

## Exporters have positive outcome at Open House



Dr Anup K Pujari, DGFT addressing the gathering.

**T**he FIEO (Western Region) organized an interactive session with Dr Anup Pujari, DGFT, at Pune on January 23, 2012. Also present were Dr Kavita Gupta, Additional DGFT, Mr Sanjay Lunia, JT-DGFT, Mumbai, Mr S.B.S. Reddy, JTDGFT, Pune, and other senior government officials, leading exporters from Pune, Nasik, Kolhapur and Nanded, representatives from the Maratha Chamber of Commerce & Industries and Deccan Chamber of Commerce & Industries as well as exporters from Mumbai.

Mr Amit Goyal, Regional Chairman, FIEO (WR), while welcoming Dr Pujari said it is a great co-incidence that in January 2011 FIEO (WR) held an open house with Dr Pujari in Mumbai, and now in January 2012, the Federation has again had the privilege of organising the interactive session with Dr Pujari at Pune.

He further said Pune houses a large number of top exporters like Kirloskars, Thermax, Bajaj Auto, Bharat Forge, Sudarshan Chemicals

and Serum Institute to mention a few. He further emphasized that exports in December 2011 grew by 6.7% over the previous year to \$25 billion due to the recession in Europe and the US. He said the rupee's depreciation has made imports costlier, in turn affecting the competitiveness of exports, as many of the export items have a significant portion of imported inputs.

Mr Goyal highlighted some of the issues from the agenda which needed urgent attention. For instance, exporters have to file different applications at different ports to avail Chapter 3 benefits, which is time consuming. If a combined application for all exports of different EDI ports could be clubbed and filed, it could save a lot of time. The EPCG Scheme has been of great assistance to the exporters. The present zero duty EPCG scheme is expiring on 31-3-2012, he suggested that the zero duty scheme be extended for the full policy period 2009-14.

Mr M. Rafeeqe Ahmed, President, FIEO, while addressing the

gathering said 2012 is going to be a year of challenges. The World Bank has already fired the first salvo by downwardly revising its forecast of world trade in 2012 from 7.4 % to 4.4%. The forecast for Europe is negative while advanced economies will grow between 0.5% and 1.5%. China is slowing down and it will further cool metal and commodity prices, thus slowing growth in Latin American countries.

The FIEO Chief said the dollar on the other hand will witness high volatility and may range between Rs 49-55. Much of it will depend on supply of the dollar as demand will remain unabated with maturity of loans valued at \$100 billion. So far we have been able to clock over 25% growth as is evident from April-December 2011 figure but the rate of growth is slowing and we may touch exports of about \$280 billion this fiscal.

Looking at the global development, the Government should contemplate new short and medium term strategies to enhance competitiveness of India's exports. The drop in demand will make consumer price sensitive and therefore the export sector should also increase efficiency, reduce avoidable expenses, move up the value chain and endeavour to develop its brand.

He further said the DGFT shall be reviewing the Foreign Trade Policy and thus it's a great opportunity for providing feedback, which will help in framing a robust and dynamic policy.

Dr Kavita Gupta while addressing the gathering said that it was her first address before exporters after taking over as Additional DGFT at Mumbai. She further said she would study the issues of the exporters



Mr M Rafeeqe Ahmed, President, FIEO addressing the participants. On the dais from left, are Mr Ajay Sahai, DG & CEO; Dr Kavita Gupta, Addl DGFT, Mumbai; Dr Anup K Pujari, DGFT, Mr Amit Goyal, Regional Chairman, FIEO(WR); and Mr Khalid Khan, Member, FIEO Managing Committee.

closely and familiarize herself with the matters relating to the western region for the facilitation and promotion of exports from the region.

Dr Anup Pujari, DGFT, while addressing the gathering congratulated Mr Rafeeqe Ahmed on taking charge as President FIEO and said he and his department would look forward to many more issues and suggestions from FIEO on behalf of the exporters in framing the annual policy.

While highlighting some of the important issues he said that regarding the export of meat and edible meat offal keeping in view Notification No. 82 dated 31-10-2011, there are certain constraints that have to be adhered to by an exporter such as sanitation at slaughterhouses/abattoirs and maintenance of hygiene during packaging, freezing, cold storage etc. These procedures are not being followed by most of the exporters exporting meat and meat products. A period of six months can be extended to a meat exporter to upgrade their existing abattoirs/obtain permission from APEDA. This exten-

sion shall be for the benefit of the manufacturer exporters.

