

As on 30th September, 2020

EXTRAORDINARY
PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY,
PART II, SECTION 3, SUB-SECTION (i)
MINISTRY OF FOOD
(DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION)
NOTIFICATION
NEW DELHI, DATED THE 27TH SEPTEMBER, 1983
CHAPTER I
Preliminary

G.S.R. 752 (E), - In exercise of the powers conferred by Section 9 of the Sugar Development Fund Act, 1982 (4 of 1982), the Central Government hereby makes the following rules, namely:-

Short title and commencement –

- (1) These rules may be called the Sugar Development Fund Rules, 1983.
- (2) They shall come into force on the date of their publication in the Official Gazette. '

2. Definitions - In these rules, unless the context otherwise requires:-

(a) 'Accounts Officer' means the Controller of Accounts, Department of Food, Government of India. New Delhi.

(b) 'Act' means the Sugar Development Fund Act, 1982 (4 of 1982).

[(bb) "bank rate", means the standard rate as made public by the Reserve Bank of India under section 49 of the Reserve Bank of India Act, 1934 (2 of 1934) and prevailing on the date of disbursement of the instalment of the loan by the Government.]¹

(c) 'Central Government' unless otherwise specified, means the Government of India in the Department of Food and Public Distribution;

(d) 'Cess' means the duty of excise levied and collected under section 3 of the Sugar Cess Act, 1982 (3 of 1982);

(e) 'Chief Director' means the Chief Director in the Directorate of Sugar, Department of Food and Public Distribution of the Government of India and includes any

Additional Chief Director in the said Directorate;

(f) 'Committee' means the Standing Committee constituted under rule 6;

[(ff) "Committee for rehabilitation" means the Committee constituted by the Central Government to consider and recommend rehabilitation of a sugar undertaking in the co-operative sector that has eroded its net worth;]²

[(fff) "Co-operative Bank" shall have the same meaning as assigned to it in clause (cci) of Section 56 of the Banking Regulation Act, 1949 (10 of 1949)];³

-
1. inserted vide GSR 687(E) dt.21.10.04
 2. inserted vide GSR 584(E) dt.19.8.02.
 3. inserted vide GSR 279(E) dt.10.4.08

(g) 'Financial Institution' means the 'Industrial Finance Corporation of India, the Industrial Development Bank of India or, the Industrial Credit

and Investment Corporation of India Limited referred to in sub-section (1) of section 4A of the Companies Act, 1956 (1 of 1956), or any other financial institution as may be specified under sub-section (2) of the said section [or the Industrial Reconstruction Bank of India established under section 3 of the Industrial Reconstruction Bank of India Act, 1984 (62 of 1984)]¹ [or the National Cooperative Development Corporation, set up under the National Cooperative Development Corporation Act, 1962 (26 of 1962)].²

(h) 'Form' means anyone of the forms appended to these rules;

(i) 'grade' means the Indian Sugar Standard grade, represented by the Standard sealed samples of sugar in bottles issued by the Director, National Sugar Institute, Kanpur conforming to the standards laid down by the Indian Standards Institution referred to in clause (e) of section 2 of the Indian Standards Institution (Certification Marks) Act, 1952 (36 of 1952);

[(ia) "National Bank" means the National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981)]³

(j) 'occupier' in relation to any sugar factory, means the person who has ultimate control over the affairs of the sugar factory, or the owner of the sugar factory in case he is not the occupier;

['(jj) "potentially viable sick sugar undertaking' means a sugar undertaking being in the Private or Public sector in respect of which a scheme of rehabilitation has been sanctioned by the Board for Industrial and Financial Reconstruction (BIFR) or being in the co-operative sector in respect of which a scheme of rehabilitation has been recommended by the Committee for rehabilitation]⁴

[(jjj) "Regional Rural Bank" shall have the same meaning as assigned to it in clause (f) of Section 2 of the Regional Rural Banks Act, 1976 (21 of 1976)]⁵

(k) 'Schedule' means the Schedule annexed to these rules;

[(kk) "scheduled bank" means a bank for the time being included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934)]⁶

(l) 'sugar factory' means any premises (including the precincts thereof) in any part of which sugar is manufactured by vacuum pan process;

(m) 'sugar' means any form of-sugar, including crushed sugar or sugar in crystallised or powder form containing ninety percent or more of sucrose and produced by the vacuum pan process and includes raw sugar produced by the said process;

1. inserted vide GSR 838(E) dt.14.11.85

2. inserted vide GSR No.551 (E) dated 6.5.1988

3. inserted vide GSR 279(E) dt.10.4.08

4. inserted vide GSR 584(E) dt.19.8.02

5. inserted vide GSR 279(E) dt.10.4.08

6. inserted vide GSR 67(E) dt. 29.1.03

[(n) sugar undertaking" means an undertaking which is engaged in the manufacture or production of sugar by means of vacuum pan and with the aid of mechanical power and includes a company incorporated under the Companies Act, 1956 or a Co-operative

Society registered under the Co-operative Societies Act of any State, of which the sugar factory is a part] ¹

(o) 'sugar year' means the Period of twelve months commencing on the Ist day of October and ending with the 30th day of September next following; .

[(oo) – Ommitted] ²

(p) Words and expressions used in these rules and not defined herein, but defined in the Act, shall have the meaning respectively assigned to them in the Act.

CHAPTER II

Credits to the Fund and maintenance of accounts

3. Credits to the Fund - (1) the Central Government shall formulate, from time to time, necessary Demand for Grants, under [“Major Head “2408-Food, Storage and Warehouses”, Sub-Major Head “01-Food”, Minor-Head “797-Transfer to or from Reserve Funds and Deposit Accounts and Sub-Head “01 – Transfer to or from Sugar Development Fund” (Object Head “63-Inter-Account Transfer”) or any other Major Head or Head of Account that may be allocated for the purpose”] ³, for withdrawal of amounts from the Consolidated Fund of India and, after appropriation by the Parliament, arrange credit to the Fund of such amounts, not exceeding the proceeds of the cess collected, as reduced by cost of collection, as may be specified by the Central Government;

Provided that until such cost of collection is specified, it shall be one per cent of the cess collected.

