



सत्यमेव जयते

# Report of the Comptroller and Auditor General of India



## Performance Audit on Project Imports

**Union Government**  
(Department of Revenue – Indirect Taxes - Customs)  
**No.42 of 2016**

**Report of the  
Comptroller and Auditor General  
of India**

**for the year ended March 2016**

**Performance Audit on Project Imports**

**Union Government  
Department of Revenue  
Indirect taxes – Customs  
No. 42 of 2016**

**Laid on the table of Lok Sabha/Rajya Sabha \_\_\_\_\_**



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## Preface

This Report has been prepared for submission to the President of India under Article 151 of the Constitution of India.

The Report contains significant results of the performance audit on 'Project Imports'.

The instances mentioned in this Report are those which came to notice in the course of test audit conducted during the period 2016-17, and covering transactions of the period 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2016.

The audit has been conducted in conformity with the Performance Auditing Standards issued by the Comptroller and Auditor General of India.

Audit wishes to acknowledge the cooperation received from Ministry of Finance (MoF), Department of Revenue (DoR) and its field formations at each stage of the audit process.



### Abbreviation

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ACC	<b>Air Cargo Complex</b>
BCD	Basic Customs Duty
BE	Bill of Entry
BG	Bank Guarantee
BHEL	M/s Bharat Heavy Electrical Ltd.
BMRCL	M/s Bangalore Metro Rail Corporation Ltd.
BPCL	M/s Bharat Petroleum Corporation Ltd.
BPCL-KR-IREP	Bharat Petroleum Corporation Ltd.-Kochi Refinery-Integrated Refinery Expansion Project
CBEC	Central Board of Excise and Customs
CE	Chartered Engineer
CETH	Central Excise Tariff Heading
CGPL	M/s Coastal Gujarat Power Ltd.
CIF	Cost, insurance and freight
CTH	Customs Tariff Heading
CVD	Countervailing Duty
DGIC&CE	Directorate General of Inspection (Customs & Central Excise)
DGPM	Directorate General of Performance Management
DMRC	M/s Delhi Metro Rail Corporation Ltd
EDI	Electronic Data Interchange
EPCG	Export Promotion Capital Goods
FIEO	Federation of Indian Export Organisation
FOB	Free on Board
GAIL	M/s Gas Authority of India Limited
HSD	High Speed Diesel
ICD	Inland Container Depot
ICES 1.5	Indian Customs EDI System 1.5
JNCH	Jawaharlal Nehru Custom House
MIS	Management Information System
MoC&I	Ministry of Commerce and Industry
MoF	Ministry of Finance
MTR	Monthly Technical Report

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*Report No. 42 of 2016 (Performance Audit)*

NCH	New Custom House
PET	Polyethylene Terephthalate
PHD	Progress Harmony Development
PIR	Project Imports Regulations, 1986
PSU	Public Sector Undertaking
PSV	Plant Site Verification
QPR	Quarterly Progress Report
RA	Release Advice
SCNs	Show Cause Notice
TRA	Telegraphic Release Advice
TRU	Tax Research Unit
USD	United State Dollar

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## Executive Summary

'Project Imports' is a scheme of Government of India to facilitate setting up of or substantial expansion of industrial plants<sup>1</sup>, by facilitating imports of capital goods and related items required for these industrial projects. The scheme seeks to achieve the objective of smooth and quick assessment of imports by providing for a simplified process of classification and valuation. Under this scheme all goods imported for a project are classified under one chapter heading 9801 of the Customs Tariff Act, 1975 and are assessed at a uniform customs duty rate even though other headings may cover these goods more specifically. The scheme is available to projects falling under specified sectors like, industrial plant, irrigation project, power project, mining, and oil/ mineral exploration project.

The scheme of project imports is mainly governed by the Customs Tariff Heading (CTH) 98.01 and Chapter Note to Chapter 98 of the Customs Tariff Act, 1975; Project Import Regulations (PIR), 1986; General Exemption Notification Nos. 12/2012-Customs and 21/2012-Customs dated 17 March 2012.

There has been simplification/revision in duty structure during last 15 years and lesser rate of duty in categories of goods required for setting up of an industrial plant or project. Also schemes such as EPCG/Zero duty EPCG and other trade promotion measures have been introduced subsequent to Project Imports providing similar kinds of benefits for capital goods for manufacturer-exporter.

There is decelerating trend in the number of contracts registered and revenue generated from FY 12 to FY 16. During these years, the percentage of new contracts registered under the scheme has come down by 49 per cent and revenue from project imports has declined by about 40 per cent. During FY 12 to FY 16, power sector projects had the largest share of project imports among all the eligible sectors.

In 2016, a performance audit of the Project Import scheme was conducted covering a period of previous five financial years, i.e. FY 12 to FY 16. The performance audit sought assurance that adequate statutory provisions exist to support simplified procedures for project imports, there was compliance with procedural requirements, scheme succeeded in providing mechanisms

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<sup>1</sup>An industrial plant has been defined under the scheme as an industrial system designed to be employed directly in the performance of any process or series of processes necessary for manufacture, production or extraction of a commodity, However, it does not include establishments designed to offer services of any description such as hotels, hospitals, photographic studios, photographic film, processing laboratories, photocopying studios, laundries, garages and workshops.

for trade facilitation and monitoring, coordination and internal controls were adequate and effective.

Key findings from the performance review are highlighted in subsequent paragraphs.

### **Adequacy of Rules and Procedures**

A review of the existing legal provisions of the scheme reveals considerable ambiguities in the scheme due to later notifications and amendments. Thus, the assessments are being done in an inconsistent manner leading to under/over valuations and incorrect levy of duty. Lack of appropriate provisions in the regulations to monitor completion of imports have resulted in many projects lingering for indefinite periods, and undue advantage of concessional imports being extended to importers even after the commencement of projects. There are multiple sponsoring authorities for a single project without clear administrative responsibilities for monitoring completion of projects and whether the projects for substantial increase in capacity have achieved their objective.

### **Compliance to Rules and Procedures**

Performance audit has brought forth numerous instances of weak or incorrect compliance to the existing provisions. Contracts were finalised even in the absence of requisite documents, contracts for substantial expansion of project were allowed without actual verification of the expansion of capacity, and inadmissible imports and undedicated goods were allowed under project imports. Audit noticed several instances of imports of spare parts much in excess of the prescribed ceiling and application of incorrect rates of duty and interest.

### **Facilitation of imports under Project Imports**

Audit examined aspects of trade facilitation like dwell time<sup>2</sup> of cargo, documentation requirements, time taken in finalisation of assessments and contracts and transaction costs<sup>3</sup>. Audit found instances of delay in clearance of cargo at some of the major ports with delays upto 297 days in some cases. Examination of documentation requirements revealed that multiple documents were required to be submitted by importers and that in several cases importers had not submitted the documents or had submitted the same with delays. Although the time prescribed for finalisation of provisional assessments by the Commissionerates was three months, audit found many cases of delay especially when the imports were effected from ports other

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<sup>2</sup> Dwell time is the measure of the time elapsed between the arrival of goods in the port and their final clearance.

<sup>3</sup> Transaction cost includes differential cost of credit at international and domestic rates, costs due to procedural delays and costs of transportation delays.

than the port of registration. It was estimated that transaction costs were 5-14 per cent of total imports under the scheme.

### **Monitoring, coordination and internal control**

Even though the Customs Department has computerised its operations through the EDI system, the performance audit revealed that no steps have been taken to integrate the Project Import scheme within the EDI system. The system does not capture complete data regarding project import transactions. Consequently, it is almost impossible to have a complete overall picture of all the imports being effected under the projects registered under the scheme, besides making the monitoring of the scheme highly cumbersome and dependent on manual interventions. Audit found instances of incomplete or non-existent records and reports and missing files pertaining to ongoing contracts which indicated a weak internal control.

This performance audit has revenue implication of ₹ 1,822 crore, in addition systemic issues worth ₹ 203 crore which could not be recovered due to inconsistency and ambiguity in the existing regulations and rules besides internal control matters which could not be quantified.

There are nine recommendations in this performance audit report, out of which the Ministry has accepted eight recommendations. The recommendations and Ministry's responses are listed below.

### **Summary of recommendations**

1. *Audit recommends that the Ministry, after reviewing the existing statutory provisions and rulings of the apex court on this issue remove the inconsistency in the provisions for assessment under project imports by issuing appropriate instructions.*

*The Board stated that they are considering withdrawal of the circular dated 8 August 1987.*

2. *Audit recommends that the Ministry may consider amending the PIR 1986, to provide for the condition of time bound completion of imports to be incorporated in the contracts registered under Project Import scheme.*

*The Board stated that they were considering a time period of three years extendable by two years for completion of imports under Project Imports in consultations with other ministries.*

3. *Audit recommends that the provisions regarding sponsoring authority in the PIR 1986 may be clarified to establish a primary sponsoring authority for composite/integrated projects to avoid any scope for undue benefits and for better monitoring of projects.*

*The Board stated that recommendation is being examined and suitable amendment/clarification would be issued.*

4. *Audit recommends that the Ministry may consider reviewing the volume of documents required under the Project Import scheme with a view to simplify the requirements.*

*The Board stated that documents specified in the Regulation for pre and post import stages are reasonable. However, Ministry concurs that there is a need for meticulous monitoring at the senior level.*

5. *Audit recommends that the Board may streamline the process and monitor the imports effected through other ports, by exploring the possibility of electronic transmission of TRA assessments (BEs) from TRA ports to the port of registrations, to avoid delay in finalisation of contracts.*

*The Board stated that based on the changes in the PIR, a Project Management Module will be developed in ICES 1.5 including electronic transmission of TRA assessments (BEs) from TRA ports to port of registration.*

6. *Audit recommends that the Ministry review the factors contributing to high transaction costs associated with the Project Import scheme, and compares the benefits of the scheme, vis-a vis other schemes (like EPCG).*

*The Board stated that the Project Import Scheme is not linked to any export obligation and it has its distinct advantages. Review of regulations would be taken up with objective of procedural simplification and enhancing level of automation in ICES 1.5. This would bring down the transaction cost.*

7. *Audit recommends that for having better control over the Project imports and for monitoring their credit/debits in the Bond Ledger in an efficient and accurate manner, Board may consider introducing a centralized Bond Management Module separately for Project Imports to monitor the imports made through the Port of Registration and the imports made in other Ports through TRA.*

*The Board stated that Ministry concurs with recommendation on creation of Centralised Bond Management module in ICES 1.5 after a thorough review of PIR.*

8. *Audit recommends that for effective monitoring of Project Import cases through Customs EDI system (ICES 1.5v) Board may explore the possibility of a Project Management Module on the lines of EPCG*

*scheme in ICES so as to reduce the dependency on monitoring of Project Import cases through manual system.*

*The Board stated that based on the changes in the PIR, a Project Management Module will be developed in ICES 1.5.*

9. *Audit recommends that Board may consider having a centralised database for project import cases so that inconsistency of data among different entities could be avoided.*

*The Board stated that Ministry concurs with recommendation on creation of Centralised Database in ICES 1.5 after a thorough review of PIR.*



# **Performance Audit on Project Imports**



## Chapter 1: Introduction

'Project Imports' is a scheme of Government of India to facilitate setting up of or substantial expansion of industrial plants, by facilitating imports of capital goods and related items required for these industrial projects. The scheme seeks to achieve the objective of smooth and quick assessment of imports by providing for a simplified process of classification and valuation. Under this scheme all goods imported for a project are classified under one chapter heading 9801 of the Customs Tariff Act, 1975 and are assessed at a uniform customs duty rate even though other headings may cover these goods more specifically.

An industrial plant has been defined under the scheme as an industrial system designed to be employed directly in the performance of any process or series of processes necessary for manufacture, production or extraction of a commodity. However, it does not include establishments designed to offer services of any description such as hotels, hospitals, photographic studios, photographic film processing laboratories, photocopying studios, laundries, garages and workshops. The scheme is available to projects falling under following sectors:

1. Industrial plant
2. Irrigation project
3. Power project
4. Mining project
5. Oil/ Mineral exploration project
6. Any other projects notified by the Central government

### 1.1 Statutory Provisions

The scheme of project imports is governed by the following:

1. Customs Tariff Heading (CTH) 98.01 and Chapter Note to Chapter 98 of the Customs Tariff Act, 1975;
2. Project Import Regulations, 1986 (PIR, 86), notified in April 1986 in supersession of PIR 1965;
3. General Exemption Notification No. 12/2012-Customs, dated 17 March 2012 providing for concessional rate/exemption from basic customs duty (BCD) and additional duties of customs (CVD) on goods imported under CTH 98.01, subject to with or without conditions, as specified against each entry;
4. Notification No. 21/2012-Customs, dated 17 March 2012 for exemption from payment of Special Additional Duty of customs for certain specified Project Imports, as amended from time to time;

5. Projects notified by Government for benefits under the Scheme by issuing specific notifications;
6. Circulars issued from time to time by the Central Board of Excise and Customs (CBEC).

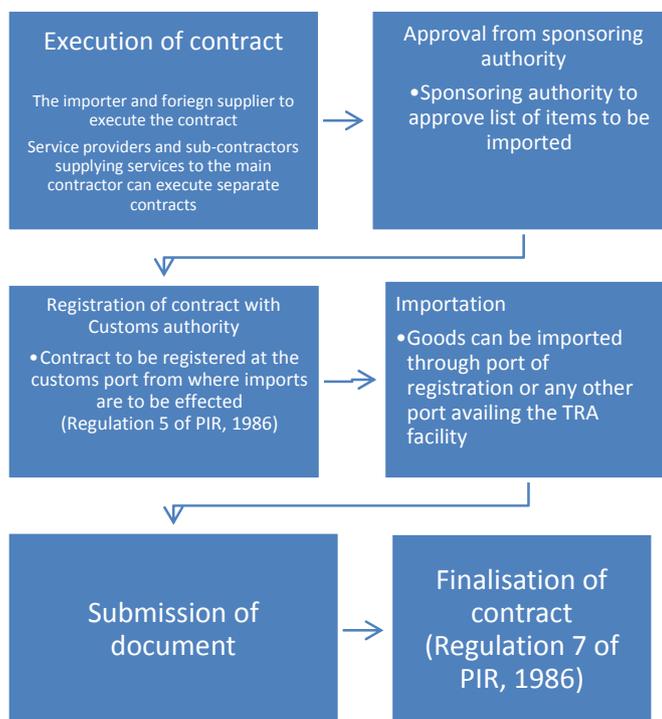
### 1.2 Process of registration, importation, assessment and clearance of goods under Project imports

The implementation of the scheme is governed by regulations 1 to 7 of PIR, 1986. Project Import Scheme applies only to projects sponsored by specified sponsoring authorities with a detailed itemized list of goods to be imported duly attested by the sponsoring authority and imported under contracts registered prior to the import of the goods. The Sponsoring Authority has been defined under PIR, 1986 and depending upon the nature of the project, different Ministries of Central Government/Departments of State Government have been specified as sponsoring authority.

A project import contract becomes eligible for registration only after the sponsoring authority approves of the project. A contract can be further divided into sub-contracts and registered separately with customs authorities. In other words, under a project import scheme, there could be several sub-contracts.

Flow chart given below provides an overview of the implementation of the scheme.

**Figure 1: Flow chart – Implementation of Project Import Scheme**



A gist of regulations pertaining to eligibility, registration, importation, reconciliation of goods imported, Plant Site Verification (PSV) and finalisation of assessment/contract procedures is provided in **Appendix 1**.

**1.3 Trend of contracts registered and value of contracts**

Number of contracts registered under Project Imports and value of contracts registered during FY 12 to FY 16 have shown a declining trend.

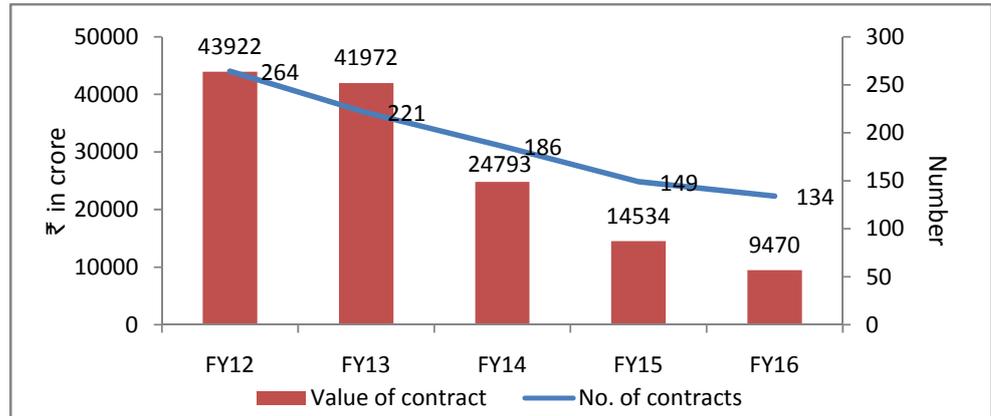
In the last 5 years the number of contracts registered has declined by 49 per cent from 264 in FY12 to 134 in FY16.

**Table 1: Number of contracts registered in the last five years**

Year	Number of contracts registered
2011-12	264
2012-13	221
2013-14	186
2014-15	149
2015-16	134

Source: CBEC (DGPM)

**Figure 2: No. of Project Import contracts and registered value (in ₹ crore)**



Source: CBEC (DGPM)

The declining trends indicate that importers may not be resorting to the scheme due to other schemes like EPCG/ Zero duty EPCG for import of capital goods which have been introduced subsequent to Project Imports, under which importers might be availing similar or more benefits. In addition, the fact that overall the custom duty rates have been rationalised and peak duty rates are at an average of 10 per cent, the benefits from project import may not seem very advantageous to the importers.

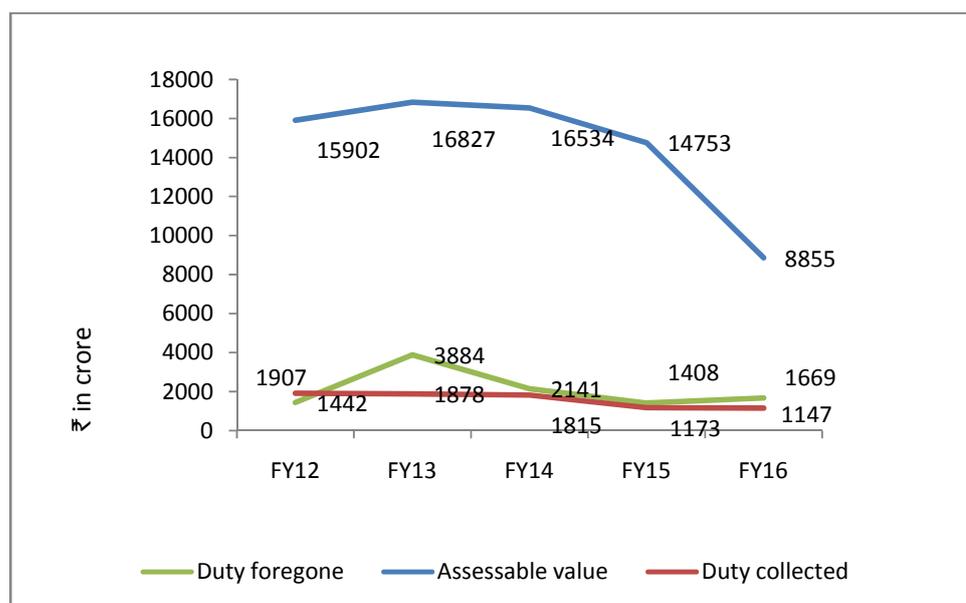
**1.4 Customs Revenue under the Scheme**

As per Directorate General (Systems and Data Management), the total Customs revenue collected between FY 2012 to FY 2016 under the scheme

was ₹ 8,089.68 crore in 50 EDI ports. However, revenue collected under project imports declined by 40 per cent in 2015-16 from 2011-12. As a percentage of total revenue collected, project imports contribution has been less than 3 per cent over the five years' period under audit review (**Appendix 2**).

Total revenue foregone under the scheme during FY12 to FY 16 was ₹ 10,545.30 crore.

**Figure 3: Trends in assessable value, duty collected and duty foregone**



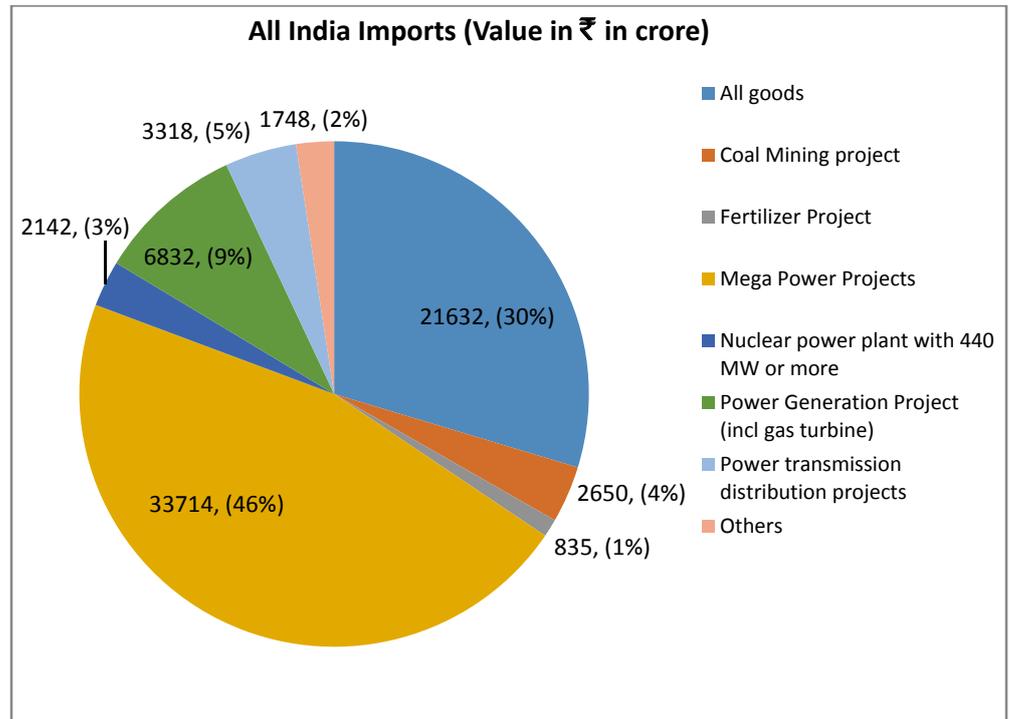
Source: DG (Systems) and CBEC (DGPM), New Delhi

Out of 50 ports, Mumbai Sea, Chennai Sea, Kolkata Sea and Nhava Sheva Sea contributed 71 per cent revenue (₹ 5,708.04 crore) during the period and the remaining 46 ports contributed 29 per cent (₹ 2,381.64 crore).

### 1.5 Sector wise Project Imports

Data available from DG (System) has been analysed to show sector-wise bifurcation of imports under the scheme. Sector-wise Imports during FY 12 to FY 16 is given in Figure 4 overleaf.

Figure 4: Sector-wise Imports during FY 12 to FY 16



Source: DG (System)

In terms of sector wise value of imports, power sector projects, had the largest share of project imports among all the sectors eligible for project imports. Within power sector, highest value of imports were in the mega power projects followed by power generation projects, power transmission and distribution projects and nuclear plant projects respectively. All goods, which refer to categories of plant and machinery other than those under sectors specified in the exemption notification, were the second largest category of project imports. Other significant sectors which included coal mining projects and fertiliser projects (**Appendix 2**).



