

the company to list the exact functions performed by its wholly owned affiliate, Pushpaman Exports ("PE") in the exporting of SS flanges and to report all costs incurred by PE during the POR. We stated: "Failure to provide this information as requested will result in the use of facts available, which will be adverse to you." Further, we informed Echjay that we would be using its reported sales to Belgium, its largest third country market, to determine NV, in accordance with the Department's practice.

We received Echjay's response on November 21, 2002, in which it stated that it diverts some of its orders to PE, which then either purchases finished products, including SS flanges, or supplies Echjay with stainless steel billets procured from unaffiliated suppliers, which then produces the merchandise on a "labor charge basis." Echjay explained that in its previous responses, it had already included sales made by PE, declaring:

In our previous responses, we have already included expenses made by Pushpaman Exports as far as Ocean Freight, Marine Insurance, Packing are concerned. As per the instructions of this questionnaire we are now providing the other costs incurred by Pushpaman Exports, in the appropriate fields.

Although Echjay stated that sample worksheets showing the cost allocations for the CONNUMs with the highest sales volume in Belgium and the United States were attached in Annexures D and E, in fact they were missing from the submission, which was received uncollated and therefore not in proper condition for placement on the record of this proceeding.

On December 2, 2002, we sent Echjay the third supplemental questionnaire for sections B–D via email, facsimile and courier, asking Echjay to identify any other manufacturers of SS flanges sold by PE, and setting a deadline of December 5, 2002. As of the close of business on December 6, 2002, the last workday before the verification team's departure for India, the Department had not received Echjay's response. See Memorandum to the File from Shireen Pasha, Case Analyst, Third Supplemental Questionnaire for Sections B–D, December 6, 2002.

During verification, between December 11 and 13, 2002, we discovered that Echjay had failed to report the costs, transfer prices and market prices for billets supplied by PE, which are major inputs that constituted a substantial part of Echjay's direct material costs. Furthermore, Echjay's packing expenses could not be verified. In addition, worksheets Echjay prepared

for verification to demonstrate how it calculated the product-specific variable and total costs revealed that it had again ignored the explicit instructions in the Section D questionnaire and supplemental requests for information, instead adopting a methodology of its own devising without consultation with the Department.

At verification, we found that Echjay had failed to provide product-specific costs by control number ("CONNUM") to account for the cost differences associated with the physical characteristics of the products under review. A respondent's product-specific sales and cost data are the most basic and significant data needed in order for the Department to perform a dumping analysis and margin calculation. The specific physical characteristics identified at the beginning of each case, which make up a control number, are those physical characteristics determined to be the most significant in differentiating between products. These are the physical characteristics that define a unique product for sales comparison purposes. The level of detail within each physical characteristic reflects the importance the Department places on comparing the most similar products in a price-to-price comparison. In this review, the Department identified five characteristics for matching purposes: grade of stainless steel, type of flange, size, pressure rating, and finish. Echjay assigned the same costs to all products within a stainless steel grade, accounting only for cost differences due to the price and weight of the direct material input of stainless steel billets. Absent product-specific cost information, the Department lacks the necessary information to calculate a difference-in-merchandise ("DIFMER") adjustment to account for differences in physical characteristics when comparing sales of similar merchandise. In addition, without this information, we cannot determine matches between U.S. and comparison market sales for price-to-price comparisons, nor can we determine accurate constructed values for use as normal value, as required.

When a respondent's normal accounting system does not differentiate among products nor provide product-specific costs to the level of detail required by the Department, our consistent practice is to have the respondent start with the costs established in their normal accounting system and then further allocate the costs to specific products based upon a reasonable method available to them. See section 773(f)(1)(A) of the Act. If there is little or no cost difference

associated with a particular physical characteristic, then the respondent may provide an analysis as to why there is virtually no cost difference relating to the characteristic in question. If there is a significant difference then the respondent is required to develop a reasonable method to quantify such a difference.

Echjay's methodology allocated expenses in proportion to the weight of billets used to produce SS flanges instead of using the CONNUM-specific production quantity, as instructed, thereby failing to account for yield losses. Moreover, as the billet weight used to allocate costs did not include the billets supplied by PE, the costs of the products sold by PE in the Belgian market are understated, thereby distorting DIFMER calculations. Further, Echjay included in CV various expenses the Department normally treats as sale-specific circumstances of sale ("COS") adjustments and movement expenses. Therefore, we cannot rely on the product-specific variable and total costs Echjay reported in its sales listings for U.S. and comparison market sales to calculate DIFMERs for the purpose of comparing similar products sold in the respective markets.

The Department uses its model matching methodology to determine which comparison market sales should be used to calculate NV for sales for which there are no identical matches. We reject comparisons if the difference in the variable costs of manufacture between the product sold in the comparison market and the product sold in the United States exceeds 20 percent of the total cost of the U.S. product. Without accurate costs, we cannot reliably determine which sales should be compared in the respective markets. Moreover, if some U.S. sales cannot be matched with comparison market sales, either because of insufficient similarity or because of lack of contemporaneity, we must be able to calculate the CV of the products sold in the United States. Therefore, without accurate costs we cannot reliably calculate whether dumping margins exist.

Section 776(a)(2) of the Act provides that "if an interested party or any other person—(A) withholds information that has been requested by the administering authority; (B) fails to provide such information by the deadlines for the submission of the information or in the form and manner requested, subject to subsections (c)(1) and (e) of section 782; (C) significantly impedes a proceeding under this title; or (D) provides such information but the information cannot