

**Agenda for the 1<sup>st</sup> Meeting of Board of Approvals on  
Export Oriented Units (EOUs) for 2014, to be held on  
17<sup>th</sup> January, 2014 at Udyog Bhavan, New Delhi**

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**Part 1**

Confirmation of Minutes of the previous (i.e. 5<sup>th</sup>) BoA on EOU for 2013 held on 8<sup>th</sup> November, 2013 ( **Annexure –1**).

**Part 2**

Fresh Proposals

**2.1 Proposal of M/s Tara Aerospace Systems Ltd., 100% EOU at Adibatla Village, Rangareddy District, Andhra Pradesh, under DC VSEZ for incorporation of services in their LOP dated 25<sup>th</sup> July, 2011.**

The above mentioned EOU unit was granted LOP on 25<sup>th</sup> July, 2011 for manufacture and export of "Helicopter Cabin Kits"& Parts and Accessories for Aircraft. The unit commenced its operations on 29<sup>th</sup> August, 2012 and as of Nov., 2013 has earned foreign exchange of USD 116.4 lakhs.

The unit has now requested to incorporate services viz., Machining / Sheet metal pressing work/Tube shopping / welding / Heat treatment / Brazing / special process / NDT / Inspection / Stores and Sub assembly services in its LOP considering the fact that they are planning to go for business expansion and are looking to work on several ongoing business opportunities in the domain viz. manufacturing / services and export of Helicopter cabin Kits / Parts and accessories for Aircraft and services ie Machining / Sheet metal pressing work / Tube shopping / welding / Heat treatment / Brazing / Special process / NDT / Inspection / Stores and Sub assembly services.

DC VSEZ has forwarded the request of the unit for its consideration by BoA.

The request is placed below BoA for its consideration.

**2.2 Proposal from M/s Satvayur Extracts Limited, a 100% EOU at Bangalore under DC CSEZ for extension of its EOU status ( which lapsed on 14<sup>th</sup> March, 2013) beyond 5 years for continuation in 100% EOU scheme.**

The above mentioned EOU unit was granted LOP by DC CSEZ on 8<sup>th</sup> Dec, 1997 for manufacture and export of Spice Oil & Oleoresins, Herbal extracts and Nutraceuticals. LOP was further extended for a period of 5 years vide letter dated 10<sup>th</sup> April, 2008. The unit commenced production w.e.f. 15<sup>th</sup> March, 2003 and was granted extension of five more years upto 14<sup>th</sup> March, 2013. The unit is NFE negative of Rs.363.04 lakh at end of its 5 years of operations ended on 14.03.2013.

(Separate action has been taken to penalise the unit for not achieving export obligation).

The unit has now sought permission for extension of EOU status for the 2<sup>nd</sup> block of 5 years from 15.03.2013 after a lapse almost 8 months. (06.11.2013) on the grounds that three of the Directors are stationed outside Bangalore while the fourth Director was abroad from February to October 2013 and that the decision to seek extension of EOU status was taken up after his return from abroad.

DC CSEZ has noted that the unit was positive NFE at the end of its first 5 year block period ended on 14.03.2008. However, at the end of 2<sup>nd</sup> block period of 5 years ending on 14.03.2013 the unit is NFE negative to the extent of Rs.363.04 lakh. The unit has explained the reason for non-achievement of +NFE due to disruption in production due to change of premises and problems relating to installation of plant and machinery. For the next five years of extended period, the unit has projected NFE of Rs. 422 lakh. SCN dated 17.12.2013 has been issued for non-fulfillment of export obligation.

As per Para 6.2.9 of HBP "Where units give their option to continue after expiry of six months, DC will grant extension after obtaining approval of BOA".

DC CSEZ has further noted that the unit had to change its premises from Whitefield, Bangalore, to Chikkaballapur, Karnataka and in the process encountered issues relating to safety parameters and upgradation of software and hardware, which has resulted in disruption of production. The unit is now ready to re-start production. Taking into consideration the circumstances explained by the unit and considering the unit's past performance and also their projections for the next five years, DC CSEZ has opined that BoA may consider granting extension of EOU status to the unit for the next five years w.e.f. 15.3.2013.

The request of the unit is accordingly placed before BoA for its consideration.

### **2.3 Proposal of M/s Servocontrols Aerospace India Private Limited, a 100% EOU at Belgaum, Karnataka under DC CSEZ for permission to procure imported material "IPN core cold store panels".**

The above mentioned unit was granted LOP by DC CSEZ on 31<sup>st</sup> Jan., 2013 for export of Actuator Motor and Encoder, Motors and Encoder, etc. The unit commenced commercial production with effect from 04.04.2013.

