Navneet argues that its estimated costs in SAP: (1) do not reflect actual costs, (2) are only values to satisfy SAP requirements, and (3) are not used in the company’s normal accounting procedures. These claims are without merit.²⁴
- During the cost verification, Navneet attempted to discredit its estimated costs by claiming they are adjusted for variances and “do{ } not reflect the correct cost of individual products” because they “are not updated or corrected to the actual cost of the various inputs,” and “remain{ } the same irrespective of fluctuations in the actual cost.”²⁵ However, nearly any standard cost must be updated or corrected with a variance to accurately reflect actual costs.
- Similarly, Navneet’s reported costs based on BOM do not equal actual costs; thus, Navneet’s attempt to discredit its normal “estimated costs” based on BOM by comparing these costs to its actual costs, rather than comparing them to Navneet’s estimated costs in SAP costs, is misleading and meaningless.²⁶
- Navneet has attempted to discredit its estimated costs in SAP by claiming that the values are “placeholders” and are entered only because “it is mandatory in SAP to have some value.”²⁷ However, these costs are not mere placeholders but are product-specific and regularly updated values that Navneet uses for important functions such as price setting.
- Navneet’s claims that its estimated costs in SAP are not used in inventory valuation, financial statements, or to calculate actual production costs is unsupported by record evidence.²⁸
- Navneet has failed to demonstrate that the BOM-based costs, which are not regularly updated, are more accurate than the estimated costs in SAP, which are regularly updated.
- During the cost verification, a Navneet employee inaccurately stated that during the investigation Navneet failed the cost verification and Commerce applied AFA against Navneet after finding that the company’s estimated costs were unreasonable.²⁹

²² *Id.* at 17 (citing Navneet Cost Verification Report at 8-9).

²³ *Id.* at 17-18 (citing Navneet Cost Verification Report at 8-10; Navneet’s Letter, “Certain Lined Paper Products from India: Response of Navneet Education Limited to Antidumping Questionnaire, Sections B, C, and D,” dated March 28, 2019 (Navneet’s BCDQR) at D-19; and Petitioners’ Letter, “Lined Paper Products from India: Comments on Navneet Section D Questionnaire Response,” dated April 11, 2019 (Petitioners’ Deficiency Comments on Navneet’s DQR) at Exhibit 2 at 6).

²⁴ *Id.* at 18-19.

²⁵ *Id.* at 19-20 (citing Navneet Cost Verification Report at 8).

²⁶ *Id.* at 20-21 (citing Navneet Cost Verification Report at 7).

²⁷ *Id.* at 21 (citing Navneet’s BCDQR at D-19 and Navneet Cost Verification Report at 8).

²⁸ *Id.* at 22 (citing Navneet Cost Verification Report at 8-9 and Navneet’s BCDQR at D-20).

²⁹ *Id.* at 25-26.

- In fact, Commerce did not conduct a cost verification of Navneet during the investigation as it had already determined to apply AFA to Navneet due to contradictory and misleading statements made by Navneet throughout the investigation.³⁰
- Because Navneet has failed to act to the best of its ability and because Navneet's reported cost information cannot reliably be used in this review, Commerce should apply total AFA by assigning a dumping margin of 72.03 percent to Navneet.³¹
- If Commerce chooses not to apply a total AFA rate to Navneet, Commerce should, at a minimum, adjust Navneet's reported costs by the difference between its normal and reported standard costs.³²

Navneet's Rebuttal Comments

- The petitioners are repeating erroneous cost methodology arguments that Commerce has rejected in prior reviews.³³
- For this review, Navneet is following the same cost methodologies that Commerce has accepted in prior reviews. Commerce should continue to rely on Navneet's reported cost data and should not apply AFA to Navneet.³⁴
- Navneet does not use a formal cost accounting system; therefore, the company used a methodology in which it derived the actual per-product cost from the BOM, the actual cost for each input, and routing information, based on Navneet's actual production accounts maintained in the ordinary course of business.³⁵
- During the cost verification, Commerce carefully reviewed Navneet's reported COP methodology and considered each of the cost issues raised by the petitioners and, upon finding "no discrepancies," Commerce adopted Navneet's cost reporting methodology in the *Preliminary Results*.³⁶
- The petitioners mischaracterize the estimated costs in Navneet's SAP system as "normal standard inventory values" and argue that because the numbers appear in SAP, they must be Navneet's "actual" costs.³⁷
- The estimated figures in SAP cannot be used as a basis for cost calculations, because they are placeholder estimates that are not derived from actual costs and cannot be reconciled to the financial statement.³⁸

³⁰ *Id.* at 25-26 (citing Navneet Cost Verification Report at 8-9 and 12-13; *Preliminary Determination of Sales at Less Than Fair Value, Affirmative Critical Circumstances, In Part, and Postponement of Final Determination: Certain Lined Paper Products from the People's Republic of China*, 71 FR 19695 (April 17, 2006); and *Notice of Final Determination of Sales at Less Than Fair Value, and Negative Determination of Critical Circumstances: Certain Lined Paper Products from India*, 71 FR 45012 (August 8, 2006)).

³¹ *Id.* at 27-28 (citing *Certain Lined Paper Products from India: Notice of Final Results of Antidumping Duty Administrative Review*, 75 FR 7563 (February 22, 2010); and *iScholar, Inc. v. United States*, 35 CIT 52, 52 (2011)).

³² *Id.* at 27-28 (citing *Certain Lined Paper Products from India: Notice of Final Results of Antidumping Duty Administrative Review*, 75 FR 7563, 7565 (February 22, 2010)).

³³ See Navneet's Case Brief at 2-4.

³⁴ *Id.*

³⁵ *Id.* at 3-5.

³⁶ *Id.* at 3-4 (citing Navneet Cost Verification Report at 7-13; and *Preliminary Results PDM* at 17-18).

³⁷ *Id.* at 6.

³⁸ *Id.*

- The BOM-based methodology, which was reviewed and tested during the verification and has been accepted in all past proceedings involving Navneet, is based on actual, reconcilable costs and thus is the most appropriate basis for the cost calculations.³⁹
- While the petitioners assert that Navneet’s departure from its normal records was “unjustifiable{, } self-serving and distortive,” there is no indication of any defects or distortions in Navneet’s cost reporting methodology in Commerce’s cost verification report, which confirmed the consistency and accuracy of Navneet’s cost reporting methodology and found no discrepancies between Navneet’s COP records and questionnaire responses.⁴⁰
- The petitioners also mischaracterize Navneet’s estimated material pricing figures in SAP as “product-specific standard costs” and claim that Navneet failed to demonstrate that the use of so called “normal standard costs” (*i.e.*, the estimated costs in SAP) would be distortive.⁴¹
- Both Navneet’s questionnaire responses and its detailed explanation recorded in the Cost Verification Report make clear that the estimated costs in SAP are not normal standard costs.
- Navneet has fully explained the inadequacies and limitations of the “estimated product-specific unit costs” in SAP, specifically:
 - the estimates are set at the beginning of business year based on the prevailing rates received from the materials department for use in guiding pricing decisions, but are not – and are not intended to be – based on the company’s actual cost of materials or COP;
 - the estimated costs are not updated or corrected to reflect the actual cost of the various inputs, rather they are a snapshot based on October/November prices and are used throughout the year for the limited purpose of helping to inform pricing decisions; and
 - the Commerce verifiers found that the estimated costs are estimates only and do not accurately reflect actual costs.⁴²
- Navneet provided a table during the cost verification indicating that the unverifiable and uncorrected estimates in SAP vary from the actual cost buildup (*i.e.*, the BOM-based costs reported at TOTCOM) by significant amounts, which demonstrates that the estimated costs would be grossly distortive if used in the cost calculation.⁴³
- While it is true that SAP requires a cost to be entered, it is not true that Navneet could simply enter a random number since SAP requires a company to input a cost for finished goods inventory value even if the company – as is the case with Navneet – does not actually use the SAP costs for its finished goods inventory valuation.⁴⁴
- The fact that Navneet prepares an estimated costs once a year for pricing projections and enters that value into SAP, rather than a random value, in order to satisfy SAP’s requirement to have an inventory value, has no bearing on whether those values are accurate or suitable as a basis for the cost calculation and says nothing about the relative accuracy and verifiability of the estimated SAP costs compared to the BOM-based costs.⁴⁵

³⁹ *Id.*

⁴⁰ *Id.* at 7-8 (citing Navneet Cost Verification Report at 2).

⁴¹ *Id.* at 8 (citing Petitioners’ Case Brief at 17).

