

**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

**The meeting was held through Video Conferencing. Following attended the meeting:**

Sr.No.	Name	Designation
1	Shri Akash Taneja, ITS, Development Commissioner, Kandla SEZ	Chairperson
2	Shri Satyadeep Mahapatra, IRS, Joint Development Commissioner, Kandla SEZ	Member
3	Shri Abhishek Sharma, ITS, Jt. DGFT, Rajkot	Member
4	Shri Pawan Malani, Director, M/s.Dinesh Pouches Pvt. Ltd., KASEZ	Member

Others present:

1. Shri Umesh Naik, General Manager, NBCC (I) Ltd., KASEZ
2. Shri Devaraj.C, Secretary, Kandla SEZ Authority
3. Shri Satish Khushalani, Chartered Accountant
4. Shri Hitesh Thummar, Plantologist, Kandla SEZ

**46. Confirmation of the minutes of 45<sup>th</sup> meeting of Kandla SEZ Authority held on 30/07/2021:**

Minutes of the 45<sup>th</sup> meeting of Kandla SEZ Authority held on 30/07/2021 were confirmed.

**46.1 New Proposals:**

**46.1.1 Demolition of Unfit sheds and to allot this as plot or allot after reconstruction:**

The Authority noted that the following sheds were found to be damaged and there were no bids for these premises as and when these were put up for e-auction:-

Sr.No.	Type of the Shed	Area in sq.mtrs.
1	Special Type Shed No.226	399.33
2	Special Type Shed No.176	399.33
3	CPWD Shed No.26	162
4	CPWD Shed No.28	162

As these sheds were in a very bad shape, stability test was conducted through M/s. Cheshta, Structural Engineers. They have in their report



**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

concluded that all these sheds are not fit for occupation and need demolition at the earliest.

In the 44<sup>th</sup> meeting of Kandla SEZ Authority held on 15/05/2020 dismantling and reconstruction of 5 Nos. Special (CIB) Type sheds was discussed and it was decided to demolish these sheds through NBCC and allot them as open plot. However, subsequently, NBCC stated that they were not in a position to float tender only for demolition without including reconstruction. Therefore, it was decided to get the value of the building through Govt. approved Valuer and add the value of the building as determined by the Valuer to the Reserve price and auction it as an open plot.

The Authority noted that the annual rental income from an open plot and a constructed shed at the current rate is as follows:-

S.No.	Total Sheds	Built up area in sqm	Plot area in sqm	Rent @ plot rate Rs. 233/- per sqm per annum	Rent @ shed rate Rs. 1664/-per sqm per annum
1	04	1122	2376.96	5,53,832/-	18,67,008/-

Based on an earlier estimate for Rs. 594 lakhs submitted by NBCC for reconstruction of 5 nos. special type sheds, the Return-on-Investment was discussed with the Auditor of the Authority, M/s. Satish Khushalani & Co., Chartered Accountants and the comparison chart was drawn up as given at Annexure-2 of the Agenda. It was noted by the Authority that once the shed is constructed, the amount so invested for construction will be recovered in 18 years. However, if the area is allotted as a plot, there would be generation of revenue by way of rent on the plot and interest income from the amount saved which would have otherwise gone into the reconstruction of these sheds.

It was decided to constitute a Committee to examine the issue and give recommendations which will be considered in the next meeting of the Authority. It was decided that the Committee will consist of the following members and may co-opt any other member as deemed fit:

1. Joint Development Commissioner, KASEZ – Chairman
2. Shri Pawan Malani, Dinesh Pouches Ltd - Member
3. Representative of NBCC - Member
4. Secretary, KASEZ Authority - Member

**46.1.2 Allotment of land to M/s.Gujarat State Petronet Limited (GSPL):**



**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

The Authority noted that in the 102<sup>nd</sup> meeting of Board of Approval held on 06/01/2021, the BoA approved the proposal of M/s. Gujarat State Petronet Limited (GSPL) for co-developer status for providing Natural Gas infrastructure within KASEZ subject to execution of necessary co-developer agreement. Department of Commerce has also vide letter No.K-43014(22)/35/2020-SEZ dated 19<sup>th</sup> January, 2021 issued Letter of Approval to M/s. Gujarat State Petronet Ltd.(GSPL) as a Co-Developer in Kandla SEZ for providing Natural Gas Infrastructure within KASEZ.

