

Minutes of the 4th Meeting (2019 series) of the Units Approval Committee for EOUs held on 17.10.2019 at 12:15 Hours, under the Chairpersonship of Shri Satyadeep Mahapatra, IRS, Joint Development Commissioner, KASEZ at City office, ahmedabad.

Following were present:-

- (1) Shri Satyadeep Mahapatra, Joint Development Commissioner, KASEZ.
- (2) Shri Haroon Bilal, Assistant DGFT, Ahmedabad.
- (3) Shri Nilesh B. Kadve, Superintendent, Customs, Paldi Division, Ahmedabad.

~~At the outset, the chairman welcomed all the members of the Approval Committee present in the meeting. Thereafter, the following point in the Agenda was discussed.~~

M/s Patel Technomation Private Limited

The proposal is setting up for new unit in EOU Scheme at Survey No. 128, Hadamtala Industrial Area, Taluka : Kotda Sangani, NH-27, Village: Hadamtala, District: Rajkot, Gujarat – 360311 for manufacturing of Nut, Bolt, Washer, Clamp, Pulley, Shaft, Cotter Pressed, Connector Tranverse, Top Plate STH4 220, Reinforcement Traverse, Gear Box Tube Connector, Square Tube Connector, Reinforcement Plate, Main Frame Profile, Hat Profile, Reinforce Post Trapez, and Square Tube, parts of Solar tracker etc.

Shri Undhad Dipakkumar Ramjibhai, authorized representative of the company appeared before UAC for personal interview and explained the proposal.

On being asked by the Chairman about the proposal, the authorized representative of the company stated that they already have an existing unit in DTA at Rajkot which had a turnover of roughly Rs. 40 crores in the last Financial Year and in this year in just 6 months of the FY they have touched a turnover of nearly Rs. 40 crores i.e. almost double of last year. He explained that the present proposal is for setting up a new unit under the EOU scheme to leverage the expertise and marketing arrangements that they already possess from the said DTA unit.



He informed the Committee that the proposed EOU unit is for manufactured parts relating to Solar trackers which are used for tracking the direction of the Sun and to automatically turn the solar panel towards the sun to achieve maximum power output. He informed that the buyers are in the solar power sector from various countries like Germany, Australia, Spain, Jordan, Canada etc.

On being asked by the Committee about the rationale for opting for the EOU scheme he explained that the manufactured parts will be produced from high tensile galvanized steel plate having thickness of 3mm/4mm/5mm and of 650 gsm or above. Such high-tensile galvanized steel plates are not produced and available in India which need to be imported from countries like China. Opting for the EOU scheme would help them in saving working capital as the facility of duty-free import would be available to them for them which would otherwise be blocked if they operate from DTA. Further, he explained that being a unit which will focus on exports it is ideal for them to set up the unit in the EOU sector.

Further, the authorized representative of the company stated that the manufacturing would be done on behalf of their foreign client (buyer) in Germany named Ideematec and explained that Ideematec offers leading solar tracking technology in the market, with 12 years of development experience and 50 patents and that the export consignments would be dispatched to third-party clients located abroad on the instructions of Ideematec.

The proposal meets with the requirement of approval under EOU Scheme under the Automatic Approval Route. The Committee, therefore, decided to approve the proposal subject to standard terms and conditions.

M/s La-Chandra Pharmalab Private Limited

M/s La-Chandra Pharmalab Pvt. Ltd., was approved for setting up a unit at Banaskantha, Gujarat for manufacturing of Pharmaceutical API viz.



Progesterone API, Testosterone API etc vide LOP dated 15.07.2015, as amended.

The issue was placed before the Committee to decide whether foreign exchange earnings by way of export of services should be included in the NFE calculation as the Unit contended that services relating to the manufacture of products is an integral part of manufacturing process/activity in the pharmaceutical API industry and should be included in the NFE earnings and also contended that no separate broadbanding for services was required since the said services are in relation to the manufactured products.

The Chairman explained that the issue involved monitoring of NFE of the EOU unit and hence brought before the UAC for a decision.

Shri C. K. Gadhvi, Director of the company and Mr. Kubuddin, Account Manager of the company appeared before the UAC and explained the proposal.

On being asked by the Chairman as to why their request should be considered favourably the Director of the company explained that first it was necessary to understand the life-cycle of a product. He stated that in the Pharmaceutical API industry, R&D, dossiers and regulatory filings for particular a product are inherent parts in life-cycle of the product.

He explained the life-cycle of any product as follows:

The production is carried out using the route of synthesis which starts with Research & Development (R&D). Thereafter, a "drug dossier" is prepared for the particular product and submitted/exported to the client located abroad and the regulatory authorities of the concerned government more particularly to the EDQM (Europe directorate for Quality of Medicines) for Europe which inspects the dossier prior to approving it. Since the sale of products into Europe entails several regulatory filings for the product, any services performed for the same are naturally connected with the product and are part of the product sale. Further, the Director of company stated that since the services



performed are inherent and directly related to the product mentioned in their LOP he requested that services so exported be made includible in total exports contributing to positive NFE and earning of Foreign exchange.

