

**GOVERNMENT OF PAKISTAN  
DIRECTORATE GENERAL OF CUSTOMS VALUATION  
CUSTOM HOUSE KARACHI**

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No. Misc/11/2007-IVC

Dated: 10-07-2008

**The Collectors of Customs,**

Model Custom Collectorates (Appraisement/ PaCCS/  
Port Qasim/ Preventive), Karachi/ Lahore/ Sambrial/  
Faisalabad/ Multan/ Rawalpindi/ Hyderabad/ Quetta/ Peshawar

**Subject: Valuation of “Welding Electrodes” AWS E-6013 (H.S.Code:8311.000).**

Upon receipt of complaint filed by the local manufacturers, through FBR, Islamabad, regarding under invoicing in the import of “**Welding Electrodes**” the matter was taken up for detailed scrutiny. The valuation of the product was determined in the year 2004, however, since then there has been substantial increase in the prices of its raw material, particularly its main constituent i.e. Wire Rod, Keeping in view the surge in the prices of its raw material, a study was carried out and technical inputs from all the stakeholders were invited. Two meetings were held on 27-05-2008 and 12-06-2008. The importers refuted the allegation of under invoicing, arguing that the surge in the prices of raw material was a recent and transitory phenomenon which has no bearing on their imports as they normally enter into long term contracts with suppliers. They also questioned the veracity of the formula agreed in the year 2004, and instead proposed a new formula, which differed from the earlier in two aspects i.e. composition of the main constituent i.e. Carbon Rod was proposed to be reduced from 81% to 71%, while the conversion charges were also proposed to be reduced from 10% to 5%.

2. The contention of the importers has been examined in the light of clearance data. It has been observed that the values declared by the importers are almost static since the year 2004. This fact alone raises sufficient doubt regarding authenticity of transactional values, since the value of raw material, i.e. Wire Rod has risen considerably during this period. As regards the formula proposed by the importers. It is observed that conversion charges shown are below 5% which includes the cost of labor, factory overhead and profit of the company, which is much below than international standards. In absence of any cogent reason for altering the following formula agreed by all stakeholders in the year 2004, this Directorate General is of the view that the same provides a valid basis for determination of fresh value of MS Welding Electrodes:-

**FORMULA**

| S. No.        | Material Used                 | Percentage of Composition | Wastage in Percentage |
|---------------|-------------------------------|---------------------------|-----------------------|
| 01            | Wire Rod (7213.9900)          | 81.228%                   | 3.00%                 |
| 02            | Blended Powder (3810.1000)    | 21.6040%                  | 4.00%                 |
| 03            | Potassium Sulfate (2839.2000) | 5.55%                     | 1.391%                |
| <b>Total:</b> |                               | <b>108.391%</b>           | <b>8.391%</b>         |

3. Keeping in view a wide fluctuation in prices of raw material, the values of “Welding Electrodes” are being lined with the LMB prices of “Wire Rod”. Hence, the following Values

of M.S. Welding Electrodes (AWS E-6013) is being determined under Section 25(A) of the Custom Act 1969, after applying the above formula on the current LMB Prices:

| S. No. | Description with Sizes                        | H.S. Code | Origin      | C&F Prices    |
|--------|-----------------------------------------------|-----------|-------------|---------------|
| (1)    | (2)                                           | (3)       | (4)         | (5)           |
| 01     | Welding Electrodes<br>AWS E-6013 2.5 x 350 MM | 8311.1000 | All Origins | US\$ 850/ PMT |
| 02     | -- do-- 3.2 x 350 MM                          | --do--    | --do--      | US\$ 845/ PMT |
| 03     | -- do-- 4.0 x 400 MM                          | --do--    | --do--      | US\$ 840/ PMT |
| 04     | -- do-- 5.0 x 400 MM                          | --do--    | --do--      | US\$ 840/ PMT |

4. The above values could be revised after 90 days, provided there is fluctuation of more than 10% in the LMB prices of Wire Rod.

**(ABDUL NASIR BUTT)**  
**DIRECTOR**

Copy for information to:

- (i) Member (Customs), F.B.R. Islamabad.
- (ii) SA to Chairman, F.B.R. Islamabad.
- (iii) Chief Collector of Customs (South/ North), Customs House, Karachi/ Lahore.
- (iv) Director General Intelligence & Investigation Islamabad.
- (v) Director Intelligence & Investigation Karachi Lahore & Islamabad.
- (vi) Director General of Custom Valuation, Karachi.
- (vii) The Federation of Pakistan Chamber of Commerce & Industry, Karachi.
- (viii) Guard File.