GSPL have now vide their letter dated 13<sup>th</sup> August, 2021 requested to allot them an area of approximately 10625 sq.mtrs. in the New Area of KASEZ i.e. in the roughly 100-acre area surrendered by the two co-developers, M/s KFTWZPL and M/s Worlds window Infrastructure Pvt. Ltd. General Manager, NBCC informed that the proposed area sought by GSPL is as per the old layout plan. As per the new plan now prepared by NBCC the size of the plots proposed is 120x46 and two such plots can be considered for allotment to M/s GSPL. However, the development plan for this 100-acre area would need to be approved by the Authority first.

The matter was discussed and it was decided that the Committee constituted for examination of the issues at Agenda item no. 46.1.1 will study the various options submitted by NBCC for development of the new area and recommend the options and accordingly GSPL may be asked to identify the location from the approved layout plan:-

1. Joint Development Commissioner, KASEZ – Chairman
2. Shri Pawan Malani, Dinesh Pouches Ltd - Member
3. Representative of NBCC - Member
4. Secretary, KASEZ Authority - Member

**46.1.3 Installation of Oxygen Line at Lilashah Kutiya (COVID Hopsital):**

The Authority noted that on the request of the District Administration the Kandla SEZ Authority had agreed to supply an Oxygen Generating plant to the COVID Hospital situated at Lilashah Kutiya and the same was installed in the said COVID hospital on 7<sup>th</sup> August, 2021.

The Authority further noted that the District Administration vide their letter dated 27/07/2021 requested this office for installation of an oxygen line at the said COVID Hospital and accordingly asked NBCC to submit estimate for the oxygen pipe-line. Accordingly, NBCC vide their letter No. NBCC/KASEZ/GM(Engg)/20-21/215 dated 24/09/2021 submitted an estimate for laying of oxygen gas pipeline as well as a shed for the Oxygen



**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

cylinder/plant at the Lilashah Kutiya COVID hospital. The estimated cost is Rs. 20,26,938/- (Rupees twenty lakhs twenty six thousand nine hundred thirty eight only).

General Manager, NBCC informed that due to non-laying of pipeline the oxygen generation plant is not in use at present. Further, the Hospital has not received permission from Mamlatdar to refill oxygen cylinders from this plant for use in other Hospitals. The Authority after deliberations approved the proposal for laying of oxygen gas pipeline as well as a shed for the Oxygen cylinder/plant at the Lilashah Kutiya COVID hospital at an estimated cost of Rs. 20,26,938/- (Rupees twenty lakhs twenty six thousand nine hundred thirty eight only). Chairman emphasized that the Hospital should take permission from concerned authority for re-filling of the oxygen cylinders in addition to using oxygen through pipeline at the same hospital so that the facility can be used by other Hospitals also and the oxygen plant can be put to better productive use.

**46.1.4 Approval of Accounts/balance sheet of the KASEZ Authority for the year 2020-21:**

The Authority noted that the annual accounts/balance sheet of the Authority is to be sent to the Department of Commerce by end of October every year after completion of the statutory Audit. For the Kandla SEZ Authority, the accounts of the Authority are maintained by a Chartered Accountancy firm M/s. DR & Co. and is audited by another Chartered Accountancy firm M/s. Satish Khushalani & Co. After this audit, the accounts are sent for statutory audit to the C&AG.

Chairman informed that there was a delay in finalizing the accounts of KASEZ Authority for the year 2020-21 and that the Parliamentary Committee on Laying of Papers on Table of the House has taken a serious view regarding delays by Statutory Authorities.

