

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

Policy Circular No. 09 (RE-2010)/2009-14

Dated the 29th December, 2010

To

All Customs Authorities
All Regional Authorities
Members of Trade

Subject:- Conditions and modalities for registration of contracts of cotton with DGFT.

Attention is invited to Notification No. 12 (RE-2010)/2009-14 dated 16.12.2010 issued by this Office whereby registration of contracts for export of cotton under ITC(HS) Code 5201, 5202 & 5203 will be done by DGFT and Policy Circular No. 6(RE-2010)/2009-14 dated 16.12.2010, through which it was informed that modalities for registration of contracts will be notified separately. The data for export made from 1/11/2010 to 15/12/2010 is being collected and allocation will be made for the balance quantity keeping in view the decision of GoM to limit the export of raw cotton to 55 lakh bales during the cotton season 2010-11. Accordingly, it has been decided to invite applications for grant of registration certificate for export of cotton from 31.12.2010 to 06.01.2011 (till 5.00 PM).

2 All applications for grant of registration certificate shall be sent only through E-mail at cottonexport@nic.in in the prescribed format as per Annexure-1 of this Policy Circular.

3. Allocation will be made after scrutiny of applications, as per the following criteria:-

- (i) Allocation will be done on a prorata basis with a ceiling of 1,00,000 bales per IEC and floor of 500 bales per IEC. Therefore, no application below 500 bales will be considered.
- (ii) Exporters who did not export full quantity for which registration certificate was obtained by them from Textile Commissioner, Mumbai in October, 2010, would be disincentivised by reduction of their pro-rata quantity by the percentage of such default.
- (iii) After the allocation is made, the applicants shall have to submit
 - (a) Copy of Export Contract alongwith
 - (i) A copy of confirmed and irrevocable Letter of Credit(LC), or
 - (ii) FIRC from Bank showing receipt of remittance from the concerned foreign buyer as proof of having received 100% Advance Payment or a minimum of 25% Advance Payment and balance Cash Against Delivery(CAD),
 - (b) Declaration/Undertaking as given with the application format, on the letter head of the firm, and a hard copy of application duly signed,
 - (c) Copy of IEC

These documents would need to be submitted within a period of 15 days of allocation.

- (iv) After scrutinizing the documents so received, and if found eligible, the applicant shall be issued a Registration Certificate. Export against such registered contracts shall be completed on or before the date specified in Calendar of events (Specified date will be at least 30 days from date of issuance of RC)
- (v) Applicants who fail to submit the stipulated documents within prescribed time or where documents are found to be incorrect, that applicant shall be declared ineligible. They will forfeit their right to seek further allocation. Their allocation will then be redistributed amongst other eligible applicants.
- (vi) Failure to export the allocated quantity within the stipulated time would invite debarment from further allocation. In addition, penal action as per Section 11(2) of the Foreign Trade(D&R) Act would be

initiated. For ready reference Section 11(2) is extracted below:-

“11(2). Where any person makes or abets or attempts to make any export or import in contravention of any provisions of this Act or any rules or order made thereunder or the Foreign Trade Policy, he shall be liable to a penalty of not less than ten thousand rupees and not more than five times the value of the goods or services or technology in respect of which any contravention is made or attempted to be made, whichever is more.”

4. An illustrative example is provided in Annexure-2 to this Policy Circular for information and guidance.
5. Calendar for process of applications, issue of RC and export is provided in Annexure-3 to this Policy Circular.
6. This issues with the approval of Commerce Secretary.

(Hardeep Singh)
Joint Director General of Foreign Trade
Email: hardeep.singh@nic.in

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

Annexure-1 to Policy Circular No. 09(RE-2010)/2009-14 Dated 29.12.2010

SAMPLE FORMAT FOR SENDING APPLICATION BY E-MAIL TO (cottonexport@nic.in)

Subject header of E-mail : IE Code- Name of the Firm/Applicant-Quantity applied for
(Example : 0500030001-ABC Exports-10,000 bales)
(Fill this in the “Subject” field)

Message Body (Content of E-mail)

Line 1 : IE Code (Example : 0500030001)
Line 2 : Name (Example : ABC Exports)
Line 3 : Quantity applied for (In bales, both in figure and words).(Example 10,000 bales, Ten Thousand bales)
Line 4 : ITC(HS) Code (Example : 5201)
Line 5 : Blank
Lines 6-13 : Details of export made on EARCs obtained from Textile Commissioner, Mumbai in October, 2010
Line 6 : Amount for which EARC was obtained. (Example 20,000 bales)
Line 7 : EARC Numbers and date.

Line 8 : Actual export made on or before 15.12.2010 out of EARC quantity. (Example 20,000 bales)
Line 9 : % of such export. (Example 100%)
Line 10 : FOB value of such export made.(Example US\$ 50,300)
Line 11 : Destination/Port of export. (Example : Pakistan/ Karachi)
Line 12 : Detail of Foreign buyer (Name and Address).
Line 13 : Blank

Lines 14-19 : Any information that the applicant wishes to submit.

Lines 20-30 : Details of Applicant

Line 20 : Name of the Applicant (in whose name IEC has been issued)
(Example : ABC Exports)
Line 21 : I Exact Postal Address
Line 22 : I (Example: D-402, 1st Floor, Karim Nagar, New Delhi- 110010)
Line 23 : I
Line 24 : Phone Number(s) with STD Code (Example: 011-23456789)
Line 25 : Fax Number (Example: 011-23456793)
Line 26 : E-mail (Example : abcexports@yahoo.com)
Line 27 : Alternative E-mail (Example : ashokbhalla@gmail.com)
(Application must be from one of these two E-mails)
Line 28 : Name of the authorised person sending the application
(Example : Ashok Bhalla)
Line 29 : E-mail of the authorised person(Example : ashokbhalla@gmail.com)
Line 30 : Phone No of the authorized person (Landline & Cell phone)

End of E-mail

Note 1 : After allocation, eligible applicant shall submit hard copies of above application, duly signed by authorised person alongwith following declaration on the official letter head of applicant firm.

