

Agenda for EOUs

Agenda Notes for discussion in the UAC meeting scheduled on 27.03.2019 at 11.30 a.m. in the Conference Hall of VSEZ, Administrative Building, VSEZ, Duvvada, Visakhapatnam -530 049

Visakhapatnam Special Economic Zone

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AGENDA FOR UNIT APPROVAL COMMITTEE MEETING FOR EOUS TO BE HELD ON 27.03.2019 TO CONSIDER PROPOSAL OF **M/S..Kaleesuwari Refinery and Industry Private Ltd.,** TO PARTIALLY CONVERT THEIR EXISTING DTA UNIT INTO 100% EOU FOR MANUFACTURE AND EXPORT OF ' BIO DIESEL ' AT PHASE III, INDUSTRIAL PARK, VAKALAPUDI, KAKINADA RURAL, KAKINADA)

1	Name of the unit	<p>M/s. M/s.Kaleesuwari Refinery and Industry Private Ltd., Registered Office at M.No.1-1-780/1&2, Flat No.308, Sumanjali Apartments, Gandhi Nagar, Hyderabad,</p> <p>Pin- 530 080 E.Mail :biodiesel@Kaleesuwari.com Website : Kaleesuwari.com Passport No. NA Name of the Bank: Syndicate Bank, No.170 Eldams Road, Tcnypet, Chennai 600 018 Tamil Nadu. A/C No.60271250000317/IFSC-SYNB 0006 6027 PAN No. AABCN7337H Digital Signature : not mentioned in the Application</p>
2	The proposal is for	<p>Partial conversion of their existing DTA unit into an EOU , for manufacture and export of of Bio diesel with existing plant capacity of 100,000 KL Per annum as per Agreement for export entered between BP Singapore PTE Ltd., and M/s. M/s.Kaleesuwari Refinery and Industry Private Ltd.,</p> <p style="text-align: right;">ITC(HS) NO.</p> <p>1) Bio Diesel 90,000 Metric tone per annum 3826 00 00</p> <p>2) Glycerine (By product) 15,000 Metric Tonne per annum 1520 00 00 The byproduct will be sold in DTA as per norms in the FTP.</p>
3	Location of the project	Phase -III, Industrial Park, Vakalpudi, Kakinada Rural, Kakinada, A.P
4	Manufacturing/Service	Manufacturing unit for manufacture and export of Bio diesel with existing plant capacity of 100,000 KL Per annum

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5	Investment	<p>Land - Rs. nil lakhs Building Rs. nil lakhs</p> <p>----- <i>Plant & Machinery</i> -----</p> <p>Indigenous Rs. 4284.28 lakhs</p> <p>Import of CG CIF value Rs. 1651.72 lakhs</p> <p>----- Total Rs. 5936.00 lakhs -----</p> <p>Details of Source of finance :</p> <p>Foreign: 15.24 lakh Indian: 3189.64 lakh Total : Rs.3204.88 lakh (All term loans of banks and Fin. Inustitons settled under OTS arrangements with Banks and fin. institutions- During acquisition)</p>
6	Import Requirement	<p>Capital goods Rs. nil lakhs Raw material Rs.114196 lakhs Other OFE Rs. -- lakhs</p> <p>----- Total.... Rs.114196 lakhs -----</p>
7	FOB Value of export	Rs.144300 lakhs over a period of 5 years
8	Indigenous requirement	<p>Capital goods Rs. nil lakhs</p> <p>Raw materials, , Rs.645.80 lakh Consumables, Components, packing material, fuels etc.</p> <p>----- Total Rs.645.80 lakhs. -----</p>
	Rejects	NIL
10	Foreign Technology	Not mentioned
11	NFE (Exports – Imports)	Rs.144300 –Rs.114196 lakhs = Rs.30104 lakhs (USD 44933Thou.)
12	Employment	Proposed i) Supervisory Men 18

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		ii) Non-Supervisory Women - nil Men - 126 Women - 14
13	Destination of Export	100% CGA
14	Nature of application firm	Private Limited Company
15	Whether project Report Submitted	Furnished
16	Marketing tie-ups submitted	submitted
17	Residence Proof	Furnished
18	Income Tax returns for the last 3 years	Furnished
19	Directors	1. Mr. Munusamy Arun 2. Mr. Gurusamy Munusamy 3. Mr. Ashok Kumar 4. Mr. Suriyanarayanan Sankaranarayanan
20	Memorandum and Articles of Association	Furnished
21	Equity including Foreign Investment	i) (a) Authorised 3600.000 lakhs ✓ (b) Subscribed 3204.881 lakhs ✓ (c) Paid up capital 3204.881 lakhs Pattern of share holding in the paid up capital a) Foreign holding Nil b) Non Resident Indian Company/individual holding i) Repatriable Nil Non repatriable 15.239 LAKH c) Resident holding Rs. 3189.643 lakhs
22	Project Cost	The cost of the project estimated at ... Rs. 1400 lakhs
23	Means of finance	Internal Accruals Term loans

Policy Provision (FTP 2015-20)

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In terms of para 6.19 (c) of FTP 2015-20 - Applications for conversion into an EOU / EHTP / STP / BTP unit from existing DTA units, having an investment of Rs. 50 crores and above in plant and machinery or exporting Rs. 50 crores and above annually, shall be placed before BOA for a decision.

In terms of para 6.38 of HBP, 2015-20, existing DTA units, may also apply for conversion into an EOU, but no concession in duties and taxes would be available under scheme for plant, machinery and equipment already installed. For this purpose, DTA unit may apply to DC / Designated Officer concerned in same manner as applicable to new units. In case there is an outstanding export commitment under EPCG scheme / Advance Authorization Scheme, it will follow the procedure laid down in Appendix 6 M of Appendices & ANFs.

