

**GOVERNMENT OF INDIA
DEPARTMENT OF COMMERCE
DIRECTORATE GENERAL OF FOREIGN TRADE
UDYOG BHAWAN, NEW DELHI-110011**

Policy Circular No. 21 /2009-14

Dated: 12TH January, 2010

To

All Regional Authorities

Sub: Eligibility of cotton bathmats/rugs for grant of duty credit scrip under VKGUY/FPS of FTP.

Hand-made carpets and other textile floor coverings, covered under Chapter 57 of ITC (HS) Classification Book, are eligible for duty credit scrip under Focus Product Scheme at the rate of 5% for exports made with effect from 23-2-2009. Before 23-2-2009, these were eligible for duty credit scrip under VKGUY/FPS at different rates.

2. The Trade and Industry have represented that cotton bathmats/rugs are covered under ITC (HS) Codes 5703 and 5705, but exports of cotton bathmats/rugs which are described in the shipping document as only cotton bathmats/rugs or machine-made or machine-tufted cotton bathmats/rugs, are being denied the benefit under Chapter 3 of the Foreign Trade Policy by the RAs on the ground that the policy allows the benefit only to 'hand-made' category. In this regard, the Trade and Industry have represented that though for tufting, a motor operated tufting machine (similar to table-top type sewing machine) is being used, yet the entire process of making such tufted bathmats/rugs requires elaborate manual handling. In this regard, the Trade and Industry have elaborated that marking of the outlines on the base fabric as per the design and colour combination is done manually, the base fabric/canvas is cut manually to give it the desired shape;; filling of different colours with the needle of the sewing machine is done by moving the base fabric/canvas by hands; after finishing the tufting, uneven threads are cut by hands with the help of a scissor and sheering and embossing is also done by hand with the help a scissor to produce a finished product. Thus, the entire process requires elaborate manual handling by a worker and this motor operated tufting machine is not the kind which can produce the tufted bath mats/rugs automatically without any manual handling. The Trade and Industry have, therefore, contended that such tufted cotton bathmats/rugs, even if described on the shipping documents as simply cotton bathmats/rugs or machine made or machine tufted cotton bathmats/rugs, are covered by the 'hand-made' category, and thus, should be entitled to benefits under VKGUY/FPS, as the case may be.

3. The matter has been examined in detail, and it is clarified that, in the case of cotton bathmats/rugs covered under ITC (HS) Codes 5703 or 5705, if the description of the export product on the export document is only cotton bathmats/rugs or machine-made cotton bathmats/rugs or machine-tufted cotton bathmats/rugs, the exports of the same should be considered for the benefit of duty credit scrip at the rate of 5% under

the Focus Product Scheme for exports made from 23.2.2009 onwards, and earlier under VKGUY/FPS, at the applicable rates, after obtaining a self declaration from the exporter as under:

“It is certified that cotton bathmats/rugs, described in the Shipping Bill No.-----dated -- ----(to write all Shipping Bill Nos., if more than one), as “cotton bathmats/rugs” or “machine-made cotton bathmats/rugs” or “machine-tufted cotton bathmats/rugs”(to write whichever is applicable), and against which the benefit under FPS or VKGUY (to write whichever is applicable) under ITC (HS) Code 5703 or 5705 (to write whichever is applicable) is being claimed under the DGFT File No.----- , have been tufted by a worker by using a table-top mounted sewing machine, and it is also certified that all other processes like cutting of the base fabric as per the design, sheering, embossing etc. have been done manually”.

4. However, from the date of issuance of this Policy Circular, the exporters are required to describe the product in the shipping bill as tufted cotton bathmats/rugs and also to give a self declaration as under:

“It is certified that tufted cotton bathmats/rugs, exported under the Shipping Bill No.---- ----dated -----(to write all Shipping Bill Nos., if more than one), and against which the benefit under Focus Product Scheme under ITC (HS) Code 5703 or 5705 (to write whichever is applicable) is being claimed under the DGFT File No.----- , have been tufted by a worker by using a table-top mounted sewing machine, and it is also certified that all other processes like cutting of the base fabric as per the design, sheering, embossing etc. have been done manually”.

5. This issues with the approval of DGFT.

Sd/-

[Satyan Sharda]
Joint Director General of Foreign Trade

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