

No.14/1/2015-EOU
Government of India
Ministry of Commerce & Industry
Department of Commerce


Udyog Bhawan, New Delhi
Dated 9 February, 2015

OFFICE MEMORANDUM

Subject: 1st Meeting (2015 series) of the Board of Approval (BOA) for EOU Scheme scheduled to be held on **20th February, 2015** – forwarding Agenda reg.

The undersigned is directed to forward here with a copy of Agenda Items for the 1st Meeting (2015 series) of the Board of Approval for EOU Scheme scheduled to be held on **20th February, 2015 at 11:00 AM 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.


9/2/2015
(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/PS to JS(GPM)/PS to Dir(MV)

**AGENDA FOR THE 1st BOA MEETING (2015 SERIES) FOR EOU
SCHEME TO BE HELD ON 20.02.2015 AT 11.00 A.M.**

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1.1(15) Confirmation of Minutes of the 3rd BOA (2014 Series) meeting held on 18.09.2014.

1.2(15) M/s British Engines (India) Private Ltd., 100% EOU under CSEZ- Permission for inclusion of certain services relating to their present activities.

British Engines (India) Private Limited holds LoP dated 17.01.2002 (as extended vide letters dated 20.04.2007 and 02.05.2012) for the manufacture and export of Electrical Wiring Accessories (Aluminium), Hydraulic Motor and its parts, Multi-spindle automatic machine spares, Valve and its parts, Tubular railing parts (Aluminium) and Cad and Cam support services- export of service. The unit commenced commercial production with effect from 09.05.2002. The Company is NFE positive.

For supporting the in-house production activities with respect to Hydraulic Motor and its parts, Valve and its parts, Multi Spindle Automatic Machine Spares, the unit has sought permission for inclusion of certain services in the LoP viz., Design Services; Information Technology Software Services ; Information Technology Design and Development Services); Technical Consultancy Services ; Share Point Services ; and Animation Services under broadbanding.

Relevant provision of FTP:

As per Para 6.32(5) of HBP, DC shall permit broad banding for similar goods and activities, or provide for backward or forward linkage to existing line of manufacture. The proposed additional activities are service activities which do not come under the above provision. **As per para 6.2.2 of HBP:**

“Applications for setting up units under EOU scheme other than proposals for setting up units in service sector (except R&D, software and IT enabled services, or any other service activity as may be delegated by BoA), shall be approved or rejected by Units Approval Committee. In other cases, approval is granted by DC after clearance by BoA.”

DC's Recommendation: DC has recommended the proposal.

Precedents: BoA had in its 4th meeting (2012 series), granted permission to the same unit, M/s British Engines Ltd., for inclusion of CAD/CAM Service activities in the LOP under broad banding of activities, subject to the condition that the earning from the services would not be counted for DTA activities.

BoA in its 6th meeting (2011 series) held on 28.11.2011 has also approved the proposal of M/s. General Motors India Limited to incorporate additional service activities i.e. Support math

based engineering work being performed by the EOU which is an initiative towards global automotive engineering.

1.3(15) M/s. Servocontrols Aerospace India Private Ltd., 100% EOU under CSEZ- Permission for inclusion of certain services relating to their present activities.

The unit holds Letter of Permission dated 31.01.2013 for export of (i) Actuators Motors & Encoders, (ii) Motors & Encoders, (iii) Under Carriages and Parts thereof (iv) Other Parts of Aeroplanes & Helicopter Encoders.

The unit has now requested for addition of the following activities for provision of "repair and services" for all the items already listed in their LoP - (i) Actuators Motors & Encoders Repair & Services (ii) Motors & Encoders Repair & Services (iii) Under Carriages and Parts thereof Repair & Services (iv) Other Parts of Aeroplanes & Helicopter Encoders Repair & Services.

The unit commenced commercial production with effect from 04.04.2013.

Relevant provision of FTP:

As per Para 6.32(5) of HBP, DC shall permit broad banding for similar goods and activities, or provide for backward or forward linkage to existing line of manufacture. The proposed additional activities are service activities which do not come under the above provision. **As per para 6.2.2 of HBP:**

"Applications for setting up units under EOU scheme other than proposals for setting up units in service sector (except R&D, software and IT enabled services, or any other service activity as may be delegated by BoA), shall be approved or rejected by Units Approval Committee. In other cases, approval is granted by DC after clearance by BoA."

Since, the unit proposes to do repair services which is covered under **para 6.16 of FTP 2009-14** which states:

"EOU/EHTP/STP/BTP units may be set up with approval of BOA to carry out reconditioning, repair, remaking, testing, calibration, quality improvement, up-gradation of technology and re-engineering activities for export in foreign currency. Provisions of paragraph 6.8, 6.9, 6.10, 6.13, 6.14 of FTP and para 6.28 of HBP v1 shall not, however, apply to such activities".

