

No.14/3/2016-EOU
Government of India
Ministry of Commerce & Industry
Department of Commerce

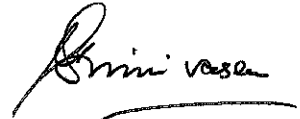
Udyog Bhawan, New Delhi
Dated 8th June, 2016

OFFICE MEMORANDUM

Subject: 3rd Meeting (2016 series) of the Board of Approval (BOA) for EOU Scheme scheduled to be held on **16th June, 2016** – forwarding Agenda reg.

The undersigned is directed to forward herewith a copy of Agenda Items for the 3rd Meeting (2016 series) of the Board of Approval (BOA) for EOU Scheme scheduled to be held on **16th June, 2016 at 11:00 A.M. in Room No. 47** Udyog Bhawan, New Delhi under the Chairmanship of Commerce Secretary.

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



(G. Srinivasan)

Under Secretary to the Government of India

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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. DG, 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)/PA to Dir (TVR)

AGENDA FOR THE 3rd BOA MEETING (2016 SERIES) FOR EOU SCHEME TO BE HELD ON 16.06.2016 AT 11.00 A.M.

3.1 (16) Confirmation of Minutes of the 2nd BOA (2016 Series) meeting held on 23.02.2016.

3.2 (16) M/s Archean Chemical Industries Pvt. Ltd. – KASEZ – Proposal for sale of surplus power generated in EOU Plant to Non- EOU Plant.

M/s Archean Chemical Industries Pvt. Ltd., Graeater Rann of Kutch, Village Near Hajipir, Taluka Bhuj, District. Kutch had been issued LOP No. KASEZ/100%EOU/II/05/11-12/9874 dated 16.12.2011 for setting up of an EOU for manufacture and export of Sulphate of Potash, Liquid Bromine, Green Bromite and Epsomite. The unit started commercial production under the EOU Scheme on 29.05.2014.

The unit have requested DC, KASEZ for permission for sale of surplus power generated from their captive power plant to Non-EOU. Para 6.16 of HBP, 2015-20 stipulates that transfer of power from captive power plants (DG Sets) from one unit of EOU to another is permitted as prescribed in sector specific condition in Appendix 6B of Appendices and ANFs of FTP 2015-20.

Relevant Provision of FTP/HBP: In Appendix 6B, it has been stated that whenever the Development Commissioner receives proposals for sale for surplus power, it would be examined in consultation with the State Government including State Electricity Board. Point No. 4 of Appendix 6B which is is reproduced below:

Point No. 4 Sale of Surplus Power:

The following procedure shall apply in regard to sale of surplus power by EOU units:

(i) Henceforth whenever the Development commissioner receives proposals for sale of surplus power, it would be examined in consultation with the State Government, including State Electricity Board. The Development Commissioner will report the norms of raw materials and consumables required for generation of a unit of power for consideration and approval by the BOA.

(ii) No duty shall be required to be paid on sale of surplus power from an EOU to another EOU/SEZ unit. Development Commissioner of SEZ concerned would be informed in writing of such supply and proper account of the consumption of raw material would be maintained by the supplying unit. The value of imported inputs and consumables shall be taken into account for NFE calculations of the supplying unit

(iii) The unit will obtain permission of the Assistant Commissioner of Customs/Central Excise for sale of surplus power in the DTA, after obtaining permission from the SEBs under the relevant statute. Duty on sale of power to the DTA shall be as per the Notification of the Department of Revenue in this regard.

(iv) Due care shall be taken by the Development Commissioner/Board of Approval while approving the power plants by EOU units vis-a-vis their actual requirement.

DC KASEZ has stated that accordingly, the concerned authorities were approached for their clearance vide letter dated 16.12.2015 and in response, the Asstt. Commissioner of Excise, Bhuj vide letter dated 27.1.2016 has stated that their office is not competent to grant permission for sale of surplus electricity from EOU to DTA. It has however been stated that clearance of Electricity in domestic area will be subject to observance of the provisions of Rule 6 of the Cenvat Credit Rules, 2004 which stipulates for proportionate reversal of Cenvat credit taken and involved in the manufacture of such domestic clearance of Electricity.

Office of Chief Electrical Inspector, Gandhinagar vide letter dated 16.02.2016 has given their approval subject to conditions mentioned in their letter.

Pachim Gujarat Vij Company Ltd. (PGVCL), Rajkot, which is a State Government PSU engaged in the distribution of Power in the area, vide Letter dated 09.03.2016 have stated that M/s. Archean can sell surplus power to their non-EOU unit subject to certain conditions.

DC's Recommendation: Development Commissioner opined that the proposal may be approved subject to the following conditions:

- (i) The Conditions imposed by Central Excise Office, PGVCL and Chief Electrical Inspector will be applicable.
- (ii) The unit shall not supply more than 1/3rd power generated to DTA. This condition will be monitored by Central Excise Office. However, the Annual Report regarding Power Generation and supply of DTA will be submitted by the Unit to Office of the Development Commissioner, Kandla Special Economic Zone.

3.3(16) M/s Prayas Woollens Pvt. Ltd. – KASEZ – Proposal for extension of LOP for Further 5 years period.

