

भारत सरकार  
वाणिज्य और उद्योग मंत्रालय  
विकास आयुक्त का कार्यालय  
सीपज़ विशेष आर्थिक क्षेत्र  
अंधेरी (पूर्व), मुंबई - 400096



Government of India  
Ministry of Commerce & Industry  
Office of the Development Commissioner  
SEEPZ Special Economic Zone  
Andheri (E), Mumbai - 400096

वेबसाइट: [www.seepz.gov.in](http://www.seepz.gov.in) | ई-मेल: [dcseepz-mah@nic.in](mailto:dcseepz-mah@nic.in) | टेलीफोन: 022-28290856/28294700

03-05-2025

**Subject: Advisory on common discrepancies observed during monitoring of SEZ unit's performance- reg.**

Attention of SEZ unit holders is drawn to the critical discrepancies observed during the scrutiny of Annual Performance Reports (APRs) submitted by various units under the provisions of the Special Economic Zones Act, 2005 and the Special Economic Zones Rules, 2006. The following issues require urgent corrective action, enhanced due diligence, and strict compliance to avoid violations and regulatory consequences:

**1. Delay in Submission of APRs :**

Several SEZ units have been found to delay submission of their APRs, contrary to the timelines prescribed under the SEZ Rules, 2006. This adversely impacts the monitoring of units' performance, leading to non-compliance with the Bond cum Legal Undertaking (BLUT) conditions and delays in regulatory oversight.

Recommendation: Units must ensure timely submission of APRs through SEZ Online system within the prescribed period to avoid penal consequences under Rule 54 read with FTD&R Act, 1992.

**2. Incorrect Calculation of Value Addition:**

Rule 53 C & 53 D of the SEZ Rules, 2006 clearly prescribes the value addition for Gems & Jewellery units, which is as follows:

*C: Gems and Jewellery units shall achieve minimum Value Addition as laid down in prevailing Foreign Trade Policy or Hand Book of Procedures: Provided that the Nominated agencies working as a service unit for precious metals supply within Special Economic Zone shall be subjected to the requirement of positive Net Foreign Exchange only; and*

*D: For Gems and Jewellery, the minimum Value Addition shall be in terms of prevailing Foreign Trade Policy or Hand Book of Procedures and it shall be calculated as under:-*

$VA = A-B/B \times 100$  Where, -

A = Free on Board value of the export realized or Freight on Road and Rails value of supply received;

*B = Value of inputs such as gold or silver or platinum content in export product plus admissible wastage along with value of other items, such as gemstone etc. wherever gold has been obtained on loan basis, value shall also include interest paid in free foreign exchange to foreign supplies:*

*Provided that where a Unit is unable to achieve Net Foreign Exchange due to adverse market conditions or any ground of genuine hardship having adverse impact on functioning of the Unit, the five years block period for calculation of Net Foreign Exchange earnings may be extended by the Board of Approval for a further period of upto one year, on a case to case basis.]*

Despite the clarity, instances have been noted where units have artificially inflated value addition figures, in violation of Rule 53(D) read with Para 4.60 of the Handbook of Procedures (HBP), resulting in discrepancies during verification.

Recommendation: Units must adhere to the notified formula and maintain accurate records of exports and imported inputs. Any shortfall in meeting the minimum value addition norms must be promptly reported and regularised with the Development Commissioner.

### **3. Non-Realization of Foreign Exchange:**

Some of the SEZ units have failed to realize foreign exchange against exports within the stipulated time as per the instructions of RBI issued from time to time and no evidence of having sought extension from the Authorised Dealer Bank or RBI, as applicable, has been submitted. Further, the unit is required to surrender the proportionate export benefits i.e. duty foregone on those inputs used in the export consignment in respect of which bad debt was written off. The unit is required to ascertain the duty foregone from details of shipping bill, invoices, and duty free material consumed in the unrealized export bills and surrender / reverse the proportionate duty.

Recommendation: Units must ensure compliance with RBI norms for export realization in terms of Rule 71 of SEZ Rules, 2006 and obtain necessary extensions wherever applicable. Copies of such extensions should be filed with the office of the Development Commissioner without delay.

### **4. Incorrect Figures in Self-Certified and CA-Certified APRs:**

It has been observed that many units furnish incorrect figures in their APRs, both in self-certified and Chartered Accountant-certified submissions. Subsequently, requests are made to revert or amend request IDs in SEZ Online, leading to unnecessary administrative delays.

Recommendation: Units are advised to thoroughly verify the figures before submission and ensure internal reconciliation to maintain accuracy and transparency.

### **5. Incorrect Forex Projections and Item Details:**

Frequent discrepancies are found in projected Foreign Exchange inflow/outflow, and inaccuracies in items of manufacture and HSN codes

submitted in the Forex Balance Sheet.