The meeting was informed that the audited accounts received from M/s. Satish Khushalani & Co., Chartered Accountancy firm had been approved by the Chairman on 23.09.2021 in order to maintain the time line prescribed by the Department of Commerce and the signed copies have been sent for statutory audit in order to avoid further delay. Joint Development Commissioner informed that the statutory audit has also been completed by C&AG and the Authority has sent the comments on draft SAR to the C&AG already.

The audited accounts received from M/s. Satish Khushalani & Co., Chartered Accountancy firm were approved by the Authority and ex-post facto approval for the action taken in the matter was accorded.



**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

**46.1.5 Fixation of Reserve Price for auction of the space through MSTC:**

The Authority noted that the space to the approval holders in KASEZ is allotted by e-auction through MSTC. The reserve price is fixed as a lump-sum amount and this amount forms a revenue stream for the KASEZ Authority. However, the Authority noted that there are no criteria fixed for determining the reserve price.

The Authority felt that there should be some slab/guidelines for fixing the reserve price. Therefore, it was decided that the Committee constituted for examination of issues relating to Agenda items 46.1.1 will look into the matter and come up with necessary recommendations which will be discussed by the Authority in its next meeting:-

**46.1.6 Interim relief to SEZ units in lease rent on account of COVID-19 outbreak:**

The Authority noted that the Ministry of Commerce & Industry vide letter No.K-43014(16)/5/2020-SEZ dated 9<sup>th</sup> August, 2021 has communicated the following relief for SEZ Units on account of COVID-19 outbreak:

- (a) No increase in lease rent for the SEZ units for the FY 2021-22.
- (b) Payment of lease rent of first quarter is to be deferred upto 31<sup>st</sup> July, 2021 for all SEZ units. The deferment may not invite any interest thereof.

It was further noted that KASEZ Authority increases the rent w.e.f. 1<sup>st</sup> January and not on Financial Year basis. The KASEZ Authority has already taken a decision not to increase the rent from 01/01/2021. As the Authority has already taken a decision not to increase the rent w.e.f. 01/01/2021 the Authority decided to continue with the same as aligning the increase with the Financial Year would lead to complications in computing the rental dues.

**46.1.7 Contract for wayfinding system and street furnitures:**

The Authority noted that the Letter of Award was issued to M/s. Satin Neo Dimensions Pvt. Ltd. on 16/03/2021- for design, fabrication, supply and installation works of Wayfinding system and Street Furniture in KASEZ at a project cost of Rs.4,66,36,352. They were required to submit a Performance Bank Guarantee equal to 10% of the contract value within 30 days from the date of issue of Letter of Award. The Agency vide their letter dated



**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

25/03/2021 requested that they be allowed to submit a Bank Guarantee equal to 3% of the contract value based on an OM dated 12/11/2020 issued by Department of Expenditure. Their request was not accepted and the agency was asked to submit Performance Guarantee @10% of the contract value at the earliest vide letter of this office dated 06/04/2021.

In terms of 4.2.1(i) of the General Conditions of the Contract (GCC), the tenderer has to submit the performance security in form of Bank Guarantee within a period of 30 days from the date of receipt of letter of award. Further, in terms of clause 4.2.1 (ii) in case of failure on part of tenderer to furnish the security as required, the said failure can be a ground for annulment of award.

The matter was discussed and it was noted that the agency has not yet submitted the performance security even after lapse of more than six months and therefore the contract needs to be cancelled. General Manager, NBCC stated that a notice would need to be served on the party giving 14 days' time before the contract can be cancelled. It was accordingly decided to issue notice on the agency for cancellation of the Letter of Award.

**46.1.8 Resignation of Ex-serviceman Security Guard appointed on contract basis:**

The Authority noted that Shri Ramesh B. Sapra, Ex-serviceman, appointed as Security Guard on contract basis submitted his resignation due to health reasons and requested to relieve him immediately, as he has been diagnosed with hemi-paresis with dysarthria. As per the conditions of contract appointment, the incumbent has to give one month notice or in lieu of notice period, the amount of one month consolidated payment. As he has submitted resignation due to his illness which does not allow him to perform his duties, it was decided to relieve him without insisting on payment in lieu of notice period as a humanitarian measure.