(2) In addition to the amounts received under the provisions of sub-rule (1), amounts received on account of repayment of loans, interest, realisation of securities for loans and penalty for any other amounts payable to the Central Government for the purpose of the Act, shall be credited to the Fund by the sugar undertaking, person or authority concerned, [either by electronic transfer to the Government account operated for this purpose in such manner as may be specified by the Accounts Officer or] ⁴ by means of a Demand Draft, drawn on the Reserve Bank of India or the State Bank of India, New Delhi in favour of the Accounts Officer and shall be sent to him along with Form-I duly filled in. A copy of the Form-I shall also be sent to the Central Government by such institution, sugar undertaking, person or authority.

[(3) The financial institution, person or authority concerned shall, within three working days of receipt of repayment of loan or payment of interest thereon or any other receipt from the loanee sugar factory or undertaking, credit the said amount to the Fund, failing which, interest provision applicable to sugar factories in default of such amount as specified in sub-rule (3) of rule 25 shall apply to financial institution, person, or authority.] ⁵

1. substituted vide GSR 599 dated 30.07.2012

2. omitted vide GSR 599 dated 30.07.2012

3. substituted vide GSR 599 dated 30.07.2012

4. inserted vide GSR 599 dated 30.07.2012

5. inserted vide GSR 599 dated 30.07.2012

4. Maintenance of accounts - The Accounts Officer shall maintain the accounts of the Fund.

5. Manner of Accounting - (1) All amounts received into the credit of the Fund shall be accounted for under [“Major Head “8229 - Development and Welfare Fund”, Minor Head “105- Sugar Development Fund”, or any other Major Head or Head of account that may be allocated for the purpose”] ¹

[“(2) All expenditure incurred for the purposes of the Act and these rules shall be met initially from the Consolidated Fund of India under the following Major Heads or Heads of Accounts or any other Major Head or Head of Account that may be allocated for the purpose, and finally debited to the Fund under the Head of Account specified in sub-rule (1), namely:-

A. REVENUE SECTION

Major Head – 2408 – Food, Storage and Warehousing

Sub-Major Head – 01 – Food

Minor Head – 001 – Direction and Administration

(i) Sub-Head – 02 - Other offices

Detailed Head – 02 – Administration of Sugar Development Fund

(02.02.01 – Salaries and 02.02.50 – Other charges.

Minor Head – 800 – Other Expenditure;

(ii) Sub Head – 01 – Subsidy for maintenance of buffer stock of sugar

(01.00.33 – Subsidies);

(iii) Sub Head – 02 – Grants in aid for Development of Sugar Industry

(02.00.31 – Grants-in-aid General);

(iv) Sub Head – 06 – Reimbursement of Internal Transport and Freight Charges to sugar factories on export shipments and payment of other permissible claims (06.00.33 – Subsidies);

(v) Sub Head – 08 - Scheme for Extending Finance Assistance to Sugar Undertakings 2007 (08.00.33 – Subsidies).

B. CAPITAL SECTION

Major Head – 6860- Loans for Consumer Industries

Sub-Major Head – 04 - Sugar

Minor Head 190 - Loan to Public Sector and other undertakings.

(i) Sub Head - 03-Rehabilitation/Modernization of Sugar mills (03.00.55-Loans and Advances);

(ii) Sub Head- 04-Sugar Mills for Cane Development (04.00.55-Loans and Advances);

(iii) Sub Head- 06-Sugar Factories for bagasse based cogeneration power project (06.00.55-Loans and Advances);

(iv) Sub Head 07-Sugar factories for production for Anhydrous Alcohol or Ehtanol from Alcohol (07.00.55-Loans and Advances).”] ²

1. substituted vide GSR 599 dated 30.07.2012

2. substituted vide GSR 599 dated 30.07.2012

CHAPTER-III

Committee and Sub-Committees, their constitution and function

[“6. Standing Committee.- As soon as may be after the coming into force of these rules, the Central Government may constitute a Standing Committee consisting of the following members, namely:-

- (1) Secretary, Department of Food and Public Distribution – Chairman;
- (2) Finance Secretary, Ministry of Finance or his representative not below the rank of Director - Member;
- (3) Secretary, Department of Agriculture and Cooperation or his representative not below the rank of Director – Member;
- (4) Secretary in the Ministry of Finance (Department of Expenditure) or his representative not below the rank of Director – Member;
- (5) [Secretary, Planning Commission or his representative not below the rank of Director - Member]³
- (6) Joint Secretary, Ministry of Finance (Department of Financial Services) or his representative not below the rank of Director – Member;
- (7) Joint Secretary, Department of Food and Public Distribution – Member;
- (8) [Director, Directorate of Sugar and Vegetable Oils]⁵, Department of Food and Public Distribution – Member;
- (9) Director or Deputy Secretary in the Sugar wing of the 'Department of Food and Public Distribution - Member Secretary:

Provided that the Central Government may nominate not more than two officers of that Government or of an educational or research institute, autonomous body or an undertaking of that Government having special knowledge of any aspect of sugar industry as additional members of the Committee as experts:

Provided further that the Central Government may invite representatives from the industry or knowledge groups or financial institutions, to the meetings of the Standing Committee.]²

7. Functions of the Committee-(1) The Committee shall consider from time to time applications received for purposes covered under “[rule 16A, 17, 17A, 18, 18A, 20, 21,22, [22A]⁴ and 23]² for payment of loan assistance and grants and such other matters as may be referred to it by the Central Government;

Provided that in the case of any reference made by the Central Government, the Committee shall make its recommendations within two months from the date they are referred to it.

(2) The Committee may also be entrusted with such other functions connected with the Act as may be decided by the Central Government from time to time.

(3) The Committee may appoint one or more sub-committees whenever it considers it necessary so to do for facilitating efficient and speedy discharge of its functions. The sub-committees shall consist of only members of the Committee. The Chairman of the Committee may nominate anyone of the members of the sub-committee as its convenor and where no such nomination has been made, the members of the sub-committee may themselves elect a convenor.

(4) The Member Secretary of the Committee shall act as Secretary to all Sub-Committees.