⁴² *Id.* at 8-9 (citing Navneet Cost Verification Report at 8-9; and Navneet’s BCDQR at D-21 – D-27).

⁴³ *Id.* at 10 (citing Navneet Cost Verification Report at 6-9 and Exhibit CVE-6).

⁴⁴ *Id.* at 11.

⁴⁵ *Id.*

- Navneet does not use the estimated costs in SAP for its actual inventory valuation when preparing its quarterly financial statements; rather, Navneet performs a separate calculation based on the ratio of actual total costs and sales revenues and, therefore, it is appropriate to describe the “estimated costs” entered as inventory values in SAP as simply placeholders for the actual aggregate inventory value that is later calculated for the company’s financial statements.⁴⁶
- Contrary to the petitioners’ claim that Navneet’s estimated costs are “developed and regularly updated product-specific” costs that are “based on regularly-updated and highly specific data” while the BOM-based costs are “not regularly updated,”⁴⁷ Commerce found during verification that the estimated costs are “set at the beginning of the business year” and “are not updated or corrected to the actual cost of the various inputs at any time” but are “used throughout the coming business year” and “remain { } the same irrespective of fluctuations in the actual cost.”⁴⁸
- Furthermore, the BOM itself is accurate and specific to every product (*i.e.*, it is the “recipe” specifying how the product is produced), and the machine time/consumption rates are updated whenever there is a change in materials or machinery, as opposed to the estimated costs in SAP, which are a one-time estimate of theoretical material costs.⁴⁹
- Commerce should reject the petitioners’ attempt to justify imposing AFA based on an informal comment by a Navneet official made during the cost verification. While the Navneet official may not recall all the details from an investigation that took place 13 years ago, his statement was essentially accurate because Navneet did in fact attempt to use the estimated costs in SAP and Commerce found them unacceptable and imposed an AFA rate on Navneet.⁵⁰
- The petitioners’ request to reject Navneet’s costs entirely and use their proposed cost methodology at such a late date when the record is closed and there is no possibility of Navneet compiling and submitting a new COP database is unreasonable.⁵¹
- Commerce may rely on AFA under section 776(a) and (b) of the Tariff Act of 1930, as amended (the Act), only where “an interested party: (1) withholds information requested by Commerce; (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 those conditions are present here as Navneet provided responsive answers to all of Commerce’s requests in a timely manner, did not impede the progress of the proceeding, and provided a cost methodology that is fully verifiable.⁵²
- Commerce’s goal should be to obtain the most accurate, verifiable, and appropriate information for Navneet’s COP and, as demonstrated in the company’s responses, Navneet’s BOM-based cost methodology fits that criteria, whereas the petitioners’ proposed alternative would result in unverifiable and inaccurate costs that are not tied to Navneet’s actual costs of production records.⁵³

⁴⁶ *Id.* at 12 (citing Navneet’s BCDQR at D-20; and Navneet Cost Verification Report at 6-7).

⁴⁷ *Id.* at 13 (citing Petitioners’ Case Brief at 23).

⁴⁸ *Id.* at 13 (citing Navneet Cost Verification Report at 7-9).

⁴⁹ *Id.* at 13 (citing Petitioners’ Case Brief at 23; and Navneet Cost Verification Report at 8-9).

⁵⁰ *Id.* at 15-18 (citing Navneet Cost Verification Report at 8).

⁵¹ *Id.* at 16.

⁵² *Id.* at 17-18 (citing 19 U.S.C. § 1677e(a)).

⁵³ *Id.* at 19-21.

Commerce 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 instructed Navneet to report product-specific cost data.⁵⁴ Record evidence demonstrates that Navneet did not have a cost accounting system that calculates actual product-specific costs.⁵⁵ Navneet maintains product-specific cost estimates for purposes of day-to-day inventory valuation and price setting. The cost estimates are derived based on the tentative paper rates from paper suppliers and estimates of other materials, labor and processing costs. These estimated costs are updated and manually entered into the Material Management Module (MM Module) of Navneet's SAP® system in the beginning of every business year and are used throughout the year.⁵⁶ However, Navneet stated that it uses these estimated costs only for stock reports within the MM Module, but they are not useable for any application that requires actual costs.⁵⁷ For year-end and quarter-end reporting purposes, Navneet values its inventory based on product-specific actual costs as recorded in the bill of materials (BOM) and standard routing information from the Production Planning Module (PP Module) of its SAP® system (*i.e.*, Navneet's normal books and records) and the prevailing product-specific maximum retail price at that time.⁵⁸

To derive its product-specific BOM-based material costs, Navneet first determined the standard consumption quantity in kilograms for each material code used to produce each specific product, as determined by the BOM in the PP Module of the SAP® system. Navneet then calculated a POR average per kilogram cost for each material code at each plant based on the consumption information in the SAP® Inventory Management Module. For each product, the total standard consumption quantities by material code are then multiplied by the corresponding POR average per kilogram costs and the results are aggregated to derive a total product-specific standard material cost.⁵⁹ Separate product-specific totals are calculated for paper (which includes cover materials and inserts, other materials, and packing materials).⁶⁰ For each of these three categories, the total calculated standard cost across all products is summed and compared to the POR total actual cost recorded in the material accounts in the general ledger.⁶¹ An overall variance is calculated for each category and then applied to the calculated standard cost of each

⁵⁴ See Commerce's initial questionnaire at Section D, pages D-1 – D-2, D-10 – D-11, D-17 – D-20, and Section E, pages E-4 – E-5, E-9 – E-11.

⁵⁵ See Navneet's Letter, "Certain Lined Paper Products from India: Response of Navneet Education Limited to First Supplemental Antidumping Questionnaire," dated July 31, 2019 (Navneet's SQR) at 39-40; *see also* Navneet's Rebuttal Brief at 3.

⁵⁶ See Navneet's BCDQR at D-19, D-23, and D-25; *see also* Navneet Cost Verification Report at 10.

⁵⁷ See Navneet Cost Verification Report at 8.

⁵⁸ See Navneet Cost Verification Report at 10-11.

⁵⁹ See Navneet's BCDQR at D-27 - D-29.

⁶⁰ See Navneet Cost Verification Report at 11-12 and exhibit CVE-7A at 2-3; and Navneet's BCDQR at D-27 – D-28.

⁶¹ See Navneet's BCDQR at D-25, and D-27 – D-28.

product.⁶² In order to report product-specific labor and overhead costs to Commerce, Navneet utilized two methodologies. For direct costs (*i.e.*, the costs accumulated in direct cost centers), Navneet first determined the standard processing hours for each product as captured in the routing sheets in the PP Module of the SAP® system.⁶³ For indirect costs, Navneet allocated the POR total costs at all indirect cost centers at each plant to all the products produced at that plant based on the standard kilograms of paper consumed for each product.⁶⁴

As detailed below, Commerce's cost verification in this review indicates that Navneet's reported costs: (1) are based on the company's normal books and records in Navneet's SAP® system that are kept in accordance with the generally accepted accounting principles (GAAP) of India; (2) reasonably reflect the company's costs for producing subject merchandise; (3) reconcile to its production records and audited financial statements;⁶⁵ and (4) are 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.⁶⁶ 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 GAAP in India and reasonably reflect the company's costs for producing subject merchandise. Further, as explained in greater detail below, we disagree with the petitioners' arguments that Navneet should have instead reported the estimated product-specific costs recorded in its MM Module of the SAP® system because: (1) they are more accurate than the reported standard costs within the PP Module;⁶⁷ (2) they reflect actual consumption more closely than the alternative once they are adjusted to reflect actual costs using the same methodology Navneet applied to its BOM-based costs;⁶⁸ and (3) the estimated product-specific per-unit costs within the MM Module are as specific and accurate as any standard cost can be, and nothing on the record prevents those books and records from reasonably reflecting the cost to product subject merchandise.⁶⁹

At the cost verification, company officials stated that Navneet values its raw materials based on a moving average of its purchase costs, and its cost of sales is based on the actual cost recorded in the general ledgers and trial balance.⁷⁰ Company officials also noted that because Navneet does not use a cost accounting system, information on production quantities, material consumption quantities, and processing time are tracked by the production order as kept in the SAP®'s PP Module.⁷¹ Furthermore, company officials demonstrated how various production and cost

⁶² *Id.* at D-28 – D-29.

⁶³ *Id.* at D-25 – D-29 and Exhibits D.23 and D.24.

⁶⁴ *Id.*

⁶⁵ See Navneet Cost Verification Report at 4-8, 10-13, and 15-33.

⁶⁶ 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 Issues and Decision Memorandum (IDM) at 9-11.