The Authority noted that the resignation was on health grounds alone due to which he was unable to work during the notice period and considering the fact that he was working with KASEZ Authority for a long time the Authority ratified the action taken on humanitarian grounds.

**46.1.9 Street Lights:**

The Authority noted that a considerable time had lapsed after NBCC was asked to submit estimate for installation of LoRA based Smart Solar Street light System within the Zone. NBCC was also requested to conduct an auditing of the street lights so that the street light poles can be located at





**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

such places where there is no shadow of trees in order to get direct sunrays to fall on the panels. The Authority was informed that the KASEZ Industries Association has also complained about the non-working of street lights.

General Manager, NBCC stated that considering the mass afforestation work in KASEZ, solar-based light is not feasible and will not serve the intended purpose. However, LoRA based Smart Street Lights i.e. non-solar panel based lights can be considered which will use LED lights. Approximate expenditure for the same would be about Rs. 7.00 crores. It was stated that the current electricity bill is around Rs. 7.00 lakhs per month. Maximum consumption of electricity is by High mast lights. GM, NBCC stated that they have taken into consideration the high mast lights also while considering the number of LED lights required. Once the LoRA based street light with LED bulb is installed, there will be a cost saving of about 30%. GM, NBCC also stated that he has worked out the costing for solar-based lights also, which is around Rs.11.00 crores. Further, the solar technology is changing fast and there will be recurring expenditure towards batteries. Also, he informed that the LED lights come with a warranty of 2 years. GM, NBCC stated that it will take 2½ months for them to conclude tendering once the estimate is approved.

The Authority therefore decided to proceed with the proposal of LoRA based smart street lights with LED and NBCC was asked to submit estimate for the same at the earliest.

**46.1.10 Non-release of new power connection by PGVCL:**

The meeting was informed that units are allotted space in the form of open plots or ready built sheds in Kandla SEZ through e-auction to set up their export production unit on a renewable lease basis. Paschim Gujarat Vij Company Ltd (PGVCL)- the Power Distribution utility of the Government of Gujarat is not releasing new power connections in the case of several plots/sheds on the ground that there are outstanding arrears towards electricity charges by the earlier occupants of the premises and the PGVCL insists that the new allottee units make payment of old arrears for release of power connection to such premises. Such incidents are mainly being reported in case of premises which have been vacated through eviction proceedings as the Authority is not aware of the dues of electricity charges on such premises. Joint Development Commissioner stated that the matter has been taken up with the Managing Director, PGVCL requesting them not to ask the new allottee unit to make the payment of old arrears. However, Chairman informed that there are judgments of the Hon'ble Supreme Court of India that the electricity company can ask the dues of old arrears from the new allottees as the dues are on the premises.



**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

Chairman asked as to how many such cases have been noticed where PGVCL is not releasing power connection to the new allottee. It was stated that only one unit has come up with the problem recently.

After deliberations it was decided to request the PGVCL to provide the name and other details of the units which are not paying the electricity dues for more than three months so that pre-emptive action for recovery of electricity dues can be taken by the Authority in such cases. In case of already evicted premises the Authority will have to recover such dues by including it in the reserve price from the unit who takes the premises through e-auction. Units may be informed that it is also their responsibility to check the liabilities on the premises before bidding for the premises.

**46.1.11 Request of M/s. GKN Enterprises to develop garden besides their plot No.346 & 347:**

The Authority noted that M/s. GKN Enterprises vide their letter dated 26/08/2021 sought permission to develop a garden by fencing the area besides Plot No.346 & 347 (east side) allotted to them. At present there are two to three units to whom the Authority has allotted the area for the sole purpose of beautification without any rights on the premises so allotted.