1. substituted vide GSR 599 dated 30.07.2012

2. substituted vide GSR 67(E) dt.29.1.03 for rules 16, 17,18 and 18A

3. deleted vide GSR 23(E) dated 13.01.2016

4. substituted vide GSR 847(E) dated 09.11.2015

5. substituted vide GSR 496(E) dated 07.08.2020 for Chief Director, Directorate of Sugar

CHAPTER IV

Procedures relating to meetings of Committee, and Sub-Committees.

8. Meetings.-The Committee may hold meetings as often as may be deemed necessary by it, but shall meet at least once in each quarter of a year;

Provided that in a quarter during which no application, or any other matter referable to it under sub-rule (2) of rule 7, has been received by the Committee, it shall not be necessary to hold a meeting in that quarter.

9. Quorum: [Five members in the case of the Committee and three members] ¹ in the case of a sub-committee shall constitute the quorum.

10. Presiding over the meetings of the Committee and sub-committee -the Chairman of the Committee and the convenor of a sub-committee respectively shall preside over the meetings of the Committee or the sub-committee as the case may be. In the event of the Chairman or, as the case may be, the convenor being unable to attend the meeting for any reason, the members present may elect one amongst themselves to preside over the meeting.

11. Power to call a meeting: (1) The Chairman of the Committee or the convenor of a sub-committee may at any time, call a meeting of the Committee or a sub-committee.

1. substituted vide GSR 599 dated 30.07.2012

Provided that the Chairman or the Convenor, as the case may be, shall call a meeting if a requisition for that purpose is presented to him by at least three members in the case of the Committee and two members in the case of a sub-committee.

(2) At least 14 clear days notice indicating the time and place of a proposed meeting, signed by the Member Secretary of the committee shall be sent to the members of the Committee or the sub-committee.

Provided that in case of urgency, a special meeting of the Committee or sub-committee may be called at any time by chairman or the convener, who shall inform the members at least one clear day in advance of the subject matter for consideration at the meeting and the reasons for which he considers meeting urgent:

Provided further that no other business shall be transacted at such a meeting.

(3) The Chairman or the convener, as the case may be, may invite any person to attend any meeting of the Committee or sub-committee as a special invitee but such person shall not be entitled to vote.

12. Agenda: (1) At least seven clear days, before any meeting Committee of the Committee or a sub-committee, except meetings referred to in proviso to sub-rule (2) to rule 11, a list of business proposed to be transacted at the meeting signed by he Member-Secretary of the Committee, shall be sent to the members of the Committee or as the case may be, of a sub-committee.

(2) No business, not included in the list of business, shall be transacted at a meeting without the permission of the person presiding over the meeting.

13. Business by circulation-(1) Any business which is not of an urgent nature and which is to be transacted by the Committee or sub-committee, if the Chairman of the Committee or convener of the sub-committees so directs, shall be referred to members by circulation of papers and any proposal so circulated and approved by the majority of the members who have given their approval in writing shall be deemed to be the recommendation of the Committee or the sub-committee as if the proposal had been approved by a majority of the members at a meeting.

Provided that at least [five members in the case of the Committee and three members]¹ in the case of a sub-committee have given their approval to the proposal.

1. substituted vide GSR 599 dated 30.07.2012

Provided further that when a proposal is referred to members by circulation of papers, any [five members of the committee or three members] ¹ of a sub-committee may require that the proposal be referred to members at a meeting and thereupon such reference shall be made to members at a meeting of the Committee or sub-committee, as the case may be.

(2) When any business is referred to members by circulation, a period of not less than 14 clear days shall be allowed for receipt of replies from members, such period being reckoned from the date on which the said business is so referred by the Secretary to the members.

(3) If any business is transacted by circulation the result thereof shall be communicated to all the members of the Committee or sub-committee by the Secretary of the Committee.

14. Voting-(1) Every question brought before any meeting of the Committee or sub-committee shall be decided by a majority of members present and voting at the meeting before which the matter is brought. No member shall vote by proxy.

(2) In the case of equality of votes at a meeting, the Chairman, the convenor or the person presiding, as the case may be, shall have a second or casting vote.

15. Travelling, daily allowance etc. of members of Committee/Sub-committees, special invitees etc: (1) Any journey performed by a member of the Committee or sub-committee or a special invitee in connection with the work of the committee or sub-committee within the city limits of his headquarters shall be performed by such person making use of the facility available to him from his employer provided that a person other than Government Officer or an employee of an undertaking owned or controlled by the Central or, State Government shall be entitled to re-imbusement of taxi hire charges at actual rates.

(2) For journeys performed by a member of the Committee or a sub-committee or a special invitee in connection with the work of the committee or a sub-committee, outside the city limits of his head-quarters, the member or special invitee shall be entitled to the travelling allowance, daily allowance and other allowances at the rates applicable for such journeys if performed for purposes in connection with the work of his employer provided that in a case where it is not possible to ascertain the applicable rate, he shall be entitled to the rates applicable to a Grade I Officer of the Central Government while performing such journeys:

Provided that when the person undertaking the journey is not governed by any rules, the travelling expenses may be allowed at rates as may be decided by the Committee having regard to the status of the person and the mode of the journey normally employed by him for his own work, provided that daily allowance to be allowed shall not exceed the rates admissible to First Grade Officer of the Central Government

1. substituted vide GSR 599 dated 30.07.2012

CHAPTER-V

Loan for modernization/rehabilitation

16. (1) [A sugar undertaking shall ordinarily be eligible for a loan under this rule] ¹ -
- (a) if it is approved by a financial institution or a scheduled bank for financial assistance for the purpose of rehabilitation or modernization of plant and machinery of its sugar factory or any of its sugar factories; and
 - (b) the rehabilitation or modernization project has been duly appraised by a financial institution or a scheduled bank [ommitted] ²

[“Provided that a sugar undertaking that has availed of a loan in respect of a sugar factory under this rule shall not be eligible for any further loan under this rule during the period in which the previous loan under this rule or a loan under sub rule (1) of rule 21 in respect of that factory, alongwith interest thereon, has not been fully repaid”] ³

Provided that Committee may, with the previous approval of the Central Government make any class or classes of sugar factories or sugar undertaking ineligible for such assistance.

