

were able to calculate factory overhead as a percentage of direct materials, labor, and energy expenses; SG&A expenses as a percentage of the total cost of manufacturing (TOTCOM); and profit as a percentage of the sum of the TOTCOM and SG&A expenses. See Surrogate Value Memorandum.

Whenever possible, the Department has used producer-specific data to calculate financial ratios. Unlike industry-specific data, which tends to be broader in terms of merchandise included, product-specific data obtained from producer-specific information pertains directly to the subject merchandise. See, e.g., *Notice of Final Determination of Sales at Less Than Fair Value: Pure Magnesium in Granular Form from The People's Republic of China*, 66 FR 49345 (September 27, 2001), and accompanying Issues and Decision Memorandum at Comment 3. However, when the Department and the parties are unable to obtain surrogate information for valuing overhead, SG&A, and profit that pertains to manufacturers of identical or comparable merchandise, the Department must rely upon surrogate information derived from broader industry groupings. See *Notice of Final Results of New Shipper Review: Petroleum Wax Candles from the People's Republic of China*, 67 FR 41395 (June 18, 2002), and accompanying Issues and Decision Memorandum, at Comment 6.

In the present review, neither the petitioner nor the respondent have placed any financial statements on the record. Moreover, the Department has been unable to locate financial statements specific to hand tools producers in India. Therefore, the Department is using broader financial data from the *RBI Bulletin*. See, e.g., *Notice of Final Determination of Sales at Less Than Fair Value: Non-Malleable Cast Iron Pipe Fittings from the People's Republic of China*, 68 FR 7765 (February 18, 2003) and the accompanying Issues and Decision Memorandum at Comment 4; *Final Results of Antidumping New Shipper Review: Potassium Permanganate from the People's Republic of China*, 66 FR 46775 (September 7, 2001), and the accompanying Issues and Decision Memorandum, at Comment 20; *Final Results and Partial Rescission of Antidumping Duty Administrative Review and Determination Not To Revoke in Part: Heavy Forged Hand*

Tools from the People's Republic of China, 66 FR 48026 (September 17, 2001), and the accompanying Issues and Decision Memorandum at Comment 18; *Notice of Initiation of Antidumping Duty Investigation: Lawn and Garden Steel Fence Posts From the People's Republic of China*, 67 FR 37388, 37391 (May 29, 2002), and the accompanying Issues and Decision Memorandum, at Comment 6.

(4) We valued electricity using 2000–2001 data from the *Annual Report on The Working of State Electricity Boards & Electricity Departments*, published in May, 2002, by the Power & Energy Division of the Planning Commission of the Government of India. We applied the average tariff rate for all industries, as in prior reviews.

(5) We valued truck transportation expenses for direct materials, packing materials, and coal from the suppliers of the inputs to the factory producing subject merchandise utilizing the rate used by the Department in *Bulk Aspirin*. Huarong reported production “caps” for use in determining certain factor input amounts. A production “cap” is an estimate of the amount of factor input the company used to make the product in question. Huarong reported “caps” for steel billets, the steel scrap offset, unskilled labor, skilled labor, and unskilled packing labor.

The Department has accepted “caps” in the past only when the “caps” were found to reasonably reflect actual consumption, and has rejected them when found to be otherwise. See *Natural Bristle Paintbrushes and Brush Heads from the People's Republic of China; Final Review Results of Antidumping Review*, 64 FR 27506 (May 20, 1999) (*Natural Bristle Paintbrushes*). In *Natural Bristle Paintbrushes*, at verification, the respondent attempted to duplicate reported “cap” figures, but did not succeed. The respondent asserted that the figures were derived from a standard cost system, but this system was not explained to the verifiers, and the Department finally rejected the “caps.” See *Natural Bristle Paintbrushes*, 64 FR at 27514. Similarly, while the Department has found reported “caps” reasonable in past segments of this proceeding, the Department also found that there were discrepancies between the reported “cap” amounts and the figures presented at verification of the information submitted during the 1997–1998 administrative review. Because the Department could not deduce how the

information in the questionnaire response was derived, the Department did not consider the information verified. See *Heavy Forged Hand Tools, Finished or Unfinished, With or Without Handles, from the People's Republic of China; Final Results and Partial Rescission of Antidumping Duty Administrative Reviews*, 64 FR 43659, 43665–43666 (August 11, 1999).

For these preliminary review results the Department has accepted Huarong's reported “caps” for the purpose of calculating any dumping margins, except for the “cap” regarding scrap steel offset. The Department allows scrap offsets, but only for the amount of the scrap actually sold or reused. See *Bulk Aspirin* and accompanying Issues and Decision Memorandum at Comment 13. It is also the Department's practice to grant offsets for recoveries/by-products which are re-entered into the production process. See *Notice of Final Determination of Sales at Less Than Fair Value: Antidumping Duty Investigation of Steel Concrete Reinforcing Bars from The People's Republic of China*, 66 FR 33522 (June 22, 2001) and the accompanying Issues and Decision Memorandum at Comment 5.

In the January 22, 2003 supplemental questionnaire, the Department requested Huarong to calculate the scrap offset by dividing the actual amount of scrap sold during the POR by the total POR production of subject merchandise. Huarong, in its February 4, 2003 response, stated that while it did have sales of steel scrap during the POR, it did not record sales of scrap according to subject and non-subject merchandise. In addition, Huarong stated that it did not reintroduce any internally-generated scrap steel into the production of subject merchandise. See Huarong's October 23, 2002, section D supplemental questionnaire response at 3. Since Huarong did not report the scrap offset using its actual sales of scrap, nor attempt to do so through allocating such sales to subject merchandise or by using any other reasonable methodology, we have preliminarily determined to not grant this offset to Huarong.

Preliminary Results of Review

As a result of our review, we preliminarily determine that the following weighted-average margin exists for the period February 1, 2001, through January 31, 2002: