



Department for  
International Trade

## The Russian Federation Exporter – Verification Report

### Case TD0001: Certain welded tubes and pipes of iron or non-alloy steel originating in the Republic of Belarus, the People's Republic of China and the Russian Federation

<b>Date:</b>	8 March 2021
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<b>Company visited:</b>	PAO Severstal
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<b>Verification meeting dates:</b>	16 <sup>th</sup> November 2020 18 <sup>th</sup> December 2020 22 <sup>nd</sup> December 2020
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## SECTION A: Background

### A1. Background

On 10 February 2020, the Trade Remedies Investigation Directorate (TRID) of the United Kingdom's (UK) Department for International Trade initiated a transition review to assess whether the existing anti-dumping measures for certain welded tubes and pipes of iron or non-alloy steel originating from the Republic of Belarus, the People's Republic of China, and the Russian Federation ('goods subject to review') are necessary or sufficient to offset dumping and whether there would be injury to the UK industry if these measures no longer applied.

TRID is carrying out a transition review of each trade remedy measure active under the EU system that the United Kingdom (UK) transitioned after EU exit. More information about the case can be found on the public file for this investigation:

Case TD0001 [Public File](#).

The Period of Investigation (POI) lasted from 1 January 2019 to 31 December 2019.

One Russian producer, PAO Severstal, responded to the questionnaire.

Once all deficiencies were addressed by Severstal, the data and information was considered ready for verification.

The global Covid-19 pandemic affected the case team's ability to conduct site visits and verify the data in person. All the verification activity with Severstal took place remotely, via emails and video conferencing.

### A2. Meeting details

The case team held three separate remote meetings with Severstal and their representatives.

<b>Company name:</b>	PAO Severstal
<b>Address:</b>	30 Mira str., Cherepovets, Vologda reg., Russia, 162608
<b>Meeting dates:</b>	16 November, 18 December and 22 December

Throughout the three meetings, these people were in attendance:

Organisation	Name – Title
Severstal	Deputy head of GR
	Head of trade policy department
	Specialist of trade policy department

TRID	Specialist of trade policy department
	Lead Investigator
	Lead Verification Specialist
	Senior Investigator
	Investigator

**16 November 2020-** The first meeting was organised with the purpose of a walk-through of Severstal's accounting system, order negotiations and input/overhead allocations.

- The agenda was shared with Severstal in advance.
- The minutes (Annex A1) were shared with Severstal for comments and accepted as accurate.

**18 December and 22 December 2020-** The subsequent two meetings covered potential product adjustments, export market analysis and domestic market analysis.

- The agenda was shared with Severstal in advance.
- The minutes (Annex A2) of the 18 December meeting were shared with Severstal for comments and accepted as accurate.
- The minutes (Annex A3) of the 22 December meeting were shared with Severstal for comments and accepted as accurate.

## **SECTION B: The Goods Subject to Review and Like Goods**

### **B1. Like goods**

The like goods detailed by Severstal were reviewed to verify whether they have characteristics similar to those manufactured by UK producers. The following outlines the process and findings of the verification team.

Severstal submitted details of [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 525 - 459] products sold with [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 224 - 184] unique PCNs as like goods manufactured/sold during the POI. Using the sales brochures available from Severstal, we confirmed that the goods described were within the scope of the investigation (i.e. like goods).

The product literature provided satisfaction that all products detailed in the questionnaire are like goods and fit within the scope of the investigation in terms of size and end use. Severstal reported all their products as having a black (B) coating and other end finish (O). They stated the finish was a plain cut right angle. We confirmed with Severstal that their definition of plain (P) is pre-cut skelp which requires no further cutting; therefore, the difference in coding of PCNs between Severstal and the UK producer is due to a difference in terminology and not a difference in product finish itself, as the UK producer also has plain cut ends which are reported as P in their questionnaire. We were satisfied with this explanation and did not request Severstal to update their PCN structure nor did we conclude it necessary to adjust the data to allow comparison between an indicative normal value and the UK indicative price.