⁶⁷ See Petitioners' Case Brief at 16, 18, and 22-25.

⁶⁸ *Id.* at 16.

⁶⁹ *Id.* at 18.

⁷⁰ See Navneet Cost Verification Report at 7.

⁷¹ *Id.* at 10.

information can be retrieved from within the PP Module of Navneet's SAP® system.⁷² They demonstrated that Navneet's SAP® system can indicate which SKU (stock keeping unit, *i.e.*, product code) was produced, as well as when and where the specific SKU was produced.⁷³ They noted that the quantity produced was recorded in SAP® after it is fully packed.⁷⁴ They also noted that a production report is produced for each production order, which includes the estimated production quantity and the actual production quantity.⁷⁵ Therefore, the BOM-based costs within the PP Module can be reconciled to Navneet's production records. By contrast, the petitioners' preferred source, the product-specific estimated costs that were entered into the MM Module are set at the beginning of business year (October or November), are based on the prevailing rates received from material department.⁷⁶ These rates are not updated or corrected to the actual cost of the various inputs at any time, but the October/ November snapshot is used throughout the coming business year. Thus, throughout the year the cost estimate remains the same irrespective of fluctuations in the actual cost, which can be substantial, and can move differently for different products.⁷⁷ Even though the estimated costs within the MM Module are product specific, they remain the same irrespective of fluctuations in the actual cost throughout the year.⁷⁸ Therefore, the estimated costs within the MM Module cannot be reconciled to Navneet's production records.

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 the reported BOM-based costs 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 an inventory valuation, and that Navneet's practice of not relying on its estimated costs in the MM Module for inventory valuation, financial statements, or calculation of actual production costs is unsupported by record evidence.⁷⁹ In its questionnaire response, Navneet explained the inadequacy and limitations of its estimated product-specific unit costs as maintained in the MM Module of its SAP® system with regard to inventory valuation at quarter end or year end, and why Navneet chose not to rely on the estimated product-specific cost as maintained in the MM Module of its SAP® system in its section D questionnaire response.⁸⁰ Specifically, Navneet stated that the estimated inventory values that it enters into the MM Module of the SAP® system reflect the previous business period's ending product-specific inventory values, which are merely placeholder estimates that do not reflect the actual costs incurred during the POR to produce lined paper.⁸¹ The SAP® estimated product-specific costs recorded at the beginning of the year in the MM Module of the SAP® system were never used in

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ *Id.* at 7-8; *see also* Navneet's BCDQR at D-20.

⁷⁷ *See* Navneet's Cost Verification Report at 7-8.

⁷⁸ *Id.*; *see also* Navneet BCDQR at D-20 – D-21.

⁷⁹ *See* Petitioners' Case Brief at 22 (citing Navneet Cost Verification Report at 8-9; and Navneet's BCDQR at D-20).

⁸⁰ *See* Navneet's BCDQR at D-19 – D-21; *see also* Navneet Cost Verification Report at 7-8.

⁸¹ *See* Navneet's BCDQR at D-19 – D-20; *see also* Navneet's Rebuttal Brief at 4-7.

the calculation of Navneet's finished goods inventory of the current year, because they reflect the previous business period's ending product-specific inventory values. The beginning estimated values are not updated or corrected to the actual cost of the various inputs at any time, regardless of fluctuations in the actual cost, which can be substantial, and can move differently for different products.⁸² These estimated values do not tie to Navneet's financial statements.⁸³ We find these facts support Navneet's claim that it merely uses the inventory valuations in the MM Module of the SAP® system as placeholder estimates. Therefore, Navneet did not use those estimated costs in the calculation of the finished goods inventory that reconciles to Navneet's financial statements.⁸⁴ Rather, Navneet calculated its product-specific finished goods inventory based on a ratio between the aggregate COP and the aggregate maximum retail price.⁸⁵ It then applied this ratio to the maximum retail price (MRP) of each finished product in the ending inventory to value the product-specific finished goods inventory.⁸⁶ 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.⁸⁷

We also disagree with the petitioners' arguments that it is erroneous and misleading for Navneet to compare its estimated costs in the MM Module to actual costs, rather than comparing them to Navneet's reported standard costs in the PP Module.⁸⁸ According to the petitioners, while variances are applied to standard costs to adjust them to actual values, unless those variances are product-specific (which is not normally the case, and is not the case under Navneet's cost-reporting methodology), application of variances does not make costs any more product-specific.⁸⁹ Navneet counters that the petitioners argue that a table Navneet provided to Commerce during Navneet's cost verification shows that the standard costs from the MM Module and PP Module are significantly different which discredits the use of the BOM-based costs reported.⁹⁰ As previously noted, the MM Module standards are estimates where the BOMs indicate the actual quantity of each input needed to produce the finished product and these quantities were subsequently multiplied by the actual average input prices incurred during the POR, as recorded in its SAP® system.

We also disagree with the petitioners' claim that Navneet's estimated costs within the MM Module should have been used because they are "developed and regularly updated product-specific" costs that are "based on regularly-updated and highly specific data."⁹¹ The estimated costs are set at the beginning of the business year and are not updated or corrected to the actual cost of the various inputs at any time but remained the same throughout the year.⁹² We find that

⁸² See Navneet Cost Verification Report at 7-8; and Navneet's BCDQR at D-20.

⁸³ See Navneet's BCDQR at D-21.

⁸⁴ See Navneet Cost Verification Report at 7-8.

⁸⁵ See Navneet Cost Verification Report at 6; *see also* Navneet's BCDQR at D-20.

⁸⁶ See Navneet Cost Verification Report at 6-7; *see also* Navneet's BCDQR at D-20.

⁸⁷ See Navneet Cost Verification Report at 6; *see also* Navneet's Rebuttal Brief at 11.

⁸⁸ See Petitioners' Case Brief at 17-21.

⁸⁹ *Id.* at 19.

⁹⁰ See Navneet Cost Verification Report at 6-9 and Exhibit CVE-6.

⁹¹ See Petitioners' Case Brief at 21.

⁹² See Navneet Cost Verification Report at 7-8.

Navneet based its reported BOM-derived costs on its normal books and records kept in accordance with generally accepted accounting principles in India and reasonably reflect the actual cost of producing lined paper during the POR because they are specific to every product and reconcile to Navneet's production records and audited financial statements as opposed to the estimated costs in the MM Module in SAP®, which are a one-time estimated snapshot of theoretical material costs.⁹³

The petitioners further argue that Navneet's reported BOM-based costs from the PP Module in SAP® are self-serving and distortive because a sale examined during the cost verification demonstrated that the final sales price of the product was below Navneet's estimated costs from the MM Module in SAP®.⁹⁴ We disagree because the petitioners' argument mischaracterizes Commerce's observations during verification. The verifiers only found that the final sales price for the examined sale was slightly below Navneet's "estimated first offer price," which is inclusive of Navneet's estimated profit margin.⁹⁵ Therefore, the final sales price for the product was slightly below the estimated first offer price, not the estimated costs as the petitioners claim.

Thus, we find that Navneet's reported costs reasonably reflect the actual cost of lined paper because they are product-specific, rely on Navneet's normal books and records, which are kept in accordance with Indian GAAP, and reconcile to Navneet's audited financial statements.

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 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 submitted timely and complete responses to Commerce's questionnaires and submitted additional supporting information during the verification of the company's responses.⁹⁶ 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, Navneet timely provided complete responses to the initial questionnaire⁹⁷ and one supplemental questionnaire.⁹⁸ Furthermore, at the cost verification, Commerce reconciled

⁹³ See Navneet Cost Verification Report at 8-9.

⁹⁴ See Petitioners' Case Brief at 24.

⁹⁵ See Navneet Cost Verification Report at 9.

⁹⁶ See, e.g., Navneet's Letter, "Certain Lined Paper Products from India: Response of Navneet Education Limited to Antidumping Questionnaire, Section A," dated February 12, 2019 (Navneet's AQR); Navneet's BCDQR; Navneet's SQR; Navneet Sales Verification Report; and Navneet Cost Verification Report.

⁹⁷ See Navneet's AQR; see also Navneet's BCDQR.

⁹⁸ See Navneet's SQR.