Criteria to be adopted for Automatic approval of units under EOU Scheme in terms of FTP 2015-20:

Proposals for setting up units under EOU Scheme under automatic route shall be considered by the Unit Approval Committee taking into account the following:

1	Residence proof in respect of individual/partnership firms of all Directors/Partners(passport/ration card/driving licence/voter identity card or any other proof to the satisfaction of Development Commissioner)	Copies of Pan cards & pass port of one of Directors & Bank pass books submitted
2	Income Tax return of all the promoter for the last 3 years -	Copies of Income Tax Returns furnished
3	Experience of the promoter	Managing Director is in the same field and Business for the last 30 years
4	Marketing tie-ups	Copy of Agreement with foreign buyers submitted
5	Inspection of the project site by an officer	To be inspected
6	A Report from other DCs as to whether any under EOU Scheme in regard to diversion of goods etc. is pending/to be verified from Fraudulent list being maintained by PA to DC, VSEZ	The proposed name of the unit and name & details of the partners of the Company have been verified from the fraudulent list of units & promoters maintained by PA to DC, VSEZ and found to be not figured in the list..

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Since the unit's existing Plant and Machinery is above Rs.50.00 cr. in their project and therefore falls under the purview of BoA, New Delhi in terms of para 6.19© of FTP, 2015-20, , UAC may consider forwarding it to BoA, New Delhi for its consideration.

Agenda Note on the proposal of M/s.Kaleesuwari Refinery and Industry Private Ltd., to convert their DTA manufacturing Unit of 'Bio Diesel and Glycerine (by-product) " into an EOU – reg.

M/s.Kaleesuwari Refinery and Industry Private Ltd, a private Limited company, having their registered office at Hyderabad and Corporate Office at Chennai, proposes to **partially convert** their existing DTA unit (manufacturing ' Bio Diesel and Glycerine (by-product) at Phase III, Industrial Park, Vakalapudi, Kakinada rural, Kakinada) into an EOU 'and submitted their application in the prescribed for mat ANF 6A.

The Company submitted a self-attested copy of 'Framework agreement' between M/s.BP Singapore Pte. Ltd., and M/s. M/s.Kaleesuwari Refinery. As per the Agreement, M/s.BP Singapore Pte. Ltd. will sell used cooking Oil to M/s.Kaleesuwari Refinery and purchase the ' biodiesel' manufactured out of the used cooking oil.

The above agreement is initially for a period of 3 years, extendable on mutual agreement.

It is stated in the application that the by product will be sold in DTA on their entitlement of achieving positive NFE.

The unit was earlier in the name of M/s.Natural Bio-energy Ltd.,as an EoU under VSEZ till its exit from the EOU scheme to EPCG scheme w.e.f. 29.05.2015(AN) .

On examination of their proposal, the following were noticed:

- Proposed EOU operation blocks are part of their existing DTA unit and is contiguous. It is not clear whether they are separated by a compound wall.
- The whole area of the existing DTA unit is divided **for the purpose of this proposal** into three parts viz., EOUs blocks, DTA unit blocks, **Common facilities** outside proposed EOU area (like electrical and compressor shed, coal crusher, VTIF 25, VTIF Boiler, 24T boiler, 10T boiler shed, Chimneys, coal shed, hopper for coal, Husk yard, weigh bridge II, storage water RO plant etc.,
- It is not clear how the common facilities could be used for DTA operations and EOU operations.
- As per the Annexure V attached to the application, the company is under obligation to export certain value under EPCG scheme fixed by DGFT on 16.06.2014 (EPCG license date) along with additional export obligation on account of its negative NFE when the unit was under EOU scheme which is as follows:

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- Against P& M : Rs.70.530 cr.
- Against the -Ve NFE: Rs.43.729 cr.
- Total export obligation: Rs.114.25 cr

- The unit stated that they are under obligation to complete 50% of its above export obligation by 4th year i.e. by 16.6.2018 i.e., Rs.57.12 cr. However, the unit could complete Rs.24.00 Cr. only by 31.3.2018. The unit says that they have applied for correction in the export obligation of EPCG license with DGFT, Hyderabad on 27.4.2018 as the obligation was wrongly calculated. The outcome is not given by the Unit ✓

- The unit when they were earlier under EOU scheme could not fulfill the positive NFE criteria required for switching over to the EPCG scheme from the EOU scheme. However, with the relaxation and additional export obligation fixation, DGFT, New Delhi allowed them to switch over to EPCG scheme ✓

- Now that as per the above details given by the unit, they were not able to fulfill the export obligation in the EPCG scheme as prescribed and have applied to DGFT for correction in the EPCG license .

In order to prima facie to assess the feasibility of the proposal of the M/s.Kaleesuwari Refinery to operate EOU operations in the existing DTA unit by partially converting their DTA unit by using common facilities, especially with regard to movement of goods , storage and maintenance of books of accounts etc., joint Inspection is proposed.

Besides above, since the existing Plant & Machinery is found to be more than Rs.50.00 cr, the proposal after ensuring the feasibility of the request of the Company to partially convert their DTA unit into EOU, needs to be forwarded to BoA, New Delhi in terms of para 6.19 (c) of FTP 2015-20 which says that that existing DTA unit having an investment of Rs. 50 crores and above in plant and machinery or exporting Rs. 50 crores and above annually and proposes to convert their unit into an EOU, such proposals shall be placed before BOA for a decision