## **Chapter 2: Rationale, objective, scope, sample, methodology and criteria for the Performance Audit**

### **2.1 Rationale for Performance audit**

Project Import scheme was earlier reviewed by audit (Audit Report No. 24 of 2009-10 – Union Government- Indirect Taxes) in which audit had recommended to the Ministry that a comprehensive review of the working of the scheme including that of internal control and monitoring mechanism should be undertaken. In addition, audit had recommended that an appropriate accounting and monitoring module integrated with the EDI system needed to be developed, realistic time frame for finalisation of assessments to reduce delay in finalisation of contract should be put in place and project import regulations to be amended to avoid duality of assessments. Though the Ministry assured to conduct comprehensive review of the working of the scheme, no report was found on record which could establish any such review except issuance of a circular<sup>4</sup> in May 2011.

The peak rates of customs duties in individual sectors have been reduced from 45 per cent in FY 97 to 10 per cent in FY 12. There has been a declining trend of registration of contracts under the Project Import scheme between FY 12 to FY 16. At the same time, due to introduction of similar schemes by the government, a study of comparative benefits from project imports became relevant. These altogether necessitated conducting this Performance Audit.

### **2.2 Audit Objectives**

The objectives of performance audit were to assess the scheme to seek assurance that:

- (i) there exist adequate statutory provisions with regard to registration, import, monitoring and finalization of Project Imports which supported simplified procedures for Project Imports;
- (ii) there was compliance to the procedural requirements set up under the relevant statutory provisions for Project Imports;
- (iii) the scheme succeeded in providing mechanisms for quicker and smooth trade facilitation; and
- (iv) monitoring, coordination and internal controls procedures were adequate and effective to safeguard the best interests of the Government.

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<sup>4</sup>CBEC's Circular No.22/2011 dated 4 May 2011

### 2.3 Audit Scope, Sample, Methodology and Criteria

**Scope:** Performance audit covers period of previous five financial years, i.e. FY 12 to FY 16. The audit was conducted in 24 Commissionerates<sup>5</sup> out of the total 30 Commissionerates<sup>6</sup> where project import contracts were registered.

**Sample:** Sample of contracts for audit was drawn out of the contracts registered, finalised and pending during FY 12 to FY 16 in the selected Commissionerates as detailed below:

**Table No. 2: Sample for audit**

Category	Category of Project Import contract	No. of Contracts	Contracts selected for audit	Contracts audited (% of contracts audited)
1.	Contracts finalised during FY 12 to FY 16	678	353	270 (39.82%)
2.	Ongoing Project contracts pending for finalisation during FY 12 to FY 16	2199	505	417 (18.96%)
3.	Contracts registered during FY 12 to FY 16 but import is yet to commence	27	27	27 (100%)
	<b>Total</b>	<b>2904</b>	<b>885</b>	<b>714 (24.58%)</b>

Audit sample included contracts of different sectors such as power projects, water supply projects, industrial plant projects, metro railway projects, etc. registered at various customs ports.

Five Commissionerates did not produce 171 contracts files (41 per cent), out of 417 selected for audit as detailed below:

**Table No. 3: Files not produced to audit**

Commissionerate	Contracts selected	Files not produced	Percentage
ICD/TKD	34	34	100
ACC New Delhi	63	22	35
Vishakhapatnam	42	5	12
NCH Mumbai	150	59	39
JNCH Mumbai	128	51	40
<b>Total</b>	<b>417</b>	<b>171</b>	<b>41</b>

List of files not produced to audit is at **Appendix 3**.

<sup>5</sup> Ahmedabad, Allahabad, Bangalore (City) ICD, Bangalore (ACC), Bhubaneswar, Chennai Sea Customs, Cochin, Hyderabad, Jamnagar, Kandla, Kanpur, Kolkata, Ludhiana, Mangalore (NCH), Mumbai (JNCH), Mumbai (NCH), Mundra, New Delhi (ACC), Noida, Patparganj-ICD & other ICDS-Delhi, Tughlakabad ICD/TKD, Tuticorin, Vijayawada, and Vishakhapatnam

<sup>6</sup> As per the information provided by CBEC, there were 29 Commissionerates wherein project contract were registered. Tughlakabad (TKD)/ICD Commissionerate, wherein Performance Audit was conducted was not mentioned in information provided by CBEC. Hence, total population is taken as 30 Commissionerates.

Responding to non production of files, DoR stated (December 2016) that files in ICD/TKD Commissionerate were destroyed due to fire while in ACC, New Delhi and Vizag Commissionerates the records were now traced, and will be produced to the next audit.

**Methodology:** This audit has been conducted using the performance audit standards and guidelines as laid down by the CAG of India. Audit methodology includes the test check of files of sample cases selected by audit, review of Commissionerate's internal records, registers and reports and analysis of data provided by the Commissionerate, DGPM, DG (Systems) and CBEC website. Additional information has also been obtained through a survey done by the PHD Chamber of Commerce and Industry (PHDCCI)<sup>7</sup> and from reports of Federation of Indian Export Organisation (FIEO)<sup>8</sup>.

An entry meeting with the officials from the Department of Revenue (DoR) and Director General of Foreign Trade (DGFT) was held on 21 April 2016 to discuss the audit objectives and scope. The exit meeting was held on 19 December 2016 with the representatives of CBEC/DoR. During the exit meeting CBEC accepted eight recommendations out of the nine recommendations made in this report.

**Criteria:** Audit used relevant provisions of the Customs Act, 1962, Customs Tariff Act, 1975, Project Import Regulations, 1986, CBEC's Law Manual and circulars and notifications of CBEC which were issued from time to time and were in effect during the period of audit, as criteria, to bench mark the findings.

Reply of DoR with Commissionerate wise factual information was received on 26 December 2016, after finalisation of the Audit Report. The response of the DoR to the main findings and recommendations have however been incorporated in the Report, along with audits further comments wherever warranted. The Commissionerate wise factual information furnished by DoR will be verified in the due course.

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<sup>7</sup>Survey dated 15.07.2016

<sup>8</sup>Report dated 13.07.2016



### Chapter 3. Adequacy of rules and provisions

Audit examined the existing statutory provisions of project import regulations, and CBEC circulars and notifications with regard to registration of contracts, assessment of import, monitoring of imports under the scheme and finalization of contracts. Audit observed instances which reflected that some of the existing provisions were ambiguous leading to different interpretation while applying such regulations to project imports. Audit also observed certain provisions lacking in the existing statutes which allowed projects to linger on indefinitely, thus creating an ambiguity in the status of contracts. Some illustrative cases are given below:

#### 3.1 Inconsistency in interpretation of statutory provisions

Board's circular dated 8 August 1987, stipulates that once a contract is registered under Project Imports, the imports covered by the contract are liable to be classified and assessed under CTH 9801 and cannot be classified on merit under any other CTH. However, the Apex Court in the case of M/s Abrol Watches Pvt. Ltd. vs. Collector of Customs (1997 (92) ELT 311{SC}), Commissioner vs. M/s G. Claridge & Co. Ltd. (1999 (114) ELT A231 [SC]) held that assesseees are eligible to avail benefit of any exemption notification which was more beneficial to them.

**3.1.1** Audit observed that in City (ICD) Bangalore Commissionerate, an importer<sup>9</sup> registered in July 2010 a project import contract No. 3/2010 for CIF value of ₹ 405.20 crore for supply of goods to M/s Bangalore Metro Rail Corporation Ltd. (BMRCL). The importer was entitled to import cables of different descriptions at the concessional rate. Although the importer registered the goods under Project Imports, 38,12,847 meter cables of assessable value of ₹ 70.20 crore were imported between March 2013 and April 2014 from Thailand<sup>10</sup> at lower rate of duty under Free Trade Agreement notification<sup>11</sup> classifying the cables under CTH 85446010. As the goods were part of the registered contract, its assessment under CTH 85446010 was not in accordance with the Board's circular of 8 August 1987. The importer had availed the duty concessions of ₹ 2.06 crore.

**3.1.2** Audit observed that two importers<sup>12</sup> under Cochin Customs Commissionerate, were allowed imports at lower rate of basic customs duty (BCD) under Sl. No. 642 of notification dated 29 July 2011 and Sl. No.580 of notification dated 31 December 2009 respectively after classifying the goods

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<sup>9</sup>M/s ABB Ltd.

<sup>10</sup>supplier M/s Phelps Dodge Intl, Thailand

<sup>11</sup>Notification 46/2011 dated 1 June 2011-Sl. no I-1455

<sup>12</sup>M/s Prodair Air Products India Pvt. Ltd and M/s Bharat Petroleum Corporation Ltd.-Kochi Refinery - IREP

under different CTH other than 9801. This resulted in short levy of duty of ₹ 76.75 lakh. Further, in case of one of the importers, part of the imports valued at ₹3.60 crore were assessed to higher rate of BCD under notification dated 17 March 2012 (Sl. No. 334A) even though concessional rate of BCD (Project import rate) was eligible, thus resulting in excess duty of ₹ 40.99 lakh.

On this being pointed out (April and June 2016), the Cochin Commissionerate stated (May and June 2016) that circular mentioned by the audit appears to be in order but in view of the apex court judgement (Collector of Central Excise, Baroda vs. Indian Petro Chemicals (1997 {92} ELT.13 {SC}) dated 11 December 1996), the circular is not applicable in these cases.

**3.1.3** In ICD, Juhi Railway Yard (JRY), Kanpur under Kanpur Commissionerate, audit observed (June 2016) that a contract<sup>13</sup> was registered in March 2012 for import of 7500 Composite long rod insulators having CIF value of ₹ 9.47 crore. Out of this, the importer had imported 3750 insulators having assessable value of ₹ 5.04 crore under notification dated 6 July 1999, which allows the duty concessions to goods required for UN projects. In this case, though the goods were classified under CTH 9801, the importer availed benefits of Nil rate of customs duty under notification dated 6 July 1999. The importer availed the duty concessions of ₹ 1.15 crore.

Commissionerate wise response of DoR (December 2016) to the above observations was under examination.

The above instances noticed by Audit reflect an inconsistent application of statutory provisions, resulting in either undervaluation or overvaluation of duty. More importantly, the objective of the scheme which is to simplify the procedures allowing for a uniform rate of assessment is lost due to simultaneous existence of apparently contradictory provisions for assessment of imports under the project import scheme.

***Recommendation: Audit recommends that the Ministry, after reviewing the existing statutory provisions and rulings of the apex court on this issue remove the inconsistency in the provisions for assessment under project imports by issuing appropriate instructions.***

The Board during the exit meeting (19 December 2016) and DoR in their response (26 December 2016) stated that they are considering withdrawal of the circular dated 8 August 1987.

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<sup>13</sup>M/s Power Grid Corporation of India Ltd.

### 3.2 Absence of provisions for time-bound completion of projects

Since the Project Import Scheme is primarily meant for key capital intensive sectors and aims to encourage setting up or substantial expansion of their manufacturing capacity by facilitating imports, it implies that the importer availing of concessions under the scheme will complete the project within a specified time to achieve the objective of the scheme. However, Audit observed that the PIR, 1986 does not contain any provision that supports incorporation of a clause of time bound completion of imports in the project contract. Absence of statutory provisions for ensuring timely completion of imports defeats the purpose of the scheme aimed at increasing manufacturing capacity of critical infrastructure sectors of the country. It also creates opportunities for clandestine removal of plant and equipment from the project site. Audit also noticed that imports, especially of spare parts, were allowed beyond five to six years after the commencement of project and registration of fresh contracts for import of goods after commissioning of the project. Some illustrative cases are given below:

**3.2.1** An importer<sup>14</sup> registered a contract on 20 March 1997 at Kolkata Commissionerate for import of second hand machinery and equipment of CIF of ₹ 28.82 crore required for initial setting up of an industrial plant. Audit scrutiny of excise records of the importer revealed that import of the entire contracted machinery was completed in December 1998. However, from the scrutiny of customs records Audit found that the importer did not submit documents to customs authority for finalisation of the contract. Thus, Customs Department remained unaware of the completion of imports, and initiated no action for finalisation of the contract. In December 2012, Kolkata-IV Central Excise Commissionerate informed Kolkata Port Commissionerate that importer had attempted to dispose off its machinery which was imported under PIR, 1986. On receipt of information, the Kolkata Port Commissionerate confiscated the machinery and on the basis of subsequent investigation found violation of the provisions of PIR, 1986. In adjudication order dated 20 March 2014, the Commissionerate disallowed the project import concessions and confirmed the differential duty of ₹ 92.84 lakh and imposed penalty of ₹ 1.33 crore for violating the PIR.

Had the information not been received from central excise authorities, the above violation of the PIR, 1986 by the importer would have remained undetected by the customs for indefinite period since the Customs Department does not monitor the timely completion of imports, in the absence of requisite provisions.

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<sup>14</sup>M/s Century Pulp & Paper Ltd.

**3.2.2** In NCH, Mumbai Commissionerate, two contracts of an importer<sup>15</sup> for setting up of a cement plant<sup>16</sup> with CIF value of ₹ 15 crore each were registered in September 2011. Audit scrutiny of the project file of importer maintained at the Commissionerate revealed that although the requisite machinery had been imported, it was not installed at the project site since land acquisition by the importer was not completed. Instead, the importer reported to the Department that the machinery had been stored at a different site. As on June 2016, no installation certificate/reconciliation statement was submitted by the importer.

Similarly, for the second project, the importer vide letter of February 2013 furnished amendment to the contract changing the location of plant from Bokaro to Nagpur as supported by sponsoring authority. From the documents kept on record by the Commissionerate, Audit noticed that the imports had been completed in August 2014, but no records establishing the installation of machinery/commissioning of the plant were available in the project file maintained by customs authority.

Thus, in these two contracts, involving duty foregone of ₹ 90 lakh, in the absence of a supporting regulation in PIR, the Commissionerate had no means to enforce a timely installation of imported machinery even after lapse of three to four years from the date of registration of contracts with the Customs authority.

**3.2.3** In 88 project contracts of CIF value of ₹ 13,089 crore, registered during the period March 2011 to July 2015 under Chennai Sea Customs Commissionerate and in 24 contracts<sup>17</sup> of CIF value of ₹ 5,031.66 crore registered between March 2008 and August 2013 under Kandla Commissionerate, no imports were made by the importers even though substantial time period had lapsed.

**3.2.4** In Kolkata Commissionerate, seven contracts (CIF value ₹ 1,188 crore) were registered between June 2011 and August 2014. On verification of the status of these projects from the websites as well as Annual Reports (2014-15) of the importers concerned, audit observed that these projects were either completed or the plants were undergoing trials. However, importers did not furnish the import details to the customs authority for finalisation.

**3.2.5** In JNCH, Mumbai Commissionerate, an importer<sup>18</sup> registered contract for importing the goods for setting up a Mega Power Project (5x660 MW) at

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<sup>15</sup>M/s UltraTech Cement Ltd.

<sup>16</sup>One at Panchgarha, Tehsil Chanditala, Dist. Hoogly, West Bengal (Dankuni Cement Works) and second plant at Bokaro, Jharkhand.

<sup>17</sup>M/s Power Grid Corporation of India Ltd. and 23 others

<sup>18</sup>M/s Adani Power Maharashtra Ltd.

Tiroda, Maharashtra. The importer applied for registration for the five units between (August and September 2010) along with list of capital goods to be imported. The total contract value for all the items required for the above five units was ₹ 8,024.52 crore involving duty concessions ₹ 2,074.34 crore.

Audit observed (July 2016) from the terms of the Purchase order placed by the importer with overseas supplier<sup>19</sup> that the import of the machinery was to be completed by March 2011. However, the last import of machinery for commissioning of Unit 1 of the Project was imported on 29 May 2013. It was further observed that the importer had applied between December 2010 and July 2015 for registration of 86 additional contracts of CIF value of ₹ 6,611.79 crore for import of various capital goods which were stated to be essential for the project. The importer was importing various items under project import for more than six years and as per records available in project file, the project imports were still going on as on July 2016. However as per the website of importer, all the units were commissioned by 11 October 2014.

Further, in the case referred above, against the additional contracts, the goods mostly spares involving CIF value of ₹ 34.16 crore and duty foregone of ₹ 8.83 crore were imported through 126 consignments beyond commissioning of plant.

***Recommendation: Audit recommends that the Ministry may consider amending the PIR 1986, to provide for the condition of time bound completion of imports to be incorporated in the contracts registered under Project Import scheme.***

The Board during the exit meeting (19 December 2016) and DoR in their response (26 December 2016) stated that they were considering a time limit for completion of imports under Project Imports in consultations with other ministries.

Comminsonerate wise response of DoR(December 2016) was under examination.

### **3.3 Multiple sponsoring authorities**

As per Regulation 5 of PIR, an importer claiming assessment under CTH 9801, has to submit an application along with prescribed documents which includes a recommendatory letter from concerned sponsoring authority as referred in Regulation 3 (b) of PIR for the particular project. Since the sponsoring authority is technically aware of the capital goods required for a project and issues essentiality certificates for goods to be imported under concessional rates, the regulations should clearly specify which administrative department

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<sup>19</sup>M/s Sichuan Machinery & Equipment Import & export Company Ltd.

will be considered as the sponsoring authority for the entire project. However, Audit observed that the regulations lacked clarity in defining the appropriate sponsoring authority especially in cases of composite projects involving captive power projects (CPP), and other composite projects. This resulted in multiple sponsoring authorities being involved in the same project, which not only diluted the role of the main administrative department responsible for sponsoring the project, it also led to increased volume of documentation and difficulties in monitoring of contracts registered through various sponsoring authorities under one project.

Some illustrative cases are given below:

### 3.3.1 Sponsoring Authority for Captive Power Plants

Under PIR 1986, sponsoring authority for power plants is the Secretary to the State Government dealing with the subject of power or electricity. However, the regulations do not clarify the appropriate sponsoring authority for a captive power plant. Audit observed that project imports related to captive power plants were recommended by diverse ministries like the Ministry of Heavy Industry or Ministry of Petroleum and Natural Gas. The cases noticed by audit are listed below:

**Table No. 4: Sponsoring Authority for captive power plants**

₹ in lakh					
Comm.	Importer	Contract No.	Recommendatory letter obtained from	CIF value	Duty foregone
Chennai	BHEL	S/37/20/2011 dtd. 27.05.11	Ministry of PNG/Ministry of Heavy Industries and Public Enterprises.	3292.47	98.23
Chennai	BHEL	S/37/31/2012 dtd. 09.10.12	Ministry of PNG.	1938.66	58.93
NCH, Mumbai	Shree Cement Ltd.	S/5-01/2013-14/cc dtd. 29.03.2013	MoCI.	7947.00	152.00
NCH, Mumbai	Ultratech Cement Ltd	S/5-25/2011 dtd 24.04.12	MoCI.	1350.00	29.28
NCH, Mumbai	BHEL	S/5-33/2010 (December 2010)	Ministry of Heavy Industries and Public Enterprises subsequently Ministry of PNG.	33267.00	

Comminsonerate wise response of DoR (December 2016) to the above observations was under examination.

### 3.3.2 Sponsoring Authority for composite projects

Sasan Power Limited (SPL) entered into contract with Reliance Infrastructure (importer) for supply of mining equipment for the Ultra Mega Power Project

with captive coal mines. For the import of machinery related to captive coal mines, the contract was registered (June 2011) in NCH, Mumbai Commissionerate. The Secretary, Department of Energy, Government of Madhya Pradesh issued recommendation letter dated 21 June 2011.

Audit observed that from initial registration to subsequent additional registrations upto April 2012, concessional duty for imported goods was claimed treating captive coal mines as a part of power project as there was no tariff rate difference for power project and mining project. However, consequent to grant of exemption from BCD to mining project from March 2012, the importer on 31 July 2012 sought amendment and re-classification of the project as mining project.

Commissionerate referred the matter to the Board and Coal Ministry (December 2012) to which the Coal Ministry clarified (3 June 2013) that State Governments are empowered to lease, develop, monitor mining of captive coal mines etc. and hence they are administrative authority to issue recommendation letter. Based on this clarification, the Commissionerate accepted the re-classification of project as a mining project.

Due to the absence of appropriate sponsoring for composite projects as above in the PIR, 1986 and provision for re-classification of the projects midway, the importer was allowed to change the classification of the project to avail higher benefit. The importer had imported mining equipment of ₹ 2,245.80 crore (upto June 2014), availing duty concession of ₹ 176.03 crore.

In another case, a contract of one importer<sup>20</sup> engaged in the manufacturing of Soda Ash was registered in NCH, Mumbai Commissionerate in June 2006 for CIF value of ₹ 21.30 crore for its substantial expansion of existing water treatment plant capacity. The water treatment plant was claimed as an independent plant by the importer though it was meant for utilisation in its industrial plant and full duty exemption available for water supply project was availed. In this case, the recommendation letter was issued by the District Collector concerned who is sponsoring authority for water supply project.

In three cases under Chennai Sea Commissionerate, water supply projects related to non-mega power projects were treated as separate projects since more duty concessions were available to water supply projects separately. Under Kandla Commissionerate, two cases were noticed, where the recommendatory letters were by authorities other than those designated under the PIR, 1986. These cases are detailed overleaf:-

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<sup>20</sup>M/s Nirma Ltd.

**Table No. 5: Sponsoring Authority for composite projects**

₹ in lakh

Importer	Contract No(s).	CIF value	Duty foregone	Remarks
BHEL- under Chennai Sea Commissionerate	S/37/9/2011	25185.00	529.27	Water supply projects related to non-mega power projects were treated as separate projects.
Driplex Water Engineering Ltd. under Chennai Sea Commissionerate	S/37/33/2008	20.70	3.37	
Doshion Veolia Water Supply Projects under Chennai Sea Commissionerate	S/37/42/2011	900.00	176.25	
Subhash Projects and Marketing Ltd. Kolkata under Kandla Commissionerate	15/2008, 17/2008 and 18/2008	471.91	112.76	Recommendatory letter was issued by Chief Executive Engineer and countersigned by Principal Secretary PHED, Rajasthan, Jaipur instead of Certificate from the District Collector of the District.
Jindal Saw Ltd. Under Kandla Commissionerate	5/2009	687.58	19.93	Recommendatory letter was issued by MoCI instead of Ministry of PNG. The customs authority, Kandla, also objected (October 2012) to this but took no further action and contract was finalised.

Thus, it can be concluded that in the absence of clarity on the definition of an appropriate sponsoring authority for a project, the importers treated each contract as an independent project or as a sub-project under the main project in an attempt to avail duty concessions which were most beneficial. The regulations do not provide for any restriction on change of sponsoring authority mid-way through a project which resulted in importers changing the classification of the project under the project import scheme to avail maximum concessions.

Having multiple sponsoring authorities in cases of mega projects like oil refinery and coal mines meant an increased requirement for documentation. In addition, it was not clear to Audit as to which administrative ministry, as a sponsoring authority, will be responsible for the monitoring of completion of projects.

DoR in respect of M/s Subhash Projects and Marketing Limited stated (December 2016) that project was a drinking water supply project of the Government of Rajasthan. Since it is a Government project located in more than one district of Rajasthan and the Authority i.e. Principal Secretary who has countersigned the certificate is senior to District Collector/Magistrate and can legally exercise the power of his sub-ordinate.

**Recommendation: Audit recommends that the provisions regarding sponsoring authority in the PIR 1986 may be clarified to establish a primary**

***sponsoring authority for composite/integrated projects to avoid any scope for undue benefits and for better monitoring of projects.***

The Board during the exit meeting (19 December 2016) and DoR response (December 2016) stated that recommendation made by audit is being examined and suitable amendment/clarification would be issued in consultation with the administrative ministry.

**3.4 Absence of provisions in PIR for shifting of machinery**

In terms of Regulation 5 (3) of PIR, the applicant shall specify the location of the plant or project in application seeking benefits under the Scheme. Further, the project import concessions are available subject to the certification of installation of machinery by Chartered Engineer (CE)/Plant Site Verification (PSV) by central excise authority. There are no provisions in PIR for shifting of machinery from specified location to some other location.

Audit observed instances of shifting of machinery by the importers in Chennai Sea Customs Commissionerate, Air Cargo Commissionerate, New Delhi and NCH, Mumbai.

