



Director General EPCES &lt;dg@epces.in&gt;

## Issue of guidelines for cancellation of Letter of Approval (LOA) for Non-Operational and Non-Compliant Units in IT/ITES Special Economic Zones (SEZs)

5 messages

Director General EPCES &lt;dg@epces.in&gt;

19 September 2025 at 17:38

To: VIMAL ANAND &lt;vimal.anand@nic.in&gt;, Gaurav Pundir &lt;gaurav.pundir@gov.in&gt;

Cc: csooffice@nic.in, ss.lss-doc@gov.in, OSD cum Special Secretary Commerce &lt;rajesh.agrawal@nic.in&gt;

**Dear Sir**

This is regarding issuing guidelines for addressing problems being faced by the IT/ITES developers in dealing with units that have defaulted in compliance on their obligations, particularly regarding the surrender of space or abandonment of premises, posing a significant financial and administrative burden on SEZ Developers.

Of late, there have been an increase in the number of defaulting units, that:

1. **Surrender the premise with Incomplete Formalities (Category-1):** A unit formally intimates its intention to surrender its premises/ handover possession of premises to developer and exit the SEZ but fails to complete the necessary formalities under Rule 74 of the SEZ Rules, 2006/ and act as non-responsive. While this is a matter of procedural non-compliance, the lack of explicit rules/instructions/guidelines providing authority to action by the Development Commissioner (DC) / UAC to cancel the LOA leads to indefinite delays.
2. **Deemed Abandonment of Premises (Category-2):** A unit ceases operations, vacates its premises, and becomes non-responsive to official communication from the Developer / SEZ authorities. In such cases, the SEZ may or may not have formal intimation of exit and the unit is left with an unproductive, locked space.

### **Current provisions for Exit of Units and Withdrawal/Cancellation of LOA**

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**[i] Exit of Units [Rule 74 of SEZ Rules, 2006]:** A unit desiring to exit from SEZ scheme, required to follow a specific procedure, including seeking approval from the Development Commissioner (DC) / Unit Approval Committee (UAC). This process involves payment of duty on their assets in stock, achieve positive NFE and settlement of any outstanding dues, before issuing the Exit Order.

**[ii] Withdrawal/ Cancellation of LOA [Sec 16 of SEZ Act, 2005 read of Rule 77 of SEZ Rules, 2006]:** A provision is made under Section 16 that UAC may at any time, if it has any reason or cause to believe the entrepreneur has persistently contravened any of the terms and conditions or its obligations subject to which letter of approval was granted to entrepreneur, cancel the Letter of Approval (LOA).

### **Difficulties Faced by the Developer and Zonal DC offices in absence of guidelines to deal against the aforesaid defaulted units falling under Category-1 & 2:**

In both the above scenarios, the Developer, and the Development Commissioner's offices both faces significant challenges in cancellation of LOA as briefed hereunder:

1. **Legal ambiguity:** The aforesaid current rules do not explicitly outline the procedure for the automatic/ unilateral cancellation of the LOA for such units (i) who has surrendered the space but after that not coming forward to complete EXIT formalities; and also against those (ii) who are not operational / Deemed abandon the premise and persistently contravened any of the terms of conditions or its obligations subject to which the letter of approval was granted to the entrepreneur; still the lack of clear guidelines, makes it difficult to initiate a formal process to

terminate their SEZ status. Further, taking unilateral action to Withdraw/ Cancel the LOA of abandoned units may present a potential legal risk if the unit later claims wrongful de-recognition.

2. **Administrative burden:** The process of pursuing these units is time-consuming and resource-intensive, involving repeated notices and follow-ups with limited success. This diverts administrative resources from other critical functions.

3. **Space optimization:** The space occupied by these defaulter units **remains locked**, preventing the allotment of the same to new, potential investors who are eager to establish their operations in the SEZ. This hampers the SEZ's ability to attract new investment and generate economic activity.

4. **Recurring financial losses to developer:** Since the space occupied by the defaulters' units/ abandoned units remains locked, due to no decision / or prolonged time taken by the DC office, the developer is suffering the financial losses of lease rental on a recurring basis for a number of years.

5. **Security and maintenance issues:** Abandoned units can pose security risks and require additional resources for maintenance and upkeep, which burdens the SEZ's operational budget.

#### **Proposed procedural framework:**

To address these challenges, it is proposed for issuance of clear guidelines establishing a standardized, time-bound procedural framework. This framework would create a documented trail of due diligence, making any subsequent legal challenge from the unit difficult to sustain.

#### **[A] Suggestions proposed for cancellation of LOA of units who have surrendered the premises to Developer but fails to complete the Exit formalities u/r 74:**

**Step-1:** The development commissioner, on request of developer, should send a notice/ or written communication via email to the unit advising to complete the exit formalities within a period of **30 days** of issue of notice/communication.

**Step-2:** If the unit fails to act/ or respond the written communications, The matter should be placed before the Unit Approval Committee (UAC) for allowing to issue the formal notice (Show Cause Notice) to the unit at its registered office address (and other known addresses) via:

- **Registered A.D. Post:** To create a clear record of delivery attempt.
- **Official Email:** To the registered email address of the unit.

The notice should clearly state details of non-compliance and provide a final opportunity (giving time for 15~30 days) to respond and complete the exit formalities.

**Step-3:** Final De-recognition and Cancellation of LOA: Following the outcomes of above Show Cause Notice, the Unit Approval Committee, should pass a final order by cancelling the LOA. The guidelines should clearly specify that the goods if any left behind by the surrendering unit at premises; wherein duty benefits are obtained, the same can be ordered to shift within the SEZ at a safe place under the supervision of the Customs officers; till such time duty is not discharged on said goods.