The proposal submitted by the unit is for approval for import of "IPN core cold store panels". These panels will help in maintaining temperature of the building which is prescribed for the machineries, as the production has to be carried out at controlled temperature.

DC CSEZ has informed that the unit commenced commercial production in April, 2013 and has exported goods valued as Rs. 8.65 lakhs in 7 months period (April to October, 2013).

Para 6.5.1 (b) (ii) of the Handbook of Procedures, gives an inclusive definition of CG to be imported. “Cold Store Panels”. Which are required by the unit for maintaining temperature of the building, is not included. As per Para 6.5.1 (f), approval of BoA is required for procurement of items not listed in clauses (a) to (e) of Para 6.5.1.

Taking in to consideration the fact that the unit requires the item for maintaining the building temperature as prescribed for machineries and production has to be carried out in controlled temperature, DC CSEZ has recommended that the request for import of cold store panels costing (appros.) Rs. 36,18,44/- (USD 58,362/-) is recommended for approval.

The request of the unit is placed before BOA for its consideration.

### Part 3

Approval granted by Development Commissioner under delegated powers for Ratification of BOA as per Press Note No. 3 of 1995

S.No	Approvals granted under delegated powers for the period	No. of Cases	Zone	Annexure
1	Sept 2013 – Nov 2013	2	VSEZ	2
2	Sept 2013 – Nov 2013	10	MEPZ	3
3	July 2013 – Sept 2013	3	KASEZ	4
	Oct 2013 – Nov 2013	5		
4	Nil	0	FSEZ	5
5	Nil	0	ISEZ	6
6	Oct 2013 – Nov 2013	9	CSEZ	7
7	Nil	Not received	SEEPZ	-
8	Nil	Not received	NSEZ	-

### Part 4

Case of appeal for personal hearing:

#### 4.1 Appeal filed by M/s Permashwar Creations Pvt. Ltd. 100% EOU at Phase II, Noida against the order passed by DC, NSEZ

M/s Permashwar Creations Pvt. Ltd. has been granted LOP on 31.03.2006 for manufacture and export of readymade garments, furnishing and accessories. The unit sought extension of LoP for one year which was considered until 31.03.2010.



The unit sought further extension of two years on 29.03.2011 and stated to have applied for Custom bonding on 23.01.2010. Since the unit had not given any intimation for implementation of the project under Custom bonding and not submitted any QPR/APR, further extension of LoP was not considered and LoP was cancelled by DC, NSEZ. The unit appealed against this cancellation before BoA. The BoA in its meeting held on 12.06.2013 posted appeal for a personal hearing. However, no representative from the unit appeared for the personal hearing. The BoA passed the order stating that **DC, NSEZ is directed to give a fresh personal hearing to the unit, consider all issued related to the matter and pass a speaking order within one month. The unit may approach BoA if the unit is not satisfied with the order of DC.**

In pursuance of aforesaid BoA direction, a personal hearing was accorded to the unit on 9.07.2013 which was not attended by the unit and another personal hearing was given on 17.07.2013. Two representatives from the unit appeared for the personal hearing but did not submit the balance sheets for the year 2005–06 to 2011–12 which are inevitably required for the decision on the operation of EOU and validity of LoP.

The factual position regarding non submission of balance-sheet was informed to BoA in its 4<sup>th</sup> meeting held on 30.08.2013. The BoA directed the DC, NSEZ to accord the personal hearing to the unit and pass a speaking order.

DC NSEZ issued a speaking order on 04.10.2013 i.r.o. of the above case. The zone has given personal hearing to the appellant and on the basis of perusal of records found that the unit did not implement the provisions and procedures of establishing a EOU. In its final order it has held as under:

- (i) That the unit's LOP is not renewed and therefore stands cancelled.
- (ii) That the unit's IEC (imp/exp license) has been suspended for a period of 6 months. This was followed by a suspension order dated 30.10.2013 passed by NSEZ.
- (iii) That a penalty of Rs. 75 lakhs has been imposed upon the unit.
- (iv) That the duty drawback against the exports as well as DTA clearances should be looked into by the appropriate jurisdictional authorities.

The unit has now filed an appeal against the above mentioned speaking order **(Annexure-8)** basically challenging the suspension of its IEC code **(Annexure-9)** and imposition of Rs. 75 lakhs penalty.

The appeal is placed before board for its consideration.

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