Navneet's cost responses to its production records and its audited financial statements.⁹⁹ During the cost verification, Navneet also provided a detailed explanation of its cost reporting method, including documentation and exhibits that included a detailed calculation of the BOM for the five control numbers (CONNUMs) with the highest sales volume in the U.S. market, as well as a step-by-step illustration of the cost reporting methodology it employed.¹⁰⁰ These verification exhibits and the exhibits submitted throughout this proceeding 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.¹⁰¹ Based on the facts of the record and on Commerce's practice in this¹⁰² and other AD proceedings,¹⁰³ 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 Adjust Navneet's G&A Expenses

Petitioners' Case Brief Arguments

- If Commerce does not apply AFA to Navneet or adjust its reported costs as suggested in Comment 1 above, Commerce should add the unconsolidated net operating costs of Navneet's holding company, Navneet Trust, to Navneet's reported G&A expenses.¹⁰⁴
- According to Navneet, Navneet Trust controls a single entity, Navneet, in addition to passive, minority stakes in publicly listed companies and mutual funds. Navneet Trust does not appear to have its own operations, other than passive investments, and its only purpose appears to be holding Navneet's stock.¹⁰⁵
- Citing *Rebar from Turkey*, the petitioners argue that Commerce's policy is to include such entities' unconsolidated net operating costs in the costs of its subsidiaries.¹⁰⁶

⁹⁹ See Navneet Cost Verification Report at 15-19.

¹⁰⁰ See Navneet Cost Verification Report and the accompanying cost verification exhibits.

¹⁰¹ See Navneet's BCDQR at Exhibits D.4 through D.29; see also Navneet's SQR at 22-23 and Exhibits D.30 through D.32; and Navneet's Cost Verification Report at 11-13 and Exhibits CVE-7A through CVE-7E.

¹⁰² See *Certain Lined Paper Products from India: Final Results of Antidumping Duty Administrative Review*; 2016-2017, 84 FR 23017 (May 21, 2019), and accompanying IDM at Comment 1; see also *Lined Paper from India Preliminary Results 2014-2015* PDM at 15-17; and *Lined Paper from India 2014-2015* IDM at 9-11.

¹⁰³ See, e.g., *Final Determination of Sales at Not Less Than Fair Value: Prestressed Concrete Steel Rail Tie Wire From Thailand*, 79 FR 25574 (May 5, 2014), and accompanying 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.

¹⁰⁴ See Petitioners' Case Brief at 28.

¹⁰⁵ *Id.* at 28-29.

¹⁰⁶ *Id.* at 29 (citing *Certain Steel Concrete Reinforcing Bars from Turkey; Final Results and Rescission of Antidumping Duty Administrative Review in Part*, 71 FR 65082 (November 7, 2006) (*Rebar from Turkey*), and accompanying IDM at Comment 8).

Navneet's Rebuttal Brief Arguments

- Navneet Trust holds a minority share of Navneet. Under Indian law, such a minority shareholder is not considered a holding company.¹⁰⁷ Furthermore, Navneet's accounts are not consolidated with those of Navneet Trust.¹⁰⁸
- Commerce's practice is to derive the G&A expense ratio based on the respondent's own financial statements, not including the G&A expenses of its parent, and Commerce only relies on consolidated financial statements when calculating interest expense ratios.¹⁰⁹
- The petitioners are incorrect to assume that Navneet Trust does not have any operations of its own and is only a passive investor whose sole purpose is to hold Navneet's stock. Rather, Navneet Trust engages in financing activities for which it earns substantial interest income.¹¹⁰
- In *Rebar from Turkey*, Commerce determined to include a holding company's expenses in the G&A of its subsidiary because there were transactions between the holding company and the respondent subsidiary.¹¹¹ Commerce further found that the holding company's sole activity was related to servicing group companies and, because the transactions were related to a building lease, Commerce applied the affiliated transactions disregarded rule under section 773(f)(2) of the Act and added the holding company's G&A expenses to the subsidiary.¹¹²
- Navneet's situation is fundamentally different since Navneet Trust provides no services to Navneet; therefore, Commerce should not apply the transactions disregarded rule or allocate any portion of Navneet Trust's expenses to Navneet's G&A.¹¹³ Regardless, if Navneet Trust's expenses were added to the numerator of the G&A ratio, the denominator would have to be expanded to include the cost of sales of Navneet Trust and all of its subsidiaries, and this information is not on the record.¹¹⁴

Commerce Position: We disagree with the petitioners. Section 773(b)(3)(B) of the Act provides that, for purposes of calculating COP, Commerce shall include "an amount for selling, general and administrative expenses based on actual data pertaining to the production and sales of the foreign like product by the exporter in question." The Act does not define what constitutes G&A expenses or prescribe a specific methodology for calculating G&A expenses. Section 773(f)(1)(a) of the Act further provides that Commerce will calculate costs based on a respondent's normal books and records and that Commerce "shall consider all available evidence on the proper allocation of costs." Commerce's practice is to allocate a parent company's G&A expenses to its subsidiary in situations where the parent company provided services to the subsidiary or incurred expenses on its behalf.¹¹⁵ We find that the petitioners' reference to *Rebar from Turkey* is distinct from the instant review because the respondent in that proceeding had

¹⁰⁷ See Navneet's Rebuttal Brief at 22.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ *Id.* (citing Navneet's SQR at Exhibit D-34a).

¹¹¹ *Id.* at 22-23 (citing *Rebar from Turkey* IDM at Comment 8).

¹¹² *Id.* at 23 (citing *Rebar from Turkey* IDM at Comment 8).

¹¹³ *Id.*

¹¹⁴ *Id.* at 23-24.

¹¹⁵ See, e.g., *Silicon Metal from Norway: Affirmative Final Determination of Sales at Less Than Fair Value, Final Determination of No Sales, and Final Negative Determination of Critical Circumstances*, 83 FR 9829 (March 8, 2018), and accompanying IDM at Comment 3; see also *Brass Sheet and Strip from Canada: Final Results of Antidumping Duty Administrative Review*, 65 FR 37520 (June 15, 2000), and accompanying IDM at Comment 2.

transactions with its parent company related to a building lease and related services, and the parent company's sole activity appeared to be related to servicing the subsidiary and other group companies.¹¹⁶ In this segment of the proceeding, we find no record evidence that Navneet Trust incurred any expenses on behalf of Navneet or that there were any transactions between Navneet Trust and Navneet during the POR. Additionally, the record evidence demonstrates that Navneet Trust is engaged in financial activities and earns interest income on loans,¹¹⁷ which contradicts the petitioners' argument that Navneet Trust acts only as a parent company and does not have any operations of its own. Accordingly, because Navneet Trust did not provide services to Navneet or incur expenses on its behalf we are not making any adjustments to Navneet's G&A expense ratio for the purposes of the final results.

Comment 3: Whether Commerce Should Adjust the SAS Programs to Use Navneet's Comparison Market Sales for NV Instead of CV

Navneet's Case Brief Arguments:

- In Navneet's margin program for the *Preliminary Results*, Commerce inadvertently used CV instead of using Navneet's reported home-market sales for calculating NV due to an unintentional programming error that resulted in none of Navneet's home market sales being considered for matching.¹¹⁸
- Navneet is the producer of all of the subject merchandise that is sold in both the U.S. and home markets, and Navneet reported itself as the manufacturer for all sales by setting the value of the manufacturer field (MFRH) in the Home Market sales file to "NAVNEET" and the value of the manufacturer field (MFRU) in the U.S. sales file to "Navneet."¹¹⁹
- Commerce's margin program, however, is case sensitive and thus does not recognize that "NAVNEET" in the MFRH field and "Navneet" in the MFRU field refer to the same manufacturer. As a result, the margin program incorrectly concluded that home market sales and U.S. sales are not produced by the same manufacturer and resorted to CV for all sales.¹²⁰

No other party commented on this issue.

Commerce's Position: We agree with Navneet. Accordingly, for these final results, we adjusted the MFRH and MFRU fields so that Navneet's SAS Margin program uses Navneet's reported home-market sales as the source for calculating NV instead of CV.¹²¹

¹¹⁶ See *Rebar from Turkey* IDM at Comment 8.

¹¹⁷ See Navneet's AQR at A-7 – A-8, A-10 – A-12, A-31 and Exhibit A.4a; see also Navneet's SQR at 25-26 and Exhibit D-34a; and Navneet's Rebuttal Brief at 22-23.

¹¹⁸ See Navneet's Case Brief at 2 (citing Navneet's BCDQR at B-56 and C-57; and Navneet Sales Verification Report at 17).

¹¹⁹ *Id.*

¹²⁰ *Id.* at 2-3.

¹²¹ See Navneet's Final Sales and Cost Calculation Memorandum at "III. Changes from the Preliminary Results."

