

Minutes of the 142nd Unit Approval Committee Meeting of Kandla SEZ held on 04.03.2019 at 09:30 hrs. under the Chairmanship of Dr. Amiya, Chandra, Development Commissioner, Kandla Special Economic Zone.

Following were present:

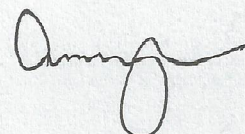
1. Shri. Satyadeep Mahapatra : Joint Development Commissioner, KASEZ.
2. Shri. Sanjay Kumar : Joint Commissioner of Income Tax, Gandhidham.
3. Shri. A. K. Moria : Assistant Commissioner, Customs, Kandla, Gandhidham-Representative of Commissioner of Customs Kandla.

Absentees:-

1. Director (Banking)
2. SDM
3. DIC
4. DGFT

Review/Confirmation of the minutes of last meeting (141st UAC) of the Approval Committee: -

Minutes of the last meeting of Approval Committee was confirmed.



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142.1 REQUEST FOR BROADBANDING

AGENDA ITEM NO. 142.1.1

Request for broad banding of additional items and also to set up plastic cans/jars manufacturing plant in their existing Letter of Approval/Permission No. KASEZ/IA/17/2015-16 dated 29.01.2016 of M/s Royal Petro Oil Refinery LLP, KASEZ.

M/s. Royal Petro Oil Refinery LLP, KASEZ is an approved unit for manufacturing of recycling of used lubricating oil and gas oil vide letter F.No. KASEZ/IA/17/2015-16/1665 dated 29.01.2016.

- (i) Now, the said unit has requested for Broad Banding of their LoA for manufacturing activity for following additional items: -

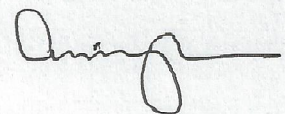
Sl. No.	Item	ITC (HS) Code
1.	Engine Oil/Hydraulic Oil/Gear Oil/Greases/Speciality Lubricants	2710 1990
2.	Brake Fluid	3819 0010

- (ii) The unit has also requested for setting up plastic cans/jars manufacturing plant for their own packing of finished goods.

Shri Hemant Shah, Partner of the company appeared before the Approval Committee and explained their proposal.

Shri Shah stated that they already have an operational sister concern unit for the above products in KASEZ in the name of M/s. Royal Petrochem wherein their main Raw material is Base Oil; their export from the said Unit is about Rs. 200 crores this year. He further stated that their said unit's capacity is already under optimum utilization and that thus they are not able to meet their further Export Orders at hand. This is reason they have now sought the present request of Broad banding of the above products in their manufacturing activity in the present firm.

Shri Shah further stated that their present firm is engaged in the recycling of used/waste oil out of which they recover Base oil and that they have recently commenced their authorized activity by exporting the said recycled Base oil. Now, they intend to diversify the item of manufacture for



further value addition products they propose to add Automotive & Industrial Lubricants in their present item of manufacture for which they will mainly use the captive RM of recycled Base oil as well as they intend to partly import the said RM. The proposed two manufacturing items will be 100% exported and some negligible quantum of reject scrap/recycled waste oil, ash generated in the original activity of recycling will be sold in DTA/sent to TSDF plant.

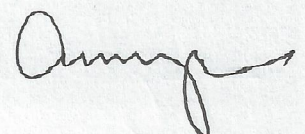
He further stated that they also intend to set up a captive plastic cans/jars manufacturing plant to be used for packing of their finished products in their existing premises and that the plastic granules content will be around 15-20% which they will be importing from primary refinery sources.

The Approval Committee noted that their original activity of recycling of waste/used oil is subject to compliance of environmental norms & consent of the GPCB/CPCB and that it also attracts the provision of Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016 and that storage & disposal of waste/rejects/residue etc of the said activity are also subject to compliance of above environmental laws and requires prior approval of the concerned pollution authorities. The Committee also explained the firm that their original authorized activity of recycling is also subject to condition that entire finished product including waste/reject/by-product/residue etc will be 100% re-exported and that no DTA clearance of any kind will be permitted.