DECLARATION / UNDERTAKING

1. I / We hereby declare that the particulars and the statements made in this application are true and correct to the best of my / our knowledge and belief and nothing has been concealed or held there from.
2. I / We fully understand that any information furnished in the application if found incorrect or false will render me / us liable for any penal action or other consequences as may be prescribed in law or otherwise warranted.
3. I / We undertake to abide by the provisions of the FT (D & R) Act, 1992, as amended, the Rules and Orders framed there under, FTP, HBP v 1 and HBP v2 and ITC (HS). I also undertake that in the event of non-performance after grant of Registration Certificate for export of cotton by the Directorate General of Foreign Trade, I shall be liable to Penal Action under Section 11(2) of Foreign Trade(Development & Regulation) Act, 1992, (as amended), including debarment from future allocations.
4. I hereby certify that I am authorised to verify and sign this declaration.

Signature of the Applicant

Place

Name

Date

Designation

Official Address

Telephone No.

Cell Phone No.

Fax No.

Email

Residential Address

- Note 2** : Required documents for submission by eligible applicants for obtaining RC (In addition to documents prescribed in Note 1 above)
- (a) Copy of Export Contract alongwith
 - (i) A copy of confirmed and irrevocable Letter of Credit(LC), or
 - (ii) FIRC from Bank showing receipt of remittance from the concerned foreign buyer as proof of having received 100% Advance Payment or a minimum of 25% Advance Payment and balance Cash Against Delivery(CAD).
 - (b) Copy of IEC
 - (c) Proof of shipments made against EARCs issued by Textile Commissioner, Mumbai

Annexure-2 to Policy Circular No. 09(RE-2010)/2009-14

Dated 29.12.2010

Illustrative example

Suppose 5 exporters have applied for allocation of quota. Let us assume that the total quantity to be allocated is 1,00,000 bales. But, we have received applications for 10,00,000 bales. Accordingly, each applicant will get 10% of the quantity he/she has applied for. The percentage share which each exporter will be allocated of the total quantity is as below:-

(1) Allocation of quantity on pro-rata basis {See para 3(i) of Policy Circular dated 29.12.2010}

Exporter	Quantity applied in bales	Quantity allotted in bales
A	1,00,000	$10,000 + 1,111.11 = 11,111.11$
B	1,50,000	$15,000 + 1666.66 = 16,666.66$
C	2,00,000	$20,000 + 2,222.23 = 22,222.23$
D	2,50,000	25,000
E	3,00,000	25,000*
Total	10,00,000	1,00,000

* The maximum ceiling is say 25,000 bales. Therefore, applicant E does not get 10% of quantity applied for (10% of 3,00,000 is 30,000, which is more than the prescribed ceiling of 25,000) so, allocation for E is limited to 25,000 bales only. The balance quantity of 5,000 bales has been distributed in proportion to the applied quantity among A, B & C.

2A. Calculation for disincentivisation due to non-performance against EARCs obtained from Textile Commissioner, Mumbai during October, 2010 {See para 3(ii) of Policy Circular dated 29.12.2010}

Exporter	Quantity allotted (in bales)	Percentage of non-performance	Disallowed quantity in bales
A	11,111.11		--
B	16,666.66		--
C	22,222.23		--
D	25,000.00	25%	6,250
E	25,000.00	30%	7,500

Total	1,00,000.00		13,750
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Note:

(1) Exporter A, B & C either exported 100% of the quantity for which they had obtained EARCs from Textiles Commissioner, Mumbai in October, 2010, or they had **not** obtained any such EARC.

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(2) Exporter D & E had obtained EARCs in October, 2010, but could not export 100% quantity for which such EARCs were obtained by them. D exported only 75% (here non-performance is 25%); E exported only 70% (here non performance is 30%)

2B. Allocation of disallowed quantity under 2A, (13,750 bales) among remaining eligible exporters

Exporter	Pro-rata allocation of quantity as per (1) above	% share among three	Additional allocation (in bales)
A	11,111.11	22.22%	3,055.25
B	16,666.66	33.33%	4,582.87
C	22,222.23	44.45%	6,111.87
Total	50,000.00	100.00%	13,750.00

(3) Allocation after re-distribution of disallowed quantity

Exporter	Allocation of quota (in bales)	Final allocation
A	11,111.11 + 3,055.25	14,166.36
B	16,666.66 + 4,582.87	21,249.53
C	22,222.23 + 6,111.87	25,000.00**
D	25,000.00 - 6,250.00	18,750.00
E	25,000.00 - 7,500.00	17,500.00
		96,665.89

** (For C, the total quantity comes to more than 25,000 bales, but as per ceiling the quantity allocated to C is limited to 25,000 bales). This leaves a balance of 3,334.11 bales which will be again re-allocated amongst the remaining eligible applicants i.e. A & B using the above iteration, till the total quantity available is fully allocated.

CALENDAR OF EVENTS

1. Policy Circular to be issued on 29th December, 2010
2. Receipt of Application
Start Date: 1200 hours, 31st December, 2010
Close Date: 1700 hours, 6th January, 2011
3. Compilation Work 7th, 8th & 9th January, 2011
4. Declaration of Allocation Monday, 10th January, 2011
5. Document submission, Scrutiny & Issue of RC
1000 hours, Tuesday 11.01.
Start Date: 2011
Close Date: 1100 hours, Tuesday
25.01.2011
6. Last Date to Export Friday, 25th February, 2011