Comments Concerning SAB International

Comment 4: Whether Commerce Should Apply Total or Partial AFA to SAB's Classification of Certain Sales as Canadian Sales Rather than U.S. Sales

Petitioners' Case Brief Arguments

- In the final results, Commerce should apply total AFA to SAB because the record indicates that SAB inappropriately reported certain sales to a U.S. customer as Canadian sales, resulting in inaccurate and/or incomplete U.S. and Canadian databases and reporting.¹²²
- In the sample sales documentation provided in its questionnaire response, SAB classified certain sales to a U.S.-based customer, "Customer X," as Canadian sales rather than as U.S. sales.¹²³
- Commerce instructed SAB to document the sales to Customer X that were delivered to Canadian customers.¹²⁴
- In its second supplemental questionnaire response, SAB stated that Customer X is based in the United States, and the sales documents reflect sales for U.S. delivery, but that Customer X subsequently instructed SAB, through a breakdown of its purchase order that certain items should be delivered to Canada.¹²⁵ SAB then reported those sales to Customer X as Canadian sales based on Customer X's delivery instructions.
- Despite Commerce's request that SAB provide documentation of actual delivery to Canada for the relevant sales, SAB failed to provide *any* documentation for most of the sales that SAB identified as being delivered to Canada.¹²⁶
- For those sales for which SAB did provide sales documentation, SAB fails to demonstrate that the relevant goods were actually delivered to Canada,¹²⁷ because the terms of sales for these transactions indicates that SAB delivered and incurred freight only to a dry port in India.¹²⁸
- There is no evidence of any communications between SAB and the Canadian customer on the commercial invoices or any other evidence to confirm that the merchandise was, in fact, sold to or delivered to Canada.¹²⁹
- In *Solar Products*, Commerce found that there was insufficient documentary evidence to support the respondent's claims that shipping documentation for particular transactions should be treated as third country sales to Mexico, and thus, Commerce treated the transactions at

¹²² See Petitioners' Case Brief at 2-3.

¹²³ *Id.* at 2-3 (citing SAB's Letter, "Certain Lined Paper Products from India: SAB International's Response to Section BCD of the Original Antidumping Questionnaire," dated March 28, 2019 (SAB's BCDQR) at Exhibit B-1). The identity of Customer X is proprietary.

¹²⁴ *Id.* at 3; *see also* Commerce's Letter, "Antidumping Duty Administrative Review of Certain Lined Paper Products from India (AR12) - Sections A-D 2nd Supplemental Questionnaire," dated September 12, 2019 (Commerce's SQ2).

¹²⁵ See Petitioners' Case Brief at 3 (citing SAB's Letter, "Certain Lined Paper Products from India: SAB International's Response to 2nd Supplemental Section ABCD of the Original Antidumping Questionnaire," dated October 7, 2019 (SAB's SQR2), at 5-6).

¹²⁶ *Id.*

¹²⁷ *Id.* at 3-4 (citing SAB's SQR2 at Exhibit S2-1(b)).

¹²⁸ *Id.* (citing SAB's BCDQR at B-35-B-36, where SAB describes that the terms of sales to Canada are "dry port of exportation" or "FOB-Sea Port.>").

¹²⁹ *Id.* at 4.

issue as U.S. sales.¹³⁰ In the instant case, Commerce should also find that there was insufficient documentary evidence to support SAB's claim that the sales in question were actually delivered to Canada.¹³¹

- SAB's data indicated that both Canada and Sweden met the minimum five-percent aggregate volume threshold required for a third country to be selected as a comparison market. SAB selected Canada as the comparison market because SAB reported selling more volume to Canada than to Sweden.¹³²
- SAB did not provide specific details or descriptions of the goods sold in the top three third-country markets or the channels of distribution there, despite Commerce having requested such information.¹³³ In its supplemental questionnaire response, SAB provided only general comparisons of the products sold in each market, based on limited physical characteristics, and no relevant volume data.¹³⁴
- Without identifying all product codes and CONNUMs sold in each third-country market that were also sold to the United States, SAB's reporting left unclear the extent to which SAB sold the same product codes and CONNUMs in the United States, Canada, Sweden, and/or Greece. The only record evidence to support Canada as the comparison market is that it has the largest sales volume of the three third-country markets.¹³⁵
- SAB failed to provide Commerce with requested documentation confirming that certain sales were delivered to Canada. It has not developed a record that allows Commerce to reasonably conclude that SAB's U.S. sales database is accurate and complete. Similarly, SAB has not developed a record that allows Commerce to reasonably conclude that SAB's third country reporting is appropriate or accurate. When considered in totality, these reporting discrepancies render SAB's data unusable as the basis for accurate margin calculations.¹³⁶
- SAB's failure (whether or not intentional) to provide Commerce with requested information, and otherwise to provide accurate and complete information, warrants the application of total AFA for the final results.¹³⁷
- At a minimum, SAB's failure to provide documentation to support the nature of the sales at issue as Canadian sales warrants the application of partial AFA by treating those sales as U.S. sales, and applying to them the highest rate calculated for any U.S. transaction.¹³⁸

SAB's Rebuttal Comments

- Commerce should reject the petitioners' unsupported claims that SAB inappropriately reported certain sales to a U.S. customer as Canadian sales, resulting in inaccurate and/or

¹³⁰ *Id.* at 5 (citing *Certain Crystalline Silicon Photovoltaic Products from Taiwan: Final Results of Antidumping Duty Administrative Review; 2014-2016*, 82 FR 31555 (July 7, 2017) (*Solar Products*), and accompanying IDM at Comment 1).

¹³¹ *Id.*

¹³² *Id.* at 7 (citing SAB's Letter, "Certain Lined Paper Products from India: SAB International's Response to Section A of the Original Antidumping Questionnaire," dated March. 7, 2019 (SAB's AQR) at q. 1).

¹³³ *Id.*

¹³⁴ *Id.* at 8 (citing SAB's letter, "Certain Lined Paper Products from India: SAB International's Response to Sections ABCD of the 1st Supplemental Antidumping Questionnaire," dated August 14, 2019 (SAB's SQR1) at 3-5).

¹³⁵ *Id.* at 8-9.

¹³⁶ *Id.* at 9-10.

¹³⁷ *Id.* at 10.

¹³⁸ *Id.*

incomplete U.S. and Canadian database reporting, and therefore AFA should be applied to SAB in the final results.¹³⁹

- SAB has properly reported the Canadian Sales. In its first supplemental questionnaire response, SAB provided sample sales documentation for sales to Customer X which reflects that delivery was made to Canada.¹⁴⁰
- Commerce subsequently instructed SAB to identify all sales for which the order was made by Customer X, but delivery was made to Canada.¹⁴¹ As detailed below, SAB provided the requested information in which SAB demonstrated in sales documentation for the selected sample sales that the goods at issue were actually shipped to Canada during the POR.¹⁴²
- In its second supplemental questionnaire response, SAB also explained that Customer X is a U.S.-based trader, which buys from SAB and sells to chain stores that have stores in both the United States and Canada. SAB indicated that Customer X initially makes an inquiry for a lump-sum quantity regardless of the destination to be shipped. After the negotiation, Customer X issues a destination wise breakdown of the quantity to be dispatched.¹⁴³ Once this purchase order is accepted, Customer X issues the purchase order breakdown that specifies the location code and the address to which the merchandise is to be shipped. As demonstrated in its questionnaire responses, SAB has submitted documents demonstrating that the goods were actually delivered to Canada.¹⁴⁴
- The petitioners do not reference the forwarder's cargo receipt (*i.e.*, bill of lading issued by the shipper) in claiming that SAB's sales documentation for the selected sample sales do not show that the relevant goods were actually delivered to Canada. In their claim, the petitioners reference only the commercial invoice and packing list. However, the forwarder's cargo receipt for all selected sales clearly specifies the port of discharge as Canada. The forwarder's cargo receipt, in turn, links to the purchase order from the customer that specifies that the order was to be delivered to Canada.¹⁴⁵
- Similarly, the petitioners do not acknowledge the breakdown of the purchase order from Customer X when claiming there is no evidence of any communications between SAB and the Canadian customer on the commercial invoices or any other evidence to confirm that the merchandise was, in fact, sold to or delivered to Canada. The reason that SAB does not communicate with the consignee in Canada is because the purchase order from Customer X specified the place of delivery as Canada.¹⁴⁶
- *Solar Products*, as referenced by the petitioners, is distinct from the instant review. In *Solar Products*, because the invoices and other shipping documents indicated the shipping address was located within the United States, Commerce determined that the sales at issue were made to the United States.¹⁴⁷ In the instant case, the invoices, purchase order and shipping

¹³⁹ See SAB's Rebuttal Brief at 3.

¹⁴⁰ *Id.* at 3-4 (citing SAB's SQR1 at Exhibit S1-4 (b)).