It was decided to get the measurements of the area and layout plan of the proposed location for consideration.

**46.1.12 Increase of consolidated monthly salary to Asstt. Manager (IT) appointed on contract basis:**

The Authority noted that Shri Mayur Upadhyay is appointed on contract basis as Assistant Manager (IT). As there is a requirement of an IT person, the Authority has been re-appointing him for 11 months after giving a break of one week. He has been re-appointed w.e.f. 05/04/2021 for a period of 11 months. His present monthly consolidated salary is Rs.47,250/- per month.

The proposal for increase in monthly remuneration which had not been increased since June, 2018 was considered in the meeting and after due deliberation it was decided to allow an increase of 10% over the existing remuneration. It was further decided that this increase shall not become a precedent for any further increase in remuneration or give any right to a claim over the post to the contractual appointee.

**46.1.13 Increase of remuneration to Dr.Ravi Manocha engaged at KASEZ Dispensary:**





**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

The Authority noted that Dr. Ravi Manocha, MBBS is engaged as visiting Doctor at the KASEZ Health Centre/Dispensary. He was engaged at KASEZ Dispensary prior to the KASEZ Authority coming into existence on a monthly remuneration of Rs.12,000/- with the concurrence of the Department of Commerce. When the Kandla SEZ Authority came into being, Kandla SEZ in its 2<sup>nd</sup> meeting held on 15/06/2010 decided to increase the remuneration to Dr. Ravi Manocha to Rs.18,000/- per month. His remuneration was increased from time to time as approved by the Kandla SEZ Authority and it was last revised as per the decision taken in the 32<sup>nd</sup> meeting of Kandla SEZ Authority held on 27/02/2018 and the remuneration was increased to Rs. 48,300/-. He is attending to the KASEZ Dispensary two times daily i.e. morning and evening.

Dr. Ravi Manocha, MBBS vide his letter dated nil received in this office on 25/09/2021 informed that since the last revision almost 4 years back, no revision of remuneration was done. He has, therefore, requested to increase the remuneration considering the cost of living.

The proposal for increase in monthly remuneration which had not been increased since February, 2018 was considered in the meeting and after due deliberation it was decided to grant an increase of 10% over the existing remuneration. This increase shall however not become a precedent for any further increase in remuneration.

**46.1.14 Allotment of warehouses at Himalaya Complex for carrying out manufacturing operations:**

The Authority noted that the Kandla SEZ Authority has constructed 04 Warehouses at Himalaya Complex. The possession of two of these warehouse was taken from NBCC in April, 2019 and possession of the balance was taken in October, 2020. These warehouses have been put to e-auction from time to time. However, none of these warehouses could be allotted so far due to their large size of about 2400 sq. mts. And the consequent high rentals.

As these warehouses could not be allotted to any warehousing units so far the Authority is losing rental income. It is therefore proposed to open allotment of these warehouses to manufacturing units through e-auction. There will be no financial loss as the rent being charged from both the warehousing and manufacturing units are the same rent per sq.mtr. NBCC vide their letter No.NBCC/KASEZ/DPM(C)/21-22/252 dated 29/10/2021 has also informed that the 4 Nos. warehouses at Himalaya Complex may also be utilized as manufacturing unit.



**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

It was informed that the rent itself for a warehouse comes to around Rs.40.00 lakhs per year. NBCC stated that there is a provision for partitioning in the warehouse for converting each warehouse into either two or four parts as per the requirement of the unit.

The matter was discussed and it was decided that the Committee constituted for examination of the issues at Agenda item no. 46.1.1 will consider the issue and give with their recommendations which would be placed before the Authority in its next meeting for a decision.

**46.1.15 Development of area taken back from Kandla Free Trade Warehousing Pvt. Ltd. & World Window Infrastructure & Logistics Pvt. Ltd.:**

The Authority noted that as decided in the last Authority meeting, the soft copies of the options for layout plans submitted by NBCC for development of this area were forwarded to the Trade members for their comments. The development of this area is necessary for allotment as there are many enquiries. The members were of the opinion that that the Authority should not construct any built up space there.

