

from NV, the Department determined that there are reasonable grounds to believe or suspect that Mukand made sales in the home market at prices below the cost of producing the merchandise in this review. *See Final Results*, 68 FR 26290; Department's letter to Mukand, dated May 14, 2003; section 773(b)(2)(A)(ii) of the Act. As a result, the Department requested that Mukand report its cost of production on May 14, 2003, to determine whether Mukand made home market sales during the POR at prices below their respective COPs within the meaning of section 773(b) of the Act. *See* Department's letter to Mukand, dated May 14, 2003.

Viraj

Because the Department disregarded certain Viraj Group sales made in the home market at prices below the cost of producing the subject merchandise in the most recently completed segment of this proceeding and excluded such sales from NV, the Department determined that there are reasonable grounds to believe or suspect that Viraj made sales in the home market at prices below the cost of producing the merchandise in this review. *See Final Results*; section 773(b)(2)(A)(ii) of the Act. As a result, Viraj submitted its Section D questionnaire response to the Department on April 4, 2003.

3. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated cost of production ("COP") based on the sum of Mukand and Viraj's costs of materials and fabrication for the foreign like product, plus amounts for home market selling, general and administrative expenses ("SG&A"), including interest expenses, and packing costs. The Department relied on the COP data submitted by Mukand and Viraj in their original and supplemental cost questionnaire responses for this calculation.

Viraj

For the preliminary results, the Department denied Viraj's claimed interest offset because we have determined that Viraj's claimed interest offsets that were not of a short-term nature. *See Verification Report* at 22. Thus, the Department has recalculated Viraj's interest expense. *See Analysis Memorandum* at 4.

4. Test of Home Market Prices

We compared the weighted-average COP for Mukand and Viraj's home market sales of the foreign like product as required under section 773(b) of the Act, in order to determine whether these

sales had been made at prices below the COP. In determining whether to disregard home market sales made at prices less than the COP, we examined whether such sales were made: (1) In substantial quantities within an extended period of time; and (2) at prices which permitted the recovery of all cost with all costs within a reasonable period of time, in accordance with sections 773(b)(1)(A) and (B) of the Act. We compared the COP to home market prices, less any applicable billing adjustments, movement charges, discounts, and indirect selling expenses.

5. Results of the COP Test

Pursuant to section 773(b)(2)(C) of the Act, where less than 20 percent of the sales made by Mukand and Viraj of a given product were, within an extended period of time, at prices less than the COP, we did not disregard any below-cost sales of that product because we determined that the below-cost sales were not made in "substantial quantities." Where 20 percent or more of the sales made by Mukand and Viraj of a given product were at prices less than the COP, we determined such sales to have been made in "substantial quantities" within an extended period of time, in accordance with sections 773(b)(2)(B) of the Act and 19 C.F.R. 351.406(b). In such cases, because we used POR average costs, we also determined that such sales were not made at prices which would permit recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act. We compared the COP for subject merchandise to the reported home market prices less any applicable movement charges. Based on this test, we disregarded below-cost sales. Where all sales of a specific product were at prices below the cost of production, we disregarded all sales of that product.

Price-to-CV Comparisons

In accordance with section 773(a)(4) of the Act, we based NV on CV if we were unable to find a home market match of identical or similar merchandise. We calculated CV based on the sum of the cost of materials, fabrication employed by Mukand and Viraj in producing the subject merchandise, and SG&A, including interest expenses and profit. We calculated the COPs included in the calculation of CV as noted above in the "Calculation of COP" section of this notice. In accordance with section 773(e)(2)(A) of the Act, we based SG&A expense and profit on the amounts incurred and realized by the respondent in connection with the production and

sale of the foreign like product in the ordinary course of trade for consumption in India. For selling expenses, we used the actual weighted-average home market direct and indirect selling expenses. For CV, we made the same adjustments described in the COP section above.

Price-to-Price Comparisons

Mukand

For those products comparisons for which there were sales at prices at or above the COP, we based NV on the home market prices to the home market customers. We made adjustments, where applicable, for inland freight from plant to distribution warehouse, and warehousing in accordance with section 773(a)(6)(B)(i) and (ii) of the Act. We made circumstance-of-sale adjustments for commissions, credit and interest revenue, where appropriate, in accordance with section 773(a)(6)(C) of the Act. We also made commission-offset adjustments, where applicable, for indirect selling expenses, including inventory carrying costs in accordance with section 773(a)(6)(C) of the Act.

We made adjustments, where appropriate, for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act. Additionally, in accordance with section 773(a)(6)(A), we added U.S. packing costs. In accordance with the Department's practice, where all contemporaneous matches to a U.S. sale observation resulted in difference-in-merchandise adjustments exceeding 20 percent of the cost of manufacturing ("COM") of the U.S. product, we based NV on CV. Finally, in accordance with section 773(a)(4) of the Act, where the Department was unable to determine NV on the basis of contemporaneous matches in accordance with section 773(a)(1)(B)(i) of the Act, we based NV on CV.

Viraj

For those products comparisons for which there were sales at prices at or above the COP, we based NV on the home market prices to the home market customers. We made circumstance-of-sale adjustments for commissions and credit, where appropriate in accordance with section 773(a)(6)(C) of the Act. We also made adjustments, where applicable, for other discounts and indirect selling expenses in accordance with section 773(a)(6)(B)(ii) of the Act.

We made adjustments, where appropriate, for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act. Additionally, in accordance with