With regard to their request of captive plastic cans/jars manufacturing plant, the committee noted that proposal involves import of Plastic granules etc. which has a potential for possible misuse for other purposes.

Therefore, Committee after due deliberation decided to: -

- (i) Defer the proposal & directed the firm to furnish copies of all the requisite pollution clearances of the concerned pollution authorities as well as also the confirmation regarding compliance of Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016 regarding the generation, transportation, storage and disposal of its waste/reject/by-product/residue etc from the competent environment authorities;



Minutes of the 142nd Unit Approval Committee Meeting of Kandla SEZ held on 04.03.2019 at 09:30 hrs. under the Chairmanship of Dr. Amiya Chandra, Development Commissioner, Kandla Special Economic Zone.

- (ii) directed the DC office to get the compliance of all applicable pollution/environmental norms by the firm Audited from any reputed/accredited Agencies;
- (iii) All the finished products including waste/reject/by-product/residue etc will be 100% exported subject to compliance of applicable concerned environmental law and that no DTA sale of any kind shall be permitted;
- (iv) Approved the proposal of set up captive plastic cans/jars manufacturing plant **subject to condition that no import of Plastic items of Chapter 39 shall be permitted and that their request for import of such plastic items shall be forwarded to BoA for consideration till such time they can source said items from domestic procurement.**

AGENDA ITEM NO. 142.1.2

Request of M/s. Unique Tobacco Products, KASEZ for Broad-banding of two new items into their Manufacturing activity.

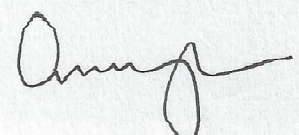
M/s Unique Tobacco Products, KASEZ is an approved unit for manufacturing of Scented Supari, Mouth Fresheners, Pan Masala, Pan Masala Containing Tobacco and Zarda (Gutkha) in Kandla Special Economic Zone, Gandhidham vide LoA No. KASEZ/IA/03/2016-17 dated 11.04.2016.

Now the unit has requested for broad-banding for inclusion of additional two items viz. Perfumery Compound (ITC HS 33021090) and Scented Tobacco/Refined Tobacco (ITC HS 24039930) in their manufacturing activity in their existing LoA.

Shri Sanjeev Sharma, authorised representative of the firm appeared before the Approval Committee and explained their proposal.

Shri Sharma stated that they propose to include Perfumery Compound and Scented Tobacco/Refined Tobacco in their manufacturing activity and all the materials proposed with be procured from domestic source.

The Committee noted that Ministry of Commerce & Industry vide its letter dated 05.02.2016 clarified that manufacturing of Gutkha and other products containing Tobacco except Cigarettes & Cigars does not fall under Industrial licensing restriction and that UAC is competent body to consider



Minutes of the 142nd Unit Approval Committee Meeting of Kandla SEZ held on 04.03.2019 at 09:30 hrs. under the Chairmanship of Dr. Amiya Chandra, Development Commissioner, Kandla Special Economic Zone.

such request subject to adherence of state law in this sector. The Committee further noted that prohibition on manufacture, storage, distribution and sale of Gutkha and Pan Masala containing tobacco or nicotine in Gujarat has been further extended to another one year vide the Government of Gujarat Notification dated 10.09.2018. However, the said prohibition is not applicable in respect of 100% export oriented units.

The Approval Committee after due deliberation decided to approve the broad-banding of manufacturing activity of above two items in their existing LoA subject to the condition that the said items will be 100% exported and no DTA sale will be allowed.

