

Comparison Methodology

In accordance with section 771(16) of the Act, the Department considered all products within the scope of this review that Essar produced and sold in the comparison market during the POR to be foreign like products for purposes of determining appropriate product comparisons to HRS sold in the United States. The Department determined that the home market is the appropriate comparison market because the aggregate quantity of Essar's home market sales of foreign like product is more than five percent of the aggregate quantity of its U.S. sales of subject merchandise (see section 773(a)(1)(C) of the Act and the "Normal Value" section of this notice, below). The Department compared U.S. sales to sales made in the home market within the contemporaneous window period, which extends from three months prior to the U.S. sale until two months after the sale. Where there were no sales of identical merchandise made in the home market in the ordinary course of trade, the Department compared U.S. sales to sales of the most similar foreign like product made in the ordinary course of trade. In making product comparisons, the Department selected identical and most similar foreign like products based on the physical characteristics reported by Essar in the following order of importance: painted or not painted; quality; carbon content; yield strength; thickness; width; cut-to-length or coil; tempered or not tempered; pickled or not pickled; edge trim; and with or without patterns in relief.

Level of Trade

In accordance with section 773(a)(1)(B) of the Act, to the extent practical, the Department determined NV based on sales in the home market at the same level of trade (LOT) as the EP sales. The NV LOT is that of the starting-price sales in the home market. For EP sales, the U.S. LOT is also the level of the starting-price sale.

To determine whether NV sales are at a different LOT than the EP sales, we examined stages in the marketing process and selling activities along the chain of distribution between the producer and the unaffiliated customer. If the home market sales are at a different LOT, and the difference affects price comparability, as manifested in a pattern of consistent price differences between the home market sales on which NV is based and the home market sales at the LOT of the export transaction, we make a LOT adjustment under section 773(a)(7)(A) of the Act.

In determining whether separate LOTs exist, we obtained information from Essar about the marketing stages for the reported U.S. and home market sales, including a description of the selling activities performed by Essar for each channel of distribution. In identifying LOTs for EP and home market sales, we considered the selling functions reflected in the starting price before any adjustments. See 19 CFR 351.412(c)(1)(i) and (iii). We expect that, if claimed LOTs are the same, the selling functions and activities of the seller at each level should be similar. Conversely, if a party claims that LOTs are different for different groups of sales, the selling functions and activities of the seller for each group should be dissimilar.

In its questionnaire responses, Essar reported that during the POR, it sold the foreign like product in the home market through one channel of distribution and in the United States through one channel of distribution. We found that Essar engaged in similar selling activities for all home market sales. There are also no differences in the selling functions performed in the U.S. channel of distribution. Based on the similarity of the selling functions, we have determined that Essar sold HRS at one LOT in the home market and one LOT in the U.S. market. We also found that the selling activities performed by Essar in the home market are similar to those performed in the U.S. market. Specifically, Essar engaged in price negotiations, contacted customers, processed orders, made freight arrangements, collected payments and extended credit, and provided warranty services in both markets at similar levels of intensity. Therefore, we have preliminarily determined that the LOTs in the home and U.S. markets are the same LOT. Thus, a LOT adjustment is not required for comparison of U.S. sales to home market sales.

Export Price

In calculating U.S. price, the Department used EP, as defined in section 772(a) of the Act, because the merchandise was sold, prior to importation, by Essar to unaffiliated purchasers in the United States. We calculated EP based on the packed, delivered prices charged to unaffiliated customers in the United States. In accordance with section 772(c)(2)(A) of the Act, we made deductions from the starting price, where applicable, for foreign movement expenses (including brokerage and handling and inland freight), international freight, U.S. duties and importer handling fees. In accordance with section 772(c)(1)(C) of

the Act, we increased EP by the countervailing duty (CVD) rate attributable to the export subsidies found in the CVD investigation of HRS from India (the ongoing first administrative review of the CVD order has not yet been completed).

Essar claimed an adjustment for duty drawback under the Duty Free Remission Scheme (DFRC). The Department applies a two-pronged test to determine whether to grant a respondent a duty drawback adjustment pursuant to section 772(c)(1)(B) of the Act. Specifically, the Department grants a respondent a duty drawback adjustment if it finds that: (1) Import duties and rebates are directly linked to, and are dependent upon, one another, and (2) the company claiming the adjustment can demonstrate that there are sufficient imports of raw materials to account for the duty drawback received on exports of the manufactured product. See *Steel Wire Rope from the Republic of Korea; Final Results of Antidumping Duty Administrative Review*, 61 FR 55965, 55968 (October 30, 1996).

However, Essar failed to demonstrate that it received a duty drawback from the Government of India (GOI) under the DFRC program. In fact, Essar indicated that its application for the DFRC program had not yet been approved. See Essar's April 22, 2003 supplemental questionnaire response at 62. At verification, company officials again reported that Essar had yet to receive approval of its application for the DFRC program. Because there is no evidence that Essar received duty drawback under the DFRC program, we have not increased U.S. price by the amount of drawback claimed by Essar.

Normal Value

After testing home market viability, whether sales to affiliates were at arm's-length prices, and whether home market sales failed the cost test, we calculated NV as noted in subsection 4, "Calculation of NV," below.

1. Home Market Viability

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (*i.e.*, whether the aggregate volume of home market sales of the foreign like product is equal to or greater than five percent of the aggregate volume of U.S. sales), see 19 CFR 351.404(b)(2), we compared Essar's volume of home market sales of the foreign like product to the volume of its U.S. sales of subject merchandise, in accordance with section 773(a)(1) of the Act. Because Essar's aggregate volume of home market sales of the foreign like