

Minutes of the 123<sup>rd</sup> Unit Approval Committee Meeting of Kandla SEZ held on 16.01.2018 at 12:00 hrs. under the Chairmanship of Shri Upendra Vasishth, Development Commissioner, Kandla Special Economic Zone.

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**Following were present:**

1. Shri. Rajesh Kumar : Joint Development Commissioner(I/C),  
KASEZ.
2. Shri. S. C. Sahoo : Assistant Commissioner, Customs, Kandla,  
Gandhidham-Representative of  
Commissioner of Customs Kandla.
3. Shri. Prakash Buldak : Additional Commissioner of Income Tax,  
Gandhidham.
4. Shri. P. C. Ravindran : Assistant DGFT,  
Rep. of Jt. DGFT, Rajkot.
5. Shri. R. H. Jivani : Representative of GPCB,  
Gandhidham.
6. Shri. A. R. Antani : Representative of DIC, Bhuj.

**Absentees:-**

1. Director (Banking)
2. SDM

**Review/Confirmation of the minutes of last meeting (121<sup>st</sup> UAC) of  
the Approval Committee: -**

Minutes of the last meeting of Approval Committee was confirmed.

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### **123.1 NEW UNIT APPLICATION**

#### **AGENDA ITEM NO. 123.1.1**

**Application for setting up of a Manufacturing and Trading unit in KASEZ namely M/s. San Enterprises, Plot No.3, Sector-II, GIDC, Gandhidham, Gujarat.**

Their proposal is for setting up of a Manufacturing and Trading unit in Kandla Special Economic Zone.

Shri Ajay Gupta, authorised representative of the firm appeared before the Approval Committee and explained the proposal.

Shri Gupta informed that their proposal is for Manufacturing activity of Granules, Roto Moulded Powder, Sheet, Film, Foil and Strips and Water Storage Tanks and Trading activity of Granules, Agglomerates, Grinding, Flakes, Powder, Recycled Granules and Plastic Articles and products.

He further informed that for the proposed manufacturing activities they will procure raw materials from indigenous sources as well as from abroad countries like Colombo, Bangladesh, Dubai, etc.

The Approval Committee noted that a similar proposal was put up in its 111<sup>th</sup> UAC meeting held on 22.03.2017 as the proposal involved reprocessed/recycled plastic items/sweeping granules which are very sensitive items and the same needed further examination. Accordingly, in the said meeting it was decided to study all aspects of the issue by DC office. The report of such study is awaited.

The Approval Committee after due deliberation decided to defer their manufacturing proposal and directed the DC office to also examine all such aspects and put up the combined study report for further consideration of the Approval Committee. The Committee further noted that proposals for

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Manufacturing and Trading are not allowed together and therefore decided to reject the Trading proposal of the unit.

## **123.2 MISCELLANEOUS ITEMS**

### **AGENDA ITEM NO. 123.2.1**

**Request of M/s Keval Exports, Kandla SEZ for Broadbanding of their LoP for addition of Wheat Flour in Starch added with Micro Crystalline Cellulose Powder in their manufacturing activity.**

M/s Keval Export has been granted approval vide letter F.No. KASEZ/IA/043/2007-08/1665-67 dated 09.05.2008 for manufacturing activity of Micro Crystalline Cellulose Powder. The validity of their LoA is upto 26.04.2022.

Now, the said unit vide its letter dated 20.12.2017 has requested for addition of wheat flour in starch added with Micro Crystalline Cellulose Powder in their manufacturing activity.

Shri. Kamlesh Patel, Proprietor of the unit appeared before the Approval Committee and explained their proposal.

Shri Patel explained that their broad-banded item wheat flour in starch will be used for making bread, pizza, etc. They have made exports of about Rs. 85 lakhs during the current financial year. He stated that they will procure about 100-150 MT monthly of wheat grain from local DTA market. He further stated that they will add 25% of Micro Crystalline Cellulose Powder (MCCP) to 75% of wheat flour and will manufacture the final product i.e. Wheat Flour in Starch which will be exported to Dubai, Iran, Iraq, etc.

The Approval Committee after due deliberation decided to defer their proposal as procurement of wheat flour is sensitive item concerning the mass population of India and that its policy of import/export is of the nature

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of frequent changes and directed the DC office to collect data on the export of past 3 years for wheat flour and wheat flour in starch and furnish the data for further consideration of the Approval Committee.