Provided further that where the Committee decides that an applicant is not eligible, reasons therefore shall be recorded in writing.

[“(1A) A sugar undertaking shall not be eligible to apply for a loan under this rule for one or more of the following reasons or purposes, namely; –

- (a) a second hand project, equipment or machinery:
-

Provided that a sugar undertaking shall be eligible to apply for a loan for a project where second hand equipment or machinery has been used or is proposed to be used, subject to the following conditions, namely:-

- (i) use of such second hand machinery or equipment shall not change the overall character of the project, which shall essentially consist of new plant, machinery and equipment;
 - (ii) it shall technically be certified that the use of the second hand machinery or equipment shall not affect the overall efficiency and life of the project;
 - (iii) the useful life of the second hand machinery or equipment so used shall not be less than the term of repayment of sugar development fund loan;
-

1. inserted vide GSR 27(E) dt. 12.1.96

2. The words or sponsored by the Technology Information, Forecasting and Assessment Council in respect of the Scheme Mission Mode Project on Sugar Production Technologies of the Department of Science and Technology shall normally be eligible for a loan under this rule omitted vide GSR 599 dated 30.07.2012

3. substituted vide GSR 599 dated 30.07.2012

(iv) subject to fulfillment of conditions specified in clauses (i) to (iii), the estimated or actual cost of machinery or equipment which are not new shall be deducted from the

estimated or actual cost of the project before arriving at the eligible project cost for the purpose of sugar development fund loan;

(b) refinancing;

Explanation.- For the purpose of this clause, the term ‘refinancing’ includes availing of loan for repayment of loan taken from any financial institution or scheduled bank before applying to a financial institution or bank for appraisal in which Sugar Development Fund component is proposed, but shall not include a ‘bridge loan’ taken in lieu of Sugar Development Fund component after submitting an application to the Standing Committee on Sugar Development Fund.

(c) financing of cost over run;

(d) project commissioned prior to the date of application under these rules;

(e) if such sugar undertaking is a defaulter in respect of repayment of loan availed under Sugar Development Fund or in payment of any dues under the Levy Sugar Price Equalization Fund in respect of any of its sugar factories.”] ¹

(2) Any eligible sugar undertaking under sub-rule (1); may make an application to the Committee in, Form-II, alongwith [two] ² certified copies thereof .

(3) The Member-Secretary of the Committee shall, as soon as may be, after the receipt of an application referred to in sub-rule (2), place the application before the Committee along with his comments, if any, for the Committee’s consideration.

(4) It shall be open to the Committee before taking a final decision on an application to,

(a) call for, any further information from the applicant; or

(b) appoint a sub-committee or expert to make an investigation and report on any aspect relating to the application.

(5) The final decision of the committee on any application shall be submitted to the Central Government in the form of a recommendation,

[“(6) The Central Government may, after taking into consideration recommendations made by the Committee or any other relevant factor, authorise payment to a sugar undertaking of such amount of loan, not exceeding the amount required by the financial institution or a scheduled bank, as the case may be, to be contributed by such sugar undertaking as promoter’s contribution, as may be determined by the Central Government:

Provided that the loan from the Fund shall be granted if the sugar undertaking contributes a minimum of ten percent of the loan applied for from its own resources as promoter's contribution:

1. inserted vide GSR 599 dated 30.07.2012

2. substituted vide GSR 599 dated 30.07.2012

Provided further that the Central Government shall authorise payment of the said loan under this sub-rule only to such sugar undertaking who have fully repaid all the sums which have become due in respect of Sugar Development Fund and Levy Sugar Price Equalisation Fund.”] ¹

(7) The amount of loan authorised under sub-rule (6) shall be disbursed by the Central Government to the sugar undertakings or paid by it to the [financial institution or a scheduled bank, as the case may be] ² for disbursement, to the sugar undertaking, either in lump sum or in two or-more instalments as may be considered necessary by the Central Government .

(8) The [financial institution or a scheduled bank, as the case may be] ³ shall treat the amount paid to it under sub-rule (7) as the promoter’s contribution or as part thereof, required to be raised by the sugar undertaking for availing of the loan under its relevant scheme for modernisation and rehabilitation,

(9) (i) Every disbursement of a loan referred to in sub-rule (7) shall be preceded by a bilateral agreement between the Central Government and the sugar undertaking concerned or, as the case may be, by a tripartite agreement between the Central Government, the sugar undertaking concerned and the [nodal agency so appointed by the Central Government on its behalf] ⁴

ii) The bilateral agreement, or as the case may be, the tripartite agreement referred to in sub-clause (1) shall contain the terms and conditions with regard to the period of repayment including the number and amount of instalments, payment of interest, the manner of such repayment/payment and any other matter incidental to the loan.[omitted]⁵

1. **substituted vide GSR 599 dated 30.07.2012**

2. **substituted vide GSR 558(E) dt.15.9.06 for “financial institution”**

3. **substituted vide GSR 558(E) dt.15.9.06 for “financial institution”**

4. **substituted vide GSR 599 dated 30.07.2012**

5. The words [and shall, as far as possible, be identical to the terms and conditions of the agreement relating to the relevant scheme for modernisation and rehabilitation of the financial institution and all other terms and conditions including rate of interest and the form of agreement for grant of loans shall, as far as possible be on the lines of the terms and conditions of the agreement relating to the said scheme] **omitted vide GSR 838(E) dt.14.11.85**

[(ii-A) and (iii)]¹ Omitted

(iv) [The repayment of loan under this rule together with interest thereon shall commence after the expiry of one year from the date of repayment/ payment of institutional loan and interest thereon in full or on the expiry of [a period of five years [three years]⁴ reckoned from the date of disbursement of fund loan, whichever is earlier, and loan from the fund along with interest due thereon shall be recoverable in half yearly instalments not exceeding ten.]²

[Proviso - omitted]³

1. **deleted vide GSR188(E) dt.9.3.07** “The sugar undertaking shall, after the execution of the agreement referred to ill clause (i) above, and before the disbursement of the loan under sub-rule (7), furnish security for the loan to the satisfaction of the Central Government.]”