**3.4.1** A contract<sup>21</sup> was registered (2011) in Chennai Sea Customs Commissionerate for initial setting up of 'Industrial Plant for manufacture of radial tyres - car and truck' required for the plant at Kolathur, Tamil Nadu. In the application, location of the plant and project was shown as 'SH-110 Sriperumbudur, Tambaram Road., Kolathur Village, Sriperumbudur Taluk, Kancheperum Dist., TN.

Mould and machinery imported (August and September 2011) of assessable value of ₹ 51.48 lakh and ₹ 3.02 crore respectively under Project Imports was however, removed as such by importer to its other plants located at Banmore and Mysore respectively in September 2011 and March 2012. The removal of mould/machinery in contravention to the provisions of PIR, 1986, resulted in incorrect availing of duty concession of ₹ 10.60 lakh. The contract was however, finalised in June 2015 without recovering the irregular concession availed by the importer.

DoR stated (December 2016) that the importer was advised to submit all facts in writing. The importer has also accepted to pay the differential duty along with applicable interest.

**3.4.2** Similarly, in ACC New Delhi Commissionerate, an importer<sup>22</sup> registered (July 2014) Project Import contract of CIF value of ₹ 3.68 crore for automatic fare collection system used in Mass Rapid Transport System consisting of AVM and system design & specification documents for DMRC

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<sup>21</sup>M/s J.K. Tyre & Industries Ltd.

<sup>22</sup>M/s Delhi Metro Rail Corporation Ltd.-(DMRC)

project, Phase-III. The importer imported 273 ticket reader-cum-add value machine along with system design & specification documents having CIF value of ₹ 3.66 crore and availed custom duty exemption of ₹ 21.96 lakh.

Audit scrutiny revealed (June 2016) that imported goods were installed at the stations of the Phase-I & II projects instead of stations of Phase-III projects as approved in essentiality certificate of sponsoring authority. This resulted in irregular grant of duty exemption ₹ 21.96 lakh. Contract is pending for finalisation by the customs.

Ministry's reply is awaited (December 2016).

**3.4.3** In NCH Mumbai Commissionerate, an importer<sup>23</sup> registered contract in February 2006 to import goods for setting up a new cement plant at Baga and Bagheri, District Solan, Himachal Pradesh along with recommendation letter for CIF value of ₹ 189.09 crore. Subsequently, additional contracts were registered three times between July 2008 and September 2011 for CIF value of ₹ 61.04 crore.

Audit observed that importer shifted the capital goods which was imported in November 2006 and January 2007<sup>24</sup> (₹16.35 crores), from plant of Himachal Pradesh to another new cement plant of the importer in Uttar Pradesh. However there were no details about payment of duty concessions of ₹ 82 lakh availed on importation under Project Import.

DoR stated (December 2016) that the importer has been advised to submit the details of imports made under the Project Import which is awaited. Appropriate action shall be initiated in case satisfactory details are not submitted within fortnight.

### **3.5 Conclusion**

*Review of the existing legal provisions of the scheme reveals that considerable ambiguities have been introduced in the scheme due to later notifications and amendments. Thus, the assessments are being done in an inconsistent manner leading to under/over valuations and incorrect levy of duty. Lack of appropriate provisions in the regulations to monitor completion of imports, have resulted in many projects lingering over indefinite periods, and undue advantage of concessional imports being extended to importers even after the commencement of projects. Due to lack of clarity in ascertaining the primary sponsoring authority for captive power plants and other composite projects, there are multiple sponsoring authorities for a single project without clear administrative responsibilities for monitoring completion of the projects.*

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<sup>23</sup>M/s Jaiprakash Associates Ltd.

<sup>24</sup>Imported vide BE NO. 722026 dated 09.11.2006 and 741242 dated 22.01.2007

## Chapter 4: Compliance to rules and procedures

Audit examined whether there was compliance to rules, regulations and procedures framed under Customs Act 1962, PIR 1986, notifications and instructions issued by the CBEC from time to time. Audit observed that there were cases of incorrect grant of project imports concession due to non-submission of requisite documents; cases finalised even in absence of reconciliation statements and other documents, thus indicating laxity in compliance to the prescribed provisions.

### 4.1 Contracts finalised in absence of requisite documents

As per Regulation 7 of PIR, 1986 read with the Paragraph 5 of Chapter 5 of Customs Law Manual, the importer is required to submit the requisite documents<sup>25</sup> to customs authority within three months from the date of clearance of last consignment or within such extended time for finalisation of assessments. PSV is to be carried out by the central excise authority concerned in selective cases.

#### 4.1.1 Cases finalised in absence of reconciliation statements and other documents

Audit scrutiny revealed that five contracts under JNCH, Mumbai Commissionerate, Kandla and ACC New Delhi Commissionerates were finalised by the customs authorities even though importer did not submit the requisite documents or submitted deficient documents. Duty concessions of ₹ 9.60 crore were availed by the importers.

An illustrative case is detailed below:

A contract<sup>26</sup> registered (July 2010) in Kandla Commissionerate, involving 24 BEs (₹ 29.38 crore) was finalised in July 2014 by the Commissionerate. However, the importer did not submit the reconciliation statement and copy of four BEs<sup>27</sup> for consignments imported through Mumbai in December 2010. The customs authority, Mumbai had sought certain clarification from Kandla Customs, but without clarifying the concern to Mumbai Customs, Kandla Customs finalised the contract.

DoR has furnished Commissionerate wise factual information (December 2016) to the above observations which was under examination.

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<sup>25</sup>Reconciliation statement showing the description, quantity and value of the goods along with installation certificate from registered/certified Chartered Engineer, copies of Bills of Entry (BEs), invoices, final payment certificate etc.

<sup>26</sup>M/s FLSmith, Chennai.

<sup>27</sup>Bills of entry Nos. 2426943 dated 13.12.10, 691304 dated 13.01.11, 631221 dated 28.12.2010 and 2589460 dated 15.01.2011.

#### **4.1.2 Finalisation of project contracts without installation certificate/plantsite verification**

In 11 cases under five Commissionerates involving duty concession ₹ 45.15 crore, audit scrutiny revealed that these contracts were finalised by the Commissionerates without taking the installation certificate on record or by accepting the certificate issued by authority other than the competent authority (**Appendix 4**).

DoR has furnished (December 2016) Commissionerate wise factual information which was under examination.

#### **4.1.3 Finalisation of project contracts without verifying expansion of capacity**

As per Regulation 3(c), substantial expansion of installed capacity of a plant means expansion which will increase the existing installed capacity by not less than 25 per cent. As per MoF's letter No. 521/192/90-Cus TU dated 12 March 1992, documentary evidence like Central Excise Certificate, books of account etc. are required to be submitted by the importers in support of their claim of substantial expansion. Audit observed cases of finalisation of the project without verifying the expansion as detailed below.

(i) In Kandla, Mundra and NCH-Mumbai Commissionerates audit observed that five contracts<sup>28</sup> of CIF value ₹ 87.44 crore were finalised by customs between July 2011 and March 2016 without verifying the substantial expansion as proposed by the importers resulting in incorrect availing of Project Import benefits of ₹ 2.62 crore.

(ii) In two contracts<sup>29</sup> of CIF value of ₹ 20.25 crore registered (May 2011 and February 2012) under Hyderabad and Ludhiana Commissionerates, audit observed from the central excise records, i.e. Annual Installed Capacity Statement (ER-7 Returns) submitted for the years 2011-12 to 2014-15, that the installed capacity remained same as it was prior to the project imports. Since the documentary evidence did not prove that any expansion of the plant capacity took place after the import of machinery, the benefits availed under Project Imports were irregular. Thus, duty concessions of ₹ 59.95 lakh availed on imported machinery need to be recovered.

DoR has furnished (December 2016) Commissionerate wise factual information which was under examination (**Appendix 4A**).

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<sup>28</sup> M/s Sunshine Tiles Co. Pvt. Ltd, M/s Somany Ceramics Ltd., M/s Ramoji Granite Ltd., M/s SentosaGranitoPvt. Ltd. And M/s Llyod Steel India Ltd.

<sup>29</sup> M/s SNJ Synthetic Ltd. and M/s Avon Ispat & Power Ltd.

## **4.2 Inadmissible imports allowed under the scheme**

As per Paragraph 2.4 of Chapter-5 of Customs Manual, at the time of clearance of goods, the custom authority is required to check the description, value and quantity of the goods registered.

### **4.2.1 Incorrect grant of duty concession to excluded categories of machinery**

Ministry of Finance (TRU) vide OM No. F. No.354/2/2012-TRU dated 9 January 2012 clarified that Tunnel Boring Machines (TBM)/spares parts required for Metro rail projects are not eligible for import under the Scheme, since the imported machineries were not essential for maintenance of the plant or project .

In contravention to above clarification, in ICD Commissionerate Bengaluru, an importer<sup>30</sup> registered two contracts in January 2011 and July 2011 for import of Tunnel Boring Machines and spare parts respectively and allowed duty concessions of ₹ 7.08 crore. Both the contracts were finalised in September 2015 by the customs.

DoR stated (December 2016) that the TBM is a separate machine and Segment mould is a separate machine. The former is for tunnelling while the latter is to manufacture precast concrete segments for the lining of the tunnel. Without the help of TBM, Bengaluru Metro Rail Project cannot come into existence.

Reply of DoR is not tenable as it does not address the issue of incorrect grant of duty concession to TBMs as per the MoF OM stated above. The concessional rate of duty under PIR, 1986, is available, provided, the machinery was handed over to the project authorities as a part of the infrastructure by importer. But in the instant case the machinery was retained by the importer.

### **4.2.2 Discrepancies between goods permitted to be imported and actually imported**

In three cases of imports with CIF value ₹ 24.03 crore and involving duty concessions of ₹ 1.86 crore, audit observed discrepancies in goods permitted to be imported under Project Import and actually permitted by the importers. Two cases are detailed below:

In Kolkata Port Commissionerate, an importer<sup>31</sup> had registered a contract to import goods required for supply of two *Electric Walking Dragline*, to the Amlohri coal mining expansion project of Northern Coalfields Ltd. The

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<sup>30</sup>M/s Continental Engineering Corporation.

<sup>31</sup>M/s Heavy Engineering Corporation Ltd.

importer had submitted copies of nine purchase orders and a list of items approved by the Ministry of Coal.

Scrutiny of the import documents enclosed in the file revealed that the motors (hoist, propel, swing, drag), covered by purchase order dated 30 March 2011 executed with M/s General Electric, Canada, imported under two BEs were of different model numbers than that in the purchase contract, approved for registration. Additionally, the firm had imported six *hoist motors* as against four *hoist motors* (for two draglines) agreed in the purchase contract.

As the imported motors were not of the specifications agreed in the approved purchase contract, these were not eligible for concessional rate of duty. Incorrect extension of benefit under CTH 9801 had led to incorrect availing of exemption of ₹ 1.67 crore on CIF value of ₹ 18.38 crore.

DoR in their reply (December 2016) stated that the merit of the case is being judged and a final reply will be forwarded.

In another case, one importer<sup>32</sup> under NCH Commissionerate, Mumbai had registered (March 2014) its contract for initial setting up of Cement plant in Karnataka for CIF value of ₹ 121.40 crore. The importer imported two drilling machines of CIF value ₹ 5.54 crore and availed duty exemption of ₹ 16.62 lakh on them.

Since the drilling machines were essentially meant for quarry blast hole drilling for mining operations and not directly for setting up of the cement plant, these were not eligible for concessional duty.

Ministry of Commerce allowed (October 2015) the importer to shift one drilling machine to its other plant in Telangana State subject to the condition that the importer will deposit customs duty with interest and other dues to the concerned Customs Authority. However, neither shifting of the machinery nor payment of duty and interest was not on record.

Ministry's reply is awaited (December 2016).

#### **4.3 Import of spares in excess of ceiling**

As per the provisions of Chapter heading 9801 of First Schedule to the Customs Tariff Act 1975, in addition to project import goods, spare parts and consumables upto 10 per cent of the assessable value of goods can also be imported.

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<sup>32</sup>M/s Orient Cement Ltd.

Audit observed that in six contracts registered (between December 1997 and May 2014) in five Commissionerates<sup>33</sup> importers imported spares/consumables in excess of prescribed ceiling of 10 per cent resulting in irregular availing of duty exemption of ₹ 1.31 crore.

Few cases are detailed below:

(i) In Cochin Customs Commissionerate, one importer<sup>34</sup> registered a Project Contract No.2/1997 for setting up of (1x50 MW) Kuttiyadi Hydro Electric Project. The goods registered for a value of ₹ 64.69 crore included additional spares of ₹ 7.35 crore. The value of additional spares of ₹ 7.35 crore exceeded the permissible limit of 10 per cent value of machinery of ₹ 6.47 crore resulting in excess import of spares of ₹ 87.95 lakh.

The contract was finalised in December 2013 without accounting for the excess imports. Duty concession of ₹ 27.65 lakh was allowed in excess value of spares.

(ii) In NCH, Mumbai Commissionerate, an importer<sup>35</sup> registered contract in April 2006 for import of goods for initial setting up of 1100 MW Sugen Combines Cycle Power Plant in Surat at Gujarat. The importer claimed 'nil' rate of duty under Sl. No. 400 of notification dated 1 March 20012. The goods were imported through 398 BEs and contract was finalised by customs in August 2013.

Verification of the documents furnished by Chartered Engineer vide certificate dated 30 December 2009 revealed that total value of imported plant and machinery was USD 29,51,60,346 and of spares was USD 3,14,31,685. The permissible ten percent of allowable spares was USD 2,94,63,383 thus resulting in excess import of USD 19,68,302 (₹ 8.86crore). The importer paid duty on imports valuing USD 16,39,737 (₹ 9.39crore). On balance excess imports of USD 3,28,565 (₹ 1.48 crore), no duty was paid. The excess imports of ₹ 1.48 crore attracted customs duties of ₹ 42.34 lakh.

DoR's reply (December 2016) to the above observations was under examination.

#### **4.4 Incorrect clearance of goods**

As per Regulation 4 read with Regulation 5 of PIR, 1986, the assessment under project import is available only to those goods which are imported against a specific contract, registered with the appropriate customs house before issue of any order for clearance of the goods for home consumption

<sup>33</sup>ACC New Delhi, Chennai Sea Customs, Cochin, Kandla and Mumbai (NCH)

<sup>34</sup>M/s Kerala State Electricity Board (KSEB).

<sup>35</sup>M/s Torrent Power Ltd.

and the importer has to apply for registration at the port where the goods are to be imported on or before their importation.

Audit observed that in two cases, goods were cleared before registration of contracts and in three cases; the goods were already imported on or before making applications for registration of contracts. This resulted in irregular availing of project import concessions of ₹ 5.39 crore as detailed below:

**Table No. 6: Incorrect clearance of goods**

Comm.	Contract No.	Duty concessions (₹ in lakh)	Remarks
Cochin	1/2013	12.41	Contract was registered in February 2015, but part shipments were cleared in January 2015.
NCH, Mumbai	S/5-17/ 2012/CC	109.57	Goods imported on 18.12.2012. Applied on 21.12.2012 and contract was registered on 02.02.2013, but the goods were cleared on 28.12.2012.
Tuticorin	3/2003	362.00	The contract was registered on 10.07.2013, wherein goods were already imported on 30.07.2012.
Hyderabad	S20/Proj. Imp/01/2011-ICD	7.45	Applied for registration between September 2010 and January 2012 but goods were already warehoused in January/March 2010.
Vishakhapatnam	S13(A)/02/2013-AP	47.26	Applied for registration on 17.07.2013 but cargo had already arrived on 22.06.2013.

The above cases of clearance of goods against the violation of PIR depicted the improper monitoring for clearance of the Project Import goods.

DoR has furnished (December 2016) Commissionerate wise factual information which was under examination.

#### 4.5 Application of incorrect rate of duty

Under Project Import, the importer is required to pay customs duties (BCD, CVD, SAD) as per the prevailing rate/exemption notified from time to time.

Audit observed in case of nine contracts in seven Commissionerates incorrect application of rate of duty due to mis-classification of goods/project and non-levy of duty amounting to ₹ 3.03 crore resulted in non/short payment of customs duties.

**Table No. 7: Incorrect rate of duty**

Comm.	No. of case(s) noticed	Remarks	Value of goods (₹ in lakh)	Short/Non levy of duty (₹ in lakh)
Kandla	2	SAD was not levied in one case and in another case 'lubricating oil' was misclassified and CVD was short levied	119.32	8.62
Mundra	6	Lubricating oil was misclassified and CVD was short levied	2694.31	123.85
Chennai	2	Safeguard duty on 'Disk insulators' was not levied	216.14	75.65

Comm.	No. of case(s) noticed	Remarks	Value of goods (₹ in lakh)	Short/Non levy of duty (₹ in lakh)
Cochin	4	Safeguard duty on 'Seamless pipes' was not levied	190.01	28.94
Kolkata	2	Duty concessions claimed treating the project as 'mechanised handling systems/pallet racking systems in mandis/warehouses' instead as 'cold storage system'	262.05	39.82
NCH, Mumbai	1	Misclassification of 'filter bags'	496.86	23.00
JNCH, Mumbai	3	Lift irrigation project treated as water supply project	14.66	3.07

In addition to the above cases, analysis of the project import data provided by DG (System) revealed the short/non levy of duty as detailed below:

**Table No. 8: Short/non levy of duty**

No. of cases noticed	Remarks	Value of goods (₹ in lakh)	Short levy noticed (₹ in lakh)
70 BEs of nine ports <sup>36</sup>	Safeguard duty on 'Electrical insulators' was not levied	18508.33	6385.35
22 BEs of five ports <sup>37</sup>	Lubricating/Transformer oil/insulating oil was misclassified resulting short levy of CVD	4219.88	123.79
105 BEs of six ports		Short levy could not be ascertained due to incomplete data.	

DoR has furnished (December 2016) Commissionerate wise factual information which was under examination.

#### **4.6 Loss of revenue due to non-levy of anti-dumping duty on import of rubber chemical**

As per notification 94/2005 dated 20 October 2005-Customs various category of rubbers chemicals attracted anti-dumping duty on goods imported from the European Union, People's Republic of China, Chinese Taipei and the United States of America.

In Kolkata Commissionerate, an importer<sup>38</sup> registered (January 2007) a contract for import of raw materials for manufacture of 22,000 meter of Steel Cord Belt required for coal mine expansion project of M/s Neyveli Lignite Corporation Ltd.

Test check of the details of imports made under the contract revealed that the firm had also imported (January 2007) rubber chemicals like MOR, 6PPD and TDQ originating in People's Republic of China and Chinese Taipei on which anti-dumping duty was payable in terms of notification 94/2005 dated 20 October 2005. However, anti-dumping duty amounting to ₹ 7.53 lakh was neither collected at the time of provisional assessment of the BEs nor considered at the time of finalization of the assessment.

<sup>36</sup>Kolkata Sea, Kanakpura (Jaipur ICD), Mandideep, Nagpur, Nhava Sheva Sea, KLPL-ICD/Panki, Paradip, Raipur, Bangalore ICD

<sup>37</sup>Bombay Sea, Kolkata Sea, Nhava Sheva Mumbai, ICD Tughlakabad, Vizac Sea

<sup>38</sup>M/s Phoenix Conveyor Belt India (P) Ltd formerly M/s Phoenix Yule Ltd.

On this being pointed out (June 2016), DoR stated (December 2016) that matter has been taken up with importer and final reply would be given on receipt of clarification from importer.

#### **4.7 Incorrect rate of interest in ICES 1.5**

As per NT notification dated 1 March 2011, interest at the rate of 18 per cent is payable on non/short levy customs duty.

In Ahmedabad Commissionerate (ICD Khodiyar), audit observed that a project contract No.01/2012 was registered (December 2012) for import of goods for CIF value ₹ 293.44 crore by one importer<sup>39</sup> for its new vehicle Plant at Sanand, Gujarat.

In case of four consignments imported during April, 2013, the importer imported goods in excess of the quantity permitted by the sponsoring authority. The importer paid full duty without availing project concession on the excess quantity along with interest vide EDI generated challan no. 371 dated 26 October 2013 and intimated the payment particulars to customs through letter dated 24 May 2013.

Interest was calculated and paid at the rate of 15 per cent (applicable for Section 47 of the Customs Act, 1962) considering this as general late payment of duty instead of 18 per cent (applicable for Section 28) to be paid on short/non-levy of customs duty resulting in short payment of interest of ₹ 1.03 lakh.

Thus, there is a need to update the interest calculation field of ICES 1.5v, so as to apply the applicable rate of interest rate in such cases of short levy of duty.

DoR in their reply (December 2016) stated that the importer has been directed to pay the differential duty. However DoR's reply is silent about the modification required in the ICES.

#### **4.8 Delay/non adjudication of SCN issued in Project Import cases**

According to Section 28(9) of Customs Act 1962, the adjudication order, where it is possible to do so, should be passed by the adjudicating authority within six months in normal course and within one year in case of collusion, wilful misstatement, suppression of facts, fraud etc. from the date of issue of SCN/demand notice.

In Chennai Sea, ACC, New Delhi and NCH, Mumbai Commissionerates, audit observed 34 cases of non-adjudication of SCNs involving duty ₹ 12.61 crore issued between July 2011 and February 2015 as illustrated below.

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<sup>39</sup>M/s Ford India Private Ltd.

**4.8.1** Chennai Sea Commissionerate: In 25 cases of Project contracts (2004-2010) involving CIF value of ₹ 460.22 crore, SCNs were issued, for non-submission of requisite documents for finalisation. These SCNs issued during 2011 to 2012 were pending for adjudication upto July 2016. Out of the 25 SCNs, four SCNs were pending adjudication for more than five years and 21 SCNs were pending adjudication for more than four years. Out of 25 case, in 11 cases, the duty demanded was ₹ 12.06 crore and for the remaining 14 cases, the details of duty demanded were not furnished by the Commissionerate.

DoR in their reply (December 2016) stated that SCNs have been issued for non-submission of required documents and the adjudication will be completed after following due process.

**4.8.2** In ACC, New Delhi Commissionerate audit observed that three SCNs were issued (February 2015) to one importer<sup>40</sup> for non-submission of requisite documents for finalisation. After conducting (March 2016) personal hearing, the Commissionerate, granted extension to the importer for submitting documents upto April 2016. However, Audit observed that the documents had not been submitted by the importer upto June 2016 and adjudication proceedings were pending.

DoR in their reply (December 2016) stated that SCNs was issued to the importer in 2015 and shall be adjudicated soon.

**4.8.3** In NCH, Mumbai Commissionerate verification of SCN register in the contract cell revealed that 61 SCNs issued after April, 2011 were pending for adjudication as on date of audit (June/July 2016). Out of 61 SCNs, 58 SCNs were pending adjudication beyond six months. Audit found that common reasons for pendency were:-

- (a) delayed action/pending finalization of BEs from other ports or pending PSV from Central Excise Authorities;
- (b) departmental inaction, monitoring lapses, non- follow up and untraceable files.

In JNCH, Mumbai neither the SCN register nor did statistics of issuance/pendency of SCNs were furnished to audit.

DoR in their reply (December 2016) stated that in NCH, Mumbai Commissionerate, out of 58 SCNs pending beyond six months, 23 SCNs have been adjudicated till date. Efforts are on for early adjudication for pending cases by contacting the Central Excise Authorities for expediting the required

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<sup>40</sup>M/s NBCC Ltd.

reports in these cases. In JNCH, Mumbai Commissionerate, SCN register is now being maintained.

#### **4.9 Non recovery of confirmed demands**

Section 28(10) of Customs Act, 1962 provides that where an order determining the duty is passed by the proper officer under this section, the person liable to pay the said duty shall pay the amount so determined along with the interest due on such amount whether or not the amount of interest is specified separately.