142.2 MISCELLANEOUS ITEMS

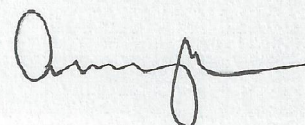
AGENDA ITEM NO. 142.2.1

M/s Sequel Logistics Pvt. Ltd., KASEZ regarding Audit by Mahindra SSG for vaulting facility for precious metal of gold, silver, etc., Custom Duty Insurance Policy for Rs. 20 crores and Request for correction in Items description and ITC (HS) Codes in their existing Letter of Approval/Permission No. KASEZ/IA/08/2018-19 dated 21.08.2018 for warehousing service Activity.

M/s Sequel Logistics Pvt. Ltd., is an approved unit of KASEZ vide LoA No. KASEZ/IA/08/2018-19 dated 21.08.2018 for vaulting & warehousing service activity of Precious Metal-Gold, Precious Metal-Silver, Base Metal-Nickel, Base Metal-Lead, etc. The unit is yet to commence their authorized activity.

Shri Sharad Jobanputra, Director of the company appeared before the Approval Committee and explained the status of the progress made in operationalization of facility of vaulting and its security arrangements of their firm.

- A) The Committee took note of risk assessment audit report of M/s. Mahindra SSG conducted on the vaulting & security facility of M/s Sequel Logistics. The committee also noted that the said agency had earlier also conducted the similar exercise of risk assessment audit of one of the such operational Unit at Sri City SEZ in Andhra Pradesh before its operationalisation. On being asked about status of compliance of the recommendations suggested by M/s Mahindra



SSG, Shri Jobanputra stated that most of recommendations have already been complied with. The committee also took note of the comprehensive Customs duty coverage Insurance policy of Rs 20 Cr taken out in favour of Commissioner of Customs but further noted that said Insurance policy does not care all the exigencies and therefore pointed out that BLUT amount shall, also be enhanced to Rs. 20 crores.

The Committee after due deliberation decided to call for full Action taken report on the recommendation of M/s Mahindra SSG Risk Assessment report vetted and with a clearance by the Mahindra SSG & further directed the Unit to execute the additional BLUT for Rs.15Cr and that directed DC to form a committee to take a final physical inspection of Unit premise before giving nod to go ahead for commencement of the activity.

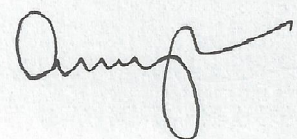
- B) As regards request of correction in the ITC(HS) of gold & silver, the Committee after deliberation decided to take the same on records but further clarified that initially import & warehousing of only Silver items on behalf foreign Banks and subsequent clearance on the instruction of the said foreign Bank to RBI Authorized Bank/Agencies after payment of all applicable Customs duties including IGST shall be permitted. Unit however subsequently may seek approval of all other items/products.

AGENDA ITEM NO. 142.2.2

Frequent removal of the inputs/capital goods procured indigenously as well as through Import by KASEZ units

The Deputy Commissioner of Customs, KASEZ has reported that many units of KASEZ seek permission for DTA removal/export of raw material/packing material/capital goods under Rule 34 of the SEZ Rules, 2006 on the pretext of surplus/idle or R&D purposes etc. and such trading is very frequent in case of some of the units of KASEZ and the said units are not possessing LoA for trading of such goods.

The Committee noted that proviso to Rule 34 stipulates that in case a unit is unable to utilise the goods or services imported or procured from DTA for its Authorized operation may also dispose of the same in the DTA on payment of applicable duties or taxes, wherever applicable. However, DC



Minutes of the 142nd Unit Approval Committee Meeting of Kandla SEZ held on 04.03.2019 at 09:30 hrs. under the Chairmanship of Dr. Amiya Chandra, Development Commissioner, Kandla Special Economic Zone.

Customs informed that such removals are frequent in nature by some units and that they are allegedly misusing the said provision for the purpose of Trading of such goods in DTA so as to avoid the route of seeking prior approval of UAC.

Therefore, the Approval Committee after due deliberation decided to direct the DC Customs, KASEZ to monitor such alleged misuse by units and further directed to issue Show Cause Notices to such erring Units for its alleged misuse of the above provision of Rule 34.

