

File No. K-22019/5/2019-EOU
Ministry of Commerce & Industry
Department of Commerce
EOU Section

Udyog Bhawan, New Delhi
Dated: 27th Sep, 2019

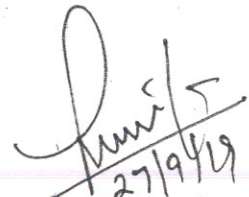
MEETING NOTICE

Subject: 5th Meeting (2019 series) of Board of Approval (BOA) for EOU Scheme scheduled to be held on 04.10.2019 in Room No. 108 at 11:00 A.M. - forwarding of Agenda reg.

The undersigned is directed to forward herewith a copy of Agenda items of the 5th Meeting (2019 series) of the Board of Approval (BOA) for EOU scheme scheduled to be held on 04.10.2019 under the Chairmanship of Commerce Secretary in Room No.108 at 11.00 A.M.

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

Encl: As Above


(Sumit Sachan)

Under Secretary to the Government of India

Tel: 23062496

E-mail: sumit.sachan@nic.in

1. Department for Promotion of Industry and Internal Trade (DPIIT).
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: PSO to CS/PS to AS(BBS)/PS to DS (SNS).

AGENDA FOR THE 5th BOA MEETING (2019 SERIES) FOR EOU SCHEME TO BE HELD ON 04.10.2019 at 11:00 A.M. in Room No. 108.

.....

5.1 (19) Confirmation of Minutes of the 4th BOA (2019 Series) meeting held on 06.08.2019.

5.2(19) M/s Balu India, a DTA unit under CSEZ – Proposal for conversion of existing DTA unit into 100%EOU.

M/s Balu India has applied for conversion of existing DTA unit into 100% EOU for manufacture and export of Euro-3/Euro-4 Crankshaft. The unit is located at 43B, Kakadi Indl. Area, Kakati. The unit is exporting more than Rs. 50 Crores annually. Investment of the unit in Plant and Machinery is Rs. 2,76,79,50,000. The unit has projected NFE of Rs. 34,850 lakhs for the next five years.

Projection of the unit for the next five years:

(Rs. In lakhs)

FOB	99,000
Import of Capital Goods	2,500
Import of Raw Materials	49,200
Import of Spares	4,500
Commn Of Export	4,950
Foreign Travel	3,000
Total	64,150
NFE	34,850

Performance of the unit (Last Four Years):

(Rs. In crores)

Particulars	2016-17	2017-18	2018-19
Exports	77.77	83.46	84.20

Relevant Provision: As per para 6.19 (c) of FTP 2015-20 (updated as on 05.12.2017):

“Applications for conversion into an EOU / EHTP / STP / BTP unit from existing DTA units, having an 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 a decision.”

DC's Recommendation: DC, CSEZ has recommended the proposal of the unit for conversion of existing DTA unit into EOU.

5.3(19) M/s Kaleesuwari Refinery and Industry Pvt. Ltd., 100% EOU under VSEZ – Proposal for manufacture and export of Bio Diesel by importing prohibited item viz. Used Cooking Oil.

M/s. Kaleesuwari Refinery and Industry Pvt. Ltd., has been issued LOP dated 30.08.2019 for partial conversion of their existing DTA unit under EPCG scheme at Phase-III, Industrial Park, Vakalapudi, Kakinada Rural, Kakinada into an EOU for manufacture and export of '**Bio Diesel**' and **Crude Glycerin** as by product by importing raw material of **Used Cooking Oil** under buy back agreement with M/s. BP Singapore Pvt. Ltd., Singapore, subject to the following conditions:

- (1) The unit should submit NOC from Jt. DGFT regarding subsuming of export obligations of capital goods imported under EPCG scheme and comply with the provisions stipulated under Appendix 6M of Appendices and ANFs of Hand Book of Procedures 2015-20 for the outstanding export commitment under the Advance Authorization Scheme and EPCG scheme.
- (2) The Letter of Permission is issued, subject to approval of Board of Approval, for import of '**Used Cooking Oil**' for manufacture and export of '**Bio Diesel**' and the unit should abide / comply with the conditions, imposed by BOA for import of used cooking oil.

The unit was earlier under EOU scheme. Since the unit had not fulfill the positive NFE criteria, subsequently switched over to EPCG scheme. The unit has also an outstanding export obligation to be fulfilled under EPCG scheme for a value of Rs.114.25 crores. It is to be mentioned that as per Appendix 6M, in case there is an outstanding export commitment under EPCG Scheme, it will be added to future export obligation by adding value of goods to the imported capital goods value of the EOU and all previous obligation under EPCG would be cease to exist on such inclusion.

