

Minutes of the 116th Unit Approval Committee Meeting of Kandla SEZ held on 19.07.2017 at 11:30 hrs. under the Chairmanship of Shri Upendra Vasishth, Development Commissioner, Kandla Special Economic Zone.

Following were present:

1. Shri. Lalit P. Jain : Additional Commissioner of Income Tax, Gandhidham.
2. Shri. Krishan Kumar : Joint Development Commissioner, KASEZ.
3. Shri. S. C. Sahoo : Assistant Commissioner, Customs, Kandla, Gandhidham-Representative of Commissioner of Customs Kandla.
4. Shri. M. M. Pandya : General Manager, DIC, Bhuj.
5. Shri. R. G. Khairkar : Foreign Trade Development Officer, Rep. of Jt. DGFT, Rajkot.

Absentees:-

1. Director (Banking)
2. SDM
3. GPCB

**Review/Confirmation of the minutes of last meeting (115th UAC)
of the Approval Committee: -**

Minutes of the last meeting of Approval Committee was confirmed.



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116.1 NEW UNIT APPLICATION

AGENDA ITEM NO. 116.1.1

Application for setting up of a unit for Service Activity for Processing of Agro Commodities and Trading Activity in KASEZ namely M/s LMP Overseas, 117, Shakti Shopping Center, Mundra Port Road, Mundra, Kutch 370421.

M/s. LMP Overseas, a partnership firm, vide application dated 02-01-2017, has filed an application for setting up unit in Kandla Special Economic Zone for Service Activity for Processing of Agro Commodities and Trading Activity.

The said proposal of the unit has been placed before the 109th UAC meeting held on 16.02.2017. The Committee after due deliberation decided to defer the proposal with the request to the unit to furnish item-wise processing chart with present import/export policy.

Now, they have submitted the common flow chart for 11 items which includes (1) Pre-cleaning, (2) Fine Cleaning, (3) Colour Sorting, (4) Grading & (5) Draying.

Shri. Rasik Patel, authorised representative of the company appeared before the Approval Committee and explained their proposal.

Shri. Patel stated that they are having an agro processing unit at Patan and are doing merchant exports of their products to rest of the world. He further informed that apart from processing of agro commodities they propose to do manufacturing of four items viz. Chilly Powder, Cumin Seeds Powder, Turmeric Powder and Fenugreek Powder in their present proposal.

The Approval Committee noted that the unit have shown source of finance of Rs. 9 crores out of which Rs. 4 crores will be from Partners own

capital. The Committee asked the applicant to furnish financial details regarding source of finance. The Committee noted that the applicant has already been approved for trading of four items viz. Building Material & Fitting, Sanitary Ware, Agriculture Machinery and Building Equipment & Machinery and decided to approve further 11 items for trading and manufacturing of four items viz. Chilly Powder, Cumin Seeds Powder, Turmeric Powder and Fenugreek Powder.

Unit was asked to give details of financing. The Approval Committee after due deliberation found the proposal acceptable subject to the conditions that separate LoA will be issued for manufacturing and trading activities separately terming the units as Unit-I and Unit-II. Separate areas will be earmarked for the two units. Further it was decided that after receipt of the satisfactory furnishing of financial details, the case would be examined on file and the permission to set up manufacturing and trading units separately may be granted with the approval of Development Commissioner.

116.2 MISCELLANEOUS ITEMS

AGENDA ITEM NO. 116.2.1

Subject: - Review of functioning of all the existing Warehousing units of KASEZ.

The Unit Approval Committee in its 95th meeting held on 18.04.2016 has decided to constitute a Committee for detailed review of functioning of all the existing warehousing units of KASEZ.

Accordingly, the said Committee has submitted its report on functioning of all the existing warehousing units of KASEZ before Approval Committee.

Decision of UAC:



After discussion on the report, following decisions are taken on the recommendations contained in Para 14 of the Report.

1. Para 14.1 of the recommendation of WHC:

The Unit Approval Committee accepted the recommendation, as in one of the earlier UAC it has already been decided not to issue any new LoA for warehousing (w/h) in the old zone and to issue LoA for warehousing only in the Free Trade Warehousing Zone being developed by IWKPDL in Kandla SEZ.

2. Para 14.2 of the recommendation of WHC.

The Unit Approval Committee accepted the recommendation of the Warehousing Committee that —

- (a) 17 nos. of units as per Annexure-II, SCN, shall be issued for their non-performance/cancellation of LoA of warehousing/eviction/ space after verification of their latest updated activity by Office of the DC.
- (b) 03 nos. of Units operating under open space as per Annexure-III without any shed or boundary wall and has not made any investment, they should be asked to create necessary infrastructure facility with a period of six months, failing which action shall be initiated for eviction of space and cancellation of LoA.
- (c) There are 33 units as per annexure-V which has not submitted any information, Show Cause Notice may be issued to them for

non-furnishing of data under SEZ Act & Rules and LoA may be suspended.

- (d) Units charging and receiving the warehousing charges only in Indian Rupees in violation of Rule 18(5) and Section 2(z) shall be issued with SCN for non-compliance of above provision as listed against their name in Annexure-VI.

