

No.14/2/2015-EOU
Government of India
Ministry of Commerce & Industry
Department of Commerce

Udyog Bhawan, New Delhi
Dated 6th May, 2015

OFFICE MEMORANDUM

Subject: 2nd Meeting (2015 series) of the Board of Approval (BOA) for EOU Scheme scheduled to be held on **19th May, 2015** – forwarding Agenda reg.

The undersigned is directed to forward here with a copy of Agenda Items for the 2nd Meeting (2015 series) of the Board of Approval for EOU Scheme scheduled to be held on **19th May, 2015 at 03:00 P.M in Room No. 47** Udyog Bhawan, New Delhi under the Chairmanship of Shri Rajeev Kher, Commerce Secretary.

2. May kindly make it convenient to attend the Meeting.


6/5/2015
(S.S.Kumar)

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1. D/o Industrial Policy & Promotion .
2. CBEC [Member (Customs)], M/o Finance.
3. CBDT [Member(Income Tax)], M/o Finance.
4. DGFT.
5. The Joint Secretary, M/o Environment & Forest.
6. The Joint Secretary, M/o Science & Technology.
7. M/o Micro, Small and Medium Enterprises.
8. All DCs.

Copy to: PPS to CS/PPS to AS(AKB)/PS to JS(GPM)/PS to Dir (MV)/PS to Dir(SS)

**AGENDA FOR THE 2nd BOA MEETING (2015 SERIES) FOR EOU SCHEME TO BE HELD
ON 19.05.2015 AT 03.00 P.M.**

2.1 (15) Confirmation of Minutes of the 1st BOA (2015 Series) meeting held on 20.02.2015.

2.2 (15) M/s. Abhishek Exports, an EOU under KASEZ -Extension/Renewal of LOP

The unit was granted LoP in 2004 for manufacture and export of Brass Parts for Electrical & Electronic Apparatus for switching, making connections, protecting electrical circuits like switches, plug, sockets, junction box, Ingots/Billets/Granules – Casted/Rods/Pipes/ Profiles of Zinc, Table Kitchen or other household articles, etc. with annual capacity of 2500 MT. The unit commenced production on 02.04.2005 and their LOP was valid upto 01.04.2010.

The unit vide letter dated 01.09.2009 applied for debonding but the unit neither completed the debonding process nor applied for extension of LoP within the prescribed time limits.

After lapse of more than 4 years of expiry of their LOP, the unit vide letter dated 07.05.2014 applied for renewal of their LOP giving justification that during last five years they had no export orders due to some issues but now they have received enquiry for export of their product and therefore they intend to start the unit.

The unit was NFE positive of Rs. 169.92 lakhs during the first block period i.e. from 2005-06 to 2009-10.

Jurisdictional Excise Authority informed that four unconfirmed demands involving duty amount of Rs. 1.27 crores on the unit is pending for adjudication with the Competent Authority. The unconfirmed demand pending is due to the reason that the unit cleared waste/scrap remnant in excess of 2% of the imported/procured quantity which is in contravention of provision of Custom Notification No. 52/2003 dated 31/03/2003 read with para 6.08(e) of FTP and para 6.7(e) of HBP 2004-09.

Relevant provision of FTP:

Para 6.01 (i) HBP, 2015-2020 prescribes that where units give their option to continue after expiry of six months, DC will grant extension after obtaining approval of BOA.

DC's Recommendation: In view of the past performance of the unit under EOU Scheme and non-confirmation of Central Excise Demands, DC has recommended their request for renewal of LOP.

The proposal of extension/renewal of LoP of the unit is placed before BoA for consideration.

2.3 (15) M/s Shell India Markets Private Ltd., an EOU under CSEZ- Permission for procurement of certain materials duty free, both imported and indigenous for their new laboratory.

The unit holds Letter of Permission dated 21.07.2006 extended on 23.11.2011, for export of Information Technology ("IT")/Information Technology Enabled Services ("ITES") and R&D activities in the Service Sector.