**AGENDA ITEM NO. 123.2.2**

**Request of M/s. V. Milak Enterprises, KASEZ for Import of Precious Metals under Warehousing Approval.**

M/s. V. Milak Enterprises, Plot No. 176-A, Sector-I, KASEZ is holding LoA No. KFTZ/IA/1721/98/3201 dated 21.07.1998 as amended/extended from time to time for manufacturing of all types of wrappers, BOPP self-adhesive taps, corrugated boxes, different types of printing on plastic bottles, Holograming/labelling on products, cutting of different size of cellophane/BOPP sheets. Their LoA was further broad-banded vide letter F. No. KASEZ/IA/1721/98/6836 dated 03.08.2010 for providing warehousing and weighbridge service activities as per Rule 18(5) of the SEZ Rules, 2006. Their LoA is valid upto 30.10.2020.

Now they have requested for permission for import of precious metals under warehousing approval. The unit has intimated that recently they have been approached by their overseas clients for import of precious metals especially Silver, Gold into India under the SEZ Custodian Warehousing Concept whereby the same would be warehoused in Kandla SEZ and based on appropriate market conditions the same would be cleared and released from Kandla SEZ.

Shri. Vivek Milak, Partner of the unit appeared before the Approval Committee and explained their proposal.

Shri Milak informed that they are already in warehousing business and now wanted to do warehousing of precious metals and will import gold and silver on behalf of their clients and store the same in their warehouse.

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Presently also gold/silver are imported in Mundra Port in Containers and with proper security arrangements the same are being given to Banks. They will enter into agreement with carriers viz. G4S and later similarly with Brink's and the owners of the precious metals will be the overseas entity. They will warehouse the precious metals in KASEZ and as per bank's requisition of 5 to 10 tons the same will taken out of KASEZ in piecemeal. Initially, they will start the warehousing activities with Silver.

The Approval Committee noted that import and export of gold and silver are subject to RBI guidelines. The Committee also noted that DoC, SEZ Division has issued circular vide its letter No. D.12/4/2013-SEZ (Vol.II) dated 31.12.2013 streamlining of regulatory mechanism of SEZ units in gem and jewellery sector and subsequently vide letter of even number dated 03.03.2016 a new paragraph was inserted which further clarified that such activity of storage/vaulting of precious metals like gold and silver on behalf of foreign supplier located abroad is a permissible activity within the provision of Rule 18(5) of SEZ Rules subject to RBI authorisation, etc. However, the above permission is subject to the Developer/unit concerned shall install fool proof security systems at the entry and exit points which shall be adequately manned to prevent any possible leakages or misuse of SEZ Scheme.

The Approval Committee after due deliberation decided to defer their proposal as before granting such approval, requirement of installation of fool proof security systems and their operational framework are required to be satisfied. The Committee in this regard noted that there is one such FTWZ unit is operating in Sricity SEZ and therefore directed the DC office to depute a team to study the operational framework and security systems of the said SEZ unit for the said activity of Sricity SEZ. After receipt of the study report of the team, the present proposal will be taken up in the UAC meeting.

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**AGENDA ITEM NO. 123.2.3**

**Request of the unit M/s Palmon Exports regarding incorporation of reconditioning of used computers, monitors electrical and manufacturing of electronic equipment.**

M/s Palmon Exports, KASEZ is an approved unit vide LoA No. KFTZ/Admn./2/858/80/Vol.II/1098 dated 28.05.2001, as amended from time to time, for manufacturing activity of all types of ready-made garments and made-ups and huge list of trading items. The validity of their LoA is upto 31.10.2020.

The UAC in its 122<sup>nd</sup> meeting held on 28.12.2017 after due deliberation decided to prune their list of huge items of trading & not to allow both manufacturing and trading activity together as has been the stand of UAC in the last one year in case of many such units and further decided to call for personal hearing of the active Partner of the unit in the next UAC meeting scheduled with the direction to the unit to come up with specific list of items in which they are currently dealing or intend to do with justification.

Shri. Sunil Lahori, Partner of the unit appeared before the Approval Committee. On being asked by the Committee Shri Lahori admitted the fact that they are not transacting in all the approved items for which approvals was granted to them and that he further raised some leasing of space on issue and pending rental arrears and court proceedings relating to the said issue due to which they could not operate in full capacity. The Committee asked him to resolve their leasing/rental arrears issue with KASEZ Authority as this is not under the purview of the UAC.

The Approval Committee after due deliberation decided to put on hold all the approvals granted to the unit and Shri Lahori was directed to come up with specific list of items of manufacturing and trading separately which

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they intend to carry on as their authorised operations. It was also informed to them that trading and manufacturing together under one LoA is no longer permissible. Therefore, the unit was directed that so far as trading items are concerned they will have to operate as a separate trading unit (Unit-II Trading Division). Accordingly the unit was to come with all the above in the next UAC meeting for consideration before UAC.

**AGENDA ITEM NO. 123.2.4**

**Request of M/s. Rebae, Proprietorship firm for setting up a manufacturing unit for Part and accessories of Laser printer and Part and accessories of Inkjet printer at KASEZ.**

Their proposal is for setting up of a Manufacturing unit Part and accessories of Laser printer and Part and accessories of Inkjet printer in Kandla Special Economic Zone.