As part of the product review, it was identified that the PCN structure did not allow wall thicknesses above 10mm to be recorded and consequently some products codes suggested wall thicknesses of only 1mm. This was identified during the product review process and discussed with Severstal and thus was corrected prior to further analysis being done. We are therefore satisfied that the PCNs provided can be treated as complete and accurate.

### **B2. Physical similarities**

As discussed above, although Severstal's PCN coding differs from the UK producers, the products have physical similarities, both having black finish (B) and plain ends (P/O). Physical differences do exist since UK producers manufacture products with galvanised coating (G) and threaded ends (C). However, we decided that adjustment was not necessary since the price differential between all products was low and volumes were comparable.

Both Severstal's exported goods and the UK-produced goods have similar shape, size, design, appearance and weight. Both goods are produced to conform to EN10219 standard. Therefore, the conclusion is that the exporter product has

enough similarity with the UK manufactured goods to be regarded as physically similar.

### **B3. Commercial similarities**

Both Severstal and the UK producers manufacture on demand and predominantly sell to large scale distribution outlets and not small-scale end users due to economies of scale. Therefore, should Severstal export to UK they would probably utilise similar customer bases and so could be in direct competition.

Both Severstal and the UK producers negotiate prices with customers on an individual basis and adjust for market fluctuations if necessary, on despatch. Thus, they share similar pricing strategies.

### **B4. Functional similarities**

Both Severstal's exported goods and the UK-produced goods are used in conveyance applications, as well as construction. TRID is satisfied that the goods are functionally similar.

### **B5. Production similarities**

Both Severstal and the UK-producer carry out the entire manufacturing process and there is no need to adjust for different production processes e.g. integrated vs non-integrated. Both produce on demand which our research identified is common for the industry. Therefore, TRID is satisfied that the goods produced by TSUK and the Russian exporter are produced in the same fashion.

### **B6. Additional information**

For the case team to assess the transaction-by-transaction data contained in the questionnaire annexes from interested parties TRID took the decision to group PCNs together and created a 'banding' system. Using banding allows consistency in data analysis and comparison between the goods subject to review and the like goods. This information was shared with Severstal and there were no comments/concerns received on it.

The new banding system has been attached in the appendix below for reference.

### **B7. Conclusion on goods concerned and like goods**

The verification confirmed that the products manufactured by Severstal under this review, whilst not goods subject to review, are considered to be like goods and of sufficient similarity to allow a direct comparison to UK produced like goods with no further adjustments. Furthermore, it has been confirmed that Severstal have provided a complete PCN analysis.

## SECTION C: Verification of export sales to the UK

### C1. Data provided

As stated in the questionnaire response, there have been no sales made by Severstal in the POI.

HMRC 8-digit data confirmed no imports from Russia during the POI<sup>1</sup>.

#### C1.1 Upward sales verification

Severstal's accounting period and the POI both run from January to December 2019 and are therefore directly comparable. Total turnover of Rub [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 403 – 479] m was matched back to the audited financial statements and the trial balance for the period with only Rub [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 166 – 203] difference due to system rounding, which was accepted as immaterial. The sales volume and values of both the domestic and the export to third country transaction by transaction listings as reported in Annex B4 (Domestic sales) and B6 (Sales to other Countries) were matched back to the relevant data in Annex B1-(Upward Sales) of Severstal's questionnaire response.

HMRC data showed no sales to the UK in the POI. However, by comparing total sales of the like goods to production levels we gained a reasonable level of assurance that sales of the like goods can be treated as accurate and complete.

### C2. Conclusion on verification of sales data

Having verified the total sales dataset to be of sufficient accuracy, completeness and relevance we are confident that there have been no sales of the goods subject to review during the POI, and therefore no further verification was required.

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<sup>1</sup> UK Trade Info Data can be found here- <https://www.uktradeinfo.com/trade-data/ots-custom-table/>



## **SECTION D: Assessment of Current Dumping**

### **D1. Regulations**

In line with Regulation 99A(1)(a) of the Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019 (“the Regulations”), we examined whether the measure is necessary or sufficient to offset the dumping. We also considered, in accordance with Regulation 99A(2)(a)(i) of the Regulations, whether it is appropriate to recalculate the anti-dumping amount.

### **D2. Findings**

We first examined the sufficiency of the measure to offset the dumping.