(b) The security shall cover the amount of loan and interest thereon for the full period of repayment as provided ill clause (iv), and shall be furnished in any of the following manners, namely :

(1) Bank Guarantee from a Scheduled Bank, or

(2) A mortgage or all immovable and movable properties of the sugar undertaking on pari passu charge basis failing which on the basis of an exclusive second charge.] inserted vide GSR 953(E) dt.17.12.03

[(iii) The loan from the Sugar Development Fund will carry a concessional rate of simple interest of [two per cent below the bank rate] substituted vide GSR 687(E) dt.21.10.04 for [9 per cent] substituted vide GSR 235(E) dt.24.4.91 for “6 per cent” per annum [in respect of the projects approved by a [financial institution or a scheduled bank, as the case may be] substituted vide GSR 558(E) dt.15.9.06 for “financial institution” and for the projects sponsored by the Technology Information, Forecasting and Assessment Council [two per cent below the bank rate] inserted vide GSR 687(E) dt.21.10.04 for six per cent per annum] inserted vide GSR 27(E) dt. 12.1.96 In case of any default in repayment of the amount of loan, or payment of any instalment thereof or interest thereon, an additional interest at the rate of two and half percent per annum on the amount of default shall be payable by the sugar undertaking.] deleted vide GSR 188(E) dt.9.3.07

2. **inserted vide GSR 599 dated 30.07.2012**

3. **omitted vide GSR 599 dated 30.07.2012.**

4. **substituted vide GSR 564(E) dated 16.09.2020**

(10) Omitted ¹.

(11) [Omitted] ²

³ [16- A (1) The Central Government, having regard to the availability of sugar and such other factors as it may consider necessary, and after consultation with the Committee, may sanction and notify schemes, to give loans for modernisation of sugar factories to purchase and install machinery and equipment required for simultaneous processing of raw sugar with crushing of cane for the manufacture of sugar.

(2) under sub-rule (1) the schemes may provide for the following, namely:

- (i) the amount of loan that may be disbursed to various categories of sugar factories;
- (ii) the manner and form in which applications may be made under this rule;
- (iii) the manner in which such loans may be disbursed including the condition regarding signing of contractor agreement and monitoring of utilisation of the loan;
- (iv) the period during which such scheme for grant of loans will be operative;
- (v) any other matter which is required to be made or notified in the scheme.

(3) Only such sugar undertakings as have fully repaid all sums, which have become due in respect of sugar development fund and levy sugar price equalization fund will be eligible to apply for loan under the schemes notified under sub-rule (1).

(4) The repayment of loans sanctioned under any scheme under sub-rule (1) together with interest shall be made in [eight equal half yearly instalments] ⁴ and shall commence on expiry of one year from the date of disbursement of the loan.]

Please see Ntn dt.20.7.09 for the scheme

1. *[Repayment of the loan granted under this rule and payment of interest thereon shall, if the terms and conditions of the agreement so provide, be made by the sugar undertaking through the financial institution and such repayment and payment shall run concurrently with the repayment and payment to the financial institution of the loan paid by that institution under its relevant scheme for modernisation and rehabilitation:*

Provided that the amount of each instalment of repayment of the loan under this rule shall bear the same proportion to the corresponding instalment payable to the financial institution as the amount of loan granted from the Fund has to the amount of the loan granted under the relevant scheme of that institution for modernisation and rehabilitation.]

2. omitted vide GSR 559 dated 30.07.2012

3. inserted vide GSR 508(E) dt.7.7.09

4. substituted vide GSR 559 dated 30.07.2012

CHAPTER VI

Loan for sugarcane Development.

17 (1) The Central Government may, after taking into consideration the recommendations of the Committee and any other relevant factor, accord sanction to the payment of a loan from the Fund to a sugar undertaking in connection with the development of sugarcane [in the area in which its sugar factory or any of its sugar factories is situated] ¹ for the purposes of -

- (a) Setting up of heat treatment plants;
- (b) rearing of nurseries;
- (c) pest control measures;
- (d) incentives to cultivators to switch over to improved varieties of sugarcane;
- (e) irrigation schemes;
- ["(ea) purchase of mechanical planters and harvesters;"] ²
- (f) any other scheme or project as may be approved by the Central Government .

["Provided that loans from the Fund shall be granted only if the Central Government is satisfied on the basis of the information given in Form III that no financial assistance is available for the purpose from any other agency, and if available, the amount thereof is, in the opinion of the Central Government, inadequate and needs to be supplemented by loans from the Fund.

Provided further that the loan from the Fund shall be granted only if the Sugar Undertaking or the State Government contributes a minimum of ten per cent of the loan applied for from its own resources as margin money:

Provided also that the Central Government may accord sanction for a loan under this rule to a sugar undertaking in respect of a sugar factory only on one occasion and no further loan under this rule shall be sanctioned during the period in which the previous loan under this rule or a loan under sub-rule (2) of rule 21 in respect of that sugar factory, along with interest thereon, has not been fully repaid:

Provided also that a sugar undertaking shall not be eligible to apply for the loan under this rule if it is a defaulter in respect of repayment of Sugar Development Fund loan or payment of Levy Sugar Price Equalization Fund in respect of any of its sugar factories:

Provided also that where a sugar undertaking has not availed the loan sanctioned under this rule in respect of any of its sugar factories, it shall not be eligible for grant of loan under this rule for a period of five years from the date of such sanction." ³

1. substituted vide GSR 599 dated 30.07.2012

2. inserted vide GSR 599 dated 30.07.2012

3. substituted vide GSR 599 dated 30.07.2012

(2) Loan to a sugar undertaking under this rule shall be [disbursed only through the disbursement directly to the sugar factory under intimation to the]¹ Government of the State in which the sugar factory is located, upon the sugar undertaking executing an agreement on such terms and conditions as the Central Government may decide in consultation with the Government of the state, including a provision for monitoring by the State Government of utilisation of the loan, the progress of the scheme for which the loan is advanced, repayment of the loan with interest and remittance to the credit of the Fund.