The Approval Committee after due deliberation noted that their present proposal is not different of their earlier proposal and that this is a proposal for recycling/reengineering of old & used items covered under Rule 18(4)(e) of SEZ Rules; it was also noted that there is already an existing Partnership firm in KASEZ for the said activity in the name of M/s. Ubix in which Shri Gaurav Batra is already a Partner. Their proposal was already taken up for consideration in the 113<sup>th</sup> UAC held on 25.05.2017 wherein both the Partners were called for personal hearing and it was noted that the Committee is not inclined to encourage this kind of business and rejected the request of splitting of LoA of M/s. Ubix Inc.

The Committee after due deliberation noted that there is already existing SEZ unit for the said activity in which both Shri Batra and Shri Meglani are Partners as such it was decided not to issue any new Letter of Approval as the items of recycling/ refurbishing is very sensitive & difficult to monitor in SEZ and accordingly decided to reject their proposal.

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**TABLE AGENDA ITEM NO. 123.3.1**

**Monitoring of units who have not filed their Annual Performance Report (APRs) for the year 2016-17 till date.**

The Committee noted that as per Notification dated 21.11.2016 of MOC&I amending the time limit to furnish the Annual Performance Reports within a period of 180 days from the close of financial year. As per the said notification, SEZ units has to furnish the APRs for the financial year 2016-17 by 30.09.2017, however, it has been noticed that number of units have not submitted APRs for the year 2016-17 till date despite DC office issued emails to furnish the same.

After due deliberation, the Approval Committee directed to take appropriate action (issuance of SCNs) against erring units who have not filed APRs for the financial year 2016-17 till date. The Committee also authorised the Development Commissioner to take suitable action against such units as per condition No. 7 of Bond cum Legal Undertaking executed by them.

**TABLE AGENDA ITEM NO. 123.3.2**

**Intimation by M/s U. S. Clothing (India) Pvt. Ltd. towards change in Directors of the company.**

M/s U.S. Clothing (India) Pvt. Ltd. is an approved unit for manufacturing of Reprocessing, sorting, grading, cutting, mutilation etc. of used garments/textiles/clothes/used clothing vide letter of approval F.No. KASEZ/IA/1865/2001 dated 31-12-2001, as amended from time to time. The validity of LoA is upto 30-11-2018.

The unit have intimated regarding retirement of their five Directors and induction of two new Directors and also change in shareholding pattern of the company. The details of present four Directors of the company are as under: -

Sl. No.	Name of the Director	Date of joining
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1	Smt. Naseem Banu Bhalwani	20.01.2006
2	Shri Gurvinder Toor	14.07.2010
3	Shri Hanif Salehmohammad Talu	21.03.2016
4	Shri Mohamedhusen Mohamed Hanif Talu	21.03.2016

The Committee noted that BOA's in its 69<sup>th</sup> meeting held on 23.02.2016 decided that such cases below 50% changes in shareholding pattern can be considered by UAC under Rule 19(2) of SEZ Rules.

Accordingly, the Approval Committee after due deliberation noted that the change in shareholding pattern is below 50% and decided to approve change in Directors and change in shareholding pattern of the company 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

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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.

**ITEM NO. 123.4**

**Miscellaneous Issues**

**AGENDA ITEM NO. 123.4.1**

The Committee noted that as per Rule 18(4)(f) no proposal shall be considered if there is any instance of violation of law or public policy by the promoters, having a bearing on the merits of the proposal. Therefore, the Committee decided that henceforth the checklist is to be devised for considering new applications wherein an undertaking/affidavit is to be taken from the promoters regarding no offence cases by DRI/IT/Central Excise/ED and DGFT, etc. is pending or contemplated against the promoters/units. Further the members of UAC viz. Income Tax and Customs & Central Excise Departments are also advised to come up with the antecedent of the promoters of the unit during the meeting of UAC.

**AGENDA ITEM NO. 123.4.2**

Further the Committee also noted that in the case of M/s. Zip Zap Exim Pvt. Ltd., KASEZ it was decided in the 119<sup>th</sup> UAC meeting held on 04.10.2017 that trading being a "Service" in terms of Rule 76 read with Section 2(z) of SEZ Act, 2005 cannot be permitted trading in Indian rupees and therefore any DTA Sales of trading activity has to be against Foreign Exchange only. Therefore, in terms of the condition of Section 2(z)(iii) of SEZ

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Act, 2005 under service activity all such trading activity being service activity are also to be in foreign currency only. So after, due deliberation Approval Committee decided that in all the existing trading permissions granted, all transaction including DTA sale will be allowed in foreign currency only and violation will invite punitive action.

The meeting ended with vote of thanks of the chair.



**(UPENDRA VASISHTH)**  
Development Commissioner