#### **[B] Suggestions proposed for cancellation of LOA of unit who Deemed Abandonment of Premises/ persistently contravening the terms & conditions or obligations of LOA- under Sec 16 of SEZ Act, read with Rule 77 of SEZ Rules, 2006:**

Taking unilateral action for cancellation of LOA of abandoned units may present a potential legal risk if the unit later claims wrongful de-recognition. To mitigate any such legal hurdles, it is suggested that the office of Development Commissioner, on request of the developer should initiate action against such units based on the following factual basis taken on the record.

**Objective Factual Basis:** The process should be initiated based on objective and verifiable criteria, such as:

- a) No operational activity at the unit for a continuous period of [e.g., 90 days].
- b) Non-payment of applicable service charges, maintenance fees, rental etc. for a period of [e.g., 3 months].
- c) Failure to respond to official written communication and emails for a period of [e.g., 60 days].

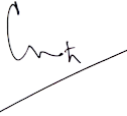
The remaining steps to be initiated for cancellation of LOA are the same as explained above under Step-1 to Step-4.

**Conclusion:**

The issuance of these guidelines (ensuring the time bound actions) will not only resolve the current administrative bottlenecks but also enhance the overall efficiency in terms of Ease of Doing business and attractiveness of SEZs as investment destinations. It will ensure that valuable infrastructure and space are utilized optimally for their intended purpose of promoting exports and economic growth.

In view of the above, it is requested that necessary guidelines on the basis of above suggestions may kindly be considered to be issued on priority.

With regards,



(Alok Chaturvedi)



**Alok V Chaturvedi, IAS(Retd)**

Director General,

Export Promotion Council for EOUs and SEZs,

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*Export Promotion Council for EOUs (Export Oriented Units) and SEZs (Special Economic Zones) (EPCES) is a multi-product Export Promotion Council set up by the Ministry of Commerce and Industry, representing the interests of SEZ units, SEZ developers and Export Oriented Units. It has 5971 members with 4629 SEZ units, 384 SEZ developers and 958 EOUs. In FY 2023-24, total exports of goods and services from SEZs were recorded at US \$ 163.69 billion and export of goods from EOUs at 17.2 billion.*

Director General EPCES <dg@epces.in>

19 September 2025 at 17:41

To: Anil Nauriyal <nauriyal-anil@dlf.in>

Cc: "KEDIA, NAVIN" <kedia-navin@dlf.in>, Ramandeep Gill <gill-ramandeep@dlf.in>, "SHARMA, PITAMBER" <sharma-pitamber@dlf.in>

**Dear Sir**

Please see email below from DG, EPCES regarding the issue raised by you.

With regards

**Govind Yadav**

EA to DG, EPCES



Export Promotion Council for EOUs and SEZs,

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*developers and 930 EOUs. In FY 2022-23, total exports of goods and services from EOUs and SEZs were recorded at US \$ 173.88 billion which is about 22.4 % of India's total exports of goods and services at US \$ 776.51 billion.*

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**Anil Nauriyal** <nauriyal-anil@dlf.in>  
To: Director General EPCES <dg@epces.in>  
Cc: "KEDIA, NAVIN" <kedia-navin@dlf.in>

19 September 2025 at 17:53

Dear Sir,

Thank you for your understanding and great support.

Best Regards

Anil Nauriyal

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**From:** Director General EPCES <dg@epces.in>  
**Sent:** Friday, September 19, 2025 5:41 PM  
**To:** Anil Nauriyal <nauriyal-anil@dlf.in>  
**Cc:** KEDIA, NAVIN <kedia-navin@dlf.in>; Ramandeep Gill <gill-ramandeep@dlf.in>; SHARMA, PITAMBER <sharma-pitamber@dlf.in>  
**Subject:** Fwd: Issue of guidelines for cancellation of Letter of Approval (LOA) for Non-Operational and Non-Compliant Units in IT/ITES Special Economic Zones (SEZs)

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(Alok Chaturvedi)



**Alok V Chaturvedi, IAS(Retd)**

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**Director General EPCES** <dg@epces.in>

19 September 2025 at 19:44

To: Srikanth Badiga <badigasrikanth@phoenixindia.net>, Sunil Rallan <sunilrallan@gmail.com>, Sunil Puri RC NSEZ <rcnsez@epces.in>

**DG**

----- Forwarded message -----

From: **Director General EPCES** <dg@epces.in>

Date: Fri, Sep 19, 2025, 5:38 PM

Subject: Issue of guidelines for cancellation of Letter of Approval (LOA) for Non-Operational and Non-Compliant Units in IT/ITES Special Economic Zones (SEZs)

To: VIMAL ANAND <vimal.anand@nic.in>, Gaurav Pundir <gaurav.pundir@gov.in>

Cc: <csoffice@nic.in>, <ss.iss-doc@gov.in>, OSD cum Special Secretary Commerce <rajesh.agrawal@nic.in>

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**Sunil Rallan** <sunilrallan@gmail.com>

20 September 2025 at 09:00

To: Director General EPCES <dg@epces.in>

Cc: Srikanth Badiga <badigasrikanth@phoenixindia.net>, Sunil Puri RC NSEZ <rcnsez@epces.in>

This is a problem in all Sezs including Multi sector and FTWZ. When guidelines are made this should be for all categories of Sezs

**Sunil Rallan**

Chairman and Managing Director

CHENNAI FREE TRADE ZONE

Developer -J.Matadee Free Trade Zone Pvt Ltd

[www.Chennaiftz.com](http://www.Chennaiftz.com)

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