Recommendation: Units should review and ensure that all submitted data aligns with actual operations and supporting documentation such as LOP/LOA conditions. Though projections submitted by the unit are not binding, however, they do serve as benchmarks for assessing a unit's success/failure.

#### **6. Delayed Submission of SOFTEX and DSPF Forms:**

Failure to timely submit SOFTEX forms (for software exports) and DSPF (DTA Services Procurement Form) results in a lack of visibility into export performance and impedes transaction monitoring.

Recommendation: Timely submission of these forms is mandatory under RBI and SEZ guidelines/Public Notice. Units should align their internal compliance mechanisms accordingly. Legal action would be initiated for non-filing of DSPF/SOFTEX within three months of generation of Invoice by way of issuance of Show Cause Notice. The unit has to ensure that duty benefits availed by them on procurement/import of goods/services are strictly meant for authorized operations.

#### **7. Excess Utilization of Raw Materials without Intimation:**

Units have been utilizing raw materials in excess of approved limits without prior intimation to the SEZ office. This often results in over-reporting of Net Foreign Exchange (NFE) earnings, which constitutes a violation of Rule 53 and other related provisions. The units fail to maintain proper accounting of material being utilized/unutilized in their Books of Accounts/APR.

Recommendation: The units should maintain the proper accounting of all transactions in Books enabling concerned authorities to verify the accounts. All excess utilization or deviations from approved input-output norms must be promptly reported and approved by the competent authority. The requirement for submission of an Additional Bond-cum-Legal Undertaking would arise when there is increase in the scale of operations as compared to the initial level for which the original BLUT was executed.

The Rule 19(2) of SEZ Rules, 2006 provides that :

*The Letter of Approval shall specify the items of manufacture [along with the corresponding Indian Trade Classification (Harmonised System) of Export and Import Items, 2017] or particulars of service activity, including trading or warehousing, projected annual export and Net Foreign Exchange Earning for the first five years of operations, limitations, if any on Domestic Tariff Area sale of finished goods, by- products and rejects and other terms and conditions, if any, stipulated by the Board or Approval Committee:*

**Provided that the Approval Committee may also approve proposals for broad- banding, diversification, enhancement of capacity of production, change in the items of manufacture or service activity, if it meets the requirements of rule 18.**



## **8. Non-Responsiveness to Audit Objections:**

**Audit observations raised by the Customs Receipt Audit (CRA) have gone unanswered by many units. Lack of cooperation with audit authorities is viewed as a serious compliance lapse.**

**Recommendation: Units must provide timely and comprehensive responses to all audit queries. Any mis-representation or suppression of facts may result in penal consequences/suspension of operations or cancellation of LOAs under Rule 25 of SEZ Rules 2006 read with Rule 54 and Section 16 of SEZ Act 2005.**

## **9. Adherence to Government Guidelines and SEZ Rules:**

SEZ units are expected to fully comply with the SEZ Rules, 2006, and the broader objectives of the SEZ Act, 2005, which include enhancing exports, generating employment, and facilitating ease of doing business.

Recommendation: Units are advised to remain abreast of policy amendments, notifications, and circulars issued by the Ministry of Commerce & Industry, and ensure timely compliance with the same. In this regard, timely circulars and public notices are issued by this office to keep the units informed of the latest policy updates and procedural changes.

All the imports/exports operations of the SEZ unit are on self-certification basis. The units in the zone are required to be Net Foreign Exchange Compliant and under obligation to fulfill all conditions stipulated in the SEZ Act, 2005, SEZ Rules, 2006 and orders made there-under, as amended from time-to-time.

The above issues highlight serious lapses in adherence with the provisions of the SEZ Act, 2005 and SEZ Rules, 2006 and any such violations shall be viewed seriously and may render the unit liable for penal consequences/strict action under the provisions of FTD&R act 1992 read with and SEZ Act 2005 and SEZ Rules 2006. Therefore, the SEZ units are hereby advised to:

- Establish robust internal compliance mechanisms.
- Submit timely and accurate statutory filings.
- Maintain transparency in dealings and respond promptly to queries from SEZ and audit authorities.
- Comply with each and every condition stipulated in SEZ law.

While every effort is being made to facilitate units engaged in fair and law-abiding business activities, it is equally imperative to maintain the compliance framework of SEZ scheme. This office remains committed to taking proactive and balanced measures that support uninterrupted business continuity while simultaneously enforcing strict adherence to SEZ regulations.

This advisory is being issued with the approval of Competent Authority, in the interest of improving compliance culture and facilitating smooth functioning of SEZ operations.

Yours Sincerely,

Digitally signed by  
Mital Sudhir Hiramath  
Joint Development Commissioner  
Date: 03-05-2025  
23:51:41

To,

**Shri Adil Kotwal**  
**President, SGJMA,**  
**SEEPZ-SEZ, Mumbai**

Copy to :-

1. The Specified Officer, SEEPZ-SEZ, Mumbai
2. All SEEPZ-SEZ units for compliance
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