¹⁴¹ *Id.* at 4.

¹⁴² *Id.* (citing SAB's SQR2 at Exhibit S2-1(b)).

¹⁴³ *Id.* (citing SAB's SQR2 at Exhibit S2-1(b)).

¹⁴⁴ *Id.* (citing SAB's SQR1 at Exhibit S1-4(b); and SAB's SQR2 at Exhibit S2-1(b)).

¹⁴⁵ *Id.* at 4-5.

¹⁴⁶ *Id.* at 5.

¹⁴⁷ *Id.* at 6-7 (citing *Solar Products* IDM at Comment 1 at 5-12 where Commerce stated that its general practice involving the "knowledge test" is to consider documentary or physical evidence that the producer knew or should

documents submitted by SAB demonstrate that the merchandise was destined for Canada and not the United States.

- The petitioners did not submit any documentary evidence demonstrating the merchandise was not delivered to Canada.¹⁴⁸
- The petitioners further claim that SAB failed to demonstrate that sales to Canada constitute a more appropriate comparable market to Sweden.¹⁴⁹ In its first questionnaire response, SAB provided a detailed comparison (based on physical characteristics of the products) between merchandise exported to United States with merchandise exported to Canada and Sweden.¹⁵⁰
- Claiming that SAB provided only general comparisons of the products sold in each market, based on limited physical characteristics, without providing relevant volume data, the petitioners failed to note that comparison by physical characteristics is more relevant because the dumping margin is calculated by comparing the products with identical physical characteristics regardless of the volumes.¹⁵¹
- The volume of SAB's sales to Canada is greater than the volume of SAB's sales to Sweden. Furthermore, a significant percentage of SAB's U.S sales by volume are identical in terms of CONNUMs to those sold in Canada.¹⁵² Therefore, the Canadian market is the more appropriate comparison market.
- Based on the foregoing, application of total AFA as claimed by the petitioners is unwarranted and should be rejected.¹⁵³

Commerce's Position: We disagree with the petitioners that the application of total or partial AFA is 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 information.

The issues raised by the petitioners concerning SAB's sales reporting do not meet the criteria for facts otherwise available, as provided in section 776(a) of the Act, much less demonstrate that SAB has failed to comply to the best of its ability, as provided in section 776(b) of the Act. We find that SAB has responded to Commerce's questions in a timely manner and acted to the best of its ability to comply with our requests for information regarding the sales involving Customer

have known at the time of sale the ultimate destination of the products it sells, because this type of evidence is more probative, reliable and verifiable than unsubstantiated statements or declarations. Here SAB has submitted documents (*i.e.*, purchase order, commercial invoice and forwarders cargo receipt) demonstrating that the merchandise was destined for Canada.).

¹⁴⁸ *Id.* at 7.

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* (citing SAB's SQR1 at 3-5).

¹⁵¹ *Id.*

¹⁵² *Id.* at 7-8.

¹⁵³ *Id.* at 8.

X. In a supplemental questionnaire, Commerce instructed SAB to “identify all sales reported in the Canadian sales database” for the sales at issue, to which SAB identified the customer involved in all such sales and provided a list of all sales for which the purchase order was received from Customer X in the United States.¹⁵⁴ In its second supplemental questionnaire, Commerce also instructed SAB to “provide supporting documentation demonstrating these sales were actually delivered” in the manner SAB claimed, to which SAB provided sample sales documentation for several sales destined for Canada via Customer X.¹⁵⁵ In addition to the sales supporting documents provided in SQR2, we note that in its first supplemental questionnaire, SAB had provided supporting documents for another similar sale to Canada due to changes in the original purchase order.¹⁵⁶ This document trail is consistent with and mirrors the sales documents provided in SAB’s SQR2 at Exhibit S2-1(a). The sample sales documentation provided demonstrates that the merchandise sold to Customer X was shipped to Canada during the POR.¹⁵⁷ While Customer X issued a purchase order with a U.S. address, the subsequent breakdown of the purchase order, the commercial invoice, and the forwarder’s cargo receipt specify that the port of discharge is in Canada.¹⁵⁸ Thus, based on the information provided by SAB, we determine that the merchandise in question was delivered to Canada and the sales were properly reported as Canadian sales.¹⁵⁹

The petitioners also argue that Commerce should doubt SAB’s claim that the merchandise in question was ultimately delivered to Canada because the terms of sale for the transactions indicate that SAB only incurred freight charges to a dry port in India. We disagree that this information demonstrates that the merchandise in question was never delivered to Canada and, thus, should be considered as unreported U.S. sales. First, as noted above, record information demonstrates that the merchandise was, in fact, delivered to Canada.¹⁶⁰ Second, the petitioners’ argument fails to acknowledge that SAB has identical terms of delivery for its U.S. and Canadian customers (*i.e.*, FOB dry-port or sea-port in India).¹⁶¹ Thus, the presence of such terms of sale does not necessarily demonstrate the existence of a U.S. or Canadian sale.

We also disagree with the petitioners’ argument that the absence of any communication between SAB and the ultimate Canadian customer on the record belies SAB’s claims that the merchandise was sold in Canada. The fact remains that the purchase order breakdown, commercial invoice, and bill of lading for the sales in question specify a Canadian address.¹⁶²

We also find the facts of *Solar Products* are distinct from those of the instant review. In *Solar Products*, the source documents for the transactions at issue indicated a shipping address located

¹⁵⁴ See Commerce’s Letter, “Antidumping Duty Administrative Review of Certain Lined Paper Products from India (AR12) - Sections A-D 2nd Supplemental Questionnaire,” dated September 12, 2019 (Commerce’s SQ2) at q. 3; and SAB’s response in its SQR2 at Exhibit S2-1(a).

¹⁵⁵ See Commerce’s SQ2 at 3; and SAB’s SQR2 at Exhibit S2-1(b).

¹⁵⁶ See SAB’s SQR1 at Exhibit S1-4(b).

¹⁵⁷ See SAB’s SQR2 at Exhibit S2-1(b).

¹⁵⁸ See SAB’s BCDQR at Exhibit B-1; *see also* SAB’s SQR1 at Exhibit S1-4(b).

¹⁵⁹ See SAB’s SQR1 at Exhibit S2-1; *see also* SAB SQR2 at Exhibit S2-1 (b).

¹⁶⁰ See, *e.g.*, SAB’s BCDQR at Exhibit B-1; *see also* SAB’s SQR1 at Exhibit S1-4(b).

¹⁶¹ See SAB’s BCDQR at B-26 and C-23.

¹⁶² See, *e.g.*, SAB SQR2 at Exhibit S2-1 (b); and SAB’s SQR1 at Exhibit S1-4(b).

within the United States, whereas in the instant review, the sales documentation for the transactions at issue demonstrate that the merchandise was delivered to Canada.¹⁶³ Additionally, Commerce later amended the final results in *Solar Products* in response to a court decision issued by the U.S. Court of International Trade and ultimately accepted the source documents submitted by the respondent as sufficient documentary evidence to demonstrate that the transactions at issue were third country sales to Mexico shipped through U.S. foreign-trade zones.¹⁶⁴ Thus, *Solar Products* does not support the petitioners' argument regarding the sufficiency of the evidence submitted by SAB to substantiate its claim that the transactions at issue were Canadian sales.

We also disagree with the petitioners' argument that SAB failed to demonstrate that Canada is the appropriate comparison market.¹⁶⁵ SAB reported no sales of the foreign like product in the home market.¹⁶⁶ When there are no sales of the foreign like product in the home market, section 773(a)(1)(C) of the Act provides that sales of the foreign like product to a third country market may be used in place of home market sales for purposes of determining NV. Section 773(a)(1)(B)(ii) of the Act further provides that Commerce will base NV on prices in a third country market if: (1) prices in the third country market are representative; (2) the aggregate quantity (or value) of sales in the third country market is five percent or more of the aggregate quantity (or value) of U.S. sales; and (3) no "particular market situation" exists that would prevent appropriate comparisons with U.S. prices. Where prices in more than one third country market satisfy the requirements of section 773(a)(1)(B)(ii) of the Act, such as in this case (*i.e.*, Canada and Sweden), Commerce will generally select the third country on the basis of the following criteria set forth in 19 CFR 351.404-6: (1) whether the foreign like product exported to a particular third country is more similar to the subject merchandise exported to the United States than the foreign like product exported to other third countries; (2) whether the volume of sales to a particular country is larger than the volume of sales to other third countries; and (3) other factors that Commerce considers appropriate. A CONNUM-specific comparison of products sold in the United States and Canada during the POR indicates that a significant percentage of U.S. sales by volume are identical to those sold in Canada.¹⁶⁷ Further, record information indicates that Canada is SAB's largest third country sales destination by volume.¹⁶⁸ There is no other record evidence that would raise a concern regarding the suitability of Canada as the third

¹⁶³ See *Solar Products* IDM at Comment 1 at 5-12, where Commerce stated that its general practice involving the "knowledge test" is to consider documentary or physical evidence that the producer knew or should have known at the time of sale the ultimate destination of the products it sells, because this type of evidence is more probative, reliable and verifiable than unsubstantiated statements or declarations; see also SAB's BCDQR at Exhibit B-1 and SAB's SQR1 at Exhibit S1-4(b) where SAB shows that it has submitted documents (*i.e.*, purchase order, commercial invoice and forwarders cargo receipt) demonstrating that the merchandise was destined for Canada.

