



GOVERNMENT OF KERALA

Abstract

Kerala State Textile Corporation Ltd- Import duty concession availed on the machinery imported under Export Promotion Capital Goods(EPCG) Scheme during the period 2008-2010 - Release of Rs.6.68 Crore for the settlement of customs duty -Sanction accorded -Orders issued.

INDUSTRIES (C) DEPARTMENT

G.O.(Ms)No.24/2025/ID Dated,Thiruvananthapuram, 20-03-2025

Read : Letter No.KSTC/PROJ-EPCG/2024-'25/121 27.04.2024 from the Managing Director, Kerala State Textile Corporation Ltd.

ORDER

The Managing Director, Kerala State Textile Corporation Ltd. (KSTC), as per the letter read above, has informed Govt. that the Kerala State Textile Corporation and various mills under it are facing severe financial crisis due to various problems in the field of Textiles. In connection with the modernization carried out in various mills and opening of three new mills under the control of the Kerala State Textile Corporation (KSTC) during the period 2008-2010, various machinery were imported by utilizing the benefits under the Export Promotion Capital Goods (EPCG) Scheme. As per the norms of the EPCG Scheme, products worth 8 times the amount of duty must have been exported within 8 years. Even though, by 2011, all the machines had been installed in the new units and put into operation, due to the Court cases related to recruitment of employees and labourers filed by the candidates, commercial production could not be carried out in the new units for about 6 years. Later the cases were disposed of as per the judgments dated 04/04/2017 and 02/06/2017 and the appointments were resumed as per the Govt Order issued in March,2018. Subsequently, Komalapuram, Uduma and Pinarayi Hi-Tech Mills started functioning. By that time, the export obligation period under the EPCG Scheme was over. Since the products could not be exported by the Corporation till 2018-19, the Corporation became liable to pay back the amount of customs duty along with interest.

2) An amount of Rs. 6.676 Crore was required to be as paid as customs duty on import of machinery under 14 licences during the period 2008-2010

. Since the amount was not paid on time, the Customs demanded to pay Rs 21.18 Crore, including interest and penal interest. Meanwhile, an Amnesty Scheme was declared by the Director General of Foreign Trade and the same could not be availed for want of funds. The period of Amnesty Scheme expired on 31/03/2024.

3) In the subsequent hearing with the KSTC and Customs Department officials, it has been reported that KSTC has been instructed to pay Rs. 6.68 Crore as customs duty on the imported equipments immediately and to file an appeal regarding the amount due on interest and seek redress. Any further delay in payment of customs duty is likely to lead to freezing of KSTC's bank accounts and initiation of revenue recovery proceedings to recover the amount. The non payment of import duty to the Customs department would seriously affect the functioning of the KSTC and the Mills under it.

4) The MD, KSTC as per the letter read above has, therefore, requested for Govt. intervention to solve the crisis and to sanction Rs.6.68 Crore from the budget allocation to KSTC for the current financial year, so that on remittance of Rs. 6.68 Crore, they can file an appeal with respect to the payment of interest. Subsequently, Govt took up the matter with the Union Ministry of Commerce and Industry seeking exemption under the EPCG Scheme and the Union Ministry informed that there is no provision for exemption of customs duty under the current policy/rules.

5) An amount of Rs. 28.50 Crore is provided to KSTC as budget allocation under the Head of Account "6860-01-190 -95 (P) Loans to KSTC" during the current financial year. Of this, Rs.14.80 Crore has been released so far.

6) Government have examined the whole issue in detail. The non payment of import duty to the Customs department would seriously affect the functioning of the KSTC and the Mills under it. Further delay in payment of customs duty will lead to freezing of bank accounts of KSTC and facing of subsequent revenue recovery proceedings.

7) In the circumstances, Government are pleased to accord sanction for the release of an amount of **Rs.6.68 Crore (Six Crore and Sixty Eight Lakhs only)** to Kerala State Textile Corporation Limited (KSTC) from the balance amount of Rs. 13. 70 Crore available under the current financial year budget provision of Rs. 28.50 Crore under the Head of Account "6860-

01-190-95 Loans to KSTC(P)” to settle the dues towards the concession availed on import duty worth Rs.6.68 Crore in connection with the import of machinery under EPCG Scheme during the period 2008-2010 for the renovation of various mills and opening of new mills under Kerala State Textile Corporation.

8)The release of fund shall be in accordance with the usual terms and conditions of fund release.

9) The Director /Additional Director of Industries and Commerce will draw and disburse the amount to the Managing Director, Kerala State Textile Corporation Ltd.

(By order of the Governor)
A P M MOHAMMED HANISH
PRINCIPAL SECRETARY

The Director of Industries and Commerce, Thiruvananthapuram

The Director of Handloom and Textiles, Thiruvananthapuram

The Managing Director, Kerala state Textile Corporation Ltd,
Thiruvannanthapuram

The Principal Accountant General(G&SSA), Kerala,Thiruvananthapuram

The Accountant General (A&E), Kerala,Thiruvananthapuram

The General Administration (SC) Department (Vide Item No.2801 dated
18.03.2025)

The Director of Treasuries ,Thiruvananthapuram

The Member Secretary, BPT, Thiruvananthapuram

The Finance (PUD/GIMC/BW) Department(Vide UO No.2473889/PU-
D1/71/2023-FIN Dated 04/03/2025)

The Planning and Economic Affairs(CPMU) Department

CEO, K-bip, Thiruvananthapuram

✓ I&PRD

SF/OC

Forwarded /By order

Signed by

Sreekumar R

Date: 20-03-2025 14:31:06
Section Officer

JAIRD

Copy : PS to the Hon'ble Minister Industries
CA to Principal Secretary, Industries Department
CA to Joint Secretary, Industries Department