

Office of the Development Commissioner, Sri City SEZ, Project Office, Tada-524 401
AGENDA OF THE UNIT APPROVAL COMMITTEE for Sri City SEZ (Multi Product)
MEETING TO BE HELD ON 16.07.2014.

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1.	Agenda Item – 1	Ratification of the Minutes of the Meeting of the Unit Approval Committee held on 28.03.2014
2.	Agenda Item – 2 (a)	Proposals from the Developer: Nil.
3.	Agenda Item – 3 (a) Agenda Item – 3 (b)	<p style="text-align: center;">Proposal of M/s. Sutures India Pvt. Ltd., for ratification of approval given for further enhancement in production capacity from 18 lakhs dozens per annum to 30 lakhs dozens per annum, approval for additional projections required for enhanced capacity and expansion of factory building.</p> <p style="text-align: center;">Proposals M/s. Kusakabe India Private Limited for following approvals :</p> <p style="margin-left: 40px;">I. Post- facto approval for excess Import of Capital Goods, Procurement of Indigenous Capital Goods & Construction Materials viz.,Cement & Steel.</p> <p style="margin-left: 40px;">II. Amendment in the item of manufacture in the Letter of Approval – inclusion of Parts of Tube & Pipe Mill Equipment in the LoA for Broad Banding as per Rule 19 (2) of SEZ Rules, 2006.</p> <p style="margin-left: 40px;">III. Approval for Trading Activity for import in F.C. and export to Iran in Indian Rupees from the existing Unit after construction of additional building for trading.</p>
4.	Agenda Item – 4 (a)	Review of Annual Performance of Units in Sri City SEZ for the year 2013-14.

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**UNIT APPROVAL COMMITTEE FOR M/S. SRI CITY (P) LIMITED, MULTI-
PRODUCT SPECIAL ECONOMIC ZONE AT SATYAVEDU MANDAL, CHITTOOR
DISTRICT, A.P.**

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AGENDA: 1

Ratification of the Minutes of the Meeting of the Unit Approval Committee held **on 28.03.2014.**

AGENDA: 2 (a) : Nil

No proposals have been received from the Developer, M/s. Sri City Pvt. Ltd.

AGENDA: 3 (a)

M/s. Sutures India Pvt. Ltd., vide letter dtd. 28.04.2014 and e mail dtd.06.05.2014 have requested for approval for **Further Enhancement in Production Capacity in respect of Item of Manufacture viz., Surgical Sutures USP from 18 lakhs Dozens to 30 lakhs Dozens Per Annum** (first enhancement approved vide letter dtd. 17.05.2013 from 6 lakh Dozens to 18 lakh Dozens Per Annum). **(Copies enclosed).**

They submitted Foreign Exchange Balance sheet for proposed enhanced capacity and requirement of additional Imported and Indigenous Capital Goods / Raw Materials / Components / Consumables / Spares/ Packing Materials for 5 years **and also construction materials required for creation of additional space for production.**

The unit has commenced commercial production on 17.01.2013 and made exports for a fob value of Rs. 4.72 Cr. in 2012-13, FOB Rs. 36.82 Cr. in 2013-14 and FOB Rs. 4.12 Cr. During the current year 2014-15 (up to 31.05.2014). The Unit is under 2nd year of operation.

The projected exports for the proposed enhanced capacity for 5 years period is Rs.14652 lakhs / US \$ 24420 Thou with N.F.E. of Rs. 12152 lakhs / US \$ 20254 Thou.

In view of the above, Approval for the following have been given by the Development Commissioner vide letter No. 22/Sri City -15/VSEZ/2010 dtd. 30.05.2014 **(copy enclosed)** for the following **subject to ratification by UAC:**

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I. Further enhancement in production capacity in respect of item of manufacture viz., **Surgical Sutures USP** from 18,00,000 Dozens Per Annum to 30,00,000 Dozens Per Annum as per Rule 19 (2) of SEZ Rules, 2006, with following additional projections required for enhanced capacity for 5 years.

A. **FOB value of Exports** – US \$ 24420 Thou/Rs. 14652 lakhs.

B. **Imports:** CG – Rs. 100 lakhs + RM etc. Rs. 2400 lakhs (Total Rs. 2500 lakhs / US \$ 4166 Thou).

C. **Indigenous:** Construction Materials required for providing Additional Factory Space/Expansion of Factory building – Rs. 208 lakhs. Capital Goods Rs. 325 lakhs. Raw Materials etc. – Rs. 3600 lakhs.

The proposal of the Unit is placed before UAC for **ratification** please.

AGENDA: 3 (b)

M/s. Kusakabe India Pvt.Ltd., have submitted the following three proposals and requested for approval :

- I.** Post- facto approval for excess Import of Capital Goods, Procurement of Indigenous Capital Goods & Indigenous Construction Materials viz., Cement & Steel.
- II.** Amendment in the item of manufacture in the Letter of Approval – inclusion of Part of Tube & Pipe Mill Equipment in the LoA as per list attached – Annexure ‘A’.
- III.** Approval for Trading Activity for import in F.C. and export to Iran in Indian Rupees from the existing Unit after construction of building for trading.

