<u>MINUTES OF EPCG COMMITTEE MEETING HELD ON 19.6.2008 AT 11.00 A.M. UNDER CHAIRMANSHIP OF DR. SHYAM AGARWAL, ADDITIONAL DIRECTOR GENERAL OF FOREIGN TRADE</u>

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Export Promotion through Capital Goods (EPCG) Committee Meeting was held on 19.6.2008. The following officials participated:

S. No. Name and Designation

1. Dr. Shyam Agarwal, Addl. DGFT, Chairman
2. Shri S.K. Samal, Joint DGFT
3. Sh. V.C. Aggarwal, Industrial Adviser, Deptt. of Heavy Industry
4. Sh. P.V.K Raja Sekhar, OSD, Deptt. of Revenue
5. Sh. S.K.Jain, DIPPI
6. Sh. S.S. Tak, DIA, M/o Steel
7. Sh. Ishwar Singh, Dy. DGFT
8. Sh. S.K.Panigrahi, FTDO (EPCG-I)
9. Sh. Samir Sinha, FTDO(EPCG-II)

2. EPCG Committee took following decisions after deliberations:-

2.1 Case No.1: Mawana Sugars Limited (formerly SIEL Limited)

(EPCG Lic. No. 2156113 dated 31.3.1997)
CIF Value Rs.80,15,87,294/- (revised)
EO US$ 9,16,88,566 (amended), US $ 6,00,01,796 (refixed)

Representative of DOR stated that Customs Notification No. 111/95 dated 5.6.1995 does not provide for subsequent extension in EOP after initial extension of one or two years.

However, Committee observed that requests under fast track provisions, re-fixation of export obligation on duty saved amount basis, inclusion of alternate product and BIFR provisions & EOP extension for redemption purposes need to be applied to unredeemed old licences also and thus Committee approved extension in export obligation period of two years under provisions of para 5.11 of Handbook of Procedures (Vol.I) subject of payment of 50% of the duty payable in proportion to the unfulfilled export obligations is paid by authorization holder to custom authorities before en endorsement of extension in made on EPCG authorization.

2.2 Case No.2: Sree Rayalseema Alkalies & Allied Chemicals Ltd.

(EPCG licence No. 01500428 dated 16.5.1996)
CIF Value Rs.44,08,31,359,
EO US$ 760,68,450/-

Committee noted the decision of the Grievance Redressal Committee taken in its meeting held on 21.4.2008 not to impose composition fee of 2% as imposed by the EPCG Committee in its meeting held on 1.10.2007 for late submission of request for re-fixation of export obligation on two times duty saved amount basis.

However, Committee desired that a reference may be sent to the Chairman of GRC indicating the status of block-wise fulfillment of export obligation by the firm.

2.3 **Case No. 3: Indian Handicrafts, New Delhi**

(EPCG licence No. 097697 dated 6.11.1998)
CIF Value Rs. 1,32,83,190/- (Enhanced), Rs. 82,39,098 (Utilized basis) Rs. 16,52,876/-, Rs. 16,52,876/- (utilized)

Committee considered the case in its meeting held on 14.5.2008 and decided to ask the firm to submit authenticated copies of its application dated 15.2.2000 made to CLA, reply of CLA Delhi and any other correspondence between firm and CLA Delhi during February, 2000 till May, 2000. On seeing the documents, Committee observed that, had the application submitted by firm on 15.2.2000 been disposed off by CLA, Delhi in time, firm would not have been compelled to take subsequent licence on 28.4.2000 under 5% duty scheme.

Representative of DOR queried as to whether any letter was issued by CLA, Delhi to firm, pointing out any deficiency in the application. Committee approved that the request may be disposed off on file after examining the above query.

2.4 **Case No. 4: REI AGRO Limited, New Delhi**

(EPCG licence No. 0530143174 dated 01.03.2007)
CIF Value Rs. 15,66,784 (US$ 23,301,270.33 (US$ 23,301,270.33)
Avg. EO Rs. 46,16,15,966.33/-
TOTAL:-1,50,31,82,750.33/-

Committee rejected the request for transfer of EPCG licence in the name of Group Company, i.e Varrsana Ispat Limited, Kutch. However, Committee approved that the capital good may be installed in the premises of the group company and export obligation fulfilled out of the product manufactured by the group company.

2.5 **Case No. 5 Diamstar, Mumbai**

(EPCG Licence No. 0330002466 dated 23.8.2002)
CIF Value Rs. 22,61,359/-,

EO US $ 2,39,500)

Committee approved inclusion of alternate export product i.e. ‘Marked Rough Diamonds’ in the above licence subject to the condition that the firm would be required to maintain the average export obligation fixed against the original product i.e. ‘cut and polished diamonds’ as well as alternate product.

2.6 **Case No.6: Ramco Ceramic Limited, Rajkot**

(EPCG 2430000126 dated 31.10.2003)
CIF value/Duty Saved Rs. 74,86,033/-
EO Rs. 5,98,88,264/- = US$ 12,51,583.36

Nexus approved as per DIPP U.O. No. IPP/6/7/2008-TSW/67 dated 5.6.2008 for the export product, namely ‘ceramic tiles’.