**4.9.1** ACC Commissionerate, New Delhi: Audit observed (June 2016) that in two contracts involving CIF value of ₹ 44.86 lakh, contractors failed to submit documents required for finalization. The Commissionerate adjudicated (November 2014 and January 2015) SCNs and confirmed differential duty of ₹ 10.81 lakh and penalty of ₹ 2.70 lakh respectively. The recovery was, however, pending as on June 2016.

DoR in their reply (December 2016) accepted the non recovery of the confirmed demand.

**4.9.2** In case of provisional assessment, importer can pay duty with interest in advance; awaiting finalization of assessment and such payment is to be adjusted in final assessment<sup>41</sup>.

In Kolkata Commissionerate one importer<sup>42</sup> registered (May 2011 and January 2012) two contracts to import goods required for initial setting up of transmission line associated with Sasan Ultra Mega Power Plant. After registration of the contracts, the importer intimated (between December 2012 and May 2013) Customs Department that as per the price escalation clause in the purchase contract, the foreign supplier had raised supplementary invoices against some of the supplies and hence additional duty may be assessed thereon. Subsequently, the Department assessed, between April and July 2013, the customs duty payable against the supplementary invoices and issued letters asking the firm to pay the duty along with applicable interest.

It was, however, observed (June and July 2016) that out of the two contracts in one case registered in January 2012, the firm paid the differential duty of ₹ 1.09 crore against total differential duty of ₹ 1.42 crore. Further, the firm had not paid interest on the differential duty against both the contracts. The Commissionerate had not taken any action to collect the balance differential

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<sup>41</sup>As provided in Board's circular No.40/2011-Customs dated 09 September 2011

<sup>42</sup>M/s Power Grid Corporation of India Ltd.

duty of ₹ 32.85 lakh and the interest, against both cases totaling ₹1.80 crore (₹ 37.81 lakh plus ₹ 1.42 crore) resulting in blockage of Government revenue.

DoR in their reply (December 2016) that a letter was sent to the importer and a reply has been received in the Commissionerate along with relevant enclosures. Final reply will follow.

#### **4.10 Conclusion**

*Audit observed instances of weak or incorrect compliance to the existing provisions. Contracts for substantial expansion of project being allowed without actual verification, delay in submission of documents, inadmissible imports of goods and clearance of undedicated goods revealed deviation from the procedures of PIR, 1986.*



## Chapter 5: Facilitation of imports under Project Imports

With a view to facilitate smooth and quick assessment by a simplified process of classification and valuation, the goods imported under Project Imports are classified under a single Customs Tariff Heading (CTH). In other words, facilitation of project imports is expected to prevent undue delays in cargo clearance and quick and simple assessment procedure.

Audit examined some aspects of facilitation, like the dwell time of cargo at the ports, submission of documentation by the importers, time taken by the Commissionerates in finalising provisional assessments of BEs and finalisation of contracts. Audit findings are narrated in subsequent paragraphs.

### 5.1 Dwell time for goods cleared under Project Import

Dwell time is the measure of the time elapsed between arrival of the cargo into the port to the time taken for goods to leave the port premises after all permits and clearances have been obtained. It is an important indicator of impact of trade facilitation measures.

A time release study was conducted by CBEC to identify inordinate delays in the various stages of import clearances for BEs given out of charge (OOC) during the period 2010-11 to 2013-14. The report of the dwell time analysis compiled from the details furnished by the Commissionerate revealed that there was a downtrend in dwell time and the decrease was from 13.94 days during 2010-11 to 10.95 days during 2013-14. The decline was attributed to various ICT measures adopted by CBEC/DGFT and rationalization of procedures.

One of the main objectives of the Project Imports scheme was to simplify the procedures by single classification/single rate of duty for various types of goods and consequent facilitation to importers by quicker customs clearance of the imported goods. The Board (September 2016) confirmed that dwell time study for the clearance of Project Import goods was not conducted by them. DoR in the entry conference for this Performance Audit provided details of average dwell time for Project Import goods as under:

**Table No. 9: Dwell time for Project Import goods**

Port	Dwell Time (in days)
Chennai	26.2
JNCH, Mumbai	27.7
Mumbai-I	15.5
Mundra	6.2
Kolkata	30.4

Source: CBEC

All India average dwell time during the year 2013-14 was 10.95 days for all category goods. Audit, however, noticed the delay in clearance of Project Import goods.

**Table No. 10: Delay in clearance of Project Import goods**

Port	No. of case in which delay noticed	Delay ranges between	Average delay (in days)
Chennai	52	27 and 297 days	61
NCH, Mumbai	18	16 and 109 days	25
JNCH, Mumbai	18	28 and 158 days	50
ACC, New Delhi	13	16 and 54 days	27
ICD/TKD	8	18 and 80 days	39
ICD City Bangalore	7	56 and 100 days	70

Thus, even though various measures have been adopted by CBEC/DGFT for rationalization of import procedures, project imports clearances at the ports test checked by audit continued to experience heavy delays.

DoR in their reply (December 2016) stated that dwell time has been taken from the time of filing the Bill of Entry till the time of OOC. The dwell time referred might have included the time taken by importers also. At times the delay cannot be attributed to the departmental officers, delay occurs due to the non-submission of documents in time and time taken in duty payment by the importers. Since clearances require verification of various documents produced by the parties, debiting of bond and entering necessary particulars in register manually, dwell time may increase. However, efforts are being made to ensure speedy clearance.

DoR has suggested that a study may be undertaken for the time taken for assessment i.e. time between filing of B/E and assessment and time taken for out of charge i.e. from time of registration of goods at docks/CFS and out of charge.

Commissionerate wise factual information furnished by DoR ( December 2016) was under examination.

## **5.2 Inadequate facilitation and delays due to cumbersome documentation**

One of the trade facilitation measures initiated by the Department is reduction in the volume of documents, to avoid delays due to cumbersome documentation process.

DoR in their submission to PAC (Audit Report No. 13 of 2015) with reference to reduction in number of documents stated that most of the activities related to customs clearance have already been automated. The task to ease of doing business is enhanced by reducing manual interface and

reducing/replacing manual documentation by online verification of message exchanges with other partner regulatory agencies.

Under regulation 5 of PIR 1986, the importer desirous of claiming assessment under Project Imports is required to register the contract along with a set of multiple documents like industrial license, SSI certificate, recommendation letter from the sponsoring authority, plant design and location, list of goods etc. According to regulation 7 of PIR 1986, the importer is required to submit a reconciliation statement indicating the details of goods imported, along with other supporting documents as proof regarding the value and quantity of goods imported, within three months or extended period as authorised, of import of last consignment of imports for home consumption.

Audit scrutiny revealed that in 164 contracts in 15 Commissionerates<sup>43</sup> the importers had not submitted the reconciliation statements/other documents or submitted the same with delay of more than three months resulting in delay in the process of finalisation of contracts. The CIF value involved in the contracts was ₹ 20,507.91 crore and duty foregone was ₹ 2,789.12 crore.

In NCH, Mumbai Commissionerate, there were 275 contracts involving 124 importers with CIF value of ₹ 7,296.22 crore, registered between 1993 and 2015 pending due to non-submission of requisite documents. Among 275 contracts, 108 contracts pertained to Public Sector Undertakings (PSUs). Among PSUs, the biggest non-compliance was from two importers<sup>44</sup> which did not submit their documents in 74 and 22 contracts respectively resulting in non-finalisation of contract value of ₹ 4,142.21 crore and ₹ 1,226.21 crore pertaining to the year between 1994 and 2009.

In contracts selected in JNCH, Mumbai Commissionerates, audit noticed 33 cases of delay/non-submission of documents for finalisation, involving CIF value of ₹ 2,092.80 crore and duty foregone of ₹ 73.66 crore. In these cases, the delay is on an average of 976 days.

Audit observed that none of the Commissionerates mentioned above initiated any action to levy penalty in case of non-submission/incomplete submission of documents within the prescribed time as stipulated in CBEC Circular dated 4 May 2011.

Commissionerate wise factual information furnished by DoR (December 2016) was under examination.

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<sup>43</sup> Ahmedabad, Bangalore (City) ICD, Chennai Sea Customs, Cochin, Hyderabad, Jamnagar, Kandla, Kanpur, Kolkata, Ludhiana, Mumbai (JNCH), Mumbai (NCH), New Delhi (ACC), Noida, and Vishakhapatnam

<sup>44</sup> M/s Bharat Heavy Electrical Ltd. (BHEL) and M/s Gas Authority of India Ltd. (GAIL).

In a study report by Federation of Indian Export Organisation (FIEO)<sup>45</sup> it was stated that while Government has reduced the documentation for imports and exports and many of the Schemes, the huge amount of documentations required for project imports deter small and medium manufacturers to avail project import benefits and they thus prefer to import on normal tariff rather than adding to their transaction time & cost.

While, better monitoring of completion of project imports especially at senior level, and timely finalisation of contracts is a must for improved functioning of the scheme, there is also a need to review and simplify the documentation procedure for Project Imports which consequently causes the delay in finalisation of contracts for indefinite period.

***Recommendation: Audit recommends that the Ministry may consider reviewing the volume of documents required under the Project Import scheme with a view to simplify the requirements.***

The Board during the exit meeting stated (19 December 2016) that documents specified in the Regulation for pre and post import stages are reasonable. However, Ministry concurs with the audit on the need for meticulous monitoring at the senior level.

Audit is of the view that, multiple set of documents required to be submitted by importer at the time registration and finalisation of contracts should be reviewed and rationalised to encourage ease of business and trade facilitation.

### **5.3 Delay/non-finalisation of provisional assessment of BEs**

According to paragraph 5.3 of Chapter-5, assessments are to be finalised within a period of three months after submission of the reconciliation statement and other documents by the importers, where PSV is not required and six months where PSV is required. Further, to avoid delay in cases where imports effected from ports other than the port of registration of contract, the Board in circular dated 4 May 2011 instructed that concerned Custom House Agents and Commissionerate should ensure that BEs are finalised without undue delay.

Audit scrutiny of the records of six Commissionerates<sup>46</sup> revealed that there were delays in finalisation of provisional assessments of 633 BEs pertaining to 23 project contracts (CIF value ₹ 8,708.16 crore). The delay was more specifically due to non-finalisation of imports effected by the importers from the ports, other than port of registration.

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<sup>45</sup> Report dated 13.07.2016.

<sup>46</sup> Ahmedabad, ACC Bangalore, Bhubaneswar –I (Paradip Division), Mumbai JNCH, Mumbai NCH, Kolkata.

A case is illustrated below:

In Kolkata Commissionerate, the provisionally assessed 81 BEs involved in eight contracts (CIF value ₹ 840.65 crore) pertaining to six importers were pending finalisation despite receipt of reconciliation statement and other documents. There was on an average delay of 952 days, calculated from expiry of six months after submission of the reconciliation statement and other documents till 31 March 2016, in these cases.

DoR in their reply (December 2016) stated that though Reconciliation Statements have been submitted, submission of other documents like utilisation certificate from an Independent Chartered Engineer & Head of Department (in case of PSUs), Bank Remittance Certificate, Purchase Order Acceptance Letter etc. are to be submitted.

Reply of DoR is not acceptable as in cases where the requisite statement/documents are not submitted in time or submitted incomplete, necessary action for enforcing bond/undertaking, cash security/bank guarantees executed in this regard, issue of notice for demand of duty, penalty for non-compliance with the provisions of the Regulations was required to be initiated against the importers as per Circular dated 04 May 2011. In none of the cases was such action observed to have been taken. Responses in respect of Ahmadabad, Bangaluru, Bhubaneshwar, NCH and JNCH, Kolkata and Mumbai Commissionerates furnished by DoR (December 2016) were under examination.

#### **5.4 Delay/non-finalisation of project contracts**

As per circular dated 4 May 2011, finalisation of assessments under project imports should be completed within a period of 60 days from the date of submission of required documents by the importer. However, in exceptional circumstances where it is not possible to complete the finalisation within time limit for justifiable reasons, the time limit may be extended by the Jurisdictional Commissioner of Customs for such further period as may be decided by him and for the reasons to be recorded in writing.

Where the requisite statement/documents under Regulation 7 of PIR, 1986 is not submitted in time or submitted incomplete, then necessary action for enforcing bond/undertaking, cash security/BGs executed in this regard, issue of notice for demand of duty, penalty for non-compliance with the provisions of the Regulations may be initiated against the importer.

In the study report by FIEO<sup>47</sup>, it has been stated that time stipulated by CBEC to complete the assessments within 60 days from the date of submission of

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<sup>47</sup> FIEO Report dated 13.07.2016.

required documents by the importers has not been implemented in the field formations in letter and spirit. There is a need for meticulous monitoring at the senior level so that the time limits are strictly adhered.

Audit scrutiny of the records related to finalisation of Project Import contracts revealed that 55 contracts in 11 Commissionerates<sup>48</sup> involving CIF value of ₹ 4,004.63 crore, were either not finalised by the customs or the same were finalised with substantial delay. The average delay in these cases was 958 days (**Appendix 5**).

Few illustrative cases are detailed below:

(i) In Kolkata Commissionerate, 12 contracts registered by nine importers<sup>49</sup> between February 2003 and March 2013 for import of goods under PIR, 1986, were pending for finalisation despite receipt of the reconciliation statements and one contract<sup>50</sup> was finalised after 153 days from the date of receipts of documents for finalisation. However, in none of the cases, time for finalisation/for submission of documents for finalisation of contracts was extended by the authority concerned. Average delay in these cases was 1160 days.

Analysis of reasons for delay revealed that in eight cases, no action was taken despite receipt of documents while in three cases; no action was initiated to call for the documents. Further, in two cases, finalisation was pending on account of non-receipt of reply regarding finalisation of assessment of the bills of entry from customs authorities from where project import goods were imported by the importers.

Thus, non-adherence to timeline for finalisation of project contract cases was not only contrary to the Board's instructions but also resulted in non-reconciliation of revenue of ₹ 30.76 crore availed through duty concession under Project Imports.

(ii) In five finalised cases (CIF Value ₹ 73.46 crore) under Chennai Sea Customs Commissionerate, there was average delay of 380 days in finalisation of contracts. In one case, the delay was of two years pertaining to the import made through Air Cargo, Chennai under TRAs and the BEs to be finalised by Air Customs, Chennai.

In TRA cases, the finalisation got delayed as the BEs are required to be finalised by the concerned ports where the TRA is registered. This procedure

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<sup>48</sup>Bangalore ACC, Chennai Sea Customs, Hyderabad ACC, Kanpur, Kolkata, Mumbai NCH, Mumbai JNCH, New Delhi ACC, NOIDA, Patparganj ICD & other ICDS- Delhi, Vishakhapatnam.

<sup>49</sup>M/s Bharat Heavy Electricals Ltd and eight other importers.

<sup>50</sup>M/s Praxair India Pvt Ltd.

needs to be streamlined in order to avoid delay in finalisation of the Contracts.

Again, in 49 contracts involving CIF value of ₹ 2,306.99 crore, documents for finalisation of contracts were submitted to the Commissionerate between 2005 and 2015 but the Commissionerate was yet to finalise those contracts. Out of those 49 cases, 22 contracts (45 per cent) were pending finalisation for more than five years.

(iii) In ICD Patparganj, Delhi Commissionerate, one importer<sup>51</sup> registered (December 2004, July and August 2005) three Project Import contracts of CIF value of ₹ 26.62 crore, for substantial expansion of manufacturing of tempered safety glass at Rewari, Haryana. After last import in December 2005, the importer submitted reconciliation statement, BEs and other relevant documents in July 2006. PSV was also conducted in February 2008.

Commissionerate took more than six years to finalise (December 2014) these three cases without obtaining permission for any extension of time limit to finalise the case from the concerned Jurisdictional Commissioner of Customs.

Commissionerate wise response of DoR (December 2016) to the above observations was under examination.

***Recommendation: Audit recommends that Board may streamline the process and monitor the imports effected through other ports, by exploring the possibility of electronic transmission of TRA assessments (BEs) from TRA ports to the port of registrations, to avoid delay in finalisation of contracts.***

The Board during the exit meeting stated (19 December 2016) that based on the changes in the PIR, a Project Management Module will be developed in ICES 1.5 including electronic transmission of TRA assessments (BEs) from TRA ports to port of registration.

## **5.5 Transaction costs**

Transaction Cost includes differential costs of credit at international and domestic rates, procedural delays e.g. time for custom clearances and cargo handling, delays in transportation/costs of transportation due to poor connectivity of road, rail, port, airport, Cost of funds required including cash security, working capital requirement etc. and Cost of Compliance such as requirement of recommendations from the sponsoring authority, provisional duty bond along with revenue deposit of 2 per cent of the value of the goods, submission of reconciliation statement, site verification by the customs etc.

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<sup>51</sup>M/s Asahi India Glass Ltd.

Through the survey conducted by PHDCCI<sup>52</sup> it was estimated that transaction costs were to the tune of 5-14 per cent of total project imports under the Scheme which is a major problem cited by the respondents of the survey.

**Table No. 11: Break-up of Transaction Costs according to Industry Segment**

S.No.	Heads	Large (in per cent)		Medium (in per cent)	Average (in per cent)
		Public	Private		
1	Differential costs of credit at international and domestic rates	2	3	3	2.7
2	Procedural delays eg. Time for custom clearances and cargo handling	1-2	2	2-3	1.6
3	Delays in transportation/ costs of transportation due to poor connectivity of road, rail, port, airport	1-2	1-2	1-2	1
4	Cost of funds required including cash security, working capital requirement etc.	-	4	6	3.3
5	Cost of Compliance such as requirement of recommendations from the sponsoring authority, provisional duty bond along with revenue deposit of 2 per cent of the value of the goods, submission of reconciliation statement, site verification by the customs etc.	-	1	2	1
<b>Total</b>		<b>5</b>	<b>11</b>	<b>14</b>	<b>9.6</b>

Source: PHDCCI, Survey on Project Imports under CTH 9801, May 2016

As small enterprises surveyed are not availing the scheme, the transaction costs for small enterprises could not be determined.

As seen from the table above, costs on account of procedural delays like dwell time and delay in finalisation of provisional assessment constitute on an average 2 per cent of the total transactions costs. Further, the transaction costs reported by private sector at 11 per cent are significantly higher than the transaction costs reported by public sector enterprises at 5 per cent.

According to the PHDCCI survey, feedback from the medium and small sector respondents revealed that the process to import under CTH 9801 becomes cumbersome as-

- I. They have to manage the financials from the banks with so many compliances and tedious processes
- II. They have to fulfil minimum two percent of CIF value subject to maximum of ₹ 1crore norm which may not be feasible for all units.

However, the benefit is only three per cent as duties and levies under the normal imports are 26.5 per cent and duties and levies under Project Imports

<sup>52</sup>Report dated 15.07.2016

Scheme 9801 are 23.5 per cent. But the transaction costs including getting finance from banks, ₹ 1 crore norm of BG comes at around 14 per cent. So cost-benefit analysis becomes unfavourable to import under CTH 9801 until and unless there is some technical requirement to import machinery or technical know-how from the international market which is also cost-competitive as compared with India.

**Recommendation:** *Audit recommends that the Ministry review the factors contributing to high transaction costs associated with the Project Import scheme, and compare the benefits of the scheme, vis-a vis other schemes (like EPCG).*

The Board during the exit meeting (19 December 2016) and DoR in their reply (26 December 2016) stated that Project Import Scheme is not linked to any export obligation and it has its distinct advantages. Review of regulations would be taken up with objective of procedural simplification and enhancing level of automation in ICES 1.5. This would bring down the transaction cost.

#### 5.6 Awareness of the Scheme

PHDCCI survey revealed that among the respondents, the large enterprises were most aware of Project Imports Scheme under CTH 9801 while among the medium enterprises, around 5 per cent of the respondents are aware of the scheme while only 2 per cent avail it. The respondents from the small enterprises on the other hand, were least aware of the scheme (2 per cent).

**Table No. 12: Percentage of respondent firms aware about the Scheme and availing it**

S.No.	Scale of Operation	Awareness of the scheme (in per cent)	Availing of the scheme (in per cent)
1	Large Enterprises	14	10
2	Medium Enterprises	5	2
3	Small Enterprises	2	0

Source: PHD Research Bureau, Survey on Project Imports under CTH 9801, May 2016

Note: figures are rounded off

According to the survey, among the units surveyed, only 10 per cent large enterprises and 2 per cent of medium scale enterprises reported having utilised the scheme. None of the small scale sector enterprises out of 88 surveyed reported having availed the scheme.

Ministry's reply is awaited (December 2016).

#### 5.7 Conclusion

*Though the Project Import Scheme aimed at facilitation quicker imports, Audit found that factors like higher than average dwell time at ports, voluminous documentation, delay in provisional assessments and in contract finalisation*

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*contributed to nullify the objective of the Scheme for simplification procedures.*

## Chapter 6: Monitoring, co-ordination, and internal control

This section focuses on the appropriateness and adequacy of the procedures including procedures of management of data put in place by the DoR and CBEC for monitoring of the scheme implementation, coordination between the different departments and their field formations and internal control mechanism like reports, returns, information, and communication. The observations below highlight the issues where the monitoring and controls have been found to be weak, and coordination mechanisms which need to be strengthened.

### 6.1 Project Import data management in EDI System

The CAG, in its earlier Performance Audit Report (AR No. 24 of 2009-10), had recommended developing appropriate accounting and monitoring modules and integrating these with the EDI system to facilitate effective monitoring of project imports. In response, the CBEC vide Circular dated 4 May 2011 informed that the matter had been taken up with the DG, System for further action.

**6.1.1 Incomplete Project Import Data in EDI System:** At the time of registration of contract, there is a stipulated set of documents that are to be submitted by the importer, which includes vital details of the project such as name and location of the project, project implementation agency- Government/PSU/Private, name of the sponsoring authority, value of project and break-up of cost of goods and services, list of items to be imported as approved by the sponsoring authority and details of contracts/sub-contracts pertaining to the project. At the Commissionerate level, the contract registers maintain manually capture information like the unique registration number and date of a contract, CIF value of contract, amendments to the contract, details of imports admissible (Value and Quantity) against a contract and actual duty foregone etc.

Imports under a Project usually take place through several contracts viz., import of equipment and goods, indigenous purchases, rendering of Services etc., and each of these contracts may be registered in any of the Customs Commissionerate across the country for making imports. In ACC New Delhi, Chennai, Kandla, Kolkata, Mundra and NCH, Mumbai Commissionerates, Audit observed that despite Board's assurance, EDI system does not have any designated fields to capture imports made against essentiality certificate for a particular project under project import scheme. Lack of any designated field in the EDI system has led to following:-

- System is unable to generate detailed report of total import made under particular project import case at any point of time.

- Registration and finalisation of the project at port is being done manually.
- System does not have common centralised ledger for maintaining import (value wise, quantity wise and specification wise) made under particular project.
- Release advices (RA), in case where importers intend to import goods other than the port of registration, are being issued and monitored manually. Further, genuineness of RAs are being verified manually- i.e. the Commissionerate is still collecting finally assessed BEs in respect of imports other than the registered port manually, which leads to undue delay to finalise the cases where project is at the stage of finalisation. Scrutiny further revealed that Commissionerate is seeking one or two BEs from RA port to finalise the contract and due to want of status of these BEs, project remains un-finalised for indefinite period. Thus, there is no tool in EDI system to generate finally assessed BEs of other port where RA was issued.

In the absence of complete information regarding the project, it is a cumbersome and time-consuming process task to monitor the importation and finalisation of the Project Contract by the Commissionerate.

**6.1.2 Incorrect debit of Bonds in Bonds Module:** In terms of Regulation 5 (4) of the PIR, 1986, the importer has to furnish such other documents or other particulars as may be required by the proper officer in connection with the registration of contract which includes Continuity Bond with Cash Security Deposit. The Continuity Bond should be made for an amount equal to the CIF value of the contract sought to be registered.