Thus, para 6.16 of FTP is also applicable on the unit.

DC's Recommendation: DC has recommended the proposal.

1.4(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 dt. 21.07.200, for export of IT / ITES and R&D activities in the Service Sector.

The unit has now sought permission for duty free procurement of certain items which are essential for the new laboratory being set up at the New Technology Centre at Bangalore ("NTCB") in the approved additional bonded premises of the EOU which will house laboratories and pilot plants to aid in the high end technical research that is proposed to be carried out in the EOU which is for IT/ITES/ and R&D Services relating to petrochemical products, which are highly volatile and combustible in nature. The permission to set up new laboratory at additional location has been granted by DC in terms of Para 6.32 (7) of HBP. The items proposed to be procured are Aluminium cladding, Glass panels for laboratories, Fire doors and Fire Rolling shutters, Lighting management system, Lighting system and Lighting fixtures for the laboratory, Electrical items and Electrical Cables (Copper) and Electrical Cables (Aluminium)

The unit has achieved positive NFE.

Relevant provision of FTP:

As per provisions in Para 6.5.1(f) of HBP, the BoA is empowered to permit import/DTA procurement of goods not mentioned in clause (a) to (e) of Para 6.5.1.

DC's Recommendation: DC has recommended the proposal.

Precedents: BoA has accorded approval for similar items for maintaining dust free environment to M/s Pilkington Automotive India Ltd. in its meeting held on March 13, 2012 (Item No. 2.3(12)).

BoA in its 3rd meeting held on September 18, 2014, (Item No. 3.3(14) and also in its 4th meeting held on 12.06.13 (Item No.4.6(13) approved items "scientific doors" which are similar in nature to Fire doors, in the case of M/s Nuray Chemicals Pvt. Ltd and M/s Raichem Medicare Pvt. Limited respectively.

BoA in its meeting held on 14.9.12 (Item no. 4.10(12) granted permission for duty free import of light fittings to M/s ASB International Pvt. Limited and in its 4th meeting held on 22.7.2011 (Item No. 4.13(11) granted permission for procurement of cable/electrical items to M/s Enpro Industries Private Limited.

1.5(15) M/s Vofox Solutions (P) Ltd, an EOU under CSEZ - Extension of EOU Status (which lapsed on 08.09.2013) beyond 5 years for continuation in 100% EOU Scheme.

M/s Vofox Solutions (P) Ltd. held LoP dated 08.09.2008 for Software Development and Designing. The unit commenced commercial production with effect from 08.09.2008. Accordingly, the LoP lapsed on 07.09.2013. The unit was positive NFE. The EOU Status expired on 08.09.2013.

The unit has now sought permission for extension of EOU Status for the 2nd Block of 5 years from 08.09.2013 after lapse over 1 year and 2 months, a delay which occurred due to certain unavoidable circumstances.

Relevant Provision of FTP/HBP: As per para 6.2.9 of HBP 2009-14:

"On completion of approval period as provided for in para 6.6 of FTP, it shall be open to unit to continue under scheme or opt out of scheme. Where unit opts to continue, DC will extend approval period. If no intimation in this regard is received from unit within a period of six months of expiry of approval period, DC will take action, suo moto, to cancel approval under EOU scheme and take further action in this regard. Where units give their option to continue after expiry of six months as stipulated above, DC will grant extension after obtaining approval of BoA".

DC's Recommendation: DC has recommended the proposal.

1.6(15) M/s Medgenome Labs Private Ltd.: Proposal for setting up of EOU unit under CSEZ.

The proposal of M/s. Medgenome Labs Private Limited is for setting up of a 100% EOU for export of (i) Health Care Services. (ii) Technical Testing & Analysis & (iii) R & D Services on Human Samples. Investment - Rs. 1329 lakh

Relevant Provision of FTP/HBP: In terms of Para 6.7 (a) & (b) of FTP:

(a) Applications for setting up of units under EOU scheme, other than proposals for setting up of units in services sector (except R&D, software and IT enabled services, or any other service activity as may be delegated by BoA), shall be approved or rejected by the Units Approval Committee within 15 days as per criteria indicated in HBP v1.

(b) In other cases, approval may be granted by BoA set up for this purpose as indicated in HBP v1.

Since the proposed activity also includes testing which is covered under para 6.16 of FTP 2009-14 which states that:

"EOU/EHTP/STP/BTP units may be set up with approval of BOA to carry out reconditioning, repair, remaking, **testing**, calibration, quality improvement, up-gradation of technology and re-engineering activities for export in foreign currency. Provisions of paragraph 6.8, 6.9, 6.10, 6.13, 6.14 of FTP and para 6.28 of HBP v1 shall not, however, apply to such activities".

Thus, para 6.16 of FTP is also applicable on the unit.