Further, the Director of the company stated that they had set up the EOU in the backward tribal region of Vaghrol, Taluka-Dantiwada, District-Banaskantha of Gujarat and provide 50% employment to the local people of the area.

~~The Committee observed the following:~~

- That the services exported relate to the development of the product Progesterone API which is already mentioned in their LOP.
- The services in question are not standalone in nature and are an integral part of the process of development and manufacture of the said product which is already included in their LOP as explained by the Director of the unit above.
- The fact of the export of the services in question is not disputed. Also, provision of such services is within the bounds of law and in fact necessitated by the law itself.
- Generally, the Pharmaceutical units seek broadbanding of the R&D services to the LOP in such cases.
- The unit has generated substantial local employment in the backward tribal region of Dantiwada in Banaskantha.

The Committee accepted the argument that in the Pharmaceutical API industry without R&D, dossier and regulatory filings of particular product, the industry cannot sell/export their product and the above-mentioned services are an integral part of their manufacturing process/activity. In view of the above observations of the Committee the UAC directed that the foreign exchange earnings by way of export of the services should be counted towards NFE fulfillment and any necessary amendments to the LOP should be carried for the same.



M/s Caterpillar Signs Private Limited

M/s Caterpillar Signs Pvt. Ltd., Gandhinagar was approved for conversion of DTA unit into EOU unit for manufacturing of "Advertising Material (with or without Banner stand), Fabric, Flex, Vinyl, Banner Stand & Hardware, Display Sign, others" vide LOP dated 08.05.2018, as amended. The unit has started its commercial production on 17.09.2018.

The proposal is for amendment in LOP in item of production from Adverstising Material (with or without Banner stand), Fabric, Flex, Vinyl, Banner Stand and Hardware, Disply Sign and others to "Printing & Stitching on different types of Materials".

Shri Sanjay Pardiwala, President of the Company appeared before the UAC and explained the proposal.

On being asked by the Chairman as to why they wish to amend their LOP, Shri. Pardiwala stated they have foreign buyers who have specific requirement for printing/advertisement on T-shirts, curtains and other types of material and the present LOP which uses the word "advertising" is restrictively worded and they are not able to take up such orders which do not fall strictly under the category of advertising. He further explained that the proposed amendment to the LOP would enable them to take up such printing orders and enable them to use the idle capacity in their unit and would increase their foreign exchange earnings.

Further, the President of the company stated that they had started their production from 19.09.2018 and in a very short span (6 months) they have earned net foreign exchange of Rs. 22.91 crores and they had given their five year projection of foreign exchange earning as Rs. 232.15 crores which shows that the company has earned 10% approx. in the first six months itself. Further, the president of the company stated that they had Broadbanded their LOP for manufacturing of Custom Furniture covers/slipcovers, Tarpaulin and



Aluminum Sign etc and for this product the company has given foreign exchange projection in the next five years of Rs. 14.80 crores and the company has earned Rs. 14.46 crores in 9 months only which shows that the company is an excellent foreign exchange earner.

The Chairman explained that the matter was brought before the UAC as the issue is of amendment to the original products/conditions of the LOP which cannot be done by way of broadbanding.

~~Considering the excellent performance of the unit in terms of Foreign exchange earning the Committee has accepted the proposal for amendment to the LOP as proposed by the unit.~~

M/s Viitorcloud Technologies Private Limited

The proposal is for setting up a new unit in EOU Scheme at 103, Somnathpark Society, Sargasan, Gandhinagar- 382421 for manufacturing/Service of IT/ITES Services, Data Analysis.

Shri Vishal Rajpurohit, Chief Technology Officer of the company appeared before the UAC for personal interview and explained about the proposal.

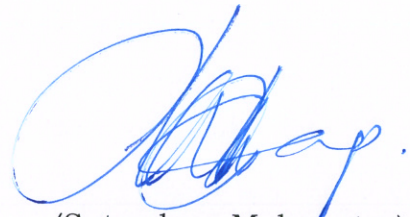
On being asked by the Chairman about the proposal of the unit, the Chief Technology Officer of the company stated that they do mainly web development and work relating to Augmented Reality. Further, they stated that as a technology entrepreneur with over 8 years of experience working with multiple technologies, they have designed, developed, architected and supported high volume customer facing websites, mobile applications, database, back office applications, operation support tools and related services. Further, they stated that they intend to provide services to clients in US, Europe and Australia etc.

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On being asked by the Committee regarding the rationale for opting for the EOU scheme the CTO stated that working under the EOU scheme would be advantageous to them as the proposed unit would be predominantly catering to the export market and would have a better branding with foreign clients.

The proposal meets with the requirement of approval under EOU Scheme under the Automatic Approval Route. The Committee, therefore, decided to approve the proposal subject to standard terms and conditions.

The meeting ended with thanks to all present.



(Satyadeep Mahapatra)
Joint Development Commissioner,
Kandla Special Economic Zone.