The procedure being followed by the Project Import Group at the time of importation of goods in the Commissionerates that the Group is required to check the description, value and quantity of the goods imported vis-à-vis the description, value and quantity registered and the Bill of Entry is assessed provisionally. The Group keeps a note of the description of goods and their value in the Project Contract Register.

After the introduction of the ICES 1.5, the procedure is being followed by debiting the value of the Bond equivalent to the CIF value of imports made against the BE in the Bond module. In cases where the Telegraphic Release Advice (TRA) is involved and the imports are made through ports other than the Port of Registration, the bond is being debited for the TRA amount at the Port of Registration and manual TRA is issued for utilisation at the Port of importation.

Analysis of the data revealed that during the period 2011-12 to 2015-16, in 3202 BEs, imports were made under CTH 9801 for availing Project Import

benefits without debiting the bond. Consequently, the goods imported have been allowed the concessional duty/exemption from duty amounting to ₹ 1,133.05 crore applicable to Project Imports giving scope for misuse of the concession by utilizing the goods for purposes other than Project imports. It is pertinent to highlight the fact that the Bond Ledger is a very important document referred to and relied upon by the Commissionerate during the finalization of a contract as the credits and debits are made therein.

**Recommendation: Audit recommends that for having better control over the Project imports and for monitoring their credit/debits in the Bond Ledger in an efficient and accurate manner, Board may consider introducing a centralized Bond Management Module separately for Project Imports to monitor the imports made through the Port of Registration and the imports made in other Ports through TRA.**

The Board during the exit meeting (19 December 2016) and DoR in their reply (26 December 2016) Stated that Ministry concurs with the recommendation on creation of Centralised Bond Management and Project Management module in ICES 1.5 after a thorough review of PIR.

**6.1.3 Final assessment of BEs instead of provisional assessment:** As per Paragraph 4.1 of Chapter-5 of Customs Manuals, in respect of goods cleared under project import BE is assessed provisionally by debiting the value/duty against Bonds executed, pending finalization of the Project Contract by submission of prescribed documents.

From the data provided by the DG (Systems and Data Management) for the period from 2011-12 to 2015-16, audit ascertained that final assessment was resorted to instead of provisional assessment in 2532 BEs filed during the period 2011-12 to 2015-16 in 31 Ports<sup>53</sup>. The goods, involving Assessable value of ₹ 6,113.56 crore, were imported under Project Imports and classified under CTH 9801.

Few cases of ACC New Delhi, Cochin and Kandla Commissionerates verified by audit are detailed below:

- In Cochin Commissionerate, the Project Contract of one importer<sup>54</sup> revealed that four BEs filed in Kochi and other ports were assessed finally without debiting the Bond. Similarly, in another Project Contract<sup>55</sup> import was made (August 2015)

<sup>53</sup>ACC Ahmedabad, ACC Bangalore, Mumbai Sea, ACC Mumbai, Kolkata Sea, ACC Kolkata, Cochin Sea, Cochin Air Cargo, ACC Delhi, ICD Durgapur, ACC Hyderabad, Kandla Customs, ACC Jaipur, Chennai Sea, ACC Chennai, ICD Mandideep, Mundra, ICD Nagpur, NhavaSheva Mumbai, Pipavav Victor, ICD Patparganj, Paradeep, ICD Raipur, ICD-Sabarmati (Khodiyar), ICD Dadri, ICD Tughlakabad, Tuticorin Sea, ICD Tuticorin, ICD Tondiarpet, Vizac Sea, ICD Bangalore.

<sup>54</sup>M/s BPCL-KR IREP.

<sup>55</sup>M/s Prodair Air Products India Private Ltd.

through Nava Sheva Port on the basis of TRAs, but the final assessment was made without debiting the Bond. Assessable value of five BEs was ₹ 14.37 crore, involving duty of ₹ 3.10 crore.

- Similar observations of final assessment without provisional assessment were noticed in three contracts<sup>56</sup> (seven BEs-CIF value ₹ 3.05 crore) of ACC New Delhi Commissionerate.
- In Kandla Commissionerate, Audit observed from the finalised contract cases that in three contracts, importers got their import consignment cleared from various Custom Houses through TRAs. On verification, Audit found that in 17 BEs the Commissionerate allowed clearance of goods without assessing the goods under provisional assessment and bond was also not debited. This had resulted in irregular assessment of goods under project import for assessable value of ₹ 7.03 crore involving duty of ₹ 19.56 lakh.

In the Project Imports, the assessments are finalised after receipt of reconciliation statement, proof of installation of goods etc. and direct finalisation of BEs was therefore incorrect. It showed that there was inadequate validation in the EDI system to ensure mandatory provisional assessment.

DoR in their reply (December 2016) accepted the audit observation in respect of Cochin and ACC, New Delhi Commissionerates.

***Recommendations: Audit recommends that for effective monitoring of Project Import cases through Customs EDI system (ICES 1.5v) Board may explore the possibility of a Project Management Module on the lines of EPCG scheme in ICES for so as to reduce the dependency on monitoring of Project Import cases through manual system.***

The Board during the exit meeting stated (19 December 2016) that based on the changes in the PIR, a Project Management Module will be developed in ICES 1.5.

## **6.2 Inconsistency in databases of CBEC field formations**

Audit while conducting this performance audit observed that the databases maintained by three entities viz. (i) at the Commissionerates, (ii) Directorate General of Performance Management (DGPM) and (iii) Directorate General of Systems and Data Management had mis match of data as detailed below:

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<sup>56</sup>Contract Nos. 2/2008, 3/2009 and 2/2015.

**(i) Revenue figures during FY 12 to FY 16 captured by field formations of CBEC**

Audit observed that revenue figures during FY 12 to FY 16 captured by CBEC website, Directorate General of Performance Management and Directorate General (Systems and Data Management) are inconsistent as detailed below:

**Table No. 13: Revenue figures captured by field formation of CBEC**

₹ in crore

Source of information	FY 12	FY 13	FY 14	FY 15	FY 16	Total
CBEC's website (cbecddm.gov.in)	3759.40	3074.21	2759.12	1185.85 (upto11/2014)	Not available	10778.60
Directorate General of Performance Management (DGPM)	2422.60	2312.83	2305.22	1328.16	1151.64	9520.45
DG (System)	1930.80	1913.27	1844.39	1239.44	1161.78	8089.68

DoR in their reply (December 2016) stated that DG (Systems) figures are based on retrieval of data from Electronic Data Warehouse (EDW) which do not take into account the non EDW/manual BE. DGPM is nodal agency for monitoring reports and they receive reports from field formations which is then compiled. However the difference in the report of DGPM and DDM are under examination.

**(ii) Contract details reported by CBEC and Commissionerates**

The information received from CBEC was co-related by audit with the information provided by the 24 Commissionerates. Audit observed lack of consistency in the databases of CBEC and the Commissionerates as detailed below:

**Table No. 14: Contract details**

(CIF Value is in ₹ crore)

Source	Opening balance as on 1 April 2011		Contracts registered during FY 12 to FY 16		Contracts finalised during FY 12 to FY 16		Closing balance of Contract on 31 March 2016	
	Nos.	CIF value	Nos.	CIF value	Nos.	CIF value	Nos.	CIF value
CBEC	1594	3,09,596	946	1,65,318	653	55,969	1929	4,16,658
Commissionerates	1905	1,34,091	994	1,35,547	676	27,055	2223	2,60,176

Commissionerate wise factual information furnished by DoR (December 2016) was under examination.

**(iii) Mis-match in Commissionerate database: Audit scrutiny of records/reports maintained at the Commissionerates level brought cases of mis-match of information/data as detailed below:**

**Table No. 15: Mis-match in Commissionerate level data**

Comm.	Figures as per			
	Comm.	Quarterly Report	Contract Register maintained	CBEC
Kandla	70 contracts registered with value of ₹ 3,469.93 crore	80 contracts registered	71 contracts registered with value of ₹ 7,267.81 crore	79 contracts with value of ₹ 3,467.80 crore
	77 contracts finalised	--	79 contracts (as per audit)	45 contracts finalised
	89 contracts (83 Private +6 Govt./PSU) shown as closing balance of FY 16	--	89 contracts (80 Private+9 Govt./PSU) as revealed in audit	94 contracts (87 Private+7 Govt./PSU) shown as closing balance of FY 16
ICD (City), Bangalore	39 contracts finalised during FY 12 to FY 16			Nil contracts finalised during FY 12 to FY 16

DoR in their reply (December 2016) stated that in Kandla Commissionerate, the figures have been rectified and due care has been taken now for correct reporting.

Other instances of mis-matched noticed were:

- As per information furnished by CBEC, contracts were shown as registered in Chennai and Kandla Commissionerates, but no duty collected and duty foregone was shown in Commissionerates records.
- Ahmedabad Customs and Bhubaneswar Commissionerate stated in CBEC's information that duty foregone amount could not be ascertained for BEs filed in EDI system.
- Allahabad Commissionerate had shown the opening balance of one contract during 2012-13 and 'nil' addition/clearance during FY 13 to FY 16. However, instead of closing balance of one contract, it was shown as 'Nil' in FY 16 which needs reconciliation.
- In respect of Ahmedabad Customs, CBEC data shows six contracts as an opening balance of FY 12, leaving the 28 contracts of Custom House Surat, unreported.
- Five Project Contracts registered at Air Cargo Complex, Ahmedabad were shown as Government/PSU sectors contracts instead of private sector contracts.

Reply of Ministry is awaited in these cases (December 2016).

**(iv) Incorrect reporting of pendency of Project contracts**

Board vide circular dated 4 May 2011 clarified that the concerned Commissioner of Customs should monitor the pendency of Project Import cases and submit a monthly report to the Chief Commissioner of Customs in charge of the Zone, in the prescribed format. The Chief Commissioner of Customs will monitor the pendency and send a quarterly consolidated report of the Zone by 15th of next month to the Directorate General of Inspection (Customs & Central Excise), New Delhi in prescribed format. The DGIC&CE

will in turn monitor the pendency at All India level, in centralized manner and will report to the Board on a quarterly basis about the progress made in finalization of Project Imports, trend of compliance etc. and suggest corrective measures to be taken, if any.

Audit observed that in 12 Commissionerates<sup>57</sup> the instruction in circular dated 4 May 2011 have not been implemented in spirit (as detailed in **Appendix 6**) resulting in incorrect reporting of Project Import cases.

The inconsistent statistical information captured in different records/field formations of CBEC shows that there is no robust system for database management to monitor Project Import cases.

DoR in their reply (December 2016) stated that respective Commissionerates have stated that remedial action has been initiated.

**Recommendation: Audit recommends that Board may consider having a centralised database for project import cases so that inconsistency of data among different entities could be avoided.**

The Board during the exit meeting stated (19 December 2016) that Ministry concurs with recommendation on creation of Centralised Database in ICES 1.5 after a thorough review of PIR.

### 6.3 Monitoring of Bank Guarantee (BG) and Bond

Bank Guarantee (BG)/Bond is required to be given by the importer at the time of registration of contract or to be revalidated on expiry of the executed BG/Bond from time to time as under:

**Table No. 16: Bank guarantees and Bond**

Period	Amount of BG to be obtained	Authority
<b>Bank Guarantee</b>		
Upto 28.02.2011	2 per cent of CIF value of contract (₹ 50 lakh cash security and balance amount in the form of BG).	Circular dated 09.08.1995
From 01.03.2011	Only BG of 2 per cent of CIF value of contract (maximum ₹ 1 crore). Cash Security discontinued. BG is to be renewed from time to time.	Circular dated 01.03.2011.
Exemption to Government Departments/PSUs		Circular dated 24.03.1993
For Power project having provisional status of mega power, Fixed Deposit Receipts (FDRs)/BG equivalent to duty payable but for exemption under project import, is required to be given.		As per condition No. 93 of Sr. No. 507 of notification dated 17.03.2012
Period	Amount of BG to be obtained	Authority
<b>Bond</b>		
In terms of paragraph 3.3 (v) of Chapter 5 of CBEC's Customs Manual, 2014, Continuity Bond equal to the CIF value of the contract sought to be registered is also required to be executed by the importer		

<sup>57</sup> Ahmedabad, Kandla, Mundra, ICD City, Bangalore and Mangalore, Tuticorin, Kanpur, ACC, New Delhi, ICD, Hyderabad, Noida, NCH and JNCH, Mumbai.

### 6.3.1 Submission of BG and Bond

Seven contracts registered between March 2009 and April 2015 in four Commissionerates,<sup>58</sup> audit observed (April to July 2016) that importers either not submitted the BGs or submitted the same for lesser amount resulting in non/short submission of BGs of ₹ 32.67 crore. Two cases of excess submission of BGs of ₹ 9.10 lakh also noticed in ACC New Delhi Commissionerate.

Audit further observed in four contracts of four Commissionerates<sup>59</sup> that importers executed the bond with shortfall of ₹ 232.21 crore.

DoR in their reply (December 2016) accepted the audit observation in respect of ACC, New Delhi, Kandla, Kolkata and NCH, Mumbai Commissionerates. In respect of Ahmedabad and Chennai Commissionerates, reply is awaited.

In respect of Mangalore Commissionerate, DoR stated that as the importer was obtaining Essentiality Certificates in a phased manner, there was no necessity to further execute an additional bond. In respect of Cochin Commissionerate, DoR stated that the amount of Bond is based on the value of the goods likely to be imported at the relevant exchange rate. As there is fluctuation in the exchange rate at different points of time, the value in INR may vary. Therefore, the bond registration for Rs.1700 crore was only for an approximate anticipated value.

Reply of DoR is not acceptable because as per PIR, 1986, Bank Guarantee (BG) to be obtained should be equivalent to the CIF value of imports.

### 6.3.2 Revalidation of BG and Bond

Audit observed that in six Commissionerates<sup>60</sup>, 37 BGs of ₹ 66.49 crore executed by the importers against availing duty concessions under Project Import had expired, however, no action was taken by the Commissionerate to renew the same resulting in non-safeguard of the revenue involved in these ongoing project contracts.

Further, Audit observed two cases<sup>61</sup> wherein bond amounting to ₹ 1341.53 crore executed between 2008-09 and 2011-12 expired between 2009-10 and 2012-13. On expiry of validity of bond, the Commissionerate cannot take action to enforce the same in the event of default by the importers. Non-revalidation of these bonds led to revenue being unprotected.

Commissionerate wise factual informations furnished by DoR (December 2016) was under examination.

<sup>58</sup> Ahmedabad, ACC New Delhi, Kandla and Mumbai (NCH)

<sup>59</sup> Mangalore (NCH), Chennai Sea Customs, Cochin and Kolkata Commissionerate

<sup>60</sup> Ahmedabad, Chennai Sea Customs, Kandla, Kolkata, Ludhiana, NCH Mumbai

<sup>61</sup> One case each in Kandla Commissionerate and Mumbai (JNCH) Commissionerate

#### 6.4 Maintenance of records

Regulation 4 and 5 of PIR, 1986 read with provisions contained in Appraising Manual (Volume-I), envisages maintenance of Project import contract register. As per provisions, each Commissionerate has to maintain project import register in the form prescribed and project number/date assigned should be recorded at the time of registration. The details of contracts, contract value and imports made (BE No./RA No.) are also required to be recorded in this register and the register should be reviewed once in a month by the proper officer for effective monitoring of the contracts.

**6.4.1** Audit observed that in 15 Commissionerates<sup>62</sup>, maintenance of records pertaining to Project Import cases was improper. Commissionerate wise deficiencies observed and its impacts on the consistency in reporting to the management are detailed in **Appendix 7**. Few illustrative cases of improper maintenance of records are detailed below:

- In ICD Khodiyar, ACC Bangalore, ICD Hyderabad, Paradip Customs Division and Noida Customs contract registers were not maintained.
- In 11 Customs ports<sup>63</sup>, contract registers were maintained improperly lacking the details such as imports details, value of imports, duty paid, duty foregone etc. details of TRA imports. In absence of updating of registers, audit could not ascertain the exact details of number of and value of contracts registered, Details of finalised contracts, pendency of contracts etc.
- In one contract (Contract No. 1/2005) registered in February, 2005 in Mangalore Commissionerate, duty was paid in February, 2005. The contract was finalised in December, 2006 and cash security was also refunded to importer. However, the Commissionerate in March, 2015 i.e. after nine years asked the importer about the status of the contract i.e. contract was finalised or not and submit the copy of OIO. Thus, asking copy of finalisation order from importer, after nine years disclosed the improper monitoring of project import cases.
- In ACC New Delhi Commissionerate, in two contracts (M/s DMRC Ltd.), while debiting value of goods imported under project import, value of goods cleared on merit rate was also debited by the customs from the Bond value resulting in excess debit of ₹ 3.70 crore from the registered value of contracts.

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<sup>62</sup>ICD, Khodiyar, Ahmedabad, Kandla, Mundra, ICD City, Bangalore and Mangalore, ACC, Bangalore, Chennai, Sea, Cochin, ACC, New Delhi, Hyderabad, Kolkata, Noida, NCH and JNCH, Mumbai and Tuticorin.

<sup>63</sup>Kandla, Mundra, ICD (City) Bangalore, Mangalore Customs, Chennai Sea, Tuticorin, Cochin, ACC New Delhi, Kolkata, NCH-Mumbai and JNCH, Mumbai.

The non-maintenance/improper maintenance of contract registers, led to the poor internal control management by the higher authorities.

DoR in their reply (December 2016) stated that all Commissionerates have noted audit observation for compliance.

**6.4.2** There are 848 pending/on-going contract files in Contract cell, NCH, Mumbai Commissionerate involving CIF value of ₹ 30,252.15 crore as on 31 March 2016, out of which 177 (21 per cent) files pertaining to years 1990 to 2010 involving CIF value of ₹ 3,031.03 crore were reported to be missing/not traceable in the Contract Cell as detailed in **Appendix 8**. The value of goods imported in some of these missing files was much higher involving considerable duty concession. These contract files should have been monitored with more emphasis and finalised after obtaining all documents and assurances about their installation and end use. The following details indicate the number and value of the contracts files of which were missing:

**Table No. 17: Summary of missing files in NCH, Mumbai**

Missing details	Files	Files involving import >₹ 100 crore	Files involving imports between ₹ 100 and 50 crore	Files involving imports between ₹ 50 and 10 crore	Files involving import <₹ 10 crore
No. of files		7	6	17	147
Total CIF value		2090.18	467.16	332.46	141.23
Period		1996 to 2008	2005 to 2008	1990 to 2009	1995 to 2007

NCH, Mumbai Commissionerate/Board may ascertain the reason for missing files from the Project Imports cell.

Ministry's reply is awaited (December 2016).

### **6.5 Lack of co-ordination between inter-departmental authorities**

In Kandla Commissionerate, Audit observed (April-July 2016) that there was lack of proper coordination between the inter-departmental authorities as detailed below:

**6.5.1** Final import of an importer<sup>64</sup> (registration No. 04/2006 dated 15 June 2006) was completed on 24 January 2007 and the importer requested for finalisation of the contract vide letter dated 29 June 2009 after which Customs, Kandla requested Customs, Nhava Sheva, Mumbai to submit finalised BEs to finalise the project contract vide letter dated 13 July 2009. In this regard though four reminders had been issued by the Customs Kandla, no action was initiated by Customs Nhava Sheva, Mumbai till date (June 2016), even after lapse of more than six years. The project contract still remains non-finalised due to lack of co-ordination.

<sup>64</sup>M/s IDMC Ltd., Anand

DoR in their reply (December 2016) stated that Kandla Commissionerate has issued SCN to M/s IDMC Ltd.

**6.5.2** In another case, an importer<sup>65</sup> got registered (September 2008) vide Registration No.04/2008 dated 9 September 2008 for initial setting up of the unit. The same unit was again allowed for another registration of Project Import for initial setting up vide Registration No. 06/2010 dated 29 June 2010 even though the same was to be registered under substantial registration. Neither the Sponsoring authority nor customs authority/Central Excise had knowledge whether the unit falls under the category of “Initial setting up” or “Substantial expansion”, which is solely dependent on declaration given by the importer. This resulted in non-compliance to the Board’s instruction to substantiate their claims of substantial expansion by producing documentary evidence like, CE certificate, annual account books/balance sheets etc.

DoR in their reply (December 2016) stated that both the projects were registered for initial setting up based on the recommendation of the sponsoring authority.

Reply of the department is not acceptable because in respect of M/s. Ramoji Granite Ltd., the Ministry of Commerce and Industry, in the letter dated 24-05-2010 stated the unit was an existing unit with capacity of 36 lakh sq.mtr and additional capacity 19 lakh sq. mtr. was proposed to be added. This proves that project import registered second time under registration No. 6/2010 dated. 29-06-2010 was for substantial expansion. Hence, merely accepting the sponsoring authorities certificate without verification by Customs Authorities reflects poor coordination between the departments.

**6.5.3** Further, in one more case, an importer<sup>66</sup> was registered under Registration No.19/2008 for value of CIF ₹13.20 crore and was reported as pending for finalisation at the time of audit (March 2016). Details of import made under this contract were not found on records at Customs, Kandla.

Audit, however, cross checked the details of importer with jurisdictional Central Excise Range, Wankaner and observed that unit imported capital goods worth ₹ 2.99 crore between October and November 2008 through four BEs under the same contract and on contract being finalised, Kandla customs had refunded Cash Security Deposit of ₹ 8.68 lakh.

Though DoR in their reply (December 2016) stated that the project has been finalised, the date of finalisation of project was not provided.

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<sup>65</sup>M/s Ramoji Granite Ltd.

<sup>66</sup>M/s VarmoraGranitoPvt. Ltd., Wankaner.

These instances highlight lack of co-ordination between Customs and other inter-departmental authorities resulting in unnecessary delay and non compliance with procedures.

DoR in their reply (December 2016) stated that the project has been finalised. However, in March 2016, audit noticed that the case was pending to import and case was not finalised.

#### **6.6 Improper finalisation of contract ignoring additional contract**

In Kandla Commissionerate, Audit observed that importer<sup>67</sup> had initially registered a project vide No. 18/2010 (September 2010) for CIF value of ₹ 12.05 crore and later on, additional registration of CIF value of ₹ 5.12 crore was added (February 2011).

On verification of O-I-O dated 17 October 2011, it was noticed that the contract was finalised for CIF value of ₹ 12.05 crore and the cash security of ₹ 24.15 lakh was also refunded to the importer. Audit noticed that balance amount of ₹ 5.12 crore was not considered in O-I-O and the contract was finalised ignoring the additional contract ₹ 5.12 crore and cash security of ₹ 10.24 lakh was also not released to the importer despite the contract being finalised.

DoR in their reply (December 2016) stated that the additional project for CIF value for Rs. 5.12 crore was added on 01.02.2011. SCN in the matter would be issued for finalization of the remaining value of project.

#### **6.7 Conclusion**

*Though Customs Department has computerised its operations through the EDI system, the performance audit has revealed that no steps have been taken to integrate the Project Import scheme within the EDI system. Consequently, it is almost impossible to have a complete overall picture of all the imports being effected under the projects registered under the scheme, besides making the monitoring of the scheme highly cumbersome and dependent on manual interventions. The Ministry needs to review the monitoring and control of the scheme implementation to strengthen the data base management, tighten internal controls for better reporting and for timely finalisation of project import contracts.*

*Instances of poor maintenance of records by the Commissionerates and huge numbers of Project Imports files of ongoing projects missing in NCH Commissionerate, Mumbai indicate inadequate internal control mechanism in the Commissionerates.*

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<sup>67</sup>M/s Donato Vitrified Pvt Ltd.

## Chapter 7: Conclusion

The Scheme was introduced in 1965 and further amended in 1986 with the main objectives to simplify the procedures by single classification/single rate of duty for various types of capital goods and spare parts for use in industrial plants aimed at enhancing the manufacturing capacity base of the country, and consequent facilitation to importers by quicker customs clearance of the imported goods.

