Government of India
Ministry of Commerce & Industry
Department of Commerce
Directorate General of Foreign Trade
Udyog Bhavan, New Delhi.

Policy Circular No. 51(RE-2010)/2009-14 Dated the 28th December, 2011

To

All Customs Authorities / All Regional Authorities / Members of Trade.

Subject:- Clarification regarding registration of contracts of cotton and cotton yarn with DGFT.

Through Notification No. 40 (RE-2010)/2009-14 dated 31.03.2011, export of **cotton yarn** was made "Free" subject to registration of export contracts with DGFT, for ITC(HS) Code 5205, 5206 & 5207. Procedure for registration of contracts of cotton yarn was notified through Policy Circular No. 27 of 01.04.2011. Thereafter, Trade Notice No. 19 dated 30.08.2011 stipulating procedure for imposition of penalty for failure to export cotton yarn in terms of Policy Circular No. 27 was issued.

2. Notification No. 62 (RE-2010)/2009-14 dated 02.08.2011, removed the cap on export of **cotton** for the remaining part of cotton year 2010-11 (October-September) and export of cotton (HS codes-5201 & 5203) was made "Free" subject to registration of export contracts with DGFT. Procedure for registration of contracts of cotton was notified through Notification No. 63 of 04.08.2011. This procedure continues for the current cotton year w.e.f. 01.10.2011 except that the performance guarantee is no longer required in terms of Notification No. 74 (RE-2010)/2009-14 dated 12.09.2011.

3. Many representations have been received from RAs and exporters seeking clarification about revalidation, cancellation or partial modifications of RCs as well as about imposition of penalty in case of failure to export full quantity of cotton and cotton yarn in terms of notifications/Policy Circulars referred above. The issues raised have been examined and accordingly the following clarifications are issued:

Sl. No.	Issues raised	Clarification
1	Can the request for cancellation of RCs issued for cotton prior to 01.08.2011 under following categories be accepted: (i) Partially utilized (ii) Completely unutilized alongwith request for RC with another buyer. (iii) Completely unutilized and requested for surrender/cancellation of RCs.	Notification No. 63 of 04.08.2011 provided that RCs issued before 01.08.2011 would lose its validity unless revalidated. In view of above, requests for cancellation/ surrender of partially utilized/unutilized RCs issued prior to 01.08.2011 for export of cotton should be accepted by RAs without invoking any penalty clause.
2	Can the request for cancellation of RCs issued for cotton, cotton yarn and cotton waste under following categories be accepted: (i) Partially utilized (ii) Completely unutilized alongwith request for RC with another buyer. (iii) Completely unutilized and requested for surrender/cancellation of RCs.	In terms of Notification No. 62 dated 02.08.2011, the exporters have the option to obtain more than one RCs. Therefore, in case any exporter wants to surrender some RCs as unutilized/partially utilized, a penalty of Rs. 10,000/- plus 1% of the FOB value of shortfall quantity in excess of allowance of -5% should be imposed.
3	A variation of -5% in weight against RCs for cotton yarn has been allowed. Whether the same is applicable for raw cotton and cotton waste also.	Yes. The same dispensation will also apply in case of cotton(HS codes 5201 & 5203). For RCs of cotton waste (HS code 5202) issued prior to 01.10.2011, the same will be applicable.
4	Can the request for (i) change in buyers detail be accepted. (ii) change in buyers name be accepted.	It is permitted with the condition that export has to be completed within the validity of RC.

5	Can the request for extension of RC validity period be accepted.	The validity of RCs shall remain 30 days. But, one time revalidation for 15 days from the date of expiry of RCs can be permitted.
6	Whether the tolerance limit of -5% in weight for export of cotton be regularized if the firm pays a penalty of Rs. 10,000/- + 1% of the value of shortfall in excess of allowance of 5%.	Yes.
7	In case, RC application was made by the firm alongwith copy of FIRC or LC from a particular firm as a proof of receiving advance payment against the contract. But, when they submitted the proof of export, it is seen that they have not made the export to the assigned buyer as per RC. They have requested to clarify whether party should be insisted to explain why exports were not made to the assigned buyer from whom payment was received by way of FIRC/LC.	Many contracts are entered into with the foreign buyers having addresses in different countries whereas the consignee is of different countries. If such is the case, as per the contract and LC, then it should be accepted. But, in cases other than this penal provisions should be invoked.
8	In case of cotton yarn/yarn waste in the event of surrender of RC within validity or after expiry of validity, RC surrendered shall be treated as non-fulfillment of quantity and the case is to be regularized as per Trade Notice No. 19 dated 30.08.2011.	Such cases should be regularized by way of imposition of penalty.
9	Whether request for amendment of quantity (either enhancing or reducing) may be accepted.	The same is permitted with the condition that export has to be completed within the validity of RC.
10	Whether loading of cargo meant for export(by rail/road) at any place in the country within the validity of RC should be accepted as fulfillment of export.	No. The goods which have been physically handed over to the customs at relevant ports and Let Export Order(LEO) issued within the validity of RC can only be treated as fulfillment of export against RC.

4. This issues with the approval of Director General of Foreign Trade.

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(Issued from F.No 01/91/180/1194/AM10/Export Cell)