[Provided that the Central Government may appoint any agency for monitoring of utilisation, progress of the implementation of the scheme and achievement of physical and financial targets of the scheme for which the loan is advanced and such agency shall give its report directly to the Central Government]²

(3) [(a)³ The repayment of the loan shall commence on the expiry of moratorium. of three years reckoned from the date of disbursement of the said loan and shall be repaid in equal [half yearly instalments not exceeding eight in number and the interest on the loan shall be paid half yearly]⁴ after the expiry of one year from the date of drawal of loan]⁴

(b) (Omitted)⁶

1. inserted vide GSR 210(E) dated 08.04.2013 for disbursement only through the.

2 inserted vide GSR 599 dated 30.07.2012

3. [The amount of loan advanced under rule shall carry a concessional rate of simple interest of [two per cent below the bank rate] substituted vide GSR 687(E) dt.21.10.04 for [9 per cent] substituted vide GSR 235(E) dt.24.4.91 per annum and] deleted vide GSR 188(E) dt.9.3.07

4. substituted vide GSR 599 dated 30.07.2012

5. substituted vide GSR 838(E) dt.14.11.85 for The amount of loan advanced under this rule shall carry such rate of interest as may be decided by the Central Government from time to time.

6. deleted vide GSR 188(E) dt.9.3.07

(4) An application for loan under this rule shall be submitted in Form-III, with [three copies] ¹ thereof to the Government of the State in which the applicant sugar undertakings is located and the State Government may, after scrutiny of the application forward the same and [two copies] ² thereof with its comments and recommendations to the Member Secretary of the Committee.

³ [17 - A (1) The Central Government, having regard to the availability of sugarcane for crushing by the sugar undertaking (s), situation of sugar production in the country and such other factors as it may consider necessary, and after consultation with the Committee, may sanction and notify schemes to give loans to sugar undertaking (s) for the development of sugarcane [in the area in which its sugar factory or any of its sugar factories is situated] ⁴ for the following purposes, namely,

- (a) purchase of seeds,
- (b) purchase of fertilizers,
- (c) purchase of pesticides.

(2) under sub-rule (1) the schemes may provide for the following, namely,

- (i) the amount of loan that may be disbursed for various categories of sugar undertaking (s);
- (ii) the manner and form in which. applications may be made under this rule;
- (iii) the manner in which such loans may be disbursed including the conditions regarding signing of contract and monitoring of utilisation of the loan;
- (iv) the period during which such scheme for grant of loans will be operative;
- (v) any other matter which is required to be made or notified in the scheme.

(3) Only such sugar undertaking (s) as have fully repaid all sums, which have become due in respect of sugar development fund and levy sugar price equalization fund [in respect of all the sugar factories or units thereof under it] ⁵ will be eligible to apply for loan under sub rule (1).

(4) The repayment of loans sanctioned under any scheme notified under sub-rule (1), together with interest shall be made in [eight equal half-yearly instalments] ⁶ and shall commence on expiry of one year from the date of disbursement of the loan.]

Please see Ntn. Dt.20.7.09 for the scheme.

1. substituted vide GSR 599 dated 30.07.2012

2. substituted vide GSR 599 dated 30.07.2012

3. substituted vide GSR 508(E) dt.7.7.09 for the old rule 17 A as given below.

*"Loan for providing inputs for Sugarcane Development
inserted vide GSR 656(E) dt.21.11.97*

[17.A (1) The Central Government may, after taking into consideration the recommendations of the Committee and any other relevant factor, accord sanction to the payment of a loan for a period of two years from the Fund to a Sugar undertaking

in connection with the development of sugarcane in its area for the following purposes. namely :

- (a) Purchase of Seeds;*
- (b) Purchase of fertilizers;*
- (c) Purchase of Pesticides,*
- (2) The application for loan under this rule shall be submitted by the sugar undertaking in Form III-A to the Committee.*
- (3) The sanctioned loan shall be passed on to the sugarcane growers in the command area of the mill under a scheme formulated by the mills. The terms and conditions of the loan, as-specified by the Central Government, applicable to the mills, shall without modification apply to the beneficiary sugarcane farmers.*

(4) The loan under this rule shall be of the following order:-

(i) Upto Rs.50.00 Lakhs for factories upto 2500 Tonnes Crushed Per Day (Installed Capacity)

(ii) Upto Rs.75.00 lakhs for factories with capacity between 2501-3500 Tonnes Crushed Per Day (Installed capacity)

(iii) Upto Rs.1.00 crore for factories with capacity between 3501-5000 Tonnes Crushed Per Day (Installed capacity)

(iv) Upto Rs. 1.50 crores for factories with capacities beyond 5001 Tonnes Crushed Per Day and upto 10,000 Tonnes Crushed Per Day (Installed Capacity).

(5) The loan shall be granted only if the sugar undertaking contributes a minimum of ten percent of the loan applied for from its own resources as margin money.

[(8), (11)] deleted vide GSR 188(E) dt.9.3.07 earlier substituted vide GSR 687(E) dt.21.10.04

[(12) In case of default in repayment of principal or interest due, the Central Government may deduct the said overdues from any claim of the sugar mill pending with the Central Government."] deleted vide GSR 188(E) dt.9.3.07

4. substituted vide GSR 599 dated 30.07.2012

5. inserted vide GSR 599 dated 30.07.2012

6. substituted vide GSR 599 dated 30.07.2012

CHAPTER VII

Grants for research

18 (1) The Central Government may, after consultation with the Committee, authorise payment of grants to established institutions connected with the sugar industry for carrying out research aimed at the promotion and development of any aspect of sugar industry;

Provided that only such research schemes shall be considered for grant as are recommended by [the Standing Research Advisory Committee of the Development Council for Sugar Industry] ¹

[Second proviso (Omitted) ²

(2) Payment of grants shall be subject to the provisions contained in the Schedule.

CHAPTER VII A

18A. Defrayment of other expenses for development of sugar industry;

The central Government may, after consultation with the Committee, defray expenses and authorise payment of amounts for establishment and maintenance of Institutions at the national level for training, extension and research programmes connected with the development of Sugar Industry.

