

Minutes of the 72nd Approval Committee Meeting of Kandla SEZ, held on 4th September, 2014 at KASEZ under the Chairmanship of Shri Vijay N. Shewale, ITS, Development Commissioner, KASEZ

Following were present:-

1	Shri Krishan Kumar	Jt. Development Commissioner, KASEZ
2	Smt. Manpreet Arya	Addl. Commissioner (Cus) – Rep. of Commissioner of Customs.
3	Shri Dilip Kumar,	ITO – Rep. of Jt. Commissioner of Income Tax
4	Shri Yogesh Suthar	GPCB

Absentees:

- (1) Director (Banking)
- (2) Asstt. Collector/SDM
- (3) Jt. Director General of Foreign Trade
- (4) GM, DIC, Bhuj

72. Review/confirmation of the minutes of last meeting of the Approval Committee:

Minutes of the last meeting of the Approval Committee were confirmed.

72.1 New Proposals to set up Units in KASEZ:

72.1.1 M/s. J.T. Exports Corporation, Maharashtra:

The proposal of the applicant is for setting up a manufacturing unit for Pan Masala with Zarda i.e. Gutkha (ITC HS-24039990) and Pan Masala (21069020). Proprietor of the firm Mr. Jitendra Mandot was given an opportunity of hearing before the Committee earlier also on 31/07/2014. However, he failed to appear before the Committee and the case was therefore, deferred. The proposal was again placed for discussions today. However, the Proprietor again failed to appear before the Committee. It appears that he is not interested in pursuing his case. The Committee also observed that he does not have any established brand name for the manufacturing of export products he has applied for and he also does not have sufficient income to invest in the project as observed from the copies of income tax returns submitted by him. The Committee, therefore, decided to reject the proposal.

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72.1.2 M/s. Chemcoat India Enterprises Pvt. Td., Mumbai:

The proposal of the applicant is for setting up trading unit. The applicant was given an opportunity of hearing before the Committee earlier also on 31/07/2014. However, he failed to appear before the Committee and the case was therefore, deferred. The proposal was again placed for discussions today. However, the Proprietor again failed to appear before the Committee. It appears that he is not interested in pursuing his case. The Committee also observed that they have requested for an area of 4000 sq.mtrs. (approx..one acre), which is not available. Committee was of the view that providing such a huge space for trading purpose is not feasible and therefore, in view of above decided to reject the proposal.

72.1.3 M/s. Global Multi Chem, Chandigarh:

The proposal of the applicant is for setting up of a unit for manufacturing activity. The Proprietor was given an opportunity of hearing before the Committee earlier on 26/6/2014. However, he failed to appear before the Committee and the case was therefore, deferred. The proposal was again placed for discussions today. However, the Proprietor again failed to appear before the Committee. This shows that the applicant is not keen to pursue his proposal. The Committee also observed that they are asking for an area of 4000 sq.mtrs., (approx..one acre), which is not available. Committee was of the view that providing such a huge space for trading purpose is not feasible and therefore, decided to reject the proposal.

72.1.4 M/s. Tej Ram Dharam Paul, New Delhi:

The proposal of the applicant is for setting up a unit for manufacturing activity of Filter Khaini (ITC HS – 24039920 & 24039930), Chewing Tobacco (ITC HS 24039910). Mr.Dharam Paul, Partner of the firm appeared before the Committee and explained about the proposed project. The investment of Rs.189.88 lakhs will be met from promoters own contribution. Export value of exports projected for five year period is Rs.2940 lakhs with a NFE of Rs.2851 lakhs.



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Committee observed that they are an existing unit in DTA with established brand name. Committee therefore, decided to approve the proposal subject to following conditions:-

- (a) No domestic sale shall be permitted under any circumstances.
- (b) 100% of the manufactured goods shall be exported;
- (c) They shall furnish an undertaking that no case has been booked against their unit by any enforcement agencies like DRI, Central Excise, Income Tax, etc.
- (d) They shall furnish an undertaking as per the Supreme Court judgement for manufacturing of goods in plastic pouches.
- (e) They will have to register themselves for SEZ online with the NSDL.
- (f) They shall also obtain membership certification of EPCES before execution of bond-cum-LUT.

Committee decided that to have a distinct identification of the products manufactured in SEZ & DTA i.e. the packings/pouches manufactured in SEZ will have different design/colour combination.

72.1.5 M/s. Hind Prakash Pvt. Ltd.

The proposal of the applicant is for setting up a unit for trading activity. Shri Santosh N. Nambiar, Director of the firm appeared before the Committee and explained about their proposal. Committee considered the case and observed that the applicant does not want to have a premises directly leased to them by the Developer (i.e. KASEZ Authority). They intended to operate their unit from the warehousing premises of M/s.V. Milak Enterprises without obtaining their own leased premises from the KASEZ Authority. This kind of arrangement is not acceptable. The SEZ Rules envisage that the unit obtaining LoA must have its own premises obtained on lease from the Developer. Committee therefore, decided to reject the proposal of the unit.



72.2 Broad Banding Request in existing LOA:

72.2.1 M/s. Kutch Polymers, KASEZ:

The proposal is for inclusion of trading activity of plastic items in the existing LOA. Mr. Pinakin Shah, representative of the unit appeared before the Committee and explained that the partner is out of country. Shri Pinakin Shah explained about the proposal. Committee was of the view that as per Instruction No.69 dated 4/11/2010 issued by the Department of Commerce, their broad-banding request cannot be approved and therefore, decided to reject their proposal.