The matter was discussed and it was decided that the Committee constituted for examination of the issues at Agenda item no. 46.1.1 will consider the issue and give with their recommendations which would be placed before the Authority for a decision.

**46.1.16 Engagement of Legal firm on monthly retainer-ship basis:**

The Authority noted that the Kandla SEZ Authority had engaged M/s. Tandon & Associates as Legal firm on monthly retainer-ship basis w.e.f. 12/07/2018. As per the condition, the contract is for one year which may be extended upto two times each time for a period of one year with 7% increase in retainer-ship. It was decided on file to retain their service until the selection process is completed. A fresh notice inviting Expression of Interest to engage legal firm/advocate on monthly retainer-ship of Rs.35,000/- was issued on 23/07/2021. Expression of Interest from the following six legal firms/advocates were received within the prescribed time limit:-

1. M/s. Tandon & Associates, Gandhidham
2. Smt. Harsha B. Thakur, Gandhidham
3. M/s. With Law, Ahmedabad
4. M/s. Chetan D. Kariya & Associates, Gandhidham
5. Shri Tilak Kumar Thakwani, Gadhidham



**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

6. Shri S.V. Goplani, Gandhidham

A Committee consisting of JDC, DDC & Secretary, KASEZA held a virtual discussion on 17/09/2021 with the Legal Firms/Advocates who had submitted their Expression of Interest and recommended the name of M/s. Tandon & Associates to be appointed as Legal Firm. Accordingly, M/s. Tandon & Associates has been appointed as Legal Firm on monthly retainer-ship fee of Rs.35,000/-.

The Authority ratified the action taken.

**46.1.17 Audit observation regarding deduction of depreciation amount from the corpus/capital fund on account of depreciation on assets acquired from the Capital Grants received from the Central Govt.**

The Authority noted that during the audit of accounts of the Kandla SEZ Authority for the year 2020-21, the Audit observed that the accounts include Rs. 81.68 crore being the accumulated depreciation on Assets created from the Capital grants received from the Central Government. KASEZ Authority had Rs. 28.07 crore as income over expenditure. Out of Rs. 28.07 crore, Rs. 12.80 lakh was transferred to Special reserve and balance of Rs. 27.95 crore was transferred to reserve and surplus. Therefore, no surplus/ deficit was transferred to Corpus/capital fund. The transfer of Rs. 27.95 crore to reserve and surplus was not required under statute or as per applicable regulations. The same practice was also followed by the Authority in the previous year, hence although the value of fixed assets acquired from the Capital grants received from the Central Government has depreciated but there was no corresponding decrease in the value of Corpus/capital fund. The total value of the fixed assets (Schedule-8) at the year-end was Rs. 420.73 crore (including assets amounting to Rs. 155.20 crore created from Capital grants received from the Central Government) and accumulated depreciation was amounting to Rs. 221.43 crore. Hence depreciation amounting to Rs. 81.68 crore (221.43 crores/420.73 crores x 155.20 crores ) was required to be deducted from the Corpus/capital fund on account of depreciation on assets acquired from the Capital grants received from the Central Government. This point was also highlighted by Audit in 2017-18.

The Authority deliberated on the issue. The rent received is booked under Income and Expenditure account of Kandla SEZ Authority. To give the corresponding effect of expense of depreciation against income it is booked in the Income and Expenditure account. This practice was followed since the



**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

beginning. However, the Authority decided to check the practice followed by other SEZs before a decision is taken on this issue.

**46.1.18 Representation of Kandla SEZ Industries Association on exorbitant lease rent and subsequent annual increase in Kandla SEZ:**

The Authority deliberated on the representation made by the KASEZ Industries Association vide their letter dated 19/10/2021. The matter was discussed and it was decided that the Committee constituted for examination of the issues at Agenda item no. 46.1.1 will consider the issue and give with their recommendations which would be placed before the Authority for a decision.