CHAPTER-VIII

Buffer Stock

19. (1) The Central Government, may having regard to the stock of sugar held with the sugar undertakings, the prospects of sugar production, the requirement of sugar for consumption within the country and exports and such other relevant factors as may be considered necessary, decide from time to time, the quantity of sugar to be maintained as buffer stock.

(2) The sugar maintained in the buffer stock shall conform to the grade laid down from time to time by the Indian Standards Institution referred to in clause (e) of section 2 of the Indian Standards Institution (Certification Marks) Act, 1952 (36 of 1952) and shall be of such grade as may be decided by the Central Government.

1. **substituted vide GSR 23(E) dt. 13.01.2016** for “the Standing Research Advisory Committee of the Development Council for Sugar Industry established under Section 6 of the Industries (Development and Regulation) Act, 1951 (65 of 1951)”

2. **omitted vide GSR 551(E) dt.6.5.88** [*“Provided further that disbursement of grant authorised under this rule shall be made through the said Development Council for Sugar Industry”*]

(3) The Central Government or the Chief Director may, from time to time, require an occupier of the sugar factory to set apart such quantity and grade of sugar, pertaining to such sugar year or years, as may be necessary for purpose of buffer stock;

[Provided that the share of each occupier shall be determined on the basis of production of the sugar factory in a particular sugar year and the stock of sugar held with that sugar factory on a particular day and such other criterion.

Explanation :-In this sub-rule, the expression "a particular day" means the date of share determination made on or after the commencement of 2002-2003 sugar year or such year in which buffer stock is created.]¹

(4) Every occupier of a sugar factory shall set apart sugar so required, and shall store it in separate and distinctly identifiable stocks and lots and in separate godowns within the premises of the sugar factory:

Provided that the Central Government may, in exception at cases and for reasons to be recorded in writing, grant exemption to an occupier of a sugar factory from the operation of this rule.

(5) (Omitted)²

(6) Every occupier of a sugar factory shall provide safeguards against damage, loss and deterioration in the quality of sugar stored as buffer stock, and against mixing of other stock with the buffer stock.

(7) Every occupier of a sugar factory shall insure the buffer stock so set apart, against such risks as may be required by the Bank with which the buffer stock is pledged for the purpose of securing loan, as also from floods where the premises of the sugar undertaking are ordinarily exposed to the risk of floods:

1. **substituted vide GSR 241(E) dt.25.3.03** for the following proviso
“Provided that the share of each occupier shall be on the basis of the production of the sugar undertaking in a particular sugar year.”

2. **omitted vide GSR 817(E) dt.20.12.84** [Every occupier of a sugar factory shall, within fifteen days of the date of issue of the communication under clause(3), furnish a compliance report, in triplicate, in Form-IV to the Central Government]

[Provided that where the occupier of a sugar factory has not pledged the buffer stock with a Bank, he shall insure the buffer stock against destruction or damage by:

- (a) Fire;
- (b) Explosion of boiler used for domestic purposes only;
- (c) Lighting;
- (d) Explosion of gas used for domestic purposes or for lighting, heating in a building not forming part of any gas works at any time;
- (e) Floods where the premises of the sugar factory are ordinarily exposed to the risk of floods] ¹

(8) In case of any deterioration, damage or loss to the buffer stock, every occupier of a sugar factory shall send to the Central Government a full and detailed report in writing indicating the reasons therefor and the extent of such damage, deterioration or loss.

(9) Every occupier of a sugar factory shall make available to the Central Government or the Chief Director or an Officer deputed by the Central Government, access to the buffer stock of sugar for purposes of inspection as regards its manner of maintenance, its quantity and quality including grade and sugar year relevant to its production and also all books, records and accounts relating to the buffer stock.

(10) No occupier of a sugar factory shall except for the purposes provided under this rule, remove, despatch or replace or dispose of any buffer stock without obtaining prior written permission of the Central Government or the Chief Director.

(11) The Central Government or the Chief Director may, at any time, require an occupier of a sugar factory to release such quantity and quality/grade of sugar out of the buffer stock for sale, consumption, replacement of old or damaged stock of sugar or sugar not conforming to the Indian Sugar Standards as laid down by the Indian Standards Institution as may be specified.

(12) (Omitted) ²

1. Substituted vide GSR 817(E) dt.20.12.84 *for Every occupier of a sugar factory shall insure a buffer stock so set apart against fire, theft, including burglary, and also from floods where the premises of the sugar undertaking are ordinarily exposed to the risk of floods.*

2. omitted vide GSR 817(E) dt.20.12.84. “[Every occupier of a sugar factory shall, within fifteen days of issue by the Central Government or by the Chief Director of the permission or communication referred to in sub rule(10)or (11), furnish a compliance report, in triplicate, in Form-V to the Central Government and the Chief Director]”.

(13) Maintenance of funds received by way of additional credit and utilisation thereof;

(a) Every occupier of a sugar factory shall set apart the amount, if any, received from his bankers by way of additional credit on the quantity of buffer stock of sugar and credit the amount so set apart to a separate account with the same banker, for the purposes provided in clause (b)

(b) The amount credited to the separate account shall not be used by the said occupier for any purpose other than for payment of price, including arrears of price, payable for the sugarcane purchased by the sugar factory;

[(13 A) Maintenance of funds received by way of subsidy towards interest, storage and insurance and utilisation thereof;

(a) Every occupier of a sugar factory shall set apart the amount, if any received from the Central Government by way of subsidy towards interest, storage and insurance on the quantity of buffer stock of sugar and credit the amount so set apart to a separate account with his banker with whom he has a separate account under clause (a) of sub-rule (13), for the purpose provided in clause (b) of this sub-rule.