Severstal stated in their questionnaire response that they had not exported the goods subject to review to the UK during the POI. As previously discussed, this was verified against HMRC records on an 8-digit level, which confirmed there were no imports from Russia of the goods subject to review during the POI. This lack of imports indicates that, for Severstal, the anti-dumping measure at present is sufficient.

We next considered whether it was appropriate to recalculate the anti-dumping amount.

Given the lack of imports to the UK during the POI, we determined that we did not have the detailed transaction-by-transaction level data required to calculate an export price to the UK with the appropriate level of assurance. On the basis that no export price to the UK could be calculated, we determined that it was not appropriate to recalculate the anti-dumping amount for Severstal.

### **D3. Conclusion on calculation of dumping amount**

On the basis outlined above, we have determined that the anti-dumping amount for Severstal is sufficient to offset the dumping, and that it is not appropriate to recalculate the dumping amount for Severstal.

## SECTION E: Dumping Likelihood Assessment Factors

We determined through risk analysis that the following factors were of most significance in the dumping likelihood assessment and so where possible, verification was conducted. Other factors not verified have not been included in this section.

### E1. Continued Dumping

As concluded under section D above there were no UK imports of the goods subject to review from Severstal during the POI.

### E2. Production capacity utilisation

Severstal reported total capacity of the three shops which manufacture welded pipes and tubes as [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 611,000 – 738,000] tonnes in 2016 rising to [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 707,000 – 851,000] tonnes in 2017 and remaining constant to the end of 2019 (POI). This information was based on 24 hour a day, seven days a week operation. Products manufactured include like goods, non-circular welded tubes and profiled products. [Non-confidential summary: Capacity utilisation calculation]. Utilisation ranged from [Limited – Confidential by nature and cannot be summarized because it would directly or indirectly disclose business confidential information] in 2016 to [Limited – Confidential by nature and cannot be summarized because it would directly or indirectly disclose business confidential information] in the POI. Severstal reported production of [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 64,000 – 82,000] tonnes of the like good in the POI.

Severstal provided their working papers behind capacity and utilisation (Annex D5 Capacity). The basis of the calculation of [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 611,000 – 738,000] tonnes in 2016 is the design capacity report submitted to the Russian government in that year, detailing optimum production capacities which we accepted as sufficient evidence. Severstal also provided actual production figures taken from their manufacturing system for the same period of [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 670,000 – 852,000] tonnes showing excess demand over capacity. As a result, they reported 100% capacity for 2016.

Utilisation of like goods was calculated in the same ratio as for the total production. Therefore, in 2019 capacity for the like goods was recorded at [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 69,000 – 87,000] tonnes ([Limited – Confidential by nature because it would directly or indirectly disclosure business confidential

information, non-confidential range: 707,000 – 851,000] tonnes total) with production of [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 64,000 – 82,000] tonnes ([Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 627,000 – 797,000] tonnes total) so providing 93% capacity utilisation.

All the figures above were verified to allow us to have a reasonable level of assurance that the calculations were accurate for the purposes of the dumping likelihood assessment. In addition, Severstal provided details of purchases of the like goods worth [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 682 – 866] tonnes in [Limited – Confidential by nature and cannot be summarized because it would directly or indirectly disclose business confidential information] to fulfil customer orders where internal capacity was not sufficient. Source documentation (invoices) was provided by Severstal for one third of these purchases which allowed us to verify that these purchases occurred.

Finally, an analysis of machine capacity in the questionnaire confirmed capacity [Limited – Confidential by nature and cannot be summarized because it would directly or indirectly disclose business confidential information].

We are assured that it is reasonable to treat the capacity data provided as complete, relevant and accurate for the purposes of the dumping likelihood assessment.

### **E3. Inventory**

Severstal provided inventory figures for the like goods (Annex D6 Stocks) and stated that manufacture was done on demand and that stock was not held as a matter of course. Stock at the beginning of the POI ([Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 979 – 1,245] tonnes) related to goods produced for sale but not yet dispatched, reducing to [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 608 – 772] tonnes at the end of the POI. Severstal provided documentation showing the stock calculation, the figures of which were verified back to other sources such as volumes reported in their initial cost sheets taken from the accounting system and their production figures mentioned above.