He further said a Sectoral Consultation meeting is being organized on February 6, 2012 wherein the suggestions/issues shall be taken into consideration from all the Export Promotion Councils. Hence, he requested any representations for the improvement and facilitating of trade may be forwarded to FIEO for discussions.

Dr Pujari said that there are cer-

tain notifications/circulars issued by the department which are misinterpreted either by the exporters or the department, hence efforts are being made by the department to issue simple and specific issue related notifications. In case of any suggestions, all specific issues may be forwarded to the department for reviewing them.

He also said the communications which are being forwarded to his department for any suggestions / queries by the exporters are incomplete. In most of the cases the communication address, emails, fax or telephone numbers are incomplete. If the mode of communication is incorrect, it affects the active follow up system causing disarray in the communication system between the exporter and the department.

Mr Ajay Sahai, DG & CEO, FIEO, conducted the meeting and highlighted the points compiled for discussions. There was a positive and fruitful interactive session wherein the queries of the exporters were reviewed by the DGFT. He complimented DGFT for his forthcoming and analytical answers to various issues raised by the exporters, which made the interaction meaningful.

Mr Khalid Khan, Managing Committee Member, FIEO, proposed a vote of thanks.



A view of the participants.

## Points raised by the exporters at Pune Open House

**Market Linked Focus Product Scheme (MLFPS) Benefit for export of chemicals classified under Chapter 29 of ITC (HS).**

**Inclusion of Nigeria, Iran & Iraq under Market Linked Focus Product Scheme for export of diesel engine and spare parts for diesel engine in Chapter 84.**

**Grant of incentives to neutralize the freight disadvantage faced in exports to West African countries.**

**Increase in FPS rate for compression-internal combustion piston diesel engine (up to 20HP) capacity.**

**DGFT:** Several requests have been received from exporters relating to the above schemes and it shall be discussed during the Sectoral Consultation meeting being organized by the department from February 6, 2012 with FIEO and all the EPCs.

**Clubbing of different EDI ports for availing benefits under Chapter 3 Incentives of FTP 2009-14.**

As per availability of the goods at times, exporters have to make export shipments from different ports. In such cases, availing the Chapter 3 benefit becomes a costly affair for them due to the present policy stipulation that separate applications of different EDI Ports is to be filed. Earlier a combined application for all exports of different EDI Ports could be clubbed (upto 50 Shipping Bills) and filed with the Licensing Authority as per Public Notice No. 110 (RE-2008/2004-2009 dated 21.11.2008). Now filling Separate application is simply adding to time and cost without any benefit.

It is suggested that amendment in Para 3.11.3 of HBP Vol. 1 may be made by issue a Public Notice immediately, so that exporters may file

one single application for grant of Duty Credit benefits against all exports made from different EDI Ports.

**DGFT:** I completely support the suggestion. Will definitely review the matter.

**Dispensation of registration and verification of various Duty Credit Scrips.**

Verification and registration of scrips in advance by Customs at EDI ports is superfluous. This involves lot of paper work, time and energy for the exporters and adds to their transaction cost. A system should be developed so that connectivity can be there for all incentivized schemes between DGFT and EDI ports so that verification is simplified and scrips can be utilized at the time of Imports.

**DGFT:** Verification is being done on a random basis. It is not mandatory by either of the department to verify the documents. Any specific issues may be brought to the notice of the department.

**Utilization of SHIS Scrip**

Conditions for utilization of SHIS Scrip may be reviewed to make it transferable, valid for import of inputs, domestic procurement and eligible for benefit under TUF and Zero Duty EPCG. Further, it should be extended to cover the Status Holders of all sectors. Benefit may be given either 1% of total turnover or 5% on incremental turnover subject to increase in growth rate of 10% or more in comparison to previous year.

At present the Status Holder Incentive Scrip can be utilized only for import of capital goods with Actual User Condition. Majority of the Status Holders are Merchant Exporters who do not have manufacturing activities. Their supporting manufacturers in most cases also do not like

to import capital goods as nowadays India has been producing quality capital goods. Moreover, Status Holders availing TUF and Zero Duty EPCG benefits are not eligible for SHIS benefits. Status Holders have significant contribution to India's exports. Presently, they have not been provided with any additional benefit except the 1% SHIS benefit that too only limited sectors. Due to specified conditions most of the Status Holders are deprived of the only legitimate benefit they are entitled for.