The Committee shall also consider whether the revision of rent should be on calendar year basis or financial year basis.

**46.1.19 Audit observation regarding creation of General Reserves without any statutory/regulatory requirement:**

The Authority noted that during the statutory audit of accounts of the Authority for the year 2020-21 the audit observed that there exists no provision in the Special Economic Zone Act, 2005 and Special Economic Zone Authority Rules, 2009 for creation of General Reserve. The Authority earns its revenue (as lease rent/user charges/others) from the infrastructure built/created out of grants provided by the Central Govt. Therefore any Surplus/Deficit after due appropriation of income over expenditure was required under statute or applicable regulations should have been carried out to Corpus/Capital Fund. Transfer of Rs.28.07 crore to General Reserve was not in accordance to statue. This should have been carried to Corps/Capital Fund. This is a persistent mistake.

It was also noted that the matter was placed before the 43<sup>rd</sup> meeting of Kandla SEZ Authority held on 10/04/2020 wherein it was decided to take expert opinion. This matter was again discussed in the 45<sup>th</sup> meeting of Kandla SEZ Authority held on 30/07/2021 wherein the Authority decided to seek practice followed in other Govt. SEZs. However, no communication has been received.

The issue was deliberated in the meeting. The Authority earns its revenue (as lease rent/user charges/other misc. revenue) from the infrastructure built/created out of grants provided by the Central Government and revenue



**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

and Funds of Kandla SEZ Authority. The amounts received are being spent on the development of Infrastructure of Kandla SEZ since the coming into existence of the Kandla SEZ Authority. Therefore, the excess of Income over the expenditure is being kept under the head Reserve and Surplus. The reserve and surplus head is also a part of Corpus / Capital Fund and Liabilities.

It was decided to request the SEZ authorities to expedite the information sought from them on the practice being followed by them in this regard to take a final decision in the matter.

**46.1.20 Audit observation regarding non- calculation Depreciation on straight-line method:**

The Authority noted that during the statutory audit of accounts of Kandla SEZ Authority for the year 2020-21, the audit observed that in-spite of pointing out to the Authority to calculate the depreciation in straight-line method in the previous audits, no remedial action is taken by the Authority and the depreciation is calculated as per the practice of WDV basis.

The Authority was informed that the Audit for the year 2019-20 was completed in December, 2020 and thereafter no meeting of Kandla SEZ Authority was held during the year 2020-21. Therefore, the existing practice was followed. The matter was placed in the Authority meeting held on 30/07/2021 in which the Authority decided to continue the existing practice of calculation of depreciation of WDV method.

However, during the audit of accounts of the Kandla SEZ Authority for the year 2020-21, the Audit again pointed out that there is persistent default. It was replied to the audit that the matter will be again placed in the next Authority meeting for re-consideration of the decision.

The issue was deliberated in the meeting. It was felt that in straight line method the value of building will be depreciated during decided estimated useful life of assets in equal proportion whereas the revenue to be generated from the same assets will be continued over the years and that is the reason to follow written down value method so that the corresponding effect of depreciation expenses can be given against revenue over the years. The same practice was accepted in earlier year audits.

It was however decided to the check the accounting practice followed by other SEZs before a decision could be taken in the matter.



**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

**46.1.21 Audit observation regarding reduction of doubtful debts from the relevant head i.e. Sundry Debtors.**

The Authority during the statutory audit of accounts of Kandla SEZ Authority for the year 2020-21, the audit observed that the Reserve & Surplus includes provision for Doubtful Debts Rs. 2.36 crores. As per uniform Format of Accounts, Provision for doubtful debts shall be reduced from the relevant asset head i.e. Sundry Debtors. Hence, provision for doubtful debts of Rs.2.36 crore should be reduced from sundry debtors instead of showing it separately in Reserve and Surplus since showing of provision for doubtful debts in Reserve and Surplus instead of reducing it from sundry debtor's, results in overstatement of both reserve and surplus and assets by 2.36 cores each. It was replied to the audit that the matter will be placed in the next Authority meeting for consideration.