The unit proposed to set up a new laboratory at the New Technology Centre at Bangalore ("NTCB") in the approved additional bonded premises of the EOU. The permission to set up new laboratory at additional location was granted by DC in terms of Para 6.32 (7) of HBP 2009-14. The proposal for procurement of duty free procurement of imported/indigenous materials which are essential for the new laboratory was placed before 1st BoA Meeting held on 20.02.2015 but after deliberations, the Board deferred the case and directed DC to identify items which are specific to the new laboratory. A revised proposal has been received from CSEZ.

The approved additional bonded premises of the EOU will house the following labs:

- a) An exclusive **wet lab** area of 20.68 acres (already bonded), will house state of the art equipment for R&D operations, part of SIMPL's EOU operations.
- b) A **dry lab** area for EOU operations (to be bonded floor wise), where Engineering & R&D services relating to Oil & Gas sector will be carried out.

Duty exemption is sought only for capital items in these laboratories. For other non-bonded areas like amenities, car parking and kitchen building no duty exemption is being sought.

Items which are essential and specific to the new laboratories are identified as follows:

- i. **Aluminium cladding, Glass panels**: Duty exemption is sought only for these items only in the wet lab area. Since the laboratories are for undertaking petrochemical related R&D activities, shatterproof heat reflective Aluminium cladding and glass panels are required to be imported to help in reducing the internal temperature in the laboratory; provide safety to the entire premise in case of any mishap etc.
- ii. **Fire doors and Fire Rolling shutters**: Unit's activities mainly relate to highly combustible petrochemical products and safety from fire is very critical for the unit. Fire doors reduces the spread of fire or smoke and enable safe escape from buildings and Fire Rolling Shutters provide passive fire protection, breaks and barriers to fire and the spread of combustion products within buildings and to the exterior environment, which is a safety measure and essential for both the wet lab and the dry lab areas. It allows closure by a central alarm or smoke detector under motor power. Therefore, these are critical to the safety for man and material within the laboratory and bonded premises.
- iii. **Lighting management system, Lighting system and Lighting fixtures**: The laboratory is the critical part of the unit's operations and management of lighting system and control of temperature is important for the operations in the laboratories as well as

where the R&D work is being undertaken, i.e dry lab area. The labs need to be operational 24 hours. Experiments have to be run without interruption continuously under specific conditions.

iv. **Electrical items and Electrical Cables (Copper) and Electrical Cables (Aluminium)**: The materials are required for surge protection thereby reducing the chances of an accidental short circuit or a fire and for transmission and distribution of bulk electrical power for laboratory buildings as well as the dry lab areas.

They have forgone duty benefits of Rs 416.1 lakhs pertaining to Aluminium and glass panels in the Dry lab and passenger lifts in wet lab.

The unit commenced commercial production with effect from 10.01.2007. Exports during the year 2013-14 was Rs.1,58,570.02 lakh. The unit has achieved positive NFE of Rs. 3888817.82 lakhs in its initial 5+3 year period from 2006-07.

Relevant provision of FTP:

As per provisions in Para 6.04 (f) of HBP 2015-20, the BoA is empowered to permit import/DTA procurement of goods not mentioned in clause (a) to (e) of Para 6.04 of HBP.

DC's Recommendation: Out of total Rs. 3822.75 lakhs of material totally to be procured, 64% of the materials (Rs. 2447.83 lakh) are proposed to be indigenously procured and only 35% (Rs. 1374.92 lakh) will be imported. Considering the excellent export performance of the unit, with a positive NFE and cumulative exports to the tune of Rs. 590892.36 lakh and also since the items are required for the laboratory being set up in connection with the R&D activities relating to highly combustible and volatile petrochemical products, the proposal for procurement of the items has been recommended for approval by DC.

The proposal of the unit for procurement of materials viz. Aluminium cladding, Glass panels, Fire doors and Fire Rolling shutters, Lighting management system, Lighting system and Lighting fixtures, Electrical items and Electrical Cables (Copper) and Electrical Cables (Aluminium) duty free, both imported and indigenous for their new laboratory is placed before BoA for consideration.

2.4 (15) M/s Synergies Castings Ltd. an EOU under VSEZ- Request for unconditional extension of LoP

VSEZ has forwarded the proposal of M/s Synergies Castings Ltd., an EOU under VSEZ to allow them to operate on the SEZ land in the back drop of conditional Letter of Permission granted as per minutes of the 2nd meeting (2014 series) of BoA for EOU scheme held on 24.7.2014.