The scheme was introduced at a time when tariff structure in India was complex, and tariff barriers were comparatively high. However, there has been simplification/revision in duty structure during last 15 years and lesser rate of duty in categories of goods required for setting up of an industrial plant or project. Other schemes such as EPCG/Zero duty EPCG and other trade promotion measures have been introduced subsequent to Project Imports providing similar kinds of benefits for capital goods for manufacturer-exporter.

During the years FY 12 to FY 16 there has been decelerating trend in number of contracts registered and revenue generated and the percentage of new contracts registered under the scheme has come down by almost half (49 per cent) and revenue from project imports has declined by about 40 per cent. It was in this background that a performance review of the Project Import Scheme was taken up.

Review of the implementation of the scheme has brought out weaknesses/gaps in statutory provisions which have created opportunities for inconsistent application of law.

Audit observations on compliance issues are indicative of an overall inefficiency in the scheme implementation, and deficient action on part of the department. Collating data and information on certain trade facilitation measures, Audit has concluded that the benefits of trade facilitation have not accrued to the Project Imports. In fact, high transaction costs could be keeping away the medium and small scale importers/manufacturers from taking benefits of the scheme.

Finally, lack of integration of Project Imports scheme with the EDI system remains one of the biggest stumbling points for better implementation and monitoring of the scheme.

Overall, the above conclusions indicate that the Project Import scheme may have outlived its utility in view of newer and more beneficial schemes for capital imports and rationalisation of duty structure. DoR has also acknowledged that there is a lesser need to rely on imported technology and

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machinery due to increased indigenisation, and also that all exemptions are under review in the context of implementation of GST. Thus, this is the right time for reviewing the scheme and its continuation for new projects, through inter-Ministerial consultations.

This performance audit has revenue implication of ₹ 1,822 crore in addition systemic issues worth ₹ 203 crore which could not be recovered due to inconsistency and ambiguity in the existing regulations and rules besides internal control matter which could not be quantified.

**New Delhi**

**Dated: 24 January 2017**



**(Shefali S Andaleeb)**

**Principal Director (Customs)**

**Countersigned**



**New Delhi**

**Dated: 24 January 2017**

**(Shashi Kant Sharma)**

**Comptroller and Auditor General of India**

## **Appendices**



## Appendix 1

### **Eligibility, Registration, Importation, reconciliation, plant site verification and finalisation of assessment/contract procedures for Project Imports**

**Eligibility:** In term of Regulation 4 of PIR, 1986, the Project Import benefits are available to those goods which are imported against one or more specific contracts registered with the customs authority. The Scheme is available to the main contractor as well as sub-contractor(s) supplying goods to the main contractor<sup>68</sup>.

**Registration:** Importer is first required to get approval from the related and notified sponsoring authority (Ministry/Statement Government Department and others). Thereafter, the approved list of goods/contracts is to be registered with the Custom port from where the importer intends to import the goods. The Customs port, after verifying the requisite documents, registers the project contract and allots a registration number. Bond equal to Cost, insurance and freight (CIF) value/Bank Guarantee (*Except by PSUs*) is to be executed by the importer.

**Importation:** After registration, the importer can import the approved goods either from the port of registration or from other ports after availing Telegraphic Release Advice (TRA) facility. The goods imported are first provisionally assessed by the Customs, port under CTH 9801 and according to the nature of projects, 'Nil'/concessional rate of duty is levied as provided in related notification.

**Reconciliation Statement:** As per Regulation 7 of PIR, 1986, the importer shall within three months from the date of last import or within such extended period as the proper officer may allow, submit a 'reconciliation statement' showing the description, quantity and value of goods imported along with a certificate from a registered/certified Chartered Engineer certifying the installation of each of the imported items of machinery.

**Plant Site Verification:** In order to ensure that the imported machinery/goods have actually been installed/used in the projects, Plant Site Verification (PSV) is required to be carried out by the jurisdictional Central Excise authority in cases where value of project exceeds ₹1 crore and in other cases on selective basis. For 'substantial expansion' project, the importer is also required to submit the documents establishing the 'substantial expansion'<sup>69</sup> of the project.

**Finalisation of assessment/contract:** After finalisation of assessment at the port of registration/other ports, project contract is then finalised by the port of registration where the contract was registered.

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<sup>68</sup> CBEC (MoF)'s Circular No. 490/56/99-Cx. dated 25.01.1999.

<sup>69</sup> As per Regulation 3(c), substantial expansion means an expansion which will increase the existing installed capacity by not less than 25 per cent. As per MoF's letter No. 521/192/90-Cus TU dated 12 March 1992, documentary evidence like CE Certificate, books of account etc. are required to be submitted.

**Appendix 2**

**Zone wise Customs revenue under Project Import scheme**

**A. CBEC (DGPM)**

(₹ in crore)

Sr. No.	Commissionerate	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	ACC(Import), (Delhi)	1.31	2.13	2.25	17.61	23.87	47.17
2	Agra	0.00	0.00	0.00	0.00	0.00	0.00
3	Ahmedabad	19.18	40.75	94.83	0.00	0.00	154.76
4	Ahmedabad Central Excise	0.00	0.00	0.00	0.00	0.00	0.00
5	Airport & Air Cargo Complex Bangalore	0.00	0.42	0.32	0.00	0.33	1.07
6	Allahabad	0.00	15.89	0.00	0.00	0.00	15.89
7	Aurangabad	0.00	0.00	2.61	36.47	28.35	67.43
8	Bangalore CE	0.00	0.00	0.00	0.00	0.00	0.00
9	Bhopal	0.00	2.67	28.70	24.99	14.39	70.75
10	Chennai Central Excise	0.00	0.00	0.00	0.00	0.00	0.00
11	Chennai Customs	0.00	0.00	0.00	0.00	0.00	0.00
12	City Customs, Bangalore	10.33	13.00	3.80	2.75	1.64	31.52
13	Cochin Customs	0.00	0.00	11.81	72.81	303.54	388.16
14	Coimbatore	0.00	0.00	0.00	0.00	0.00	0.00
15	Commissionerate of Customs, Visakhapatnam	300.28	170.65	224.76	76.05	90.20	861.94
16	Customs (Preventive), Bhubaneswar	93.50	22.75	24.87	0.00	0.00	141.12
17	Customs Preventive Comm. , Vijayawada	23.59	0.00	0.00	0.00	0.00	23.59
18	Hyderabad	0.04	0.93	4.60	25.41	15.36	46.34
19	ICD Patparganj& Other ICDs (Delhi)	0.00	0.00	0.00	0.00	41.42	41.42
20	Jaipur	0.00	0.00	0.00	0.00	0.00	0.00
21	Jamnagar	0.00	0.00	0.00	0.00	2.67	2.67
22	Jodhpur	0.00	7.12	19.89	2.40	0.23	29.64
23	Kandla	0.00	0.00	0.00	0.00	0.00	0.00
24	Kanpur	19.58	1.51	17.34	0.30	3.86	42.59
25	Kolkata Central Excise	0.00	0.00	0.00	0.00	0.00	0.00
26	Kolkata Customs	405.66	620.24	712.48	504.27	205.33	2447.98
27	Lucknow	0.00	0.00	0.00	0.00	0.00	0.00
28	Ludhiana	1.50	1.15	0.00	0.00	0.00	2.65
29	Mangaluru Customs Commissionerate	0.00	0.00	0.00	0.00	0.00	0.00
30	Mumbai I CE	0.00	0.00	0.00	0.00	0.00	0.00
31	Mumbai II CE	0.00	0.00	0.00	0.00	0.00	0.00
32	Mumbai III Cus	0.00	0.00	0.00	0.00	0.00	0.00
33	Mumbai-I Customs	1078.93	934.02	597.54	288.86	162.96	3062.31

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34	Mumbai-II Customs	458.16	452.28	508.43	263.76	217.24	1899.87
35	Mundra	0.00	0.00	0.00	0.00	9.39	9.39
<b>Sr. No.</b>	<b>Commissionerate</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>Total</b>
36	Mysore	0.00	0.00	0.00	0.00	0.00	0.00
37	Nagpur-I	0.00	7.51	21.81	10.03	4.95	44.30
38	Nagpur-II	0.00	0.00	0.00	0.00	0.00	0.00
39	Nasik-I	0.00	0.00	0.00	0.00	0.00	0.00
40	Nasik-II	0.00	0.00	0.00	0.00	0.00	0.00
41	Noida Customs	0.00	0.00	3.23	0.00	0.00	3.23
42	Patna	0.00	0.00	0.00	0.00	0.00	0.00
43	Pune	10.54	0.00	0.00	0.00	0.00	10.54
44	Raipur	0.00	16.17	17.90	2.45	25.91	62.43
45	Shillong	0.00	0.00	0.00	0.00	0.00	0.00
46	Tiruchirapalli	0.00	3.64	8.05	0.00	0.00	11.69
47	Vadodara	0.00	0.00	0.00	0.00	0.00	0.00
48	Wardha	0.00	0.00	0.00	0.00	0.00	0.00
	<b>Total</b>	<b>2422.60</b>	<b>2312.83</b>	<b>2305.22</b>	<b>1328.16</b>	<b>1151.64</b>	<b>9520.45</b>

**B. CBEC website (cbecddm.gov.in)**

(₹ in crore)

Sl. No.	Customs Zone	2011-12	2012-13	2013-14	2014-15 (upto Nov 14)	TOTAL
1	Mumbai Customs Zone I	1081.62	934.02	597.54	194.68	2807.86
2	Kolkata Zone	413.03	626.04	717.78	347.68	2104.53
3	Mumbai Customs Zone II	459.17	452.45	508.43	178.9	1598.95
4	Chennai Customs Zone	410.1	421.68	234.88	129.65	1196.31
5	Vizag Zone	519.96	183.33	242.06	45.77	991.12
6	Ahmedabad Customs Zone	434.16	186.79	209.56	99.81	930.32
7	Chennai Preventive Zone	229.14	92.62	0.65	1.92	324.33
8	Bangalore Zone	169.23	74.38	41.37	20.2	305.18
9	Bhopal Zone	0	44.18	56.81	23.5	124.49
10	Others (15 Zones)	42.99	58.72	150.04	143.74	395.49
	Grand total of Revenue from Project Import	3759.4	3074.21	2759.12	1185.85	10778.6
	All India Customs Revenue	149328	165346	172033	--	

Source: <http://cbecddm.gov.in>

**C. DG (System and data Management)**

(₹ in crore)

Sr. No.	Name of the Port	PORT CODE	Duty Collected				
			2011-12	2012-13	2013-14	2014-15	2015-16
	<b>Year</b>						
1	Ahmedabad Air	INAMD4	0.04	0.00	0.02	0.11	3.40
2	Bangalore Air	INBLR4	1.44	2.11	3.96	0.87	5.46
3	Bombay Sea	INBOM1	448.17	518.68	365.03	190.30	113.19
4	Bombay Air	INBOM4	6.58	9.10	10.37	9.01	13.58
5	Baroda ICD	INBRC6	0.12	0.00	0.00	0.00	0.00
6	Kolkata Sea	INCCU1	300.92	409.02	466.29	323.58	104.18
7	Kolkata Air	INCCU4	2.54	5.65	3.74	0.92	1.39

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Sr. No.	Name of the Port	PORT CODE	Duty Collected				
8	Cochin Sea	INCOK1	0.00	0.00	2.79	36.58	227.70
	<b>Year</b>		<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
9	Cochin	INCOK4	0.00	0.00	0.00	0.43	4.79
10	Dadrai-CGML	INCPL6	0.01	0.00	0.00	0.00	0.00
11	Delhi Air	INDEL4	1.19	1.64	1.58	15.17	12.08
12	Noida-dari ICD	INDER6	0.00	0.00	0.36	0.00	0.00
13	Dighi (Pune)	INDIG6	0.00	0.00	0.00	0.00	0.83
14	Gangavaram Port	INGGV1	1.44	0.18	1.86	0.00	0.00
15	GarhiHarsaru - ICD	INGHR6	0.00	0.35	0.00	0.00	9.41
16	Hyderabad Air	INHVD4	0.63	0.26	1.23	1.41	0.04
17	Kandla Sea	INIXY1	12.36	2.25	8.57	1.88	0.00
18	Jaipur	INJAI4	0.00	0.80	1.26	0.13	0.21
19	Kakinada	INKAK1	23.59	0.00	0.00	0.00	0.00
20	Kanakpura - Jaipur ICD	INKKU6	0.00	5.66	11.96	2.39	0.00
21	Kanpur - JRY (ICD )	INKNU6	0.00	0.00	2.49	11.56	3.51
22	Krishnapatnam	INKRI1	0.00	0.00	0.12	0.22	0.02
23	Karaikal	INKRK1	0.00	0.00	0.00	0.00	0.00
24	Ludhiana	INLDH6	0.75	0.62	0.00	0.00	0.00
25	Chennai Sea	INMAA1	295.60	310.94	161.18	151.57	213.58
26	Chennai Air	INMAA4	7.10	5.05	2.46	0.66	9.75
27	Mandideep	INMDD6	0.00	2.37	16.91	24.60	14.39
28	Mulund	INMUL6	0.51	0.00	0.00	0.00	0.00
29	Mundra	INMUN1	138.23	70.79	72.60	90.35	37.69
30	ICD Maliwada	INMWA6	0.00	0.00	1.25	4.96	2.48
31	Nagpur	INNGP6	0.00	4.33	14.95	9.40	3.75
32	Mangalore sea	INNML1	0.43	0.09	0.00	0.00	0.00
33	NhavaSheva Sea	INNSA1	307.93	303.65	371.97	194.28	157.99
34	Pipavav (Victor)	INPAV1	0.79	1.84	9.70	49.30	19.54
35	KLPPL-ICD/PANKI	INPNK6	0.00	0.00	1.16	0.85	0.00
36	Patparganj	INPPG6	0.26	0.14	0.60	0.65	3.43
37	Paradip	INPRT1	127.55	38.87	70.28	1.26	0.05
38	Patli ICD	INPTL6	0.00	0.00	0.00	0.00	0.43
39	Raipur	INRAI6	0.00	15.20	14.36	0.37	0.05
40	Thar - ICD	INSAU6	0.00	0.00	0.00	0.00	0.00
41	Sabarmati ICD	INSBI6	0.00	9.11	0.24	0.68	0.00
42	Hyderabad	INSNF6	0.04	0.75	2.64	6.55	0.37
43	Dadri - STTPL (CFS)	INSTT6	0.00	0.00	0.00	0.00	0.12
44	Tughlakabad	INTKD6	7.77	9.24	13.75	35.31	98.88
45	Tuticorin Sea	INTUT1	0.00	1.05	0.65	1.16	0.00
46	Tuticorin ICD	INTUT6	0.00	0.00	0.00	0.00	0.00
47	TondiarpetICD Chennai	INTVT6	0.00	2.38	1.13	5.07	15.33
48	Vizac sea	INVTZ1	109.22	121.79	160.36	47.17	63.01
49	Vishakapatnam	INVTZ4	0.00	0.00	0.00	0.00	0.00

50	Bangalore ICD	INWFD6	135.60	59.34	46.59	20.71	21.18
		<b>Grand Total</b>	<b>1930.81</b>	<b>1913.27</b>	<b>1844.39</b>	<b>1239.44</b>	<b>1161.78</b>

**D Sector-wise imports and duty paid under Project Import Scheme during FY 12 to FY 16**

Sector	Share in total imports (%)	Share in duty payment (%)
Power Sectors	64.04	29.72
All goods (residuary projects/goods)	29.68	62.12
Others	6.28	8.16
<b>Total...</b>	<b>100</b>	<b>100</b>

**PROJECT CATEGORY WISE SUMMARY FOR THE PERIOD 2011-12 TO 2015-16**

PROJECT CATEGORY	Sector	ASSESSABLE VALUE (₹)	DUTY PAID	Share (in %) in Assessable value	Share (in %) in duty payment
All goods	All goods (Residuary Projects/goods)	2,16,31,50,87,669	49,19,46,86,490	29.68	62.12
Barge mounted power plants	Power Sector	15,26,73,864	3,19,71,477	0.02	0.04
Coal Mining project	Coal mining	26,50,42,65,416	4,77,63,60,546	3.64	6.03
Delhi Metro Rail Project	Metro Project	25,82,83,226	0	0.04	0.00
Fertilizer Project	Fertiliser	8,34,99,35,215	1,27,16,01,562	1.15	1.61
Goods required for expansion of Mega Power Projects	Power Sector	1,31,56,95,662	3,34,41,234	0.18	0.04
Goods required for Projects for LNG Re-gasification Plant	LNG	51,22,69,269	11,61,86,881	0.07	0.15
High voltage power transmission project	Power Sector	1,42,16,18,640	30,05,83,293	0.20	0.38
Iron ore pellet projects	Iron ore	1,33,56,30,831	26,15,22,223	0.18	0.33
LNG Power Project at Dhabol	LNG	8,74,37,344	0	0.01	0.00
Mechanised handling system and pallet tracking system in mandis/warehouses	Mechanised handling system in Mandis	65,04,77,459	3,57,90,417	0.09	0.05
Mega Power Project	Power Sector	97,13,01,52,501	1,42,16,386	13.33	0.02
Mega Power Project - Interstate thermal plant of 1000 MW or more	Power Sector	1,52,09,77,458	3,81,56,716	0.21	0.05
Mega Power Project(Thermal 1000 MW or more)(other states)	Power Sector	2,09,16,00,11,203	3,30,61,946	28.70	0.04
Mega Power Project(Thermal 700 MW or more)*(J&K_N.E states)	Power Sector	29,33,18,79,080	1,68,790	4.03	0.00
National Automotive testing and R&D infrastructure project - NATRIP	NATRIP	1,91,03,47,559	0	0.26	0.00
Nuclear power plant with 440 MW or more	Power Sector	21,41,69,83,745	0	2.94	0.00
Power Generation Project (including gas turbine)	Power Sector	68,31,65,35,544	14,86,09,31,563	9.37	18.76
Power transmission distribution projects	Power Sector	33,18,49,29,995	7,44,66,12,198	4.55	9.40
Power transmission projects 66 kv and above	Power Sector	3,71,31,87,724	77,76,67,619	0.51	0.98
Water Supply Project	Water Supply	4,30,40,61,841	36,32,165	0.59	0.00
Water Supply Project(human/ animal consumption)	Water Supply	1,81,94,38,852	7,29,607	0.25	0.00
<b>TOTAL</b>		<b>7,28,71,18,80,096</b>	<b>79,19,73,21,114</b>		

**E Year wise trend for No. of importers, Assessable Value and Duty collected during FY 12 to FY 16**

(₹ in crore)

Year	No. of importers	Value of imports	Duty collected
FY 12	257	44852	4066
FY 13	220	39765	3399
FY 14	214	31995	3364
FY 15	184	29875	2632
FY 16	196	22647	2204

Source: Department of Revenue

## Appendix 3

## List of files not produced to audit

Sl. No.	Name of Importer(M/s)	Project Registration No.	Date	CIF Value (₹ in crore)
<b>ICD/TKD, Tughlakabad</b>				
1	M/s Lloyd Insulation	06/11	07.05.2011	4.56
2	M/s SR Paryavaran Eng. (P) Ltd	08/11	08.12.2011	2.51
3	M/s Lloyd Insulation	17/12	02.01.2012	2.67
4	M/s Power Grid Corporation	22/12	20.6.2012	7.94
5	M/s Devbhumi	26/12	23.7.2012	4.22
6	M/s Bharat Precision Instrument Co.	4/13	25.06.2013	1.01
7	M/s Delhi Metro Rail Corporation	8/13	17.09.2013	184.81
8	M/s Ajit India Enterprises	01/14	1.03.2014	2.06
9	M/s ABEL Cold Stores	04/14	01.03.2014	2.03
10	M/s SR Paryavaran Eng. (P) Ltd	09/14	22.04.2014	1.71
11	M/s. Triveni Engg Ind. Ltd.	10/14	28.04.2014	2.74
12	M/s Gammon CMC Joint Venture	13/14	30.06.2014	19.30
13	M/s Him Fresh Produce Co.	16/14	08.01.2014	4.99
14	M/s Delhi Metro Rail Corporation	18/14	08.12.2014	35.14
15	M/s Delhi Metro Rail Corporation	19/14	27.08.2014	133.77
16	M/s Delhi Metro Rail Corporation	30/14	29.12.2014	46.00
17	M/s Delhi Metro Rail Corporation	1/15	01.08.2015	56.00
18	M/s Gammon CMC Joint Venture	3/15	02.12.2015	15.41
19	M/s Fil Industries Ltd.	4/15	26.3.2015	6.40
20	M/s Delhi Metro Rail Corporation C/o. Kalindi VNC.JV	6/15	25.06.2015	34.51
21	M/s Delhi Metro Rail Corporation C/o. Kalindi VNC.JV	8/15	15.07.2015	29.75
22	M/s Alpine Fresh	9/15	08.03.2015	3.85
23	M/s Knor Bremse Pvt Ltd.	14/15	30.09.2015	10.52
24	M/s Somany Ceramics Pvt. Ltd.	17/15	11.05.2015	22.38
25	M/s Delhi Metro Rail Corporation	19/15	12.02.2015	27.74
26	M/s M J Casting Ltd	05/2011	2.05.2011	15.74
27	M/s Jay Bharat	13/2011	25.11.2011	37.94
28	M/s Classic Agricon	21/2012	21.05.2012	0.25
29	M/s Power Grid Corporation	23/2012	21.05.2012	6.64
30	M/s Anubhuti Apples	28/2012	27.09.2012	0.68
31	M/s Jay Bharat Maruti Ltd.	3/2013	22.04.2013	9.00
32	M/s Kailash Agro Pvt Ltd	6/2013	4.09.2013	0.61
33	M/s. AB Refer & Warehousing (P) Ltd.	05/2014	17.01.2014	5.14
34	Shaheen Agro Fresh (p) Ltd.	15/2014	22.07.2014	11.96
<b>ACC New Delhi</b>				
1	Indure Pvt. Ltd	32/1995	NA	NA
2	Semi Conductor Complex Ltd.	24/1997	NA	NA
3	Elecome Technology	04/ 2000	NA	NA
4	DMR (Railway) LucknowDiv.	18/1998	NA	NA
5	Power Grid Corporation	08/2000	NA	NA
6	I Test Solutions	04/2007	NA	NA
7	National Building Construction Corp	04/2010	NA	NA
8	TC Health Care	22/1995	NA	NA
9	Indure Pvt. Ltd.	01/2003	NA	NA
10	Tiusley Group Ltd.	10/2006	NA	NA
11	PCI Ltd.	05/2008	NA	NA
12	NHPC Ltd.	01/2000	NA	NA
13	NBCC Ltd.	03/2006	NA	NA
14	Sawhney Films	31/1995	NA	NA
15	Schiender Electric Ltd.	02/2003	NA	NA
16	UEM India Ltd.	09/2007	NA	NA

