

brokerage and handling, ocean freight, and marine insurance.

For CEP sales, in accordance with section 772(d)(1) of the Act, we deducted from the starting price those selling expenses that were incurred in selling the subject merchandise in the United States, including direct selling expenses (*i.e.*, bank charges, U.S. Customs clearance expenses, and interest for discounted U.S. sales receivables), and indirect selling expenses. In accordance with section 772(d)(3) of the Act, we deducted an amount for profit allocated to the expenses deducted under sections 772(d)(1) and (2) of the Act. We did not deduct imputed credit expenses from the starting price because Viraj discounted its U.S. sales receivables, and therefore did not incur any opportunity cost of capital.

#### Duty Drawback

Section 772(c)(1)(B) of the Act provides that EP or CEP shall be increased by "the amount of any import duties imposed by the country of exportation which have been rebated, or which have not been collected, by reason of the exportation of the subject merchandise to the United States." The Department determines that an adjustment to U.S. price for claimed duty drawback is appropriate when a company can demonstrate that there is (1) a sufficient link between the import duty and the rebate, and (2) sufficient imports of the imported material to account for the duty drawback received for the export of the manufactured product (the "two pronged test"). See *Rajinder Pipes Ltd. v. United States*, 70 F. Supp. 2d 1350, 1358 (CIT 1999). See, also, *Certain Welded Carbon Standard Steel Pipes and Tubes from India: Final Results of New Shippers Antidumping Duty Administrative Review*, 62 FR 47632 (September 10, 1997) and *Federal Mogul Corp. v. United States*, 862 F. Supp. 384, 409 (CIT 1994).

We found at verification of Echjay that it had received Duty Entitlement Pass Book ("DEPB") certificates from the Indian government, which it booked as "export incentives" in its Profit and Loss Statements, although it had imported no raw materials, and had sold all of these DEPB certificates on the secondary market. Echjay therefore fails both prongs of the duty drawback test, and we are preliminarily denying this adjustment.

At verification the Department found that Viraj used DEPB licenses received from the Indian government on the basis of the FOB value of its exports to offset the Indian customs duties otherwise payable on imported raw materials used

in the production of SS flanges. Viraj reported these payments received from the Indian government in its profit and loss accounts as income under "Import Duty Drawback Credit Under Pass Book/DEPB Schemes." Although in the previous segment of this proceeding, the Department granted a duty drawback adjustment, we note that each segment is independent of any other. In this review, at verification Viraj traced the total quantities of raw materials which it imported and used in the production of subject merchandise, and accounted for all customs duties amounts not paid but offset against DEPB Duty Entitlement Certificates. However, Viraj was unable to demonstrate the necessary link between the amount of import duties not paid on raw materials used to make subject merchandise and the duty drawback rebate given by the government of India, thus failing the second part of the two-pronged test. Indeed, a company official explained at verification that Viraj sold DEPB licenses in excess of import duties owed on the secondary market for these licenses. Since Viraj did not meet both prongs of the Department's two-pronged test for granting a duty drawback adjustment, we have not added duty drawback to Viraj's U.S. sales prices for the preliminary results.

#### Normal Value

##### A. Viability

In order to determine whether there is sufficient volume of sales in the comparison market to serve as a viable basis for calculating NV (*i.e.*, the aggregate volume of comparison market sales of the foreign like product during the POR is equal to or greater than five percent of the aggregate volume of U.S. sales of subject merchandise during the POR), we compared the volume of Echjay's Belgian sales and Viraj's home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise. Since we found no reason to determine that quantity (weight) was not the appropriate basis for these comparisons, we did not use value as the measure. See 19 CFR 351.404(b)(2). We determined that the comparison markets were viable because comparison market sales were greater than five percent of Echjay's and Viraj's respective U.S. sales, based on aggregate volume by weight.

##### B. Arm's Length Sales

Since no information on the record indicates any comparison market sales to affiliates, we did not use an arm's-length test.

#### C. Cost of Production Analysis

In the previous review of Viraj's sales, the Department found that certain home market sales failed the cost test. Accordingly, pursuant to section 773(b)(1) of the Act, we initiated an investigation to determine whether Viraj's sales of subject merchandise were made at prices below COP during the POR. We determined that only grade, type, size, pressure rating, and finish were required to define products for purposes of matching U.S. sales to home market sales. We converted costs from a per-piece basis to a per-kilogram basis. See the company-specific analysis memorandum for Viraj, dated February 28, 2003, ("Viraj Analysis Memo") a public version of which is available in the Central Records Unit.

In accordance with section 773(b)(3) of the Act, we calculated COP for Viraj based on the sum of the costs of materials and fabrication employed in producing the foreign like product, plus selling, general, and administrative expenses ("SG&A"), net interest expenses ("INTEX") and packing. See below under Comparison Market Price for a discussion of revisions the Department made to Viraj's reported INTEX.

After calculating COP, we tested whether home market sales of SS flanges were made at prices below COP within an extended period of time in substantial quantities and whether such prices permitted the recovery of all costs within a reasonable period of time. We compared model-specific COPs to the reported home market prices less movement charges.

Pursuant to section 773(b)(2)(C) of the Act, where less than 20 percent of a respondent's home market sales for a model are at prices less than the COP, we do not disregard any below-cost sales of that model because we determine that the below-cost sales were not made within an extended period of time in "substantial quantities." Where 20 percent or more of a respondent's home market sales of a given model are at prices less than COP, we disregard the below-cost sales because they are (1) made within an extended period of time in substantial quantities in accordance with sections 773(b)(2)(B) and (C) of the Act, and (2) based on comparisons of prices to weighted-average COPs for the POR, were at prices which would not permit the recovery of all costs within a reasonable period of time in accordance with section 773(b)(2)(D) of the Act.

The results of our cost test for Viraj indicated that for certain comparison market models, less than 20 percent of