**DGFT:** The department is in favour of 0% EPCG. The matter is being reviewed and shall be discussed in the Sectoral Consultation meeting being organized by the department from February 6, 2012 with FIEO and all the EPCs.

**Import of spares/catalyst for existing plant and machinery under SHIS Scrips.**

SHIS can be used for import of capital goods as defined in FTP relating to the eligible sectors. SHIS is an alternate to Zero Duty EPCG Scheme. Under Zero Duty EPCG Scheme, import of spares for existing plant and machinery is also permitted. However, the same is not specifically permitted for import under SHIS Scheme. Import of spares is necessary to maintain the existing plant and machinery for any manufacturer. Thus, it would be in line with the spirit of the Policy to also permit import of spares under SHIS Scheme. The justification for this permission remains the same as that for Zero Duty EPCG Scheme.

**DGFT:** Catalyst import is allowed. As far as spares are concerned it can be imported as spare for the machinery imported under EPCG. If a machine is manufactured domestically, the spares cannot be imported. In case of any specific issue it may be brought to the no-

tice of the department

**Conversion of DFIA's (non-transferable) into Advance Authorization for allowing clubbing facility for DFIA's (non-transferable) as similar to Advance Authorizations.**

The facility of clubbing of two or more DFIA's has not been provided in the HBP Vol. I, as is provided in the case of Advance Authorizations. The norms applicable for the issuance of DFIA are more stringent as compared to the norms applicable for Advance Authorizations e.g. value addition being minimum 20% as compared to 15% value addition for Advance Authorization and the DFIA cannot be issued for the resultant products which do not appear in SION, whereas Advance Authorization can be issued on the basis of ad hoc norms.

It is suggested that facility of clubbing for DFIA's (Non-transferable) may be provided on the similar lines as applicable for Advance Authorization vide Para 4.20 to Para 4.20.5 as amended vide Public Notice No. 79(RE-2010)/2009-14 dated October 13, 2011, by allowing conversion of DFIA's (non-transferable) into Advance Authorization. There would be no financial implications (loss to exchequer) if the facility of clubbing is allowed for DFIA's (non-transferable). Also it would reduce the transaction cost of the exports and would facilitate closure/ finalization of many pending cases without any financial loss to the State.

**DGFT:** The clubbing of DFIA's is not allowed as per the Policy. In case of any specific issue it may be brought to the notice of the department in order to understand and review the same.

**Continuation of 0% EPCG Scheme for the entire Policy Period 2009-14.**

The EPCG Scheme has been a great help to India's export manu-

facturing sector in expanding capacity. The effectiveness of the Scheme is well documented. The present Zero Duty EPCG Scheme is expiring on 31.03.2012. The Zero Duty EPCG Scheme should be extended for the whole of Policy period 2009-14.

**DGFT:** The department supports the issue and will positively review the matter

**Average Export Obligation under EPCG Scheme may be dispensed with.**

Maintaining average exports based on past three years' performance is causing genuine hardships both to the goods exporters and service providers. In international trade, due to one reason or the other, situations do not remain conducive all the time for exports. In such circumstances all efforts are futile to maintain the average and exporters/service providers have to suffer without any fault on their part. The Government may consider dispensing with average export obligation under EPCG Scheme. Instead, the condition of earning free foreign exchange to the tune of 10 times of the duty saved in 8 years may be imposed.

**DGFT:** Shall review the matter

**National Calamity Contingent Duty (NCCD) on crude oil imported.**

NCCD is still being levied on crude oil imported under Advance Authorization and DFIA for use as inputs for export goods. NCCD was introduced in the Finance Bill, 2003 on crude oil at Rs 51/- PMT (inclusive of education cess) for relief measures after the Gujarat earthquake in 2001. This duty/levy on crude oil was levied initially for a period of one year w.e.f. March 1, 2003 to February 29, 2004. Thereafter, the levy of NCCD has been extended indefinitely. Such levies on import of goods under Advance Authorization and DFIA are inconsistent with the

Foreign Trade Policy, which refers to zero rebating of exports. So, levy of NCCD on crude oil imported under Advance Authorization/DFIA may be removed at the earliest.

**DGFT:** Noted. This may be taken up with Ministry of Finance.

**TED Refund**

For claiming TED refund by supplier/buyer, there is a need to submit DFT copies along with excise certificate certifying payment of excise duty. Further, the claimant also needs to submit a certificate by excise authorities certifying that they have not availed CENVAT credit. Certificates alone should suffice for claims, and original DFT copies should be dispensed with.