AGENDA ITEM NO. 142.2.3

Request for inclusion of Liquid Paraffin in raw material import list by M/s Pandokhar Food LLP, KASEZ.

M/s. Pandokhar Food LLP, KASEZ is an approved unit for manufacturing activity of Guthka, Khaini, Zarda, Pan Masala, Chewing Tobacco, etc. vide Letter of Approval F.No. KASEZ/IA/20/2018-19/10601 dated 26.12.2018.

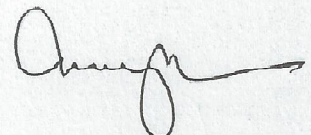
Now, the unit have submitted clarification for use of Liquid Paraffin in Manufacturing of Tobacco products which was earlier not allowed by UAC and requested to allow them to Liquid Paraffin in their raw material import list.

The Approval Committee after due deliberation decided to approve import of Liquid Paraffin (ITC HS 27121090) with the condition that the said item will be used for their captive consumption and no trading of the item will be allowed whether in DTA or intra-zone supply to other KASEZ units and subject to furnishing an Affidavit/undertaking that the proposed item will be accounted for in their exports on net to net basis and no local sales including intra-zone sale will be permitted/allowed.

AGENDA ITEM NO. 142.2.4

Request of M/s. United Drilling Tools Ltd., KASEZ for Fixation of Wastage/Scrap percentage.

M/s United Drilling Tools Ltd., is an approved unit of KASEZ vide LoA No. KASEZ/IA/01/2011-12 dated 12.04.2011 for manufacturing activity of Casing Pipes with Connector (ITC HS 7304 2990), as amended.



Minutes of the 142nd Unit Approval Committee Meeting of Kandla SEZ held on 04.03.2019 at 09:30 hrs. under the Chairmanship of Dr. Amiya Chandra, Development Commissioner, Kandla Special Economic Zone.

The unit has now requested for fixation of wastage/scrap percentage for 8 items of Connector Box, Pin (Forging) of various sizes as the SION for the same is not available in the SION.

Shri Arun Kumar Thakur, CFO of the company appeared before the Approval Committee and explained their proposal.

Shri Thakur stated that they are sending connector box/pin (forging) for jobwork to their another SEZ unit at Noida. The Deputy Commissioner of Customs, KASEZ has rejected their request for clearance of scrap generated directly from the SEZ job worker premises i.e. their other unit in Noida SEZ into DTA in terms of provisions of Rule 42(3). Hence, they have requested for fixation of wastage/scrap percentage for the said 8 items.

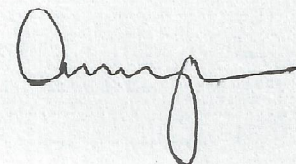
The Committee deliberated on the issue and directed the unit to furnish the complete flow chart, its import, manufacturing process and waste generation in respect of said items. The Committee also decided to forward their application for fixation of wastage/scrap percentage to the DGFT as the SION norms for the said items are not available in the SION.

AGENDA ITEM NO. 142.2.5

Seeking clarification on Income Tax benefits available to SEZ manufacturing units towards new addition in investment – M/s. Rusan Pharma Ltd., KASEZ

The said issue was taken up in the 140th UAC meeting held on 30.01.2019 as Agenda Item No. 140.3.1 and the Approval Committee after due deliberation decided to request the Income Tax member of the Committee to get the above issue examined by their Department and furnish a clarification on the above subject matter to the Committee.

Now, the Joint Commissioner of Income Tax, Gandhidham vide its letter dated 13.02.2019 has clarified that after careful study of Section 10AA of the Income Tax Act in context of case of M/s. Rusan Pharma Ltd., KASEZ, the company is not eligible for Income Tax benefit of Section 10AA of the Income Tax Act and also in the second scenario if the company takes new approval it will be considered as splitting up or reconstruction of the existing business hence in that condition also the company will not be eligible for Income Tax benefit under Section 10AA.



