F. No.01/61/180/00282/AM19/PC-3 /617

Government of India
Ministry of Commerce and Industry
Department of Commerce
Directorate General of Foreign Trade
Policy Section -3, Room No.508
Udyog Bhawan, New Delhi

24.12.2018

OFFICE MEMORANDUM

Subject: Merchandise Export from India Scheme (MEIS) for Chemicals - reg.

Kindly refer to a proposal for including certain products in the MEIS , received from the Gujarat State Fertilizers & Chemicals Ltd. vide letter dated 15.10.2018 (copy attached)

2. The EP Chemicals Division, Department of Commerce, is requested to provide their comments and recommendation , if any, on the matter for taking a suitable decision.

24.12.18

(Dr. Praveen Kumar)
Dy. Director General of Foreign Trade
E-mail: praveen.kumar82@nic.in
Tel. No. 23061562-Ext. 245

Enclosure: As above
To

EP (Chemicals) Division
Department of Commerce
Room No.562
Udyog Bhawan, New Delhi.

Receipt No : 46954/2018/R&I

GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

(Promoted by Govt. of Gujarat)

DG / 46954-2018
22-10-18

Sujit Gulati, IAS
Managing Director

MD/2018/182

October 15, 2018

Sub: Export Incentives (MEIS – Merchandise Export from India Scheme) for Chemicals under MAKE IN INDIA regime.

Dear Alok

Gujarat State Fertilizers & Chemicals Limited (GSFC) is manufacturer and exporter of Industrial Chemicals and leading player for Fertilizer segment, promoted by Govt. of Gujarat. The company has been established with the motto of Basic to India's progress in the era of 1960s as Fertilizer Company and with the change of industrial landscape the company diversified into Industrial Chemical also.

GSFC has been pioneer for new technology and new products for the Indian consumers for various industrial applications from its plants through state of the art technology. GSFC is the first company to produce Melamine and Nylon-6 Chips in India.

GSFC has sophisticated Application Development Centre (ADC) which caters to the need of technical services for polymers and industrial chemicals produced by the company. With the change of dynamics, it is now more focussing on the entrepreneurship development for the new entrants – SMEs in the field of chemicals.

GSFC has two plants of Melamine having installed capacity of 15,000 MTPA, now company is commissioning its Melamine plant III having capacity of 40,000 MTPA with state of the art technology. Melamine is used for adhesive, resin for laminate application and crockery ware. The product is made from indigenous raw material molten urea. The new plant of Melamine is first of its kind for technology in the world.

The product is of international quality standards and has also been registered under REACH (**R**egistration **E**valuation & **A**uthorisation of **Ch**emicals) for export to Europe for tonnage band of higher than 1,000 MT. The product is under OGL and it can be freely imported and exported. GSFC has invested huge amount for product registration under REACH for Europe market.

(Contd....2)

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Phone : (O) +91-265-2240855 **Fax :** +91-265-2240072
Email : md@gsfcltd.com, **Website :** www.gsfclimited.com, CIN : 99999GJ1962PLC001121

GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

GSFC has made the application to BIS for standards 15623:2005 for certification of ISI marks for this product, the same is under process and expected to grant the licence to GSFC for this product. It will be indeed the reputation of Indian standards once the product is certified and exported to European Countries, in true sense MAKE IN INDIA regime will be materialised.

GSFC aims to expand its horizon to international markets and promote the MAKE IN INDIA regime by exporting this product to western world countries. It is expected to commence the production before end of this year. GSFC is net importer of its raw materials from different countries hence by boosting exports will help to save precious foreign exchange from the ex-chequer.

Sr No.	Product Name	HS Code	Current MEIS Rates	Proposed MEIS Rates
1	Melamine	29336100	Currently, Not in Schedule	5%
2	Methyl Ethyl Ketoxime (Other Organic Derivatives Of Hydrazine/Hydroxylamine)	29280090	2% - Country Group (A&B) 0% - Country Group C	5%

Due to high input costs, GSFC is facing stiff competition from western world companies in their home market also in order to protect their home market. There are specific countries like Spain, Italy, Germany, Eastern European and USA who are net importer of Melamine. They have introduced the Non-Tariff Barrier like REACH which is well complied with competition law of EU, however it has huge cost burden on the exporter for exporting to Europe.

As on date, India is net importing country of Melamine hence, there was no MEIS (**M**erchandise **E**xport from **I**ndia **S**cheme) rate published by DGFT in the schedule. However, with the upcoming facility on stream, GSFC shall be in a position to export good volume. There are other chemicals under Chapter 29 organic and inorganic chemicals, which have MEIS rates of 4-5%. In view of above, it is requested to introduce MEIS rates for Melamine at 5% for A& B Country Group and 4% for Class Group of Countries, this will give the competitive edge to Indian product in export market.

GSFC is the sole producer of Methyl Ethyl Ketoxime (MEKoxime) in India. It is used in paints for industrial applications as an anti-skinning agent. The product is developed with indigenous technology by R&D team of GSFC without any support of foreign know-how or technology transfer. There is limited consumption of MEKoxime hence; majority of volume is exported from India. The product is produced by China, USA, Japan in a major volume due to economies of scale and easy availability of raw material for the same.

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GSFC has registered MEKOxime under REACH regulations for export to Europe as this product in 2010 as major volume is exported to Europe. Due to limited availability and volatility in raw material (MEK) prices, GSFC's product is becoming less competitive compared to exports from China.

Under the REACH regime, the product is under Evaluation stage and it was recommended to change its CLP (Classification and Labelling) as Carcinogenic Category to 1B Level from Level 2. The product has been now under Target consultation within EU community for acceptance of above recommendation across industry for all producers as well importers. If the proposal is accepted to change the Labelling from Level 2 to Level 1B, it may affect the consumption of MEKOxime in household paint application adversely. Hence, our export will fall down drastically by 50%. Manufacturer from foreign countries will be more aggressive in above scenario and start pushing its entire volume to Non-European Countries due to proximity of distance and scale of production at very cheaper rates in Asian countries.

Under above circumstance, if MEIS rates are applicable to 5%, it will help the country to continue to earn foreign exchange and the product will continue to be in Export market under MAKE IN INDIA regime to other countries also. This will provide us support to compete against other manufacturers in International market at level playing field.

In view of above, it is requested to increase MEIS rates to 5% for both products.

With best regards,

Yours sincerely,

(Sujit Gulati)

Shri Alok Chaturvedi, IAS
Director General
Director General of Foreign Trade
Udyog Bhawan,
New Delhi