Waste was reported at above [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 6,801 – 8,655] tonnes in the POI against figures of less than [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 90,000 – 110,000] tonnes in the previous years of the injury period. Further explanation of this was requested: [Non-confidential summary: Severstal explanation of the data in Annex D6].

In addition, review of the sales data provided information regarding [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 699 – 889] tonnes which was sold in the POI but produced prior to it and not yet despatched. This represents

approximately [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 66%- 84%] of the stock of the opening POI balance. Further analysis of shipments made in the first two weeks of January relating to 2018 orders shows a total [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 1,320 – 1,680] tonnes so providing further assurance to the statement that they do not hold general stock.

2018 and 2019 saw significant amounts of investment in comparison to previous years: Rub [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 178 – 226] million for 2018; and Rub [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 110 - 138] million for the POI. An explanation for this high level was requested from Severstal. The major capital related to modernisation of the machinery of which they provided full details.

We have a reasonable level of assurance that the inventory data provided is complete, relevant and accurate for the purposes of the dumping likelihood assessment and that the statement that goods are produced on demand is borne out by shipments made in January 2019.

#### **E4. Normal Value in comparison to UK prices**

A verification of source documents for domestic sales used in the calculation of indicative normal value is detailed in section G below.

Indicative normal value was calculated using Severstal's domestic transaction-by-transaction submission as its basis. Associated companies (Severstal Distribution) were excluded from this calculation. The price was based on ex-works which took the net invoice value less the recorded adjustment for domestic freight, packing, and credit. Average ex works price was calculated by revised PCN.

**Table 1 – Calculation of Indicative Normal Value**

<b>PCN</b>	<b>Sum of Transaction quantity in tonnes</b>	<b>Sum of Ex works price ('000 Rubles)</b>	<b>Average price per tonne (Rubles)</b>
[Non-confidential summary: PCN1]	1,07	1,13	106
[Non-confidential summary: PCN2]	0,03	0,03	95
[Non-confidential summary: PCN3]	56,16	58,46	104

[Non-confidential summary: PCN4]	42,74	40,38	94
<b>Grand Total</b>	100	100	100

Therefore, total average ex-works price for indicative normal value was calculated as Rub [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 29,958 – 38,128] per tonne which equates to approximately £ [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 363 - 461] per tonne. Further comparison was made to the cost to make and sell figures provided by Severstal in their questionnaire (Rub [Limited – Confidential by nature because it would directly or indirectly disclosure business confidential information, non-confidential range: 27,344 – 34,800] per tonne) [Non-confidential summary: Calculation of profit margin, Confidential by nature because it would directly or indirectly disclosure business confidential information].

The profitability figure before tax provided in the questionnaire was reported to be [Limited – Confidential by nature and cannot be summarized because it would directly or indirectly disclose business confidential information] . When questioned, Severstal explained that this figure was the percentage profits the like goods represented of the total organisational profits. This figure was recalculated by Severstal, at our request, to reflect the profit margin of the like goods only and came to approximately [Limited – Confidential by nature and cannot be summarized because it would directly or indirectly disclose business confidential information]. This is consistent with our calculations of a [Limited – Confidential by nature and cannot be summarized because it would directly or indirectly disclose business confidential information] profit margin set out in the previous section.

## E5. Exports to third markets

The verification of source documents for export sales used in the calculation of export is detailed in section G below. This section only looks at the calculation of the export price in relation to indicative normal value.

Export price was calculated using Severstal's export transaction-by-transaction submission as its basis. The price was based on ex-works which took the net invoice value in Rubles less the recorded adjustment for domestic freight, packing, and credit. Average ex works price was calculated by revised PCN. From this estimate differences were derived to assess whether products were being exported at a value lower than indicative normal value. See table 2 below for results, note [Limited – Confidential by nature because it would directly or indirectly disclose business confidential information, non-confidential summary: Country5] is excluded as sales were to an associated company only.