Minutes of the 142nd Unit Approval Committee Meeting of Kandla SEZ held on 04.03.2019 at 09:30 hrs. under the Chairmanship of Dr. Amiya Chandra, Development Commissioner, Kandla Special Economic Zone.

The Approval Committee after due deliberation decided to concur with the view of Income Tax Authorities and directed the DC office to accordingly communicate the above clarification to the unit concerned.

AGENDA ITEM NO. 142.2.6

Request of M/s Zetts Cosmetics Pvt. Ltd., KASEZ. for broad banding of additional items for Trading activity in their existing LoA.

The Committee noted that M/s. Zetts Cosmetics Pvt. Ltd., KASEZ has submitted Undertaking for Broad Banding of 36 items for trading activity which was approved in the 140th UAC meeting held on 30.01.2019.,

The Committee noted that the unit has given undertaking that they will do trading activity of 36 items approved on 100% physical export basis and no local sales including intra-zone sales shall be undertaken, except return of reject/defective goods to original supplier as may occur.

The Approval Committee after due deliberation decided to grant broad-banding permission for trading activity of 36 additional items for 100% physical re-export basis subject to the condition that return of reject/defective goods will be sent back to original overseas supplier on payment of applicable duties/Tax only as may occur.

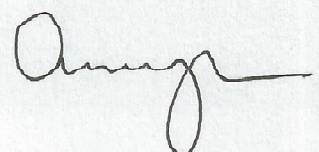
AGENDA ITEM NO. 142.2.7

Permission to Warehouse goods on behalf of Foreign & DTÁ Clients {M/s Exim Warehousing, KASEZ}.

In the 116th UAC meeting held on 19.07.2017, it was decided that the warehousing units in KASEZ will have to seek permission for any new items which they intend to warehouse on behalf of foreign clients as well as DTA clients and submit KYC of the client before warehousing the items.

The Committee noted that M/s Exim Warehousing, KASEZ has requested for permission to warehouse goods on behalf of their three DTA clients for 28 warehousing items alongwith KYC of clients.

Shri Deepak Gupta, authorised representative appeared before the Approval Committee and explained their proposal. Shri Gupta stated that they have submitted KYC of clients for the items already approved and also a list of new items to seek approval for warehousing of the same.



The Committee noted that out of 28 items proposed for warehousing, 10 items are falling under Chapter 39 related to plastics and decided not to allow such items.

The Committee after due deliberation decided to take on records the KYC of clients submitted for warehousing items already approved and also to take on records the 18 items to be warehoused for their DTA clients as submitted by the unit except items falling under Chapter 39 and subject to furnishing undertaking for about its non-hazardous nature proposed to be warehoused and that all such items are free for import & export as per prevailing FTP and that it does not require any certification/permission from any agency for its import, storage and transmission and that in the event of unit is subsequently found to have mis-declared in any respect with regard to any of such items to be warehoused, penal action/prosecution under relevant Acts will be initiated against the unit.

AGENDA ITEM NO. 142.2.8

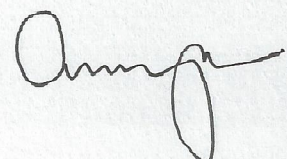
Permission to Warehouse goods on behalf of Foreign & DTA Clients {M/s Flamingo Logistics, KASEZ}.

In the 116th UAC meeting held on 19.07.2017, it was decided that the warehousing units in KASEZ will have to seek permission for any new items which they intend to warehouse on behalf of foreign clients as well as DTA clients and submit KYC of the client before warehousing the items.

The Committee noted that M/s. Flamingo Logistics requested for permission to warehouse goods on behalf of DTA clients and submitted list of 10 items to be warehoused in KASEZ alongwith KYC of clients.

The Committee after due deliberation decided to take on records the items to be warehoused by the above unit for respective DTA clients as submitted by the unit.

The Approval Committee also decided that henceforth only new items intended to be warehoused on behalf of the DTA/foreign clients by warehousing units, the approval of UAC will be required and only intimation/KYC of new clients for items already approved to be warehoused will suffice and the same need not be put up before Approval Committee for approval.



