Directorate General of Foreign Trade
(PRC-section)

Minutes of the Policy Relaxation Committee Meeting held under the Chairmanship of Shri Alok Vardhan Chaturvedi, Director General of Foreign Trade on 19.09.2017

Meeting No. 18/AM18 held on 19.09.2017 at 10:00 AM

The following members were present in the meeting:

1.	Shri N. P. S. Monga	Addl. DGFT
2.	Shri K. C. Rout	Addl. DGFT
3.	Shri Jaikant Singh	Addl. DGFT
4.	Shri Darshan Singh	Addl. DGFT
5.	Shri J. V. Patil	Addl. DGFT
6.	Shri S. B. S. Reddy	Addl. DGFT
7.	Shri N.K.Srivastava	Addl. DGFT
8.	Shri Jay Karan Singh	Jt. DGFT
9.	Shri Akash Taneja	Jt. DGFT
10.	Shri Lokesh H.D	Jt. DGFT
11.	Shri Dr. P. Kumar	Dy. DGFT

Following cases were discussed. The decision taken on the individual cases are as under:-

Case No.1: M/s Indauto Filters, Bangalore
F. No. **01/60/162/365/AM18/PRC**
PRC Meeting No. 18/AM18 dated 19.09.2017

Subject: Request for extension of E.O period of Advance Authorization No. 0710106864 dated 20.10.2014

Decision: Aggrieved by the committee's decision dated 01.08.2017, the applicant sought personal hearing in terms of Para 2.59 of FTP, 2015-2020, which was afforded to them on 19.09.2017. Shri Balaji Krishnan, Chief Finance Officer and Shri Jayadev. V, representative, of M/s Indauto Filters, Bangalore appeared before the committee and made the following submissions stating inter alia that:

1. The export product (PP woven Fabrics with/without UV Stabilisation (2% by weight) which is covered by SION H447 (ITC HS Code: 39269080) was being exported to M/s Buildmet Fibres Ltd. on deemed export basis against invalidation letter.
2. The import items are procured by the firm under DES issued in their favour against invalidation letter provided by their customer. In this case, unfortunately, the said customer had cancelled order without any reason.
3. Since they had already imported the required raw materials against above Authorization, they had no choice but to find alternate export product to use the imported goods duty free against the above authorization.
4. Then fortunately, they could have found another customer who could buy their finished products, which were different form the original export product.

5. However, the import product contents for the new export products were the same. The new export product is also covered under H97 –ITC HS Code 39269080.
6. They requested RA, Bangalore vide letter dated 07.07.2015 to allow export of alternative product by amending Authorisation. However, they rejected the request vide letter dated 27.08.2015.
7. They then approached the Norms Committee at H.Q. for change from SION H 447 to H 97 and extension of EO on 24.11.2016. The NC in its meeting dated 05.01.2017 had allowed alternative product and advised to approach PRC for EOP extension.
8. Meanwhile, export obligation period has expired.
9. They, therefore, requested to allow onetime opportunity to fulfill stipulated export obligation.

__Decision:__ The case was discussed at length. It was noted that the Authorisations in question were issued during 2014 having validity period of 12 months to import and 18 months to fulfill export obligation. RA is empowered to allow two extension of six months each on payment of composition fee under Para 4.42 of HBP, 2015-2020. However, the facility available has not been availed of. They have imported 100% P P Granules and 99.83% UV Stabilizer Master Batch but did not make any exports within initial export obligation period. The applicant had submitted request for amending the resultant product well within the validity of Authorisation and the SION for alternative product was available. Hence, the RA should have considered the request. The Committee was of the view that the applicant has lost precious time due to wrong action of RA, Bangalore. However, at the same time, the applicant was also at fault for not making any exports on provisional basis by making application for EOP extension under Para 4.43 of HBP, immediately after amendment was allowed by the Norms Committee. The committee, therefore, decided the following:

i. Export obligation period be extended by three months from the date of endorsement. At the time of endorsing the extension of EOP, the RA will add the second product which the applicant wanted to add and for which SION exists and the quantity of the input be revised in accordance with the additional Export product allowed.
ii. This will, however, be subject to payment of a composition fee @ 0.5% of unfulfilled FOB value from 18th month to 24th month and @ 0.5% per month of unfulfilled FOB value from 24th month to 30th month and @ 1% per month of unfulfilled FOB value for three months from the date of endorsement;
iii. The applicant shall execute Bank Guarantee of an amount equal to duty saved having validity of 9 months with RA;
iv. The applicant shall submit documents showing fulfillment of export obligation within two months from the date of expiry of extended EOP. On receipt of documents, B/G shall be released. RA shall forfeit the B/G without any further notice if documents are not submitted.
v. Inputs shall be accounted as per SION for the resultant product.
vi. Minimum value addition shall be maintained.