3. Para 14.3 of the recommendation of WHC.

The UAC accepted the recommendation of the WHC that all the new LoAs of warehousing as well as renewal of LoA for warehousing should include a condition that “no sub-letting or sharing of their premises or giving space for use to others in any manner will be permitted for warehousing units and only warehousing of goods will be permitted”.

The UAC also decided that this practise should be in any way not to be permitted and if any unit is found to be indulging in sub-letting/giving their premises or space to others for use in any manner, SCN should be issued and adjudication process may be carried out by Office of the DC.

4. Para 14.4 & 14.5 of the recommendation of WHC.

The UAC deliberated on the condition for LoA of warehousing unit that they will not be permitted to store Used cloth or recycled plastic etc. This condition was first time put on a unit specifically by the UAC held on 22.12.2008. However, the 46th UAC held on 11.02.2011 took a general decision for ratification of this condition in all the LoAs issued between 12.12.2008 & 11.07.2011 and in future.

The UAC decided that—

- (a) No LoA issued for warehousing after 11.07.2011 should have warehousing of used cloth/recycled plastic or import of used cloth/recycled plastic. If any unit is storing such used cloth/recycled plastic material they should be directed to stop this activity and they are given time upto 31.12.2017 for winding up this. Such units will not be permitted to store used clothing/plastic scrap beyond 31.12.2017.
- (b) LoAs issued prior to 11.07.2011 do not have this condition uniformly and therefore; UAC decided that this condition may be put in all such LoAs at the time of renewal. The condition of non-storage/warehouse/import of used cloth or used plastic etc. will apply to those LoAs also which are due for renewal and not yet renewed.
- (c) It was also noted that if any such warehousing unit which was issued LoA prior to 11-07-2011 and it does not have specific condition of non-storage/warehouse of worn/used clothing and also if it is not presently warehousing any worn/used cloth etc., then such units will not be permitted to warehouse/store worn/used clothing or other used goods.
- (d) However, no warehousing unit is permitted to allow any manufacturing activity in its premises. This should be enforced strictly.
- (e) The UAC also clarified that the condition of "non-storage/warehouse of worn & used clothing etc....." was imposed in certain LoAs prior to July 2011 as condition No.2,

therefore, they are not permitted to store/warehouse worn & used clothing etc. In case this activity is being done in any such unit, it should be issued SCN and such units should also stop this activity by 31.12.2017.

- (f) Meanwhile UAC also decided that relaxation as at (a) & (c) above will have a rider that warehousing units will not be permitted to store goods in more than one premise and for more than one unit worn & used clothing unit and in vice-versa, no used cloth unit shall be permitted to warehouse their goods in more than one warehousing unit and more than one premise.

5. Para 14.6 of the recommendation of WHC.

The Warehousing Committee has studied the issue of manufacturing and trading units having taken the Broad-banding of warehousing as they had unutilised space. Therefore, UAC decided that —

- (i) Henceforth, no Broad-banding of Trading & Warehousing will be approved with manufacturing activity or no separate unit on such excess unutilised land will be allowed for warehousing purpose.
- (ii) If any unit has got some excess space available temporarily, it will be allowed to share with another unit requiring space for a period of 6 (six) months by the Development Commissioner on case to case basis to be extended by another six (6) months by UAC.

6. Para 14.7 & 14.8 of the recommendation of WHC.

The UAC accepted the recommendation of the Warehousing Committee that a condition should be put in the LoAs of all units to seek permission for each item they intend to warehouse on behalf of their foreign clients as well as submit KYC of the client before warehousing the items.

7. Para 14.9 of the recommendation of WHC.

UAC agreed to the recommendation of the Warehousing Committee that Bond-cum-LUT condition should be rechecked and it should be clearly mentioned that warehousing unit will be solely responsible for payment of any duty or taxes for any eventuality. However, as Bond-cum-LUT is part of SEZ Rules, it may be taken up with DoC.

8. Para 14.10 of the recommendation of WHC.

UAC accepted the recommendation of the Warehousing Committee that no manufacturing activity is permitted in warehousing units operating under Rule 18(5) of Rule 76 of SEZ Rules. This must be enforced for all warehousing LoAs, irrespective of their date of approval.

9. Para 14.11 of the recommendation of WHC.

UAC accepted the recommendation of the Warehousing Committee that a special audit may be carried out for warehousing units to confirm the mode of payments received by them, audit may be carried out by concerned section in Office of the DC.

10. Para 14.12 of the recommendation of WHC.

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UAC accepted the recommendation of the Warehousing Committee that list of warehousing units should be exhaustive and should include all the cases where broad banding is given as a warehousing.

This decision supersedes all decisions made in earlier UACs on functioning of warehousing units in KASEZ.

The Approval Committee also appreciated the hard work done by the Committee members and takes on record the same for making a detailed review of functioning of warehousing units of KASEZ.

The meeting ended with vote of thanks of the chair.



(UPENDRA VASISHTH)
Development Commissioner