The following brief details pertaining to the issue are as follows:

DoC observed that SEZ Act and Rules do not permit an entity other than an SEZ unit to carry out economic activity in SEZs. As the unit, M/s.Synergies Castings Ltd., is on the SEZ land (VSEZ), BoA in its meeting held on 08.11.2013 extended the validity of LOP beyond 16.4.2013 for a period of one year and asked the unit to submit a concrete plan of shifting its operations outside the VSEZ in a time bound manner.

BoA vide minutes of the meeting dt.24.7.2014 took the decision as follows:

"The Board considered the proposal for extension of validity of LOP beyond 16.4.2014 in respect of M/s Synergies Castings Ltd. and after deliberations decided to extend the validity of LoP for a period of one year at a time for four times upon payment of duties in accordance with Notification No.52/2003-Cus dt.31.3.2003. The extension of LoP shall not have an adverse bearing on the adjudication proceedings initiated by C.E Authorities. The Board also agreed with the recommendation of DC, VSEZ to extend the lease agreement between M/s Synergies Dooray Automotive Ltd. and M/s Synergies Castings Ltd. The power to extend the LoP annually for a period of four years was also delegated by the BoA to DC, VSEZ subject to submission of its decision for perusal and ratification by BoA on achievement of the following milestones:

I. The unit will buy land for their operation in DTA within 1 year from the date of issuance of current extension of validity of LoP and submit land documents to VSEZ by July, 2015.

II. Create civil structures within the 2 years from the date of current extension of LoP i.e by July, 2016.

III. Start commencement of production in 4 years from the date of current extension of LoP i.e by July 2018.

IV. The above time lines for shifting the EOU from SEZ land will be reviewed by DC before granting annual extension, and if the prescribed time lines are not met by the unit, the case will be placed before BoA for reviewing the status of the LoP".

Office of DC, VSEZ vide letter dt. 14.8.2014 while conveying the decision of BoA extending the above validity period of their LoP, directed the unit to submit proof of achievement of the relevant milestones to D.C.'s office along with request for extension of LoP at least one month in advance.

The unit as per the first condition has to buy land for their operation in DTA within one year from the date of issuance of current extension and submit land documents to VSEZ by July, 2015.

The unit vide their letter dt.19.1.2015 stated in their representation to DC, VSEZVSEZ that the conditions imposed in the LOP are highly impractical and it is not possible to further invest in relocating the unit. The unit further mentioned that they do not understand under which norm, policy or statute they are being asked to exit this location. Therefore, the unit requested to rescind the conditions of the renewed LOP and issue an unconditional extension of the LOP with normal rights to which an EOU is entitled.

A Personal Hearing was given to the Management of M/s.Synergies Castings Ltd. by office of DC, VSEZ on 17.4.2015 during which they informed that shifting into DTA is not possible and periodical renewal with short time periods is putting them to disadvantageous position in getting orders and also investment.

The proposal is accordingly placed before BoA for consideration.

2.5 (15) M/s Sireena Rocks Pvt. Ltd., an EOU under VSEZ- Extension of LoP

The unit was granted LoP in 2006 from DC, VSEZ for the manufacture and export of Granite slabs, tiles and dressed blocks in Chittoor district of AP. The implementation of the project was postponed due to international recession in 2008-10 which resulted in a negative growth for the demand of the granite products worldwide and it was opined that it would be difficult to get the export orders. The factors like demise of their chief promoter and chairman in 2011, non-availability of financial assistance and bandh and harthals that took place in AP due to State division delayed the implementation of the project.

The unit did not seek extension of the validity of LoP during the 6th year. However, the unit sought extension of the validity of LoP on 28.12.2012 i.e during the 7th year. Since the extension beyond 6th year are considered by BoA as per Para 6.6.1(1) of FTP 2009-14, DC, VSEZ recommended the case to BoA. BoA in its meeting held on 03.04.2014 extended the LoP of the unit upto 03.04.2015 on the basis of recommendations of DC and CBEC.