Minutes of the 142nd Unit Approval Committee Meeting of Kandla SEZ held on 04.03.2019 at 09:30 hrs. under the Chairmanship of Dr. Amiya Chandra, Development Commissioner, Kandla Special Economic Zone.

AGENDA ITEM NO. 142.2.9

Permission for change in Proprietorship in respect of M/s Easy Warehousing, KASEZ.

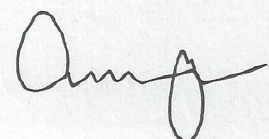
M/s Easy Warehousing is an approved unit of KASEZ holding LoA No. KASEZ/IA/07/2009-10/2835 dated 10.06.2009 for Free Trade and Warehousing Services and the said LoA was lastly renewed upto 14/07/2020.

Mr. Harmeet Singh Kohli, Proposed Proprietor and Legal Heir of Rajinder Singh Kohli, Proprietor of M/s Easy Warehousing, Plot No. 246, Sector-4, KASEZ vide its letter dated 01.03.2019 has intimated that Mr. Rajinder Singh Kahan Singh Kohli, who was his father and proprietor of M/s Easy Warehousing expired on 04/08/2018 at Delhi and following legal heirs are as under:-

S. No.	Name	Relationship with the Deceased
1	Mrs. Harvinder Kaur Kohli	Wife
2	Mr. Lakhmeet Singh Kohli	Son
3	Mr. Harmeet Singh Kohli	Son
4.	Mrs. Anupreet Sehgal alias Anupreet Kaur Kohli	Daughter

Further, Mr. Harmeet Singh Kohli has requested to mutuate/transfer the said LoA in his favour as the other three legal heirs have consented to relinquish their rights, interest, lien etc. in the said LoA in favour of Mr. Harmeet Singh Kohli.

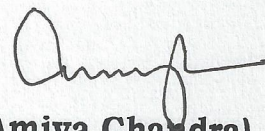
The Committee noted the other three legal heirs of Mr. Rajinder Singh Kahan Singh have consented to relinquish their rights, interest, lien etc. in the said LoA in favour of Mr. Harmeet Singh Kohli and that the incumbent proprietor does not intend to opt out of the SEZ scheme and that he further intend to run the unit as an on going concern. The Committee further noted that Department of Commerce vide Instruction No. 89 dated 17.05.2018 has issued guidelines regarding changes in shareholding pattern, name change, change of constitution and transfer/take over pertaining to SEZ units wherein change of name, change of shareholding pattern, etc. may be undertaken with the prior approval of Approval Committee in respect of SEZ units.



Therefore, the Approval Committee after due deliberation decided to approve and take on record the proposal of change of Proprietor in favour of Mr. Harmeet Singh Kohli subject to following conditions: -

1. Seamless continuity of the SEZ activities with unaltered responsibilities and obligations for the altered unit entity.
2. Fulfillment of all eligibility criteria applicable to unit, including security clearances etc. by the altered unit entity and its constituents.
3. Applicability of and compliance with all Revenue/Company Affairs/ SEBI etc. rules which regulate issues like capital gains, equity change, transfer, taxability etc.
4. Full financial details relating to change in equity/merger, demerger, amalgamation or transfer in ownership etc. shall be furnished immediately to Member (IT), CBDT, Department of Revenue and to the Jurisdictional Authority.
5. The Assessing Officer shall have the right to assess the taxability of the gain/loss arising out of the transfer of equity or merger, demerger, amalgamation, transfer and ownerships etc as may be applicable and eligibility for deduction under relevant sections of the Income Tax Act, 1961.
6. The applicant shall comply with relevant State Government laws, including those relating to lease of land, as applicable.
7. The unit shall furnish details of PAN and jurisdictional assessing officer of the unit to CBDT.

The meeting ended with vote of thanks of the chair.



(Dr. Amiya Chandra)
Development Commissioner