2.7 **Case No.7: Rolex Rings Pvt. Ltd. Rajkot**

(EPCG 2430000057 dated 01.5.2003)
CIF value/Duty Saved Rs. 17,908,716.00 (Revised)
EO Rs. 107,452,296.00 = US$ 2,245,607.02

Nexus approved as per DIPP U.O. No. IPP/6/255/2003-TSW/39 dated 1.4.2008 for export of ‘alloy steel forgings (rough and machined)’.

2.8 **Case No.8 Defiance Knitting Industries P. Ltd.**
2.9

(EPCG 01500543 dated 23.10.1996)
CIF value Rs. 34.32.76.659/-
EO US $ 6,26,27,893 (Original), US$ 5,88,97,911 (Amended), 52,82,136 (re-fixed) (Request under consideration)

Shri Oza, General Manager (Export) appeared before the Committee and made submission in respect of each of three requests, namely, (i) deletion of 20% enhanced export obligation, (ii) re-fixation of Export Obligation; and (iii) imposition of 50% enhanced export obligation only on valued added export product, i.e. garments and not on “knitted fabrics”.

Regarding deletion of 20% enhanced Export Obligation, Committee observed that request was received on 24.8.04 under Policy period 1.9.04 to 31.3.05 and there was no provision for enhancement of export obligation on account of extension in export obligation period under the said policy. In fact, extension in EOP had been granted in a number of cases without enhancement of Export Obligation at the time of submission of the application of the firm for extension. In view of this, Committee approved deletion of 20% export obligation on the subject licence.

Regarding the request for re-fixation of Export Obligation, Committee noted that Public Notice No. 42 dated 28.1.2004 (RE-03) allowed re-fixation of export obligation on 8 times duty saved basis in proportion to the balanced export obligation to all licences irrespective of date of issue and the said public notice did not stipulate any condition for fulfillment of block-wise export obligation. However, Committee observed that firm should have fulfilled 50% mandated export obligation for being eligible for re-fixation as per the current provision. The firm fulfilled only 42% against the mandated 50% Export obligation, Committee approved that firm would be required to fulfil 50% of original export obligation as fixed on CIF value basis, and balance 50% of original EO will be re-fixed on duty saved amount basis.

Regarding the request for deletion of enhanced EO on fabrics, Committee noted that Committee of Secretaries enhanced 50% export obligation only on value added product i.e. 'garments' in this case. However, this office inadvertently enhanced export obligation on both knitted fabrics as well as garments. Committee approved that this may be rectified in light of decision of Committee of Secretaries.

2.9 **Case No.9: Meenachil Rubberwood Ltd., Kerala**

(EPCG 2093626 dated 8.03.1995)
CIF value/Duty Saved Rs. 11,00,000/-
EO Rs. 1,37,500.00

Committee noted that the issue is related to the decision of the Policy Relaxation Committee (PRC) and hence it may be referred to PRC Secretariat for clarifying the commencement of the period of five years granted to the firm vide its decision taken in its meeting held on 4.1.2006.

2.10.1 Out of Agenda case

Committee deliberated upon the issue of re-fixation of export obligation on duty saved amount basis and observed in the case of M/s. Rayalseema Alkalies & Allied Chemicals Ltd., that re-fixation has been allowed to the extent of 85.01% and similarly in some more cases re-fixation has been allowed on case to case basis without observing fulfillment of mandated block-wise export obligation. The licence holder is required to fulfil export obligation in four blocks in the following manner:-

Block/Year	Mandated E.O.
Ist block of two years	NIL
2nd block of two years	15%
3rd block of two years	35%
4th block of two years	50%

The authorization holder can opt for re-fixation of export obligation provided the mandated export obligation of the preceding block, in which the application is made, has been fulfilled. Committee observed that in most of the cases the firm applies for re-fixation only in the last block and the extent of fulfillment of export obligation up to the end of third block is 50%.

Committee decided that in all such cases re-fixation should be allowed only in respect of 50% export obligation. In other words the firm would fulfill 50% export obligation as originally fixed on the basis of CIF value of the licence and 50% of original EO will be re-fixed on duty saved amount basis. A number of requests for re-fixation which are pending due to non-fulfillment of block-wise export obligation would be disposed off. Secondly this would be export friendly on one hand and would take care of the Government exchequer on the other.

2.10.2 Issues concerning applicability of provisions like re-fixation of export obligation on duty saved amount basis, Inclusion of alternate product for fulfillment of export obligation, extension in export obligation period under BIFR and fast track provisions of para 5.11 of Foreign Trade Policy, which are having bearing on the redemption of EPCG licences came up for discussion before Committee. Committee discussed these provisions at length and observed that these are the provisions which facilitate the exporter(s) for speedy redemption of the EPCG licences and as such if these provisions are made effective from prospective date(s) the facilitities contained in these provisions would become available only after 8-10 years which is not the intention of the Government. In order that the facilities provided under these provisions are made available immediately after their introduction in the policy, these provisions should be made effective retrospectively to be applicable to all those old EPCG licences(Un-redeemed) which come for redemption after the introduction of such provisions in the Policy. Committee approved that the above views/observations of the Committee may be submitted to DGFT for approval.

Meeting ended with vote of thanks to all participants.