Now, the unit has informed that even in the extended period of LoP, they have not been able to commence their commercial production. The reason for non-commencement of commercial production is that they applied for power connection on 25.10.2014 for a total power load of 100 KVA from Southern Power Distribution Corporation of AP Ltd., Tirupati. Due to delay in work of laying the connection, the lines upto their substation in their factory completed by 02.04.2015. The unit has stated that the work is still pending since required material is to be drawn from Nellore district.

Hence, the unit has requested for extension of LoP for further period of 6 months. By this time, the unit intends to complete all the work related with Government Departments viz inspection by Chief Electrical Inspector and Chief Inspector of Factories etc. The unit expects to commence production within three months.

Relevant provision of FTP: As per para 6.05 (a) of FTP 2015-20, initial validity of LoP is 2 years. Further, 2 years [1+1] extension may be granted by DC and UAC respectively. Further extension, if necessary, will be granted by BoA.

DC's Recommendation: DC has recommended extension for the last time for six months from the date of expiry of LoP i.e upto 03.10.2015.

The proposal of extension of LoP of the unit for six months from the date of expiry of LoP i.e upto 03.10.2015 is placed before BoA for consideration.

2.6 (15) LoP extension of plastic recycling unit under KASEZ: (i) M/s Aishwarya Plast Exports Pvt. Ltd. (ii) M/s PMS Exports Pvt. Ltd. (iii) M/s Aasu Plastics Pvt. Ltd.

The proposal of LoP extension of M/s Aishwarya Plast Exports Pvt. Ltd., M/s PMS Exports Pvt. Ltd. and M/s Aasu Plastics Pvt. Ltd. was placed before BoA in its meeting held on 18.09.2014 and BoA extended the LoP for 3 months i.e till 31.12.2014. BoA also directed DC, KASEZ to finalise the proceedings against the units for failure to comply with the

prescribed conditions latest by 31.10.2014 and submit his report to DoC for consideration by DoC.

Show cause notices were issued in August 2014 to these Units. DC, KASEZ, vide letter dated 30.10.2014 informed that matter was adjudicated and penalties were imposed on units as below:

- i. M/s Aishwarya Plast Exports Pvt. Ltd.: Penalty of Rs. 6,00,000/- was imposed for manufacturing goods beyond their approved capacity and failure to achieve the condition of physical exports during 5 year block period. The unit paid penalty vide Challan dated 17.11.2014.
- ii. M/s PMS Exports Pvt. Ltd.: Penalty of Rs. 7,00,000/- was imposed for manufacturing goods beyond their approved capacity and failure to achieve the condition of physical exports to 80% by the end of 5 year block. The unit paid penalty vide Challan dated 17.12.2014.
- iii. M/s Aasu Plastics Ltd.: Penalty of Rs. 4,00,000/- was imposed for failure to achieve the condition of physical exports during 5 year block period. The unit paid penalty vide Challan dated 15.12.2014.

With regards to Environmental Audit of plastic recycling EOUs, it was informed by KASEZ that GPCB do not cover the plastic recycling industries under Environmental Audit Scheme.

BoA in its meeting held on 18.09.2014 has already approved extension of LoP of other two plastic recycling EOUs namely M/s. Prime Exporters and M/s San Polyplast Exim Pvt. Ltd. for a period of 5 years subject to obligations prescribed for similar units in SEZs as per the policy guidelines dated 17.09.2013, as amended and made applicable to EOUs.

The proposal for extension of LoP of these 3 units is placed before BoA for consideration.

PART II

**Approval granted by Development Commissioner Under Delegated Powers for
RATIFICATION OF BOA as per Press Note No. 3 of 1995**

A	Approvals granted under delegated powers for the period February, 2015 to March, 2015	ISEZ
B	Approvals granted under delegated powers for the period January, 2015 to March, 2015	KASEZ
C	Approvals granted under delegated powers for the period of March, 2015	MEPZ
D	Approvals granted under delegated powers for the period January, 2015 to March, 2015	FSEZ
E	Approvals granted under delegated powers for the period February, 2015 to March, 2015	VSEZ
F	Approvals granted under delegated powers for the period July, 2014 to April, 2015	NSEZ