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Sl. No.	Name of Importer (M/s)	Project Registration No.	Date	CIF Value (₹ in crore)
17	Techno Fab Engg. Ltd.	11/2000	NA	NA
18	Techno Fab Engg. Ltd.	22/2005	NA	NA
19	PCI Ltd.	03/2008	NA	NA
20	Delhi International Society	08/2007	NA	NA
21	Delhi International Airport Ltd.	06/2008	NA	NA
22	Rail Coach Factory	02/2000	NA	NA
<b>Vishakhapatnam Commissionerate</b>				
1	Spectrum Coal and Power Ltd.	2012-13	NA	NA
2	LancoKondapalli Power Pvt. Ltd.	2012-13	NA	NA
3	Coal India Ltd.	2014-15	NA	NA
4	Power Grid Corporation	2012-13	NA	NA
5	Navayuga Engineering	2012-13	NA	NA
<b>NCH, Mumbai Commissionerate</b>				
1	Ratnagiri Gas and Power Ltd.	S/5-37/2006 CC	NA	NA
2	Bharat Heavy Electricals Ltd.	S/5-32/2007 CC	NA	NA
3	KJS Cement Limited	S/5-24/2010-11 CC	NA	NA
4	Shree Cement Ltd.	S/5-31/2013-14 CC	NA	NA
5	NMDC LTD.	S/5-37/2013-14 CC	NA	NA
6	NTPC LTD.	S/5-41/2013-14 CC	NA	NA
7	The Tata Power Co. Ltd.	S/5-46/2010-11 CC	NA	NA
8	Bharat Heavy Electricals Ltd.	S/5-22/2012-13 CC	NA	NA
9	The West coast Paper Mills	S/5-30/2008 CC	NA	NA
10	NMDC Ltd.	S/5-38/2013-14 CC	NA	NA
11	N.H.P.C. LTD.	S/5-06/2013-14 CC	NA	NA
12	Steel Authority of India Ltd.	S/5-16/2012-13 CC	NA	NA
13	Bharat Heavy Electricals Ltd.	S/5-51/2009 CC	NA	NA
14	Bharat Heavy Electricals Ltd.	S/5-63/2006 CC	NA	NA
15	GAIL	S/5-39/2009 CC	NA	NA
16	Tata Power co. Ltd.	S/5-54/2008	NA	NA
17	Megha Engg. & Infra. Ltd.	S/5-13/2012-13 CC	NA	NA
18	Richa Infrastructure Ltd.	S/5-28/2013-14 CC	NA	NA
19	Abhijeet infra. Ltd.	S/5-48/2006 CC	NA	NA
20	Bharat pump & compressor Ltd.	S/5-04/2007 CC	NA	NA
21	Air Liquid North India P Ltd.	S/5-50/2006 CC	NA	NA
22	Atlas Copco India Ltd.	S/5-23/2006 CC	NA	NA
23	Jaiprakash Power Venture Ltd	S/5-24/2004 CC	NA	NA
24	Bhilai Jaypee Cement ltd	25/2009 CC	NA	NA
25	JK Cement	26/2008 CC	NA	NA
26	Gujrat Anjan Cement Ltd	23/2008 CC	NA	NA
27	Ultratech Cement ltd	10/2011 CC	NA	NA
28	ACC Ltd	60/2008 CC	NA	NA
29	Shree Cement	07/ 2013 CC	NA	NA
30	Tata Vistion Automotive Pvt Ltd	S/5-68/2006 CC	NA	NA
31	Gammon India Ltd	33/2005 CC	NA	NA
32	Birla Corporation Ltd	56/2009 CC	NA	NA
33	Vasavadatta Cement	37/2009 CC	NA	NA
34	Jaiprakash Associates	S/5-64/2008 CC	NA	NA
35	ACC Ltd	21/2004 CC	NA	NA
36	Shree Cement	52/2009 CC	NA	NA
37	A D Hydro power ltd	S/5-60/2006 CC	NA	NA
38	Jai Prakash Associates	65/2008 CC	NA	NA
39	Nuclear Power Corp. of India ltd	01/2002 CC	NA	NA
40	Shree Cement	30/2009 CC	NA	NA
41	BHEL	18/2004 CC	NA	NA
42	Jaiprakash Associates	11/2010 CC	NA	NA
43	J K Lakshmi Cement	02/2007 CC	NA	NA
44	Ultratech Cement	74/2006 CC	NA	NA
45	Rico Auto Industries Ltd	03/2004 CC	NA	NA

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Sl. No.	Name of Importer (M/s)	Project Registration No.	Date	CIF Value (₹in crore)
46	Sardar Sarovar Narmada Nigam Ltd	36/2004 CC	NA	NA
47	JBM MA Automation P. Ltd	36/2010-11 CC	NA	NA
48	Neel Metals Products Ltd	31/2010-11 CC	NA	NA
49	Jaya Hind Industries Ltd	S/5-31/2004 CC	NA	NA
50	Vatech Hydro India Ltd	30/2002 CC	NA	NA
51	Shree Cement	40/2009 CC	NA	NA
52	ELF Lubricants India P. Ltd	200/95 CC	NA	NA
53	Indian Sugar and Gen. Engineering Corporation	S/5-85/98 CC	NA	NA
54	Praxair Carbon Dioxide P. Ltd	05/2000 CC	NA	NA
55	Universal Cables Ltd	5/5-17/2002 CC	NA	NA
56	Voltas Ltd	28/95 CC	NA	NA
57	Bhatia International Ltd	36/2005 CC	NA	NA
58	Gail India Ltd	28/ 2004 CC	NA	NA
59	Jaiprakash Power Venture Ltd.	34/2011-12 CC	NA	NA
<b>JNCH Mumbai Commissionerate</b>				
1	Jaiprakash Associates	S/5-11/2010-11/Gr.VI	NA	NA
2	IFB INDUSTRIES	S/5-16/2010-11/GR.VI	NA	NA
3	N.T.P.C Ltd	S/5-157/2006/Gr.VI/JNCH	NA	NA
4	N.T.P.C Ltd	S/5-19/2007/Gr. VI	NA	NA
5	UNIVERSAL CABLE INDIA LTD	S/5-28/2010-11/Gr. VI	NA	NA
6	Sky Way Construction Co.	S/5-26/2010-11/Gr. VI	NA	NA
7	Voestalpine VAE VKN India Pvt. Ltd.	S/5-16/2013/Gr.VI/JNCH	NA	NA
8	SFC Environmental Technologies Pvt. Ltd.	S/5-29/2009-10/Gr. VI	NA	NA
9	General Motors India Pvt. Ltd.	S/5-51/2009/Gr.VI/JNCH	NA	NA
10	Torrent Power	S/5-41/2010-11/Gr. VI	NA	NA
11	Yanfeng Viseton India Automotive Trim System Pvt. Ltd.,	S/5-62/2014-15VIJNCH	NA	NA
12	THDC India Ltd.,	S/5-52/12-13 VI JNCH	NA	NA
13	Jaiswal Neco Industries Ltd.,	S/5-26-12-13 VI JNCH	NA	NA
14	SAIL	S/5-17/12-13-VI(JNCH)	NA	NA
15	Jaiprakash Power Venures Ltd.,	S/5-84/11-12-VI(JNCH)	NA	NA
16	WONDER CEMENT LTD	S/5-60/11-12-VI	NA	NA
17	McCain Food India Pvt Ltd	S/5-44/12-13-VI	NA	NA
18	LANCO VIDARBHA THERMAL POWER LTD	S/5-61/11-12-VI	NA	NA
19	NTPC Ltd.	S/5-11/13-14-VI -JNCH,	NA	NA
20	J.K. Cement Works Ltd.,	S/5-25/13-14-VI(JNCH)	NA	NA
21	Shree Cement Ltd.	S/5-79/14-15-VI(JNCH)	NA	NA
22	BHEL Ltd.	S/5-40/2015-16-Gr VI/JNCH	NA	NA
23	Vidarbha Industries Power Ltd.,	S/5-25/2010-11-VI(JNCH)	NA	NA
24	Bombardier Transportation India Pvt. Ltd.	S/5-57/2015-16-Gr.VI/JNCH	NA	NA
25	Power Grid Corp. of India Ltd.	S/5-04/15-16 VI	NA	NA
26	BHEL	S/5-55/2015-16-Gr.VI/JNCH	NA	NA
27	NTPC Ltd.	S/5-54/2015-16-Gr.VI/JNCH	NA	NA
28	Emami Cement Ltd.,	S/5-68/14-15 VI (JNCH)	NA	NA
29	Continental India Ltd.,	S/5-16/2012-13-VI(JNCH)	NA	NA
30	Deepak Fertilizers & Petro Chemicals	S/5-28/2015-16-Gr.VI/JNCH	NA	NA
31	BHEL (Haridwar)	s/5-53/14-15 VI JNCH	NA	NA
32	Nirma Ltd.	S/5-30/2015-16-Gr.VI/JNCH	NA	NA
33	Power Grid Corp. of India Ltd.	S/5-51/2015-16-Gr.VI/JNCH	NA	NA
34	DCM Shriam Ltd.	S/5-50/2015-16-Gr.VI/JNCH	NA	NA
35	SCA Hygiene Products India Pvt. Ltd.	S/5-52/2015-16-Gr.VI/JNCH	NA	NA
36	Jayaswal Neco Industries Ltd.	S/5-19/13-14-VI JNCH,	NA	NA
37	Mumbai International Authority Limited,	S/5-58/10-11-VI(JNCH)	NA	NA
38	India Bull Power Ltd.	S/5-52/2011-12 Gr.VI	NA	NA

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Sl. No.	Name of Importer (M/s)	Project Registration No.	Date	CIF Value (₹ in crore)
39	Power Grid Corporation of India Ltd.	S/5-26/10-11/Gr.VI	NA	NA
40	NTPC Ltd.,	S/5-22/2007 GR. VI	NA	NA
41	NTPC Ltd.,	S/5-41/13-14/GR. VI	NA	NA
42	NTPC Ltd.,	S/5-76/11-12/GR. VI	NA	NA
43	Rico Jinfei Wheels Ltd.	S/5-12/2008 Gr.VI	NA	NA
44	NTPC Ltd.,	S/5-55/14-15/GR. VI	NA	NA
45	NTPC Ltd.	S/5-62/2011-12 Gr.VI	NA	NA
46	BHEL	S/5-06/13-14/Gr.VI	NA	NA
47	NTPC Ltd.,	S/5-85/05-06/GR. VI	NA	NA
48	Sravanthi Infratech Pvt. Ltd.	S/5-65/11-12/GR. VI	NA	NA
49	Steel Authority of India Ltd.	S/5-91/11-12/Gr.VI	NA	NA
50	Soma Enterprise Ltd.	S/5-59/11-12/GR. VI	NA	NA
51	GAIL (I) Ltd.	S/5-59/09-10/GR. VI	NA	NA

## Appendix 4

## Finalisation of project contracts without installation certificate/PSV

Commi.	No. of cases	Duty con. availed ₹ Cr	Irregularity	Commissionerate/DoR reply	Remarks
<b>Finalisation of project contracts without installation certificate and plant site verification</b>					
Kandla	02	14.08.	The importer had not submitted the installation certificates. In one case, instead of CE, the main-contractor certified the installation of machinery	Issue would be re-verified with the importers or will be searched whether there has been misfiling of such certificates.	As per circular quoted by the Commissionerate, in case of Government project, PSV is to be given by head of the Government undertaking in the rank of Chairman/Executive director.
Kandla	01	15.52	In water supply project, the District Collector certified the usage of machinery instead of PSV from Central Excise authority.	It was stated that water supply project of the Government, the Collector & DM is an appropriate authority for PSV in light of circular dated 17 April 2006.	In this case, District collector was not the proper Authority and the Central Excise Officer was the proper Authority to issue installation certificate.
City (ICD), Bangalore	03	0.77	In the metro rail project, own Chief Engineer of BMRL certified the installation instead of Chartered Engineer.	The Chief Engineer of M/s BMRL is entitled to issue installation certificate with the certification of head of the PSU	Response received from DoR (December 2016) was under examination.
NCH, Mangalore	01	3.75	PSV was done by Customs instead of Central Excise	The powers of the Deputy/Assistant Commissioner of Customs & Central Excise are equal. Assistant Commissioner of Customs is equal to the rank of Assistant Commissioner of Central Excise and hence, the Installation certificate issued by the Assistant Commissioner of Customs may be treated as valid. Also, administrative convenience is a factor in issuance of Installation Certificates and accordingly, Customs or Excise formations can issue these certificates. As there is no revenue implication.	Response received from DoR (December 2016) was under examination.
ACC, Bangalore	03	10.94	PSV was done by Customs instead of Central Excise	In case of M/s Manjushree Techno Pack Ltd. The jurisdictional CE officer issued the installation certificate confirming the installation and use of the items by the importer. Further, the Chartered Engineer has submitted the installation and utilisation certificate while submitting the documents for finalisation. In respect of M/s BAIL, Commissionerate stated that the project is yet to be finalised.	Response received from DoR (December 2016) was under examination..
NCH Mumbai	01	0.09	As per financial records/CE certificate, goods installed in the premises of other than the declared location.	Awaited	

## Appendix 4A

## Achievement of substantial expansion

(₹ in crore)

Commi.	No. of cases	Duty concession availed	Irregularity	Commissionerate reply	Remarks
<b>Finalisation of project concession due to non-verification of substantial expansion</b>					
Kandla/ Mundra	03 01	1.53	Customs authority did not call for the documents nor did the importer produced the documents for verification at the time of finalisation.	<u>Kandla</u> It was presumed that substantial expansion must have been verified by the sponsoring authority before approving the project. Further, in case of M/s Ramoji Granito Ltd., both the project contracts were for initial setting up of the project which has been certified by the Sponsoring Authority. Customs Commissionerate. Mundra PIR/Customs Not. No.12/2012, it is not mentioned that the annual books/balance sheet etc. are to be submitted by the importers to prove the substantial expansion <u>Mundra</u> A letter has been issued to the jurisdictional Assistant Commissioner of Central Excise for verification of installed capacity/substantial expansion of the production capacity of the unit. Also the importer has been directed to submit the relevant documents to substantiate their claim of substantial expansion.	Response received from DoR (December 2016) was under examination.
NCH Mumbai	01	1.08	Customs authority did not call for the documents nor did the importer produced the documents for verification at the time of finalisation.	Project Imports done by M/s Lloyd Steel India are being verified from Jurisdictional Central Excise Authority. Suitable action will be initiated shortly if reports are found contrary.	Final reply awaited.
<b>Non achievement of substantial expansions</b>					
Hyderabad	01	0.24	The annual installed production capacity of the PET preform was 20,000 in 2011-12 and remained constant 22,000 in each of years in 2012-13, 2013-14 and 2014-15. Hence, the increase in annual installed capacity in 2012-13 was 10 per cent which was lower than minimum prescribed increase of 25 per cent as per prescribed under the scheme.	The project expansion was 25.44%, which is above the prescribed norm.	Response received from DoR (December 2016) was under examination.
Ludhiana	01	0.36	Production capacity	No violation of project import duty	Response received

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			of HR Strip Coil/Sheet of above said assessee for the years 2011-12 to 2013-14 was already 3,25,000 MT per annum. Thus, there was no expansion in existing production capacity	concession as pointed out by audit were violated in the instant project import, as per the records of the department.	from DoR (December 2016) was under examination.
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**Appendix 5**

**Non finalisation/delay in finalisation of Project Import contracts**

Sr. No.	Comm.	No. of Contracts	No. of importers	Delay ranged	Reply of the Commissioner/DoR	Remarks
1	ACC, Bangalore	1	1	658 days	The project import registration was finalized vide OIO No: 289/2016 dt. 07/03/2016. There was no additional duty implication. In respect of M/S BIAL, the matter is being pursued. The importer and CHAs and DC, Customs, Chennai and Mumbai have been requested to send the assessed B/Es for finalising the project. The same will be finalized as early as possible.	Final outcome may be intimated.
2	Chennai Sea	5	5	69 to 844	The delay was on account of the fact that the importer had sought duty refund of Rs. 5.35 Lakh on account of price variation in import of goods. The department, however, rejected the refund claim as the same was inadmissible under PIR 1986. Accordingly, the project has been finalized.	Response received from DoR (December 2016) was under examination.
3	Commissionerate of Customs, ICD PPG and 9 other ICDs	3	1	2436	DoR stated that delay was on account of non-receipt of documents from other ports. Case has since been finalised.	Response received from DoR (December 2016) was under examination.
4	Pr. Commissionerate of Customs (Import), ACC, New Delhi	1	1	372	Case of M/s NTPC was registered under PIR vide Registration No. 20/2005 dated 24.09.2005. However, case was already finalized in 2014 after obtaining/examination all required documents.	Response received from DoR (December 2016) was under examination.
5	Visakhapatnam Customs	10	10	99 to 1128	DoR reported that since the matter is sub-judice, finalization has not been taken up.	Final outcome awaited.

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Sr. No.	Comm.	No. of Contracts	No. of importers	Delay ranged	Reply of the Commisionerate/DoR	Remarks
6	Air Cargo Complex, Hyderabad	1	1	1317	Project was finalised in October 2015 after payment of duty/interest by the importer in April and August 2015. Hence there was delay.	Reply not acceptable as in this case, the importer had applied for finalisation in December 2011 and contract was finalised in October 2015
7	Kolkata	12	9	153 to 3299	Awaited	
8	Noida Customs	1	1	118	Accepted the delay. Case has been finalized.	No further comments.
9	Kanpur	8	1	275 to 1297	ICD-JRY Kanpur stated that six contracts were finalised within 60 days	Reply not acceptable as Commissionerate did not produce the details of finalisation of contracts to audit
10	NCH - Mumbai	6	5	676 to 2909	Awaited	
11	JNCH - Mumbai	7	7	75 to 2346	Awaited	
	Total	55	42			

**Appendix 6**

**Incorrect Reporting of Project Import cases**

Comm.	Discrepancies noticed in reporting of Project Import cases
Ahmedabad, Kandla, Mundra	<p>Project Contracts cases monitored through quarterly reports instead of through monthly reports as envisaged in circular.</p> <p>As per details of Project Imports registration pending for finalisation as on 31 March 2016, two registrations (No. 10 /2010 dated 21 July 2010-M/s Sunshine Tiles Co. Pvt. Ltd. and 07/12-13 dated 12 December 12-M/s Recasil Ceramic Industries Pvt Ltd.) of contract value of ₹ 4.30 crore and ₹ 28.65 crore were pending for finalisation though the contracts were already finalised by the Commisionerate on 29 December 2010 and 26 July 2013 respectively.</p> <p>In MIS report submitted to Chief Commissioner of Customs Zone by Custom House, Kandla, the value of the project registered had no uniformity as in some cases it was shown in Rupees while in other it was mentioned in foreign currency.</p> <p>Other columns viz., security Deposit/BG amount taken, date of submission of reconciliation statement, action taken were kept blank except in some cases.</p> <p>There was no column for 'Estimated period/time required for finalisation' as prescribed in Annexure appended with the circular. Further, value enhanced due to registration of additional contracts was not added, resulting in under-reporting of value of contracts.</p> <p>Against 'no. of project contracts where last consignment cleared', the Commisionerate showed 104 finalised cases as against actual figure of 179 cases (104 as per statement of Commisionerate plus 75 contracts cases as per audit). Stages of pendency of the project have not recorded in the QPR.</p> <p>In MIS report, duty forgone figure was shown incorrectly by adopting flat rate of duty concession availed instead of actual duty concession availed.</p> <p>Further, it was also observed that cases where RAs had been issued the duty forgone figure cannot be ascertained. Since duty forgone figure is being calculated on hypothetical basis actual benefit under this scheme extended to the importer was not ascertainable.</p>
City ICD, Bangalore & NCH Mangalore	<p>The Project Import contract registration No: 17/2011 dated 24 November 2011 pertaining to City (ICD) Commisionerate, Bangalore was wrongly shown as finalized in the quarterly report for March 2016 submitted to Chief Commisionerate, although the case was still pending finalization (April, 2016).</p> <p>In the QPRs for 2011-12 to 2015-16 submitted to the Board by the Zonal Office, Bangalore, the CIF value of the Project Import contract of M/s BMRCL, Bangalore (Project Registration No.6 /2010 dated 13 September 2010) was wrongly shown as ₹184.54 crore as against the actual CIF value of ₹0.96 crore. Thus the CIF value was shown in excess to the tune of ₹183.58 crore.</p> <p>M/s HPCL, Mangalore had registered Project Import (Regn. no 1/2014 dated 19 August 2014) and executed a bond for ₹3.50 crore. In the QPR on Project import for the period ending September 2014 and December 2014 submitted to the Board through the Zonal office, Bangalore, the CIF value of project import was wrongly shown as ₹666 crore instead of ₹3.50 crore. Thus the CIF value was shown in excess to the tune of ₹662.50 crore. The incorrect reporting of CIF value had showed the distortion picture of data.</p>
Tuticorin	<p>In Tuticorin Customs, the pendency of cases was indicated as four in the "quarterly report on progress made in finalisation of project imports" forwarded to the Chief Commissioner of Customs, Trichy. However, two more contracts registered (M/s Vardhaman Yarns and Threads Ltd. and M/s Doddanavar Brothers) were not included resulting in under reporting of Project Import cases.</p>
Hyderabad (ICD)	<p>Quarterly report instead of monthly report submitted</p>
ACC, New Delhi	<p>The actual registered/amended value of 26 pending project import contract was ₹2,740.49 crore but the same was reported as ₹1,895.49 crore in the monthly progress report submitted to CC Zone Delhi. Thus, there was difference of ₹845 crore in value of project registered/amended as per the records and value mentioned in monthly progress report</p>
Noida	<p>Monthly report was not submitted to the Chief Commissioner as required under the Circular.</p>

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Comm.	Discrepancies noticed in reporting of Project Import cases
Kanpur	ICD, JRY Kanpur informed the finalisation of six contracts whereas information received from Chief Commissionerate, Lucknow revealed only two contracts were finalised under Kanpur Commissionerate.
NCH Mumbai	<p>MTR as on March 2016 reported Pendency of only three SCNs. However as per records there were 61 SCNs pending which were issued after 2011. There was no record of SCNs issued prior to 2011.</p> <p>MTR reported 848 pending/ongoing contracts with CIF value of ₹33,705 crore. The list furnished to audit revealed that CIF value was only ₹30,252 crore. When this difference brought to notice, the contract cell stated that CIF value is being carried forward from earlier reports and there is no record to substantiate and requires reconciliation. Further, list of 848 cases did not include 34 contracts, where SCNs issued were still pending. The list also missed out one high value contract (M/s Reliance Infrastructure), which is pending. Thus contracts pending are under reported by 35.</p> <p>During the period from April 2011 to March 2016, Contract Cell finalized 396 contracts. However Cell could furnish list of 316 finalized cases and did not have record of remaining finalized cases.</p> <p>Contract cell could not furnish any Monthly Report devised by Board to monitor contract cases.</p>
JNCH Mumbai	No MTR (now MIS) reports found maintained in the Cell. However, Commissioner informed audit that 62 confirmed finalised during April 2011 and March 2016 which was revised to 53. Pending/ongoing contracts stated at 274 but actual list furnished to Audit shows 269 contracts. This list also excluded a high value contract (M/s, Adani Power Maharashtra Ltd.) which Audit noticed in the contract register. Hence the information furnished to Audit were unreliable and could not be cross verified in the absence of MTRs, reports, confirmed/unconfirmed registers etc. and in the context of incomplete contract registers.