The Authority deliberated on the issue. It was felt that the provision for doubtful debts is part of appropriation of Income over the Expenses in each year. The authority has not booked the same as expenses and hence it is not a liability per se. It is a kind of reserve for doubtful debts.

This provision is created out of appropriation of excess of Income over expenditure of Kandla SEZ Authority, which is being transferred to reserve and surplus each year. This provision is special reserve and is the part of excess of income over the expenditure / reserve and surplus. There is no reduction from debtors and as such it is merely a provision.

However the authority decided to comply with the observations of the Audit with prospective effect.

**46.1.22 Capital Expenditure plan for next five years:**

The Authority was informed that the Special Secretary, Department of Commerce has reviewed the fund position of each SEZ Authority in a virtual meeting held on 11.11.21. In the meeting the Special Secretary emphasized that the Authorities should work out a capital expenditure plan for the next five year period. KASEZ Authority is having a fund of Rs.145 crores, as on 31/10/2021. The Authority has already sanctioned the following projects and approval letter has been conveyed to NBCC and they are in tendering stage:-

Sr.No.	Name of Work	Estimated Cost (Rs.)
1	Horticulture work, Rain water harvesting in industrial area's KASEZ owned buildings and	4,82,08,254/-





**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

	Residential Quarters in KASEZ Township and supply of air conditioners at KASEZ Gandhidham	
2	Painting and Repairing work in KASEZ owned Buildings i.e. Admin Building, Check Post, Hospital, Guest House, School, SDF Buildings, Canteen, Sauchalayas, Water Tanks and Residential Quarters in KASEZ Township at KASEZ, Gandhidham	5,03,83,430/-
3	Road repairing work, Drainage repairing work & Paving work in Industrial Area at KASEZ, Gandhidham	5,84,43,546/-
4	Design, Construction, Erection and Commissioning of 2 Nos 1.50 MLD Sewage Treatment Plant with MBBR (Moving Bed Bio Reactor) Technology at Kandla SEZ including 3 Months Trial Run followed by 5 years of Operation & Maintenance	10,26,75,461/-

The Authority after deliberations directed the General Manger, NBCC to prepare a Capex plan for next five year period considering the fund position.

**46.1.23 Extension of contract appointment of Security Guards (Ex-Servicemen):**

The Authority noted that the Kandla SEZ Authority has engaged Ex-Servicemen as Security Guards on contract basis through publication of vacancy circular. The contract appointment was extended from time to time and is now extended till 09/12/2021. At present there are following Security Guards (Ex-Servicemen):-

Sr.No.	Name	Date of Birth	60 years completing on
1	Shri Jadeja Narendra Sinhji Himatsinh	26/07/1977	26/07/2037
2	Shri Khandeka Dayaram Rajashi	01/06/1971	01/06/2031
3	Shri Jethwa Ajitsinh Jawansinh	22/03/1966	22/03/2026
4	Shri Akhileshwar Rai Prasad	01/02/1967	01/02/2027
5	Shri Dinesh Joshi Girdharilal	16/10/1967	16/10/2027
6	Shri Jadeja Yuvraj Singh	02/01/1978	02/01/2038
7	Shri Gulab Pandey	31/01/1964	21/01/2024
8	Shri Kamani Dhanji Virjibhai	22/10/1965	22/10/2025
9	Shri Zala Giriraj Sinh	12/05/1965	12/05/2025

**Minutes of the the 46<sup>th</sup> meeting of Kandla SEZ Authority held on 17/11/2021 at 12:00 hrs. at O/o the Development Commissioner, Kandla Special Economic Zone, Gandhidham.**

The Authority after deliberations decided to continue their appointment for further two years with the same conditions.



(Akash Taneja)  
Chairperson,  
Kandla SEZ Authority