**Table 2- Demonstration of difference between Indicative Normal Value and Export Price**

Country/PCN	Quantity in tonnes	Export Ex-works price	Average price per tonne	Indicative Normal Value (Table 1)	% difference between export price and indicative normal value (-ve EP higher, +ve EP lower)
		(Rubles)	(Rubles)	(Rubles)	
		('000)			
<b>[Non-confidential summary: Country1]</b>	6	6	103	<b>94</b>	<b>-300</b>
[Non-confidential summary: PCN4]	6	6			
<b>[Non-confidential summary: Country2]</b>	70	67	97	<b>100<sup>2</sup></b>	<b>100<sup>2</sup></b>
[Non-confidential summary: PCN1]	44	43	98		
[Non-confidential summary: PCN3]	20	19	95		
[Non-confidential summary: PCN4]	6	5	94		
<b>[Non-confidential summary: Country3]</b>	5	7	140	<b>106</b>	<b>-1067</b>
[Non-confidential summary: PCN1]	5	7			

<sup>2</sup> Country 2 is being used as the base for indexing figures for all other countries in the highlighted columns as it is the only one country having positive figures of difference between export price and indicative normal value.

[Non-confidential summary: Country4]	20	20	102	100	-67
[Non-confidential summary: PCN1]	15	16			
[Non-confidential summary: PCN4]	5	5			
<b>Grand Total</b>	<b>100</b>	<b>100</b>	<b>100</b>		

[Limited – Confidential by nature because it would directly or indirectly disclose business confidential information, non-confidential summary: Country2] was the export market which showed a lower export price than indicative normal value. Further analysis was conducted for this country and the conclusion was that this is being driven by the revised PCN banding created by TRID. In summary, domestic sales of the main PCN exported were at the higher end of the banding in terms of price, whereas export sales to [Limited – Confidential by nature because it would directly or indirectly disclose business confidential information, non-confidential summary: Country2] were at the lower end so distorting the average price. Comparison of the two PCNs which were sold in both the domestic and export markets showed no differences in pricing.

## E6. Conditions in exporter's home market

Severstal reported a buoyant domestic market which would provide significant opportunities in circumstances where [Non-confidential range: 1% - 100%] of their sales are currently made within Russia. The government website lists a number of large-scale infrastructure projects planned for the next five years. According to the Moscow Times, the Russian Government is pursuing a Rub 6.3 trillion (\$96 billion) six-year modernisation plan to revamp the country's highways (including the Europe Western China Highway), regional airports, railways (including the high-speed railway), seaports, and other transport infrastructure through 2024.

Severstal have stated that the UK market is not attractive to them due to the high cost of transportation of welded tubes (it is easier to ship sheet metal), the deterioration of the like goods during sea transport (it rusts) and the competitiveness of the market with current imports from countries like [Limited – Confidential by nature because it would directly or indirectly disclose business confidential information, non-confidential summary: Country6 and Country7]. We were unable to further verify these statements.

## E7. Conclusion on dumping likelihood assessment factors

We have a reasonable level of assurance that the data provided is complete, relevant and accurate for the purposes of the dumping likelihood assessment. No significant adjustments to the data set provided are recommended.

## **SECTION F: Verification of cost to make and sell**

### **F1. Data provided**

Severstal provided the total cost to make and sell (CTMS) of welded tubes and pipes for the Period of Investigation. A decision was taken not to recalculate the anti-dumping amount and therefore sales were considered to be sufficient in calculating the normal value for the dumping likelihood assessment. As a result, only relevant areas were verified.

### **F2. Gas Price Verification**

Severstal provided the following documents relating to the verification of the purchase of gas

- Contract with supplier
- Purchase invoice
- Proof of Payment
- Contract and proof of supply with third parties, on behalf of whom Severstal purchase gas
- Explanation of accounting for gas

The documents were verified to confirm the average price of gas. Issues identified related to the difference in purchase price between different sites, but this was explained as being due to the additional piping distance of the welded tubes factories.

The purchase invoice identified amounts of gas supplied to their Cherepovets steel making site and that supplied to their plants for manufacture of the like good. [Limited – Confidential by nature and cannot be summarized because it would directly or indirectly disclose business confidential information]. This split was used in calculations relating to cost to determine gas usage in the like good.