[Provided that where the occupier of a sugar factory has credited such amount for the buffer stock maintained for the period 18th December, 2002 to 17th December, 2004 or a part thereof in an account with the bank or a bank other than the bank referred to in clause (a) of sub-rule (13) and the Central Government is satisfied that such amount has been utilized for the purposes of clause (b) of this sub-rule, it may exempt such sugar factory from the stipulation of crediting such amount with the bank referred to in clause (a) of sub-rule (13)]¹

(b) The amount credited to the separate account shall not be used by the said occupier for any purpose other than for payment of price payable for the sugarcane purchased by the sugar factory;

Provided that where the State Government Authority/officer furnishes a certificate in Form VI to the banker referred to in clause (a) above to the effect that the concerned sugar factory has no sugarcane price dues including arrears of price outstanding against it on the date of credit of the amount of subsidy towards interest, storage and insurance into the separate account, the bank may allow the said occupier to use the said amount for any other purpose under intimation to the Central Government.]²

1. inserted vide GSR 365(E) dt.28.5.09

2. Inserted vide GSR 886(E) dt.6.12.01

(14) Subsidy towards interest, storage and insurance:

The Central Government may authorise payment for every quarter year or part thereof [to every sugar undertaking in respect of a sugar factory or such sugar factories which have] ¹ (a) set apart the required quantity of sugar [or a part thereof] ²

[Provided also that where the occupier of a sugar factory has utilised the advance buffer stock subsidy received from the Central Government for the period from 18th December, 2002 to 17th December, 2004, as provided In clause (b) of sub-rule (13A), such sugar factory may submit the remaining documents required to complete the claim within three months from the date of publication of this notification in the Official Gazette.

Provided also that the Central Government may, for the reasons to be recorded in writing, permit all such sugar factories to submit the remaining documents required to complete the claims, within such further period not exceeding three months.] ³

(b) pledged [the buffer stock] ⁴ with any scheduled bank for the time being included in the second schedule to the Reserve Bank of India Act, 1934 (2of 1934) or any State Co-operative bank Central Co- operative bank ‘as defined in the National Bank for Agricultural and Rural Development Act, 1981 (61 of 1981);

(c) [maintained the buffer stock] ⁵ in accordance with these rules, and to the satisfaction of the Central Government, of an amount calculated in the manner provided in sub-rule (15), towards subsidy for the storage, insurance and interest charges:

[Provided that where a sugar factory has not pledged the buffer stock with any scheduled bank, subsidy on account of storage and insurance charges may be authorised for payment by the Central Government as admissible under sub-rule (15) if the buffer stock has otherwise been sequestered, maintained and insured in accordance with the provisions of this rule,] ⁶

1. **substituted vide GSR 599 dated 30.07.2012**

2. **inserted vide GSR 817(E) dt.20.12.84 for as buffer stock**

3. **inserted vide GSR 365(E) dt.28.5.09**

4. **substituted vide GSR 817(E) dt.20.12.84 for the words “by it”**

5. **substituted vide GSR 817(E) dt.20.12.84 for”maintained it”**

6. **inserted vide GSR 817(E) dt.20.12.84**

Provided [further] ¹ that the amount of subsidy payable on account of interest charges shall be the amount calculated under sub-rule (15) or the amount of interest charges actually paid or payable by the sugar undertaking for the quarter or part thereof on the loan or advance received by it on pledging with the bank, the quantity of sugar maintained by it as buffer stock, whichever is less [subject to the condition that where the amount of interest charges actually paid or payable by the sugar undertaking is lower, it shall where necessary, further be restricted to the amount calculated at the maximum rate of bank interest fixed by the Reserve Bank of India hi this behalf but not exceeding the rate of 18 percent per annum] ²

Provided further that no payment shall be authorised, unless the Central Government in exceptional circumstances decides otherwise) [to the occupier of a sugar factory] ³ which has not-

- (a) Paid the cess on sugar under section 3(3) of the Sugar Cess Act, 1982 (3 of 1982);
- (b) Furnished the return(s)/information required rule 4 of the Sugar Cess Rules, 1982;
- (c) Complied with the provisions of sub-rule (13); and
- (d) furnished to the Central Government or the Chief Director the monthly return of the quantity of non-levy sugar sold and the amount of the sale-proceeds.

Explanation: (1) For the purpose of this rule, the months January to March, April to June, July to September: and October to December of a calendar year shall form the quarterly periods,

(2) At the commencement of these rules, the buffer stock shall be deemed to have come into being not earlier than the 1st day of October, 1982.

[14A) Subject to the provisions of sub-rule (14), the Central Government may, in exceptional circumstances, authorize an advance payment of seventy five percent of the amount payable as subsidy towards storage, insurance and interest charges for a period as that Government may decide, calculated in the manner provided [in sub-rule (15) to a sugar undertaking in respect of its sugar factory] ⁴ that has set apart the required quantity of sugar as buffer stock provided the sugar factory has furnished the following in writing to the Central Government, namely-

- (i) the rate of interest at which advance has been obtained by it on pledging the buffer stock of sugar with any scheduled bank or any State Co-operative Bank or Central Co-operative bank referred to in sub-rule (14);
- (ii) the average actual realization per quintal of sugar on the sale of non-levy sugar in the open market for a three month period ending on the date from which the buffer stock is required to be held; and

1. inserted vide GSR 817(E) dt.20.12.84

2. inserted vide GSR 817(E) dt.20.12.84;

3. substituted vide GSR 817(E) dt.20.12.84 for to the occupier of every sugar factory

4. substituted vide GSR 599 dated 30.07.2012

- (iii) an undertaking in Form-VI-A:

Provided that in respect of the buffer stock being maintained for a year with effect from 18th December, 2002, the Central Government may authorize payment to a sugar undertaking in respect of sugar factory that has set apart the required quantity of sugar as buffer stock and furnished an undertaking in Form VI-A an advance payment of seventy five per cent of the amount payable as subsidy towards storage, insurance and interest charges for a year, calculated in the manner provided in sub-rule (15) on the basis of the information furnished in columns 7 and 8 of Form V in respect of the claim preferred by it for the period 18th December, 2002 to 31st March 2003:

Provided further that the amount so paid as advance shall be adjusted, against the amounts that may become due on the basis of claims preferred by the sugar undertaking in respect of sugar factory in Form V referred to in sub-rule (16), at the end of the period for which the advance had been paid:

Provided also that where complete claims for the entire period for which the buffer stock is required to be maