

Minutes of the 12th Meeting (2017 Series) of the Units Approval Committee (UAC) for EOUs held on 18.07.2017 at 15:00 Hrs under the Chairpersonship of Shri Upendra Vasishth, ndc, Development Commissioner, KASEZ at the Office of Development Commissioner, KASEZ, Gandhidham.

Following were present:-

- (1) Shri Krishan Kumar, Joint Development Commissioner, KASEZ
- (2) Shri Rajesh Kumar, Deputy Development Commissioner, KASEZ
- (3) Shri Suvidh Shah, Dy. DGFT, Rajkot
- (4) Shri Ajay Arya, Assistant Commissioner, GST Bhavnagar
- (5) Shri B.D.Prasad, DEE, GPCB, Regional Office Bhavnagar, as Special Invitee

At the outset, the chairman welcomed all the members of the Approval Committee and Special Invitee present in the meeting. Thereafter, the Agenda was discussed.

M/s Reliance Defence and Engineering Ltd.(RDEL), Port of Pipavav, Distt. Amreli: Request for Broadbanding of LOP

M/s RDEL requested for broad-banding of their LOP for inclusion of activities of decommissioning/dismantling of offshore structures and cutting of structures.

The UAC had deliberated on their proposal of Broadbanding of LOP in its 10th Meeting (2017 series) held on 11.07.2017 and raised some unexplained points and deferred the proposal for its next meeting. The unit vide their letter dated 17.07.2017 replied to the points raised in the UAC meeting. The Committee took note of above letter.

Major Observation/Decision of the Committee:

- (a) In the flow chart, the Committee noticed that Hazardous waste and Contaminated Metal will be generated from their activities. As per Para 2.54 of the HBoP of FTP 2015-20, Import of any form of metallic waste, scrap will be subject to the condition that it will not contain hazardous, toxic waste, radioactive contaminated waste/scrap containing radioactive material, etc in any form either used or otherwise.
- (b) As per para 6.16 of FTP, EOUs shall be set up with approval of UAC to carryout Reconditioning, Repair, remaking, testing, calibration, quality improvement, upgradation of technology and Re-engineering activities for export in foreign currency. Provisions of 6.08, 6.09, 6.10, 6.13, 6.14 of FTP and para 6.29 of HBP shall not, however, apply to such activities. The Committee felt that the unit may not thus clear any good into DTA.



- (c) As per Para 6.06(a) and Para 6.08 of Handbook of Procedures, it appears that the unit cannot work outside its premises, whereas the Unit has proposed to do offshore dismantling through its partner company.
- (d) The Unit was asked to provide ITC (HS) code of raw material and finished goods related to activities of decommissioning/dismantling of topside structure and cutting of structures in its Meeting held 11.07.2017. The Committee observed that the unit vide above letter submitted the details of Capital goods and consumables instead of actual raw material. However, at the time of meeting the unit's representative said that actual raw material is classified under ITC HS 7308, the unit also submitted that their finished goods will be classified under ITC HS 7308. The ITC HS code of actual raw material and finished goods is same. However, in their earlier submission they mentioned their products would fall under ITC (HS) code 89079000 or 72044900. This needs further clarification from the unit.
- (e) The Unit, vide their letter dated 17.07.2017, also submitted details of supplier and the buyer. The Committee felt that the offshore structure (Rigs) will be received from other countries. However, during the interaction with Unit's representative, it transpired that they will be predominantly providing services of dismantling/decommissioning of structures to the foreign unit and not having the ownership of the good and also that the rigs, already imported into India, will be made available to them by foreign entities for onshore decommissioning and dismantling. Shri Suvidh Shah, Dy. DGFT, Rajkot, mentioned that then it will not be import as goods are already in the country.
- (f) The reply of the Unit to question whether their activities would be 'manufacturing' or 'service', was not clear. The Unit's representative mentioned that they will be predominantly providing services of dismantling/decommissioning of structures to the foreign unit and will not be having the ownership of the good.
- (g) On route of foreign exchange, the Unit's representative said that they will be predominantly providing services and earn foreign exchange from the foreign unit.
- (h) From their proposal, it is not clear whether they are providing onshore services or offshore services or both. Their request is for broad-banding of their LOP for inclusion of activities of decommissioning/dismantling of offshore structures and cutting of structures. However, in their Note on Broadbanding of LOP, they have submitted Expression of Interest (EOI) to BGEPIL for Onshore disposal of Topsides and Jackets. It was clarified by the Unit's representative that their work will start only once the structure reaches their onshore premises.

- (i) Shri B.D.Prasad, DEE, GPCB, Regional Office Bhavnagar, informed the Committee that the proposed activity, i.e. dismantling/decommissioning of well head platforms, may attract the Shipbreaking Code, 2013 issued by the Ministry of Steel, Government of India. For such an activity, the unit would require approval of GIMB, GPCB and Central Excise (Now GST).

During discussions, it also transpired that the Unit was not very clear on its business model and thus the UAC decided that the Unit may come up with a clear business model explaining clearly from which stage their role would start and for ensuring that all work would be carried out in their premises. The Unit is to again clarify how they would achieve NFE. The Committee felt that after the Unit gives clear proposal in all respect, it may refer the proposal to Board of Approval as it is a matter requiring approval from different authorities and issue of hazardous/contaminated waste is also there.

The meeting ended with thanks to all present.



(UPENDRA VASISHTH)
Development Commissioner
Kandla Special Economic Zone