### **F3. Conclusion on verification of costs to make and sell**

TRID is assured that it is reasonable to treat the data provided as complete, relevant and accurate for the purposes of the dumping likelihood assessment.



## **SECTION G: Verification of Domestic and Third Country Export Sales Data**

### **G1. Data provided**

Severstal has provided a complete sales listing of all its domestic and third country export sales of like goods for the POI. The following sections provide oversight to the policies employed by Severstal relating to sales.

#### **G1.1 Ordering, invoice and delivery arrangements**

As part of the remote verification meetings, Severstal's customer process from order acknowledgment to the preparation of sales invoices was reviewed. This was completed via a walk-through of their system.

Severstal's policies and practices as explained to us were reviewed alongside the verification of the source documents.

### **G2. Pricing**

Severstal explained the development of its pricing and costing process during the remote verification stage of the investigation. All orders are calculated initially at standard weight, invoices are then sent out with actual weight which can result in pricing variances as identified during verification.

### **G3. Level of trade and related customers**

#### **G3.1 Domestic market**

Severstal's transaction listing included sales to one associated company - Severstal Distribution. The sales amounted to Rubles [Limited – Confidential by nature because it would directly or indirectly disclose business confidential information, non-confidential range: 89 – 113] million which represents [Limited – Confidential by nature because it would directly or indirectly disclose business confidential information, non-confidential range: 3,70% – 4,56%] of total sales of Rubles [Limited – Confidential by nature because it would directly or indirectly disclose business confidential information, non-confidential range: 1,981 – 2,521] million. Whilst no price differentials were stated these transactions were excluded from the selection and the data set. The low relative percentage of sales is not sufficient to affect the calculations made under normal value in Section E.

[Non-confidential summary: The differentiation of the total sales figure].

Analysis was done to show sales by customer and also average price. Although sales were dominated by two customers who accounted for over 50% of the market, and whose individual sales were three times greater than any other customer, they showed no differentials in pricing arrangements. Therefore, these were considered to be representative of the total market.

### **G3.2 Third Country Export Market**

Severstal exports in minimal quantities to five countries on its border. One, Ukraine, has been excluded from the transaction selection as all sales are to an associated company.

For the other four countries sales are made to resellers and due to the low volumes, level of trade is not material.

### **G4. Verification of sales data**

Both domestic and third country export sales were verified to allow indicative normal value and export price to be calculated, to feed into the dumping likelihood assessment. Each section has been addressed separately in terms of risk and materiality.

#### **G4.1 Domestic Market**

Having identified that level of trade was not affecting price, an assessment of risk and associated materiality was completed in line with the decision to only complete the dumping likelihood assessment. This focused on-

- Significant PCNs in terms of volume, sales, and price
- Analysing PCN sales by volume and between customers
- Comparison of sales by month

From this it was deduced that two PCNs ([Non-confidential summary: PCN3 and PCN4]) accounted for over [Limited – Confidential by nature because it would directly or indirectly disclose business confidential information, non-confidential range: 80]% of total sales. The other two PCNs were only sold in January and considered immaterial in terms of any outcome.

The aforementioned PCNs were reviewed to identify the highest sales by customer, which in both cases corresponded to those identified in the level of trade section above.

To gain the greatest coverage during verification, we decided to focus on the two largest customers within the two highest selling PCNs. For each PCN and customer combination the two highest transactions were selected, with attention taken to ensuring an even distribution of transactions across the year to ensure price differentials were accounted for. In addition, two transactions for the top PCN were selected for a smaller organisation to ensure pricing standardisation at all levels of trade. Finally, transactions from [Non-confidential summary: PCN1] were selected for the two highest volume customers to allow fair comparison with export prices since this was the highest PCN exported.

#### **G4.2 Third country Export Market**

It was identified that only three of the four PCNs were exported, [Non-confidential summary: PCN1] accounting for approximately 60% of export sales. The balance of

sales was split evenly between the other two PCNs ([Non-confidential summary: PCN3 and PCN4])

Further analysis showed-

- [Limited – Confidential by nature because it would directly or indirectly disclose business confidential information, non-confidential summary: Country2] had significantly higher sales than other countries (approximately 60% of total sales)
- Limited – Confidential by nature because it would directly or indirectly disclose business confidential information, non-confidential summary: Country1 and Country3] only imported one PCN by one customer
- [Non-confidential summary: PCN1] is only exported to [Limited – Confidential by nature because it would directly or indirectly disclose business confidential information, non-confidential summary: Country2]
- Sales were made infrequently and often to one company per country.