It is further mentioned that in terms of DGFT's Trade Notice No. 44/2018-19 dated 31.01.2019 the export of bio fuels have been kept under 'Restricted' category and export is permitted under license only for non-fuel purposes. The export of bio fuels for non-fuel purposes from SEZ /EOU will be regulated as:

- (i) The export would be in accordance with para 6.01 FTP for EOU.
- (ii) The feedstock for production of bio-fuel for export from EOU/SEZ should be from the imported sources and
- iii) However, any transaction between SEZ and DTA would be in accordance with the DGFT Notification No. 29 dated 28.08.2018.

The unit want to import used cooking oil from Singapore on the above agreement, for manufacture of Bio-diesel for export. However, as per ITC (HS) Classification of Export &

Import items like used cooking oil (covered under ITC code 15180040) is prohibited item for import. **The unit has requested for permission to import the prohibited item i.e. Used Cooking Oil for manufacture of Bio-diesel for export.**

Other information which may assist BOA:

a) In terms of CBIC Circular No. 38/95-Cus, dated 17.05.1995, the complete physical segregation between DTA unit and 100% EOU is a prerequisite for partial conversion of the existing DTA unit into 100% EOU. Vide letter dated 19.08.2019, Dy. Commissioner of Customs, Kakinada has confirmed that the said unit has fulfilled the requisite conditions for partial conversion of the existing DTA unit into 100% EOU and also the provisions of above CBIC Circular are fulfilled. Therefore, vide LOP dated 30.08.2019, existing DTA unit is partially converted into EOU.

b) The entire EOU has been segregated separately with separate entry and an exit.

c) The Bio-diesel plant is standalone unit separate and distinct from that of DTA.

d) It is not clearly mentioned in the Para 6.19 of FTP and Para 6.38 of HBP 2015-20 for partial or full conversion of DTA unit into 100% EOU, yet there is a mention about conversion only.

e) It has been mentioned in the Part (a) of Annexure attached with the application for conversion of existing DTA i.e. ANF 6A that,

"Whether conversion of DTA unit into the EOU has been sought for the full existing capacity of the unit or the proposal is for partial conversion (please give details of the existing capacity etc.)."

Relevant Para:

1) As per Para 6.01(d)(i) of FTP 2015-20:

An EOU unit may import all types of goods, required for its approved activities, provided they are not prohibited items of import in the ITC(HS). Any permission required for import under any other law shall be applicable. Units shall also be permitted to import goods required for approved activity, subject to the goods imported by a unit shall be with actual user condition and shall be utilized for export production.

2) Para 6.04 of HBP 2015-20 provides a list of various types of goods permitted to be imported/procured from DTA. Para 6.04(f) provides that any other items not mentioned in 6.04(a) to 6.04(e) can be procured with the approval of BOA.

DC's Recommendation: DC, VSEZ has recommended the proposal, subject to following conditions:

- (i) The imported cooking oil shall exclusively be used for manufacturing of Bio-diesel and export thereof.
- (ii) No DTA transaction shall be allowed of Bio Diesel produced out of Used Cooking Oil (UCO).

5.4(19) M/s Oil Tools International Services Pvt. Ltd., EOU under SEEPZ – Proposal for renewal of LOP for 3rd five year block period i.e. from 01.04.2017-31.03.2022.

M/s Oil Tools International Services Pvt. Ltd., had been granted LOP on 04.09.2006 for manufacture and export of Heavy Weight Drills Pipes & Drill Pipes, Drill Collars, Kellys, Stabilizer Sleeves & Bodies Pup Joints, Subs. The unit commenced its operation w.e.f. 18.04.2007.

The 2nd five year block period (2012-13 to 2016-17) of the unit was expired on 31.03.2017. Export of the unit during 2nd Five year block period was Rs. 2,582.79 lakh. The unit achieved positive NFE of Rs. 7,874.41 lakh during their 2nd five year block period.

After 2 years 6 months of expiry of LOP, unit vide letter dated 31.07.2019 has applied for renewal of LOP for 3rd five year block period i.e. 2017-18 to 2021-22.

Reason for delay: Due to management disputes; they have not applied for renewal of their LOP after 2017.

Unit also mentioned that since they have not done any kind of Exports/Imports after 31.03.2017, benefits such as Duty Drawback, MEIS under EOU Scheme have not been availed.

The unit has projected NFE of Rs. 201.05 lakh for the 3rd five year block period.

Proposed Import/Export:

(Rs. in Lakh)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	Total
FOB value of Export	76	91	109	131	157	564
Import of Machinery	6.07	5.73	5.73	4.74	4.68	26.95
Import of Raw Material	45	54	65	78	94	336
NFE	24.93	31.27	38.27	48.26	58.32	201.05

Relevant Provision: Para 6.01(i) of HBP 2015-20 mentions that "if the unit gives their option to continue in the EOU scheme after expiry of 6 months of the LOP,

DC will grant extension after obtaining approval of BOA".

DC's Recommendation: DC, SEEPZ has recommended the proposal of the unit for extension of LOP for the 3rd block period i.e. from 01.04.2017 to 31.03.2022.

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 01.08.2019 to 13.09.2019	VSEZ
---	---	------