**Appendix 7**

**Maintenance of Records**

Commissionerate	Deficiencies
Kandla & Mundra	<p>The Project Imports registers for the period 2011 to 2016 were not certified by the proper officer in charge.</p> <p>Monthly closing of register not done.</p> <p>M/s Coastal Gujarat Power Ltd, Mundra, Kutch, has various contracts registered out of which in Registrations Nos. 13/2009 and 21/2009, Audit noticed that CIF value of ₹ 50.40 crore was debited from Contract No. 21/2009 and same value was credited to Contract No. 13/2009. This reflects poor monitoring of Commissionerate to monitor project import register.</p> <p>Three contracts, signed between Coastal Gujarat Power Ltd., Mundra and Doosan Heavy Industries &amp; Construction Co. Ltd., Korea for value of USD 1040285510, USD 1193283 and USD 250494 were registered under one contract No. 01/2008 under different dates. In the same registration, another contract, signed between M/s CGPL and M/s Epsilon Consulting with contract value USD 309317, was also added/registered. At the time of finalisation of registration, the Commissionerate finalised first three contracts with contract value of USD 1040285510, USD 1193283 and USD 250494 respectively ignoring the fourth contract having value USD 309317 and finalised the registration No. 01/2008. Hence, the contract value of USD 309317 (₹ 1.71 crore) remained pending till date.</p> <p>No meeting for monitoring of performance of Project Import Scheme/internal audit of Project Contracts cases were conducted. No minutes in this regard were made available to audit.</p>
ICD, Khodiyar, Ahmedabad	<p>Project Contract was not maintained. In absence of records, audit could not ascertain the actual number of contracts registered/finalised/pending for the period 2011-12 to 2015-16</p>
ICD City, Bangalore & Mangalore Commissionerate	<p>Though registers were maintained, important details like as value and quantity of goods allowed and actually imported etc. not being recorded.</p> <p>No system to watch over the receipt of confirmation of final assessment and audit of BEs at other port by using TRA facility</p>
ACC, Bangalore	<p>Register were not maintained. In absence of records, audit could not ascertain the actual number of contracts registered/finalised/pending for the period 2011-12 to 2015-16. However, in the year 2015-16 two contract were assigned Sl. Nos. Without any register.</p>
Chennai Sea	<p>The Project name/project site address was not entered in the Register in most of the contracts.</p> <p>The Bill of Entry details are not entered. Crosscheck with the data provided by DG (systems) for the period 2011-12 and 2012-13 revealed that import was made but the details are not entered in the Register.</p>
Tuticorin	<p>Register was not properly maintained and updated periodically. The details of the Project, site address, Registration No. and date, Bond No. and date, Bond amount, BG No. and date, Cash Security Deposit details, notification availed and the relevant serial number, the details of BEs filed, Invoice no., CIF value, Duty paid, Bond amount debited and the balance amount were not entered in the Register</p> <p>Monthly closing not done.</p>
Cochin	<p>Omissions and deficiencies were noticed in the Project Contract Register in respect of importer (M/s, BPCL-KR – IREP). This includes duplication of entries regarding the Purchase order value of ₹ 84.23 Crore, details of imports effected against four BEs were not entered and the duty forgone amount was not noted in the register or captured in the EDI system</p>
ACC, New Delhi	<p>Register was not maintained in the prescribed form. It was being maintained in plain register without any columns. The detail of contract value and import made, details of BE No/RA no., duty forgone etc. were not found entered in the contract register.</p> <p>There was no indication found that the register was reviewed by the higher officer for monitoring the finalization of contracts.</p> <p>Two contracts (M/s DMRC Ltd.), while debiting value of goods imported under project import, value of goods cleared on merit rate was also debited from the Bond value resulting in excess debit of ₹3.70 crore from the registered value of contracts.</p>
Hyderabad	<p>At ICD, Hyderabad Customs Commissionerate, no contract register and TRA registers were maintained. Similarly, in Paradeep Customs Division, no separate contract register was maintained.</p>
Kolkata	<p>Basic records essential for monitoring of cases registered under Project Import was not being maintained properly. Audit observed that in many instances details of imports like bills of entry number, value of imports, duty paid, duty foregone etc. details of Telegraphic Release Order (TRA) if any was not being noted against the contracts registered.</p>

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Commissionerate	Deficiencies
Noida	Register not being maintained. In absence of records, audit could not ascertain the actual number of contracts registered/finalised/pending for the period 2011-12 to 2015-16
NCH Mumbai	<p>Audit verification in NCH, Mumbai revealed that many of the contract registers(books) pertaining to period prior to 2012 became bunch of loose papers out of registers, some papers missing in serial, some sheets attached in between, no conclusion can be made from the entries as to whether import is complete of a particular project, or whether such contract is finalised or still pending, whether periodical closing of register was done with signatures of controlling officers, whether number of pending or finalised contracts match with number reported in MTRs submitted to higher authorities</p> <p>Book no 129 for 2010-2011, first thirteen pages were missing in the register, pages jumbled up, crumpled, broken/missing leading to missing entries, it cannot be make out as to book starts from which registration number, how many papers are there in the book, how many contracts, no round off done indicating finalisation of contract</p>
JNCH, Mumbai	<p>Only three contract registers were furnished to audit, which were not maintained in prescribed format. Registers were maintained in plain register without columns, missing contract values, missing details of BEs, imports, no review of registers by the higher officer for monitoring the pending contracts. Status of the contracts was not quantifiable from the registers.</p> <p>Other registers like SCN register, demand recovery register etc. not maintained in the Contract cell and hence not furnished to audit in spite of several reminders. In absence of non-maintenance of such resister, it was not ascertainable that how higher authorities monitors pending SCNs, recoveries, pending contracts without these basic registers.</p>

**Appendix 8**

**List of missing files (177 files) – JNCH, Mumbai**

SI No	Sl. No. (Deptt. Data)	Regn. No.	Year	Name of importer	CIF Value (₹)	Reasons
1	434	22/03 CC	2003	Bharat Heavy Electrical Ltd.	5,76,22,00,000	Original file not traceable
2	639	S/5-1/08/CC	2008	Gujarat State Electricity Corp. Ltd.	4,81,48,37,664	File not traceable
3	575	S/5-09/2006 CC	2006	Power Grid Corporation (I) Ltd.	3,70,37,88,580	File not available in the section
4	236	S/5-284/96 CC	1996	Hydro Electric Project	2,52,84,31,250	File not traceable
5	616	S/5-21/07 CC	2007	Grasim Industries Limited	1,55,67,52,683	File not traceable
6	363	S/5-38/98 CC	1998	Hindustan Petroleum Cor	1,38,89,00,000	File not traceable
7	681	S/5-04/2004 CC	2009	Gujarat Anjan Cement Ltd.	1,14,69,03,555	File not traceable
8	672	S/5-04/2004 CC	2009	Birla Corporation Ltd.	86,71,13,739	File not traceable
9	444	S/5-04/2004 CC	2004	Asoka Metal Décor Pvt Ltd	85,11,40,000	File not available in the section
10	496	S/5-46/2005 CC	2005	Bharat Heavy Electrical Ltd.	82,00,60,000	Original file not traceable
11	499	S/5-58/2005 CC	2005	Bharat Heavy Electrical Ltd.	79,36,87,400	Original file not traceable
12	617	S/5-07/2007 CC	2007	Gujarat Anjan Cement Ltd.	68,99,57,959	File not traceable
13	649	S/5-15/08 CC	2008	L & T Ltd.	64,95,97,413	File not traceable
14	671	S/5-32/09/CC	2009	Bhilai Jaypee Cement Ltd.	49,00,00,000	File not traceable
15	1	S/5-09/90/CC	1990	TPR Auto Part Manufacturing India Ltd.	36,36,09,855	File not available in the section
16	245	S/5-295/96 CC	1996	Jindal Strips	35,00,00,000	File not available in the section
17	458	38/04 CC	2004	Finolex Industries Ltd.	25,94,19,340	File not traceable
18	500	S/5-70/2005 CC	2005	Bharat Heavy Electrical Ltd.	22,15,00,000	Original file not traceable
19	446	S/5-56/2004 CC	2004	Bharat Heavy Electrical Ltd.	19,61,78,000	Original file not traceable
20	361	109/98 CC	1998	Gujarat State Electricity Corp. Ltd.	16,97,32,637	File not traceable
21	731	S/5-25/2010-11 CC	2010	Penna Cement Industries Ltd.	15,61,27,063	File not traceable
22	364	S/5-134/98 CC	1998	Hindustan Petroleum Corporation Ltd.	15,17,99,720	File not traceable
23	638	S/5-34/08 CC	2008	Coal India Ltd.	13,84,92,287	File not traceable
24	374	31/98 CC	1998	Tehri Hydro Dev Corp.	13,23,00,000	File not available in the section
25	581	S/5-85/2006 CC	2006	Shree Cement Ltd.	12,76,50,000	File not available in the section
26	615	S/5-03/2007 CC	2007	Grasim Industries Limited	12,25,61,510	File not traceable
27	611	S/5-01/2007 CC	2007	Dharampur Sugar Mills Ltd.	12,21,53,440	File not traceable
28	472	S/5-07/2004 CC	2004	Panna Cement Industries Ltd.	11,32,46,105	File not available in the section
29	511	S/5-61/2005 CC	2005	Humboldt Wedag India P Ltd.	10,78,79,000	File not traceable
30	624	S/5-25/2007 CC	2007	M/s Tata Power Co. Ltd.	10,19,37,429	File not available in the section
31	651	S/5-68/08/CC	2008	Megha Engg. &Infrastructure Ltd.	8,68,72,500	File not traceable
32	263	336A/96 CC	1996	Naptha Jhakri Join Venture	6,98,10,648	File not available in the section
33	162	47/95 CC	1995	Numligao Refinery Ltd.	6,00,00,000	File not available in the section

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34	469	S/5-52/2004 CC	2004	Mahendra Steel Service Centre Ltd.	5,95,52,000	File not traceable
35	491	S/5-23/2005 CC	2005	Bharat Pumps & Compressor Ltd.	4,55,19,956	File not traceable
36	48	525/94 CC	1994	GE Apar Lighting P Ltd.	4,33,79,076	File not traceable
37	426	31/2002 CC	2002	Instrumentation Ltd.	4,05,50,000	File not traceable
38	498	S/5-52/2005 CC	2005	Bharat Heavy Electrical Ltd.	3,59,60,000	Original file not traceable
39	58	29/94 CC	1994	Keltro Controls	3,53,74,109	File not available in the section
40	192	S/5-163/96 CC	1996	ATV Projects India Ltd.	3,13,00,000	File not available in the section
41	512	S/5-67/2005 CC	2005	Humboldt Wedag India P Ltd.	3,01,23,300	File not traceable
42	521	S/5-06/2005 CC	2005	L & T Ltd.	2,87,20,000	File not traceable
43	73	140/94 CC	1994	Platt (India) Ltd.	2,35,00,000	Connected file is not available
44	253	S/5-207/96 CC	1996	Krup Industries India Ltd.	2,30,00,000	File not available in the section
45	463	S/5-57/2004 CC	2004	Humboldt Wedag India P Ltd.	2,28,52,000	File not traceable
46	464	47/04 CC	2004	Humboldt Wedag India P Ltd.	2,28,52,000	File not traceable
47	468	S/5-09/2004 CC	2004	L & T Ltd.	2,21,53,780	File not traceable
48	356	26/98 CC	1998	Elecon Engg Co Ltd.	2,17,04,410	File not traceable
49	573	S/5-84/2006 CC	2006	Neyveli Lignite Corporation	2,15,72,300	File not available in the section
50	74	477/94 CC	1994	Precision Fasteners Ltd.	2,09,14,648	File not traceable
51	306	S/5-82/97 CC	1997	Bharat Heavy Electrical Ltd.	2,03,00,000	File not available in the section
52	644	S/5-9/08 CC	2008	Instrumentation Ltd.	2,00,00,000	File not traceable
53	519	04/2001 CC	2005	Knurr Bremse Systems	1,83,95,712	File not traceable
54	411	12/2001 CC	2001	Crompton Greaves Ltd	1,77,42,780	File not traceable
55	339	S/5-10/97 CC	1997	Tata Hanywell Ltd.	1,75,00,000	File not traceable
56	300	S/5-84/97 CC	1997	ACC Ltd	1,74,82,880	File not available in the section
57	362	142/98 CC	1998	Hindal Co. Ind. Ltd.	1,72,00,000	File not traceable
58	113	S/5-185/95 CC	1995	Bharat Heavy Electrical Ltd.	1,67,54,604	File not available in the section
59	157	417/95 CC	1995	Manaksia Closures Ltd	1,64,00,000	File not available in the section
60	419	52/2002 CC	2002	Alstom Power Boilers Ltd.	1,58,00,000	File not available in the section
61	281	1096/96 CC	1996	Uniscans & Sonics Ltd	1,53,50,191	File not available in the section
62	846			Petron Engineering Co	1,50,88,039	File not available in the section
63	557	S/5-62/2006 CC	2006	Dalmia Sugar Ltd.	1,49,58,404	File not traceable
64	414	S/5-01/2001 CC	2001	L & T Ltd.	1,44,00,000	File not traceable
65	428	35/02/CC	2002	L & T Ltd.	1,38,00,000	File not traceable
66	555	S/5-57/2006 CC	2006	Corporate Ispat Alloys Ltd	1,35,00,000	File not traceable
67	682	S/5-58/09/CC	2009	Gujarat Narmada Valley Fertilizers Ltd.	1,32,58,000	File not traceable
68	127	96/95 CC	1995	Fisher Rosemount India Ltd	1,26,10,265	File not traceable
69	455	41/04 CC	2004	Crompton Greaves Ltd	1,24,70,855	File not traceable
70	303	S/5-87/97 CC	1997	Bennett Colman & Co Ltd.	1,21,56,256	File not available in the section
71	130	82/95 CC	1995	GE Apar Lighting P Ltd.	1,15,50,000	File not traceable

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72	689	S/5-46/09 CC	2009	Shree Cement Ltd.	1,08,31,000	File not traceable
73	231	79/96 CC	1996	Godrej & Boyce Mfg Co. Ltd.	1,03,00,003	File not traceable
74	421	32/2002 CC	2002	Cable Corporation of India Ltd.	1,00,15,494	File not traceable
75	522	S/5-63/05 CC	2005	Lloyd Insulation (I) Ltd.	96,12,000	File not traceable
76	523	S/5-24/2005 CC	2005	Lloyd Insulation (I) Ltd.	96,12,000	File not traceable
77	75	S/5-06/94 CC	1994	Punjab Power Generation Machine Ltd.	91,88,000	File not available in the section
78	156	S/5-59/95	1995	Maharashtra Seamless Ltd.	91,05,720	File not available in the section
79	307	S/5-73/97 CC	1997	Bharat Heavy Electrical Ltd.	90,25,200	File not available in the section
80	375	S/5-24/98 CC	1998	The Indian Sugar & Gen. Engg. Corp	84,40,000	File not available in the section
81	124	396/95	1995	Crompton Greaves Ltd	81,56,567	File not available in the section
82	355	93/98 CC	1998	Crompton Greaves Ltd	75,00,000	File not available in the section
83	847			National Film Dev. Corp. Ltd.	74,32,747	File not available in the section
84	37	62/94 CC	1994	Cimmco Ltd.	73,15,000	File not available in the section
85	436	S/5-20/2003	2003	BSES Ltd.	69,94,110	File not traceable
86	310	S/5-63/97 CC	1997	Crompton Greaves Ltd	69,03,010	File not available in the section
87	230	309/96 CC	1996	GEC Alstom India Ltd.	68,64,981	File not traceable
88	329	S/5-85/97 CC	1997	L & T Ltd.	65,00,000	File not traceable
89	312	S/5-85/97 CC	1997	EMCO Transformers Ltd.	64,54,532	File not traceable
90	83	152/94 CC	1994	Tata Chemicals Ltd.	63,44,902	Original file not traceable
91	433	17/2003 CC	2003	Bharat Pumps & Compressor Ltd.	60,52,000	File not traceable
92	347	14/98 CC	1998	Agriculture & Processed Food Products Export	57,50,000	File not available in the section
93	106	S/5-3/95 CC	1995	Bharat Pumps & Compressor Ltd.	57,00,000	File not traceable
94	366	57/98 CC	1998	Kinetic Technologies India Ltd.	54,02,560	File not available in the section
95	149	482/95 CC	1995	Kinetic Technologies India Ltd.	53,20,583	File not available in the section
96	137	84/95 CC	1995	Hi-Rel Electronics Pvt Ltd.	52,42,809	File not traceable
97	336	S/5-46/98 CC	1997	Siemens Ltd.	52,00,000	File not available in the section
98	360	S/5-49/98 CC	1998	Gujarat Chemicals Port Terminal Co. Ltd.	52,00,000	File not available in the section
99	200	275/98 CC	1996	Bharat Heavy Electrical Ltd.	50,63,000	File not available in the section
100	845	0		Asea Brown Boveri Ltd	50,00,000	File not available in the section
101	401	S/5-01/2001	2001	Alsium Ltd	49,76,084	File not available in the section
102	126	48/95 CC	1995	Everest Photo Offset Ltd,	49,56,000	File not traceable
103	256	S/5-266/96 CC	1996	L & T Ltd.	49,43,800	File not traceable
104	47	245/94 CC	1994	GE Apar Lighting P Ltd.	46,82,430	File not traceable
105	249	30/96 CC	1996	Keltro Countrols	46,64,300	Original file not found
106	397	16/2000 CC	2000	Elecon Engg Co Ltd.	44,29,000	File not traceable
107	206	S/5-202/96 CC	1996	Bharat Heavy Electrical Ltd.	44,00,000	File not available in the section
108	235	S/5-158/96 CC	1996	Hydro Dyne Ind.	43,90,185	File not traceable

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109	341	S/5-195/97 CC	1997	Tube Products Incorporate	41,00,000	File not available in the section
110	280	S/5-346/96 CC	1996	Tungbhadra Steel P. Ltd.	40,00,000	File not available in the section
111	195	165/96 CC	1996	Bharat Bijlee Ltd	36,05,833	File not available in the section
112	252	S/5-377/96 CC	1996	Kirloskar Power Equip. Ltd.	32,20,120	File not available in the section
113	132	480/95 CC	1995	GEI Engg. Ltd.	31,95,300	File not traceable
114	87	83/94 CC	1994	Thermax Ltd.	31,71,539	File not available in the section
115	619	S/5-18/2007 CC	2007	Hindustan Zinc Ltd.	30,55,756	File not traceable
116	259	178/96 CC	1996	Minakshi Associates P Ltd.	30,20,717	File not available in the section
117	233	S/5-22/96 CC	1996	Horizon Polymer Eng. Ltd.	29,70,000	File not traceable
118	320	22/97 CC	1997	Horizon Polymer Eng. Ltd.	29,69,573	File not traceable
119	311	S/5-65/97 CC	1997	EMCO Transformers Ltd.	29,57,000	File not traceable
120	267	301/96 CC	1996	Raychem Engg Pvt Ltd	28,59,156	File not available in the section
121	176	157/95 CC	1995	Spicer India Ltd	27,13,000	File not available in the section
122	167	S/5-350/95 CC	1995	Prism Cement Ltd.	25,63,562	File not available in the section
123	125	94/95	1995	Crompton Greaves Ltd	25,00,000	File not available in the section
124	199	69/98 CC	1996	Bharat Bijlee Ltd	24,40,972	File not available in the section
125	497	S/5-49/2005 CC	2005	Bharat Heavy Electrical Ltd.	22,41,000	Original file not traceable
126	131	376/95 CC	1995	GE Plastics India Ltd	22,15,015	File not traceable
127	535	S/5-20/2005 CC	2005	Rochem Separation Systems India P. Ltd.	20,63,919	File not traceable
128	408	S/5-105/01 CC	2001	Bharat Heavy Electrical Ltd.	20,11,100	File not available in the section
129	247	343/96 CC	1996	Jyoti Ltd	19,13,155	Original file not traceable
130	473	S/5-16/2004 CC	2004	Pioneer Genco Ltd.	18,00,102	File not available in the section
131	161	S/5-45/95 CC	1995	Modi GBC Ltd	16,59,200	File not available in the section
132	333	S/5-273/97 CC	1997	National Radio & Electronics Co. Ltd.	15,96,000	File not available in the section
133	590	S/5-01/2006 CC	2006	Tehri Hydro Dev Corp.	15,62,978	File not available in the section
134	254	107/96 CC	1996	KSB PUMPS LTD	15,10,000	File not available in the section
135	319	S/5-62/97 CC	1997	Horizon Polymer Eng. Ltd.	15,00,000	File not traceable
136	392	S/5-39/00 CC	2000	ABB Alstom Power India Ltd	14,48,391	File not available in the section
137	371	S/5-51/98 CC	1998	Rajendra Mechanical Industries Ltd.	13,85,000	File not available in the section
138	349	182/98 CC	1998	Bharat Pumps & Compressor Ltd.	13,00,000	File not traceable
139	409	22/2001 CC	2001	Capital Control India Pvt. Ltd.	12,98,843	File not traceable
140	273	S/5-342/96 CC	1996	Tarmax Ltd	12,64,400	File not available in the section
141	315	S/5-151/97 CC	1997	G.R. Engg Works Ltd.	12,58,663	File not traceable
142	350	S/5-33/98 CC	1998	Bharat Heavy Electrical Ltd.	12,35,622	File not available in the section
143	80	S/5-507/94 CC	1994	Sudiksha	12,31,332	File not available in the section
144	178	456/95 CC	1995	Surendra Engg. Co. Ltd.	12,26,447	File not traceable
145	179	45/95 CC	1995	Surender Engineering Ltd.	11,51,355	File not available in the section
146	68	343/94 CC	1994	National Paroxide Ltd.	10,75,000	File not available in the section

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147	317	S/5-113/97 CC	1997	Godrej & Boyce Mfg Co. Ltd.	10,75,000	File not traceable
148	326	S/5-133/97 CC	1997	L & T Ltd.	10,30,000	File not traceable
149	222	339/96 CC	1996	Colour Image	9,99,498	File not traceable
150	257	74/96 CC	1996	Loyed Steel Industries Ltd.	8,79,160	File not available in the section
151	318	131/97 CC	1997	Godrej & Boyce Mfg Co. Ltd.	7,25,000	File not traceable
152	50	160/94 CC	1994	Grasim Industries Limited	6,45,000	File not traceable
153	589	S/5-08/2006 CC	2006	SRF Nippondenso Ltd.	6,20,000	File not available in the section
154	386	187/99 CC	1999	GEC Alstom India Ltd.	5,54,718	File not traceable
155	282	46/96 CC	1996	Vijay Fire Production Ltd	3,44,764	File not available in the section
156	275	127/96 CC	1996	Tema Exchanger Mfs Ltd.	3,00,000	File not available in the section
157	139	98/95 CC	1995	Horizon Polymer Eng. Ltd.	2,74,000	File not traceable
158	524	03/05 CC	2005	Metito Polutions Control India P Ltd.	2,04,998	File not traceable
159	404	23/2001 CC	2001	Aquatech System Asia P Ltd	2,00,000	File not available in the section
160	342	S/5-28/97 CC	1997	Vijay Fire Production Ltd	1,75,300	File not available in the section
161	846	S/5-CC		Indian Petrochemicals Corp Ltd.	1,26,000	File not available in the section
162	144	S/5-221/95 CC	1995	JaypeeBela Cement	1,25,369	File not available in the section
163	223	22/96 CC	1996	Furnance Fabrica Bom Ltd	1,20,000	File not traceable
164	207	S/5-215/96 CC	1996	Bharat Heavy Electrical Ltd.	1,00,000	File not available in the section
165	492	S/5-330/05	2005	Bharat Heavy Electrical Ltd.	84,342	File not available in the section
166	437	S/5-11/2003 CC	2003	Fouress Engineering India Ltd	48,854	File not traceable
167	103	S/5-495/95	1995	Bharat Pumps & Compressor Ltd.	--	File not available in the section
168	224	S/5-212/96	1996	Furnance Fabrica Bom Ltd	--	File not traceable
169	260	S/5-397/96	1996	Mistry Prabhudas	--	File not available in the section
170	337	S/5-409/97	1997	Sulzer India Ltd.	--	File not available in the section
171	338	S/5-453/97	1997	Surinder Engineering Ltd	--	File not traceable
172	348	S/5-315/98	1998	Asian Cables Ltd	--	File not available in the section
173	393	S/5-30/2000	2000	Bharat Heavy Electrical Ltd.	--	File not available in the section
174	395	S/5-07/2000	2000	Chat Ghar Hydro Engineer	--	File not traceable
175	429	S/5-02/2002 CC	2002	Nuclear Power Corporation Ltd	--	File not available in the section
176	439	S/5-164/2003	2003	Mesha Enterprises	--	File not traceable
177	648	S/5-45/2008	2008	Kirloskar Pneumatic Company Ltd.	--	File not traceable

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