I. On scrutiny of the above proposal – I the following are observed:

1. The Unit has obtained L o A on 23.03.2011 for setting up of Unit in Sri City SEZ for Manufacture & Export of Tube& Pipe Mill Equipment – 36 Sets Per Annum.
2. BLUT has to be executed as per projected values of application. Whereas the Unit has executed BLUT for values less than the projected values in respect of **3 months stock of Imported RM etc., and Indigenous RM etc., and also Indigenous CG.**
3. The validity period of LoA has been extended thrice vide this office letters dtd.11.05.2012, 04.03.2013 and 19.03.2014. **The LoA is valid up to 22.03.2015.**
4. The Unit has received FDI investment from the parent company to the tune of Rs 26.60 Cr as against projection of FDI Investment of Rs. 3.33 Cr and FC loan of Rs. 5 Cr from parent company.

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5. The Unit has started trial production and giving training around 20 persons. Commercial Production may likely to start from August, 2014, as stated.
6. Excess value of exempted material utilised by the unit is as under as stated: (i) Imported Capital Goods : Rs. 440 lakhs - Duty Saved – Rs. 125.20 lakhs.
(ii) Indigenous :
 - (a) Capital Goods – Rs. 267 lakhs – Duty Saved – Rs. 126.04 lakhs.
 - (b) RM etc.- Rs. 9.12 lakhs – Duty Saved – Rs. 1.16 lakhs.
 - (c) Construction Material - Rs.347 lakhs – Duty Saved – Rs.43.68 lakhs.

However excess value of indigenous CG and RM are within the projected value as per application.

7. The Unit has submitted revised projections on Exports and F.E. outgo as per Annexure 'B' attached.

The Proposal of the unit for ratification of excess import and procurement of materials over and above approved values of Application and BLUT is placed before the **UAC for approval pl.**

II. On scrutiny of the above proposal – II the following are observed:

The unit has submitted list of items proposed to be manufactured are not falling under restricted, prohibited and SCOMET list of items as per Foreign Trade Policy.

The unit has stated that the projected exports of the above list of items of manufacture are within the overall revised projections submitted under the above Proposal I.

The Proposal of the Unit for inclusion of items of manufacture in the LoA within the overall revised projection is placed before the **UAC for approval in terms of Rule, 19 (2) of SEZ Rules, 2006.**

III. On scrutiny of the above proposal – III the following are observed:

1. The unit proposed to undertake Trading activities from their existing unit in Processing Area of SEZ. For this activity they proposed to construct a building in vacant area of the SEZ Unit itself for build up area of 1050 Sq.Mtr with an investment of Rs.2.50 Cr.
2. They proposed to import Tube & Pipe Mill Equipment through their parent company in Japan. After import, they do re-packing, testing and export to Iran.

3. It is observed that the parent company viz., M/s. Kusakabe Electric & Machinery Co. Ltd., Japan cannot export directly to Iran due to imposition of Sanctions on Iran by USA, as stated by the unit.
4. It is also observed that the SEZ Unit proposed to import goods from their parent company in Foreign Currency and export to Iran in Indian Rupees with a value addition of 15% quoting DGFT Notification No.17(RE-2013)/2009-2014 dtd.10.06.2013.
5. The export order under Trading is worth Rs. 120 Crores and shall be executed within 18 months from the date of import, as stated by the unit.
6. The unit has submitted a project report showing the requirement of Construction Material, Capital Goods, etc. for their Trading Activities.

The proposal of the Unit is not within the parameters of SEZ Scheme on the following grounds:

1. Prima facie Iran is not in a position to import Tube & Mill Equipment from Japan due to imposition of sanctions by USA, as stated by the Unit.
2. The question of allowing the subsidiary company i.e., M/s. Kusakabe India Pvt. Ltd., SEZ Unit exporting the same item from India to Iran does not arise on the following grounds :-
 - (i) The goods are imported from their parent company i.e., Kusakabe Electric & Machinery Co. Ltd., Japan on payment of value in Foreign Currency.
 - (ii) The country of origin of goods will not be changed i.e., Made in Japan(Manufactured).
 - (iii) The sanctions imposed on Iran by USA restricting the imports from Japan are applicable to goods originated from Japan also.
 - (iv) All the transactions in FTWZ or by Trading Unit shall be in Foreign Currency only. Hence the DGFT Notification is not applicable to Trading Units in SEZs.

The Proposal of the Unit is placed before UAC for a decision pl.

AGENDA : 4. A :

Units, which have completed one year of operation as on 31.03.2014 (for 2013-14) from the date of commencement of commercial production have to be monitored as per Rule 54 of SEZ Rules, 2006. In view of proposal by the Ministry to revise the Form I - Annual Performance Report for the Units, which is under draft stage, though some of the units submitted APR in existing Form-I, the review has not been done. The review will be taken up as soon as the format is finalized by the Ministry.

This is brought to the notice of the Members of the UAC pl.

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Asst. Development Commissioner
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Encl: as above.