72.2.2 M/s. Regent Ropes, KASEZ:

The proposal is for inclusion of trading activity for plastic items in the existing LOA . Applicant did not turn up for discussions before the UAC. Committee was of the view that their broad-banding request cannot be approved and therefore, decided to reject their proposal.

72.2.3 M/s. Baccarose Perfumes & Beauty Products Pvt.Ltd., KASEZ:

The proposal is for inclusion of trading activity of bulk drugs in the existing LOA. Shri Vijay Hegde representative of the unit appeared for discussions and explained the proposal. Committee considered the case and was of the view that as the firm is engaged in manufacturing activity of perfumes and cosmetic products and export of the same, have parallely requested for addition or broad banding of trading in bulk drugs. Committee, therefore, decided to advise the applicant to get the trading premises segregated by erecting a wall and apply for a fresh LOA to the Committee. The Committee also was of the opinion that they should specify the list of such bulk drugs along with ITC HS codes and permission from the Director and Controller General of Drugs should be obtained by them, if necessary.



72.2.4 M/s.Add Polymers Pvt. Ltd., KASEZ:

Committee observed that the Director of the firm did not appear before the Committee. The Committee, therefore, decided to defer the case for consideration in its next meeting.

72.3 Miscellaneous:

72.3.1 M/s. Kutch Polymers, KASEZ:

Committee approved their request for change in partnership and noted the present partners are Smt. Dipti Pinakin Shah (holding 75% shares) and Mr. Kaushal P Shah (holding 25% shares).

72.3.2 Allowing trading in goods attracting anti-dumping duty:

The Committee reviewed its earlier decision of 27/01/2012 on the subject. Committee was of the view that in other SEZs like Noida, SEEPZ and Falta, no such condition of restriction of import of goods attracting anti-dumping duty is being imposed. Further, it is observed that under SEZ Act, 2005 and Rules framed thereunder, there is no provision restricting of trading of goods attracting anti-dumping duty. The Committee, therefore, reviewed its earlier decision and decided to allow trading of goods attracting anti-dumping duty by the trading units in KASEZ and accordingly approved the requests of M/s.New Vibe Internaitonal and M/s.Pon Pure Chem.

72.3.3 Review of condition mentioned in LoA of Worn & Used Clothing of units of KASEZ:

Committee is of the view that instead of allowing used and worn clothing units to keep their goods in the warehousing units they can be given additional premises on lease for keeping their goods properly subject to conditions and restrictions as has been imposed in terms of policy for used and worn clothing units issued by the DoC on 17.09.2013. As regards, keeping the goods



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in warehouses, the Committee was of the view that since warehousing unit is also allowed to import goods from its principals and as per their Principal's orders/directions can either export the goods or supply to DTA buyers. Permitting such activities in warehouses i.e. keeping worn and used clothing in warehousing units may not be feasible as the distinct identity of the goods warehoused by one unit with those of other unit cannot be maintained (due to the nature of the goods) and may lead to diversion under the guise of above supplies posing difficulties to check as to whether the goods going out of the zone are of the foreign principals or otherwise. Committee therefore, decided to allow additional premises on lease rent to cater such instances of handling excess quantities, if any.

72.3.4 Putting restriction in LoP for not allowing warehousing activity of second hand goods:

Committee noted that there is no restriction in the SEZ Act and Rules for keeping second hand goods in the warehousing units. Committee also observed that this kind of storing of second hand goods is not covered by Rule 18(4) (c) and there is no manufacturing activity involved and the goods will be exported 100% basis. Hence, such activity will fall under Rule 18(5) of the SEZ Rules, 2006. However, the Committee decided to impose a condition that no DTA sale of second hand goods will be allowed under any circumstances by warehousing units and 100% of their imported second hand goods will be exported out of the country. If any diversion of the goods is detected, the LoAs will be liable for cancellation immediately after giving an opportunity of hearing before the DC or Approval Committee. Whenever any such request is received the same will be considered with the approval of DC.

72.3.5 Action proposed by DRI against M/s.D.P. Associates, KASEZ:

The Committee considered the case and observed that the firm has entered into diversion of the goods by way of manipulation of shipping bills & other documents and other violations as reported by DRI vide their SCN No.DRI/AZU/GRU/INV-6/2012-13, dated 17/7/2014. Committee is also informed that there are lease rental arrears amounting to Rs.5,76,887/- and the



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firm is not paying. In view of the serious violation and malpractices entered into by the firm Committee decided to immediately suspend all the operations of the LOA issued to the firm M/s.D.P.Associates and authorized the DC to issue SCN for cancellation of LOA and decide the same after offering an opportunity of PH to the firm.

72.3.6 Request of M/s.Praj Industries Ltd. (Unit-I and Unit-II), KASEZ for inclusion of two more additional services:

The Committee considered the case. Mr. Kothari, representative of the units (Unit-I & II) appeared before the Committee and explained that the Business Support Services is already covered by the revised default list of services. As regards other services i.e. Business Auxiliary Services, the Committee observed that there is general description under which various services are covered and Shri Kothari was requested to explain the matter. Accordingly he submitted a letter dated 4/9/2014 which gives definition of Business Auxiliary Services under section 65(19), which define various service activities under Business Auxiliary Services. The representative of the unit explained that out of these various service activities they are related to only Sr.No.5, which is services related to production or processing of goods for and on behalf of the clients. The Committee, therefore, decided to allow Business Auxiliary Serices namely "Services related to production or processing of goods for and on behalf of the clients" as provided in Section 65(19) of the Service Tax (Finance) Act, 1992.

The meeting ended with thanks to all.



(Vijay N.Shewale)
Development Commissioner,
Kandla Special Economic Zone.