This limited the transaction selection to the highest transaction for the relevant PCN/customer in Limited – Confidential by nature because it would directly or indirectly disclose business confidential information, non-confidential summary: Country1, Country3 and Country4].

Additional transactions were selected for [Limited – Confidential by nature because it would directly or indirectly disclose business confidential information, non-confidential summary: Country2] to account for the greater volume and range of imports i.e. PCNs.

#### **G4.3 Verification of sales data to source documents**

A total of 21 transactions were selected from domestic (14) and export (7) data and sent to Severstal with a request for the following documentation to be provided.

- Customer contract
- Tax invoice
- Order confirmation
- Evidence of payment
- Delivery note
- Order negotiation notes
- Proof of despatch

Verification to confirm accuracy of order against invoice, proof of despatch and proof of payment was carried out.

Issues were recorded in Annex G5-Severstal Sales Transaction Selection. Several recurring issues were identified, and further confirmation requested from Severstal. These included:

- Differing weight recorded order and invoice: some were above 20% difference, some seemed to relate to estimated versus actual weight differences. **Response:** differing weight due to multiple invoices for order and/or allowable tolerance level between estimate and actual. Severstal provided further details for all queries which have been accepted.

- Inconsistency between net and gross weight requiring clarification as to whether this changes price. **Response:** due to loading being based on a theoretical weight whereas invoice is based on the actual weight. Invoice is not adjusted for differences.
- Incorrect recording on the domestic transaction listing of the weight and price in comparison to the source documents. **Response:** order includes alloyed product excluded as described under Section E3 Inventory. Therefore, amount shows on source documents but not in the annexes. This has been confirmed.

System documentation showing domestic freight charges allocated by product and by invoice were also provided to allow the delivery charge adjustment to be verified. No issues were identified.

Finally, transactions selected which related to adjustments to original invoice prices were verified to confirm the original entry have been reversed and there was no duplicate entry.

#### **G5. Conclusion on verification of sales data**

TRID is assured that it is reasonable to treat the data provided as complete, relevant and accurate.

## SECTION H: Adjustments

### H1. General

Severstal reported three adjustments in their transaction-by-transaction listing;

- Domestic freight
- Packing
- Credit

Domestic freight is included in the sales verification above, packing and credit were not considered to be material for this purpose and therefore were not verified.

### H2. Conclusion on adjustments

No further verification of adjustments was conducted due to immateriality.

## Annexes

Annex A1	16 November 2020 minutes
Annex A2	18 December 2020 minutes
Annex A3	22 December 2020 minutes
Annex G5	Severstal Sales Transactions Selected

### Appendix 1: PCN Banding Brief

Wall thickness	Numerical	Wall thickness in mm: Band 1 "0320": ≤ 3.2mm (0100 – 0320) Band 2 "1250": >3.2mm (0321 – 1250)	4
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#### Summary of Changes

- Outer finishing: same as original PCN structure
- Size (outside diameter): split into two bands
- End finishing: T=Threaded removed as no examples of this in data received, otherwise, the same as original
- Wall thickness: split into two bands, extended to 4 characters to allow for thicknesses greater than 10mm

#### Examples of Banding

PCN	Outer finishing (1)	Size (outside diameter) (4)	Goods information					New PCN
			Size Band 0650: ≤ 65mm (0150 - 0650) 1683: > 65mm (0651 - 1683)	End finishing (1)	Wall thickness (4)	Wall Thickness Band 0320: ≤ 3.2mm (0100 - 0320) 1250: >3.2mm (0321 - 1250)		
808900350	8	760	1683	O	350	1250	8168301250	
808900350	8	760	1683	O	350	1250	8168301250	
808900350	8	760	1683	O	350	1250	8168301250	
808900350	8	760	1683	O	350	1250	8168301250	