¹⁶⁴ See *Certain Crystalline Photovoltaic Products from Taiwan: Notice of Court Decision Not in Harmony with the Final Results of the Antidumping Duty Administrative Review, 2014-2016*; and *Notice of Amended Final Results of the Antidumping Duty Administrative Review, 2014-2016*, 84 FR 26648 (June 7, 2019).

¹⁶⁵ See Petitioners' Case Brief at 8-9.

¹⁶⁶ See SAB's AQR at 6 and Exhibit A-1.

¹⁶⁷ See SAB's reported U.S. sales data and Canadian sales data; see also SAB's Rebuttal Brief at 7-8 for the comparison table.

¹⁶⁸ See SAB's BCDQR at Exhibit B-1; see also SAB's SQR1 at Exhibit S1-4(b); and SAB's SQR2 at Exhibit S2-1(b).

country market. Therefore, we find that the Canadian market is the most appropriate comparable third country market in this proceeding. Accordingly, we have continued to use the Canadian market as the comparison market for calculation of SAB's NV in these final results.

Comment 5: Whether Commerce Should Adjust SAB's Calculations of Rent Paid to an Affiliated Party

Petitioners' Case Brief Comments:

- SAB provided the rent it paid to an unaffiliated party, which was higher than the rent paid to its affiliate. SAB claims the rent paid to its affiliate covered only land while the rent paid to the unaffiliated party covered land and buildings.¹⁶⁹
- However, the document relating to the unaffiliated land transaction simply indicates the area of the property and that the affiliated party owned the property.¹⁷⁰ The document does not support SAB's claim that there are factory premises at the relevant location that the non-affiliated party could have rented.¹⁷¹
- Thus, it is appropriate to compare the rent SAB paid to its affiliate to the rent it paid on the unaffiliated transaction when determining whether the affiliated transaction was at arm's length.
- Additionally, in the final results, Commerce should rely on the affiliated rental payment information SAB provided in its second supplemental questionnaire response because this constitutes the most up-to-date information from SAB.¹⁷²

SAB's Rebuttal Arguments

- Commerce should not adjust the calculations relating to the rent SAB paid to the affiliated party because SAB demonstrated the payments were at arm's length.¹⁷³
- In its first supplemental questionnaire response, SAB provided the average rent SAB paid to the affiliated party compared to the market rent paid per square feet.¹⁷⁴ This information demonstrates that the market rent, which included land and buildings, is slightly higher than the rent paid to the affiliated party, which included only land.¹⁷⁵

Commerce's Position: We agree with the petitioners that SAB's rental payments to its affiliate were not at arm's length. In its section A response, SAB indicated that it paid rent to the family relative of its partner.¹⁷⁶ In its first supplemental questionnaire, Commerce instructed SAB to describe in detail the affiliated party involved in the rental payment, the amount paid per month/year, and explain with supporting documents whether the rental payments were at arm's

¹⁶⁹ See Petitioners' Case Brief at 10; see also SAB's SQR1 at 5-6.

¹⁷⁰ See Petitioners' Case Brief at 10; see also SAB's SQR1 at Exhibits SI-3(b); and SAB's SQR2 at q. 5.

¹⁷¹ See Petitioners' Case Brief at 10; see also SAB's SQR1 at 5-6, Exhibits SI-3(b) and S1-3(c); and SAB's SQR2 at q. 5.

¹⁷² See Petitioners' Case Brief at 11; see also SAB's SQR2 at q5; and SAB's BCDQR at Exhibit D-5(a).

¹⁷³ See SAB's Rebuttal Brief at 8.

¹⁷⁴ *Id.* (citing SAB's SQR1 at 5-6).

¹⁷⁵ *Id.*

¹⁷⁶ See SAB's AQR at 11.

length.¹⁷⁷ In response, SAB explained that it paid rent to the relative of a partner for a plot of land on which SAB had constructed its factory, which it used for production of subject/non-subject merchandise.¹⁷⁸ For purposes of demonstrating that the rent it paid to the affiliated party was at arm's length, SAB also submitted a comparison table indicating the rent per square foot SAB paid to the affiliated party (*i.e.*, affiliated rent) and rent paid by an unaffiliated party for a premises adjacent to SAB (*i.e.*, market rent).¹⁷⁹ The information in the chart indicated that the rent paid to SAB's affiliate was less than the market rent included in its supplemental questionnaire response.¹⁸⁰

Despite the affiliated rent being lower than the market rent, SAB nonetheless argues that Commerce should find that its affiliated rent was at arm's length on the grounds that the market rent included land as well as buildings, and, thus, the higher market rent does not necessarily indicate that SAB's affiliated rent was not at arm's length. First, SAB itself placed the market rent information on the record in response to Commerce's request to demonstrate that its affiliated rent was at arm's length.¹⁸¹ Second, based on our review of the rental agreement for the market rent that SAB placed on the record, we find there is an insufficient basis to conclude that the market rent included a rental charge for buildings in addition to land.¹⁸² Thus, in the absence of information definitively demonstrating that the market rent SAB placed on the record is not comparable to the affiliated rent, we have relied upon the market rent when determining whether the affiliated rent SAB paid was at arm's length. Because the market rent is higher than the affiliated rent, in the final results, we find that the affiliated rent paid by SAB was not at arm's length and, therefore, we have increased SAB's rental costs accordingly.¹⁸³

Further, in these final results, we have relied upon the affiliated rental payment information SAB provided in its second supplemental questionnaire response because this information constitutes the most recent information concerning the affiliated rent that SAB submitted on the record.¹⁸⁴

Comment 6: Whether Commerce Should Recalculate SAB's Reported Scrap Offset

Petitioners' Case Brief Comments:

- SAB reported that it tracks its scrap generation in the normal course of business. It further claimed the amount of its scrap offset is based on the value of scrap generation rather than the value of scrap sales.¹⁸⁵
- Commerce's policy is that the scrap offset should be valued at the POR weighted-average sales price. Because the per-unit value of the scrap generated that SAB used for the offset

¹⁷⁷ See Commerce's Letter, "Antidumping Duty Administrative Review of Certain Lined Paper Products from India (AR12) – Sections A-D Supplemental Questionnaire," dated July 9, 2019, at q 4.

¹⁷⁸ See SAB's SQR1 at 5-6.

¹⁷⁹ *Id.* at 5-6 and Exhibit S1-3 (a).

¹⁸⁰ *Id.*

¹⁸¹ *Id.* at Exhibit S1-3 (a).

¹⁸² *Id.* at S1-3(c) at 2 and 3, paragraph 4. The information in the rental agreement constitutes business proprietary information in its entirety and, thus, its details cannot be disclosed on this memorandum.

¹⁸³ See SAB's Final Sales and Cost Calculation Memorandum for further details.

¹⁸⁴ See SAB's SQR2 at q.5; *see also* SAB's Final Sales and Cost Calculation Memorandum for further details.