**DGFT:** Noted. It shall be discussed in the Sectoral Consultation meeting.

**Clarification on admissibility of additional 2% incentive on export of handloom products.**

2% additional incentive on handloom products codes 57024230, 57050024 and 57050042 covered by Sr. No. 142 of Table 7 of Appendix 37D has been announced vide Public Notice No. 10/ (RE-2010)/2009-14 dated September 22, 2010 on exports made from April 1, 2010. However, since the benefit was announced on September 22, 2010 on exports made from April 1, 2004, these three codes of handloom products were not entered in custom's system. Hence the same could not be mentioned on the shipping bills at the time of exports. The exporters have exported cotton durries of handloom, mats and matting's including bathmats, bath rugs etc. with the description "handloom / handmade / hand woven etc" on the shipping bills. Now the customs authorities at various ports have started entering these codes into their system. Because these codes were not in the system earlier and could not be mentioned on the ship-

ping bills, the exporters are not in a position to avail the benefit of 2% on exports made prior to date on which these three codes entered the customs system.

It is suggested that necessary clarification may be issued in this regard that the 2% incentive be allowed on export, made from April 1, 2004, of cotton durries of handloom, mats and matting's including bath-mats, bath rugs etc.

**DGFT:** As the codes are not updated in the system, hence the prevailing codes given by the exporters should be considered, if the description of the product in the shipping bill matches with the description notified by the DGFT.

### **SHIS under Para 3.16 may be allowed for import of indigenous goods.**

As per the existing policy the scrips issued under SHIS under Para 3.16 are eligible for payment of import duty for goods to be imported. It is submitted that the Indian capital goods industry has grown to a great extent and is capable of developing/manufacturing equipment, plant and machinery worldwide. It is not in the interest of the Indian economy to issue scrips only eligible for import of goods. Rather, the holder of scrips should be eligible to procure domestically manufactured capital goods without payment of excise duty. This policy will save huge amount of outflow of foreign currency.

**DGFT:** Noted. It shall be discussed in the Sectoral Consultation meeting being organized by the department from February 6, 2012 with FIEO and all the EPCs.

### **Clarification regarding Para No. 3.16.2 of SHIS.**

As per Para 3.16.2 of FTP, Status Holders availing Technology Upgradation Fund Scheme (TUFS) benefits (under the Ministry of Textiles) during a particular year shall not be eligible

for SHIS for exports during that year. If an exporter has not availed any benefit of TUFS for new machinery purchased during year 2011-2012, except the benefit of interest, which is for 5 years on machinery purchased in earlier year than 2011-2012.

It may be clarified whether the exporter will be eligible for SHIS benefit for the year 2011-2012.

**DGFT:** Noted. It shall be discussed in the during the Sectoral Consultation meeting.

### **Clarification regarding para No. 5.1A of Zero Duty EPCG Scheme.**

As per para no. 5.1A of HBP, zero duty EPCG Scheme shall also not be available for units who are currently availing any benefits under TUFS.

If an exporter has availed TUF benefits for new investments and capital subsidy during the year 2011-12, will he avail the interest benefit against this for a further 8 years to come? During the year 2012-13, they are planning to make new capital investments without availing TUF benefits. It may be clarified that can the exporter apply for zero duty EPCG license on this new investments during 2012-13.

**DGFT:** Noted. It shall be discussed during the Sectoral Consultation meeting.

### **OTHER ISSUES**

#### **Duplication of documents**

There are several documents required by the Central Excise Department for rebate claims even when the copies of the documents have been provided to the department duly certified by the excise official. Now that the documents are available online, duplication of documents should be avoided

#### **Terminal Excise Duty**

TED is issued to subcontractors. If there is a change in the name of

the contractor and if the names does not appear in the corresponding documents then the exporter is unable to claim TED. There should be a mechanism to check the changes incorporated, instead of having to supply documents repeatedly.

### **Asian Clearing Union (ACU) Mechanism**

As per RBI guidelines and provisions, the export/import transactions between the ACU member countries on deferred payment terms respectively are to be routed through the ACU mechanism. The Central Banks and the monetary authorities of Iran, India, Bangladesh, Bhutan, Nepal, Pakistan, Sri Lanka, Myanmar and Maldives are currently members of the ACU. Banks are permitted to settle commercial and other eligible transactions in much the same manner as other normal foreign exchange transactions.

**DGFT:** All the above issues may be forwarded to the department for review. ■

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