DC's Recommendation: DC has recommended the proposal.

1.7(15) M/s John Deere India Pvt. Ltd.- Proposal for conversion of existing DTA unit into EOU unit for manufacturing of Agriculture Tractors, Aggregates, Components and Parts thereof under SEEPZ.

The applicant company has submitted application for grant of LOP for conversion of existing DTA unit for manufacturing of Agriculture Tractors, Aggregates, Components and Parts thereof and subsequent export. It is seen from the application that annual turnover of the unit more than Rs. 50/- Crores.

Investment:- The proposed cost of the project for Plant and Machinery is Rs. 43190.69 lakh.

Relevant Provision of FTP/HBP: In terms of Para 6.7 (d) of FTP:

“Application for conversion into an EOU/EHTP/STP/BTP unit from existing DTA units, having and investment of Rs. 50 crores and above in plant and machinery or exporting Rs. 50 crores and above annually, shall be placed before BOA for decision”.

DC’s Recommendation: DC has recommended the proposal.

1.8(15) M/s Taurus Agile Technology Corporation Pvt. Ltd., an EOU under NSEZ- Extension of LoP despite negative NFE.

The unit, an 100% EOU at Mohali, Punjab was granted LoP in 2007 for manufacture and export of Turbine Components, machine components, Industrial Equipment, Automotive components. The unit commenced production in 2008 and completed five years block on 26.12.2013. The unit is NFE negative during the 5 year block period. The unit had also undertaken unauthorized DTA sale of Rs. 159.82 lakh on payment of concessional rate of duty. Since the unit is negative NFE, it is neither entitled to nor authorized to undertake DTA sale on concessional duty.

The proposal for extension of the 5 year block period for calculation of NFE was considered by BoA in its meeting held on 03.04.2014. Decision of BoA is reproduced as under:

“After deliberations, the Board decided to direct DC, NSEZ to examine the business plan of the unit for assessing the likelihood of the unit becoming NFE positive.”

As per BoA’s direction, DC examined the business plan of the unit and submitted his report. As per the report submitted, the unit supplied orders worth USD 410 million (Large machined parts Long term agreement for USD 250 million and small machined parts Long term Agreement worth USD 160 million). DC mentioned that although the unit has succeeded in getting final approval for 80-100 parts after undergoing excessive destructive and non-destructive testing, the unit is yet to commence bulk production. DC stated that it appears that the unit would be able to achieve export obligation once the bulk production commences.

The proposal was considered by BoA in its 3rd Meeting (2014 series) held on 18.09.2014. Decision of BoA is as under

“After deliberations, the Board directed DC, NSEZ to re-examine the proposal and ascertain the date when the unit has commenced production, take further action as per the established procedure, and submit his recommendations for approval of BoA, if required.”

As per BoA’s direction, DC, NSEZ re-examined the case and submitted his report. It is stated that although the unit had declared date of commercial production as 27.10.2008, it was found that capacity utilization has been around 1.01% during the period 2008-13. The unit has contended that they were coerced by the bank authorities to declare the commencement of Commercial/bulk production in Oct, 2008. The commercial production has not commenced till date.

It is mentioned that the unit has supplied order worth USD 410 and has succeeded in getting final approval for 80-100 parts after undergoing extensive destructive and non-destructive testing. The unit has submitted that they will be able to declare bulk production by 31.03.2015. DC, NSEZ has recommended the extension of LoP till 31.03.2015 since encouraging such units would also be in line with "Make in India" initiative.

It is further stated that in terms of para 6.6.1(a) of FTP, LoP/LoI shall have an initial validity of 3 years by which time Unit should have commenced commercial production. DC has power to extend the validity period further upto 3 years in case the unit is not able to commence production within the initial 3years. However, in present case, the validity of LoP for commencing production was not extended since the unit had declared date of commercial production date as 27.10.2008. Further, DC has power to extend the validity only for 6 years, i.e upto 07.01.2013. However, in terms of para 6.6.1 (a) of FTP 2009-14, proposal for extension of LoP beyond 6 years can be considered by BoA on case to case basis.

DC, NSEZ has sought approval of BoA for:

- a) Post facto extension of LoP upto Nov, 2014.
- b) Further extension of LoP upto 31.3.2015.

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 August, 2014 to October, 2014	SEEPZ
B	Approvals granted under delegated powers for the period August, 2014 to January, 2015	ISEZ
C	Approvals granted under delegated powers for the period July, 2014 to December, 2014	KASEZ
D	Approvals granted under delegated powers for the month of July, 2014 to November, 2014	MSEZ
E	Approvals granted under delegated powers for the period July, 2014 to December, 2014	FSEZ
F	Approvals granted under delegated powers for the month of September, 2014 to January, 2015	VSEZ
G	Approvals granted under delegated powers for the month of June, 2014 to October, 2014	CSEZ