¹⁸⁵ See Petitioners' Case Brief at 11.

calculations was overstated, the scrap offset should be revised to reflect the POR weighted-average scrap sales price for the final results.¹⁸⁶

SAB's Rebuttal Arguments

- It is Commerce's long-standing practice to allow a scrap offset for the scrap quantities generated during the POR.¹⁸⁷
- In its questionnaire response, SAB submitted the quantity and value of its monthly inventory movement of scrap during the POR.¹⁸⁸ This information demonstrates that the scrap offset amount is tied to the quantity of scrap generated; hence, Commerce should allow a scrap offset for the full value as shown in Exhibit D-7.¹⁸⁹

Commerce's Position: We have recalculated SAB's reported scrap offset in these final results. Commerce's practice with respect to scrap offsets 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.¹⁹⁰ 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.¹⁹¹ Moreover, parties requesting a scrap offset have the burden of presenting to Commerce not only evidence that the scrap is sold or re-used in the production of the subject merchandise, but also all the information necessary for Commerce to incorporate such offsets into the margin calculation.¹⁹²

In the *Preliminary Results*, we made no changes to SAB's reported scrap offset because we found that SAB demonstrated that the scrap paper generated in the production process had commercial value, and that SAB sold all the scrap paper it generated during the POR.¹⁹³ For the final results, we have reexamined the record and have revised SAB's scrap offset in a manner that is consistent with Commerce's practice to limit the offset to the amount of scrap actually produced during the POR.¹⁹⁴ Information in SAB's questionnaire response indicates that its

¹⁸⁶ *Id.* at 11-12; *see also* SAB's BCDQR at Exhibit D-7; and SAB's SQR2 at Exhibit S2-2(a).

¹⁸⁷ *See* SAB's Rebuttal Brief at 9; *see also* SAB's BCDQR at Exhibit D-7; and SAB's Final Sales and Cost Calculation Memorandum for further details.

¹⁸⁸ *See* SAB's Rebuttal Brief at 9; *see also* SAB's BCDQR at Exhibit D-7.

¹⁸⁹ *See* SAB's Rebuttal Brief at 9.

¹⁹⁰ *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.

¹⁹¹ *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) (*Certain Steel Nails from China*), 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) (*Certain Steel Nails from Korea*), and accompanying IDM at Comment 1.

¹⁹² *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.

¹⁹³ *See* SAB's BCDQR at D-16 and Exhibit D-7; *see also* SAB's SQR2 at S2-2(a) and S2-2(b).

¹⁹⁴ *See, e.g., Certain Steel Nails from China* IDM at Comment 6; *see also Certain Steel Nails from Korea* IDM at Comment 1.

quantity of scrap sold is larger than the quantity of the scrap it generated during the POR.¹⁹⁵ 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.¹⁹⁶ Thus, for the final results, in accordance with our practice, we have capped SAB's reported scrap offset at the quantity of scrap SAB could have reasonably produced during the POR.¹⁹⁷

Comment 7: Whether Commerce Should Adjust SAB's Treatment of Certain Costs

Petitioners' Case Brief Arguments

- In its G&A expense ratio calculations, SAB included in the "Total Cost of Manufacturing," which is the denominator of the G&A expense ratio, several accounts that had zero POR balances.¹⁹⁸
- In its questionnaire response, SAB indicated that these items were related to materials and consumables that were consumed throughout the period, and not just in the month of booking. These amounts should have been allocated over the entire fiscal year, but SAB did not do so.¹⁹⁹
- Specifically, the following accounts "Purchase Central Without Any Form" and "Purchase Local Exempted" represent purchases of "binding clothes" and "cotton cloth" that were used in the production of merchandise throughout the year, regardless of when they were purchased. These purchases should be allocated over the entire fiscal year.
- This means that a portion of these costs allocated to the months that fall within the POR should be included in the reported cost of manufacturing.²⁰⁰

SAB's Rebuttal Arguments

- SAB uses binding cloth throughout the year but purchases it on regular intervals.²⁰¹
- SAB reported the total value of binding cloth it used during the POR, and SAB appropriately allocated that total value to each month of the POR.²⁰²
- Thus, Commerce should not revise SAB's cost calculations as proposed by the petitioners.²⁰³

Commerce's Position: We disagree with the petitioners' argument that SAB incorrectly allocated certain costs. Section 773(f)(1)(a) of the Act provides that Commerce will calculate costs based on a respondent's normal books and records and that Commerce "shall consider all available evidence on the proper allocation of costs." We find SAB's cost allocation method to

¹⁹⁵ See SAB's BCDQR at Exhibit D-7.

¹⁹⁶ 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; see also *Certain Lined Paper Products from India: Final Results of Antidumping Duty Administrative Review*, 84 FR 23017 (May 21, 2019), and accompanying IDM at Comment 3.

¹⁹⁷ See SAB's Final Sales and Cost Calculation Memorandum for further details.

¹⁹⁸ See Petitioners' Case Brief at 12; see also SAB's BCDQR at Exhibit D-16; and SAB's SQR2 at Exhibit S2-2(a).

¹⁹⁹ See Petitioners' Case Brief at 12-13 and Attachment 2 (citing SAB's BCDQR at Exhibits D-9 and D-16; and SAB's SQR2 at Revised Exhibit D-9 and Revised Exhibit D-16).

²⁰⁰ See Petitioners' Case Brief at 12-13 and Attachment 2.

²⁰¹ See SAB's Rebuttal Brief at 9-10.

²⁰² *Id.* at 10.

²⁰³ *Id.*

be reasonable and supported by record evidence. SAB provided an “item wise allocation of binding material cost (DIRMAT3)” calculation worksheet in which it accounted for the total value of SAB’s POR consumption of binding materials for each reported CONNUM.²⁰⁴ In its response, SAB also provided a table indicating the total usage of binding cloths and other binding materials during the POR.²⁰⁵ This table also provides SAB’s “Calculation of Per Unit Cost of Various Binding Material.”²⁰⁶ Furthermore, SAB’s Exhibit D-16 indicates the cost allocation for FY 2017-2018, including the calculation of the G&A and interest expense (INTEX) ratio based on its audited financial statements for FY 2017-2018, whereas Exhibit D-9 shows the POR cost allocation based on the trial balance for the POR to calculate the cost of manufacturing.²⁰⁷

We also disagree with the petitioners’ argument that the accounts “Purchase Central Without Any Form” and “Purchase Local Exempted” represent purchases of “binding clothes” and “cotton cloth” that were used in the production of merchandise throughout the year, regardless of when they were purchased, and, thus, should be allocated over the entire fiscal year. We find that the information on the record does not support the petitioners’ claim that these two accounts are binding costs and therefore, should be included in the calculation of the reported costs.²⁰⁸ Therefore, we made no adjustment to SAB’s binding cloth cost as proposed by the petitioners in these final results.

Comment 8: Whether Commerce Incorrectly Converted the Negative Credit Expenses into Positive Credit Expenses

SAB’s Case Brief Arguments

- SAB has correctly reported negative credit expenses under the fields for the third country credit expenses (CREDITT) and U.S. credit expenses (CREDITU) because, in the normal course of business, SAB received substantial advances from its customer prior to shipment. Therefore, the date of receipt of payment precedes the date of the invoice, and for this reason, SAB reported negative values in the CREDITT and CREDITU fields.²⁰⁹
- In the *Preliminary Results*, Commerce incorrectly converted SAB’s reported negative credit expense in these fields into positive credit expenses. Therefore, Commerce should correct this error and revise the margin calculation in the final results accordingly.²¹⁰

No other party commented on this issue.

²⁰⁴ See Petitioners’ Case Brief at 12-13 and Attachment 2; see also SAB’s BCDQR at Exhibits D-12 Part 2.

²⁰⁵ See SAB’s BCDQR at Exhibits D-13 Part 3.

²⁰⁶ *Id.*

²⁰⁷ See SAB’s BCDQR at Exhibits D-16 and D-9; see also SAB’s SQR2 at Revised Exhibit D-9 and Revised Exhibit D-16.

²⁰⁸ See, for example, in SAB’s BCDQR at Exhibit D-9, we find that the majority of purchases of DIRMAT3 is accounted for in “Purchase Local-Consumable” rather than in the following two accounts: “Purchase Central Without Any Form” and “Purchase Local Exempted.”

²⁰⁹ See SAB’ Case Brief at 3-5; see also SAB’s BCDQR at B-25, B26, B-40, C-22, C-23, C-43, Exhibits B-5(a) B-5(b), and Exhibits C-5(a) and C-5(b).

²¹⁰ See SAB’ Case Brief at 4-5.

Commerce's Position: Information on the record indicates that for all SAB's sales to the United States and Canada, customers made a certain percentage of payment prior to the date of the invoice, and thus in these instances it was appropriate for SAB to report negative values in the CREDITT and CREDITU fields.²¹¹ Therefore, we agree with SAB and have revised the SAS programs with respect to CREDITT and CREDITU for purposes of the margin calculations for the final results.²¹²

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

4/1/2020

X



Signed by: JEFFREY KESSLER

Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

²¹¹ See SAB's BCDQR at B-29 and C-24, respectively, where the payment terms for both Canadian market and U.S. market sales require certain advance payments; *see also* SAB's Canadian sales database and SAB's U.S. sales database.

²¹² See SAB's Final Sales and Cost Calculation Memorandum for further details.