(Action: RA, Bangalore/Applicant)

Case No.2: M/s Indauto Filters, Bangalore
F. No. **01/60/162/364/AM18/PRC**

PRC Meeting No. 18/AM18 dated 19.09.2017

Subject: Request for extension of E.O period of Advance Authorization No. 0710106258 dated 31.07.2014

Decision: Aggrieved by the committee's decision dated 01.08.2017, the applicant sought personal hearing in terms of Para 2.59 of FTP, 2015-2020, which was afforded to them on 19.09.2017. Shri Balaji Krishnan, Chief Finance Officer and Shri Jayadev. V, representative, of M/s Indauto Filters, Bangalore appeared before the committee and made the submissions stating inter alia the same facts as per case No 1 above:

Decision: Decision at case No 1 is reiterated.

(Action: RA, Bangalore/Applicant)

Case No.3: M/s Indauto Filters, Bangalore
F. No. **01/60/162/366/AM18/PRC**
PRC Meeting No. 18/AM18 dated 19.09.2017

Subject: Request for extension of E.O period of Advance Authorization No. 0710104370 dated 22.05.2014

Decision: Aggrieved by the committee's decision dated 01.08.2017, the applicant sought personal hearing in terms of Para 2.59 of FTP, 2015-2020, which was afforded to them on 19.09.2017. Shri Balaji Krishnan, Chief Finance Officer and Shri Jayadev. V, representative, of M/s Indauto Filters, Bangalore appeared before the committee and made the submissions as stated in Para 1 above:

Decision: Decision at case No 1 is reiterated.

(Action: RA, Bangalore/Applicant)

Case No.4: M/s Fresenius Kabi Oncology Ltd., New Delhi
F. No. **01/60/162/365/AM18/PRC**
PRC Meeting No. 18/AM18 dated 19.09.2017

Subject: Consideration of export fulfilled prior to import towards E.O. fulfillments against Advance Authorization No. 0510298332 dated 02.08.2011

Decision: Aggrieved by the committee's decision dated 08.12.2015, the applicant sought personal hearing in terms of Para 2.59 of FTP, 2015-2020, which was afforded to them on 19.09.2017. Shri Rakesh Singh, General Manager, Supply Chain and Shri S.S. Parmar, representative from M/s Fresenius Kabi Oncology Ltd, New Delhi appeared before the committee and made the following submissions stating inter alia that:

1. They had obtained the Advance license under Policy Circular No.9 dated 30.6.2002 with pre-import conditions.
2. They imported first consignment under this license on 16.8.2011.

3. However, due to oversight they started exports against above license before imports, considering export products manufactured from their existing stock of raw material, which were sourced domestically. Details of exports made before import and after import are as below:

Exports made prior to import	4.73%
Exports made after import	95.27%

4. Their request for EOP extension upto 24 months was rejected. However, PRC in its Meeting No.14/AM15 dated 6.12.20114 has extended EOP upto 18 months only. Thus, additional exports done by them cannot be covered for E.O. fulfilments.
5. They again approved the PRC for extension upto 24 months. However, in PRC Meeting held on 8.12.2015 their request for extension upto 24 months was rejected.
7. All raw material imported from unregistered source has been used for export purpose only and complied to PC 9 and PC 18 conditions.
8. Hence they have requested to consider exports made prior to imports for E.O. fulfilment as exports made beyond 18 months under this license have not been considered for E.O. fulfilments.

Decision: The case was discussed at length. It was noted that the applicant has used 4.73% duty paid inputs procured from domestic market. Condition of PC-9 dated 30.06.2003 is applicable where imports are made from unregistered sources and not on domestically sourced goods. All domestic manufacturers are registered with Drug Controller and Excise Authority for manufacturing of drugs. Therefore, the committee decided the following:

i. Exports made by using drugs procured from local manufacturer be accounted for discharge of export obligation.
ii. This will, however, be subject to the condition that exports were affected indicating File No/Authorisation No on shipping Bills;
iii. Prorata excess unutilised drugs, in proportion to exports made by using domestic drug, shall be subject to PC-18 condition;
iv. The applicant shall submit either proof of destruction of unutilised excess drug or proof of export of resultant product made by using that excess drug imported under the Authorisation.

(Action: CLA/Applicant)