M/s Prayas Woollens Pvt. Ltd. (100% EOU) hold letter of permission No. KFTZ/100%EOU/II/A-112/01 dated 02.01.2002 for export of Rags completed mutilated & sorted into colours, Shoddy wool fibres/blends, shoddy synthetic fibres/blends, etc. The unit commenced production on 21.10.2004 and extended validity of the LOP expires on 31.08.2016.

The unit made export of Rs. 140.60 Lakhs during the last one year of extended LOP (September, 2015 to March, 2016). The Net Foreign Exchange (NFE) earned during this period by the unit was Rs. 89.09 Lakhs. KASEZ has stated that the unit has achieved physical export of 77.78% of total turnover as against the condition of 80% imposed by Board of Approval during the period 01.09.2015 to 31.03.2016 and that they have to achieve target of 80% by 31.08.2016.

The unit made exports of Rs. 1393.90 Lakhs for the previous block period viz. 2009 to 2012 and earned Net Foreign Exchange (NFE) to the tune of Rs. 67.48 Lakh. The unit's LOP was cancelled w.e.f. 30.09.2012 as the BOA in its 4th BOA Meeting for EOUs held on 14.09.2012 did not approve extension of validity of LOP of Ms/ Prayas Woollens beyond 30.09.2012.

The BOA had earlier considered the proposal for extension of LoP of Ms/ Prayas Woollens. During the meeting, DG, DGFT informed that as per recommendations of EOU Division of DoC, a Public Notice no. 31/2015-20 had been issued on 26.08.2015, amending the Hand Book of Procedures of FTP 2015-20, and incorporating an enabling provision that empowers the BoA to consider such cases of renewal of LoP and thereby bringing the provisions related to EOU in line with those existing for SEZs. As such, the BoA was empowered to consider cases of extension of LoP of such units on case to case basis. DG also pointed out that allowing extension of LoP of such units, while not permitting any fresh unit to come up, is resulting in a monopolistic situation. The BoA noted that in order to avoid a monopolistic situation and also keeping in mind the likely impact of such units on domestic textile industry, a well-considered policy needs to be evolved, after consulting all stake-holders in the matter. However, as formulation of such a policy would take time, it was decided to extend the LoP in respect of M/s Prayas Woolens Pvt. Ltd. and M/s Geetanjali Woolens Pvt. Ltd. located in Gujarat for one year only, i.e. upto 31st August, 2016.

3.4(16) M/s Geetanjali Wollens Pvt. Ltd. – KASEZ – Proposal for extension of LOP for Further 5 years period.

M/s Geetanjali Wollens Pvt. Ltd. (100% EOU) hold letter of permission No. PER :276 (1997)/EOB/97 dated 01.10.1997 for export of Non-Woven Blankets, Wipers and Clippings, Shoddy Wool Blends, etc. The unit commenced production on 24.10.2000 and extended validity of the LOP expires on 31.08.2016.

The unit made physical export of Rs. 177.23 Lakhs and deemed export of Rs. 9.72 lakhs during the last one year of extended LOP (September, 2015 to March, 2016). The Net Foreign Exchange (NFE) earned during this period by the unit was Rs. 145.87 Lakhs. KASEZ has stated that the unit has achieved physical export of 84.80% of total turnover as against the condition of 80% imposed by Board of Approval during the period 01.09.2015 to 31.03.2016.

The unit made physical exports of Rs. 3698.66 lakhs and deemed export of Rs. 2144.20 lakhs and earned Net Foreign Exchange (NFE) to the tune of Rs. 1827.21 lakhs. The BOA in its 3rd Meeting (2015 Series) for EOUs held on 27.08.2015 had extended the LOP for one year i.e. upto 31st August, 2016.

The BOA had earlier considered the proposal for extension of LoP of M/ Geetanjali Wollens Pvt. Ltd. During the meeting, DG, DGFT informed that as per recommendations of EOU Division of DoC, a Public Notice no. 31/2015-20 had been issued on 26.08.2015, amending the Hand Book of Procedures of FTP 2015-20, and incorporating an enabling provision that empowers the BoA to consider such cases of renewal of LoP and thereby bringing the provisions related to EOU in line with those existing for SEZs. As such, the BoA was empowered to consider cases of extension of LoP of such units on case to case basis. DG also pointed out that allowing extension of LoP of such units, while not permitting any fresh unit to come up, is resulting in a monopolistic situation. The BoA noted that in order to avoid a monopolistic situation and also keeping in mind the likely impact of such units on domestic textile industry, a well-considered policy needs to be evolved, after consulting all stake-holders in the matter. However, as formulation of such a policy would take time, it was decided to extend the LoP in respect of M/s Prayas Woolens Pvt. Ltd. and M/s Geetanjali Woolens Pvt. Ltd. located in Gujarat for one year only, i.e. upto 31st August, 2016.

Part-II

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

A	Approval granted under Delegated Powers for the month January 2016 to February, 2016	MEPZ
B	Approval granted under Delegated Powers for the Period 01.04.2016 to 31.05.2016.	NSEZ
C	Approval granted under Delegated Powers for the Period 01.04.2016 to 31.05.2016.	VSEZ