

**PRESS NOTE NO. 17
(1998 SERIES)**

Government of India
Ministry of Industry
Department of Industrial Policy & Promotion
Udyog Bhawan,

SUBJECT : Export of Cotton Yarn by EOU/EPZ Units

The Export Oriented Units/EPZ units in the cotton yarn sector are currently allowed to manufacture and export cotton yarn with domestic cotton use restrictions as stipulated in Press Note No.19 (1997 series) dated 26.12.97.

2. There have been representations from the 100% EOUs producing cotton yarn seeking greater operational flexibility so that they are better equipped to deal with the adverse market conditions prevailing in the international market. At the same time, there is an urgent need for promoting downstream investments by cotton yarn EOUs in the interest of higher value added export of fabrics.

3. With a view to encouraging investments towards setting up of integrated units and thus achieving value additions, as well as to address the current difficulties of the cotton yarn EOUs, Government have decided to allow the flexibility to the 100% EOUs to export cotton yarn without any count restriction/sourcing of domestic cotton conditions in a manner and to the extent as set out hereinunder :-

(i) Those 100% EOUs that are manufacturing cotton yarn and are subject to count restrictions may be permitted to export cotton yarn without any count/domestic cotton use restriction upto 31st December, 1998 subject to the condition that such exports are within the overall quantitative ceiling on cotton yarn exports of counts 1-40 (which is 175 million Kgs for the calendar year 1998 as of date). For such exports, the EOUs will have to apply to the Cotton Textile Export Promotion Council (TEXPROCIL) for allocation of ceiling.

(ii) The composite units manufacturing cotton yarn as well as fabrics - both existing and new - as may be provided in the Letter of Permission (LOP) under the 100% EOU sector, would be allowed the flexibility to export cotton yarn also, without any count restriction/sourcing of domestic

cotton condition. This dispensation would be contingent upon the following conditions:-

(a) Special eligibility would accrue only after the weaving capacity has been fully installed, certified as balanced unit of spinning and weaving capacity by Textile Commissioner, and its commercial production has

started.

(b) The export of yarn at any time would not be more than exports effected in the form of fabric in value terms and will be overall governed by the Letter of Undertaking (LUT) regarding export obligation.

4. All investors and entrepreneurs may please take note of the aforesaid revision in the Policy.

(ADITI S RAY)

DIRECTOR

New Delhi the 13th November 1998

(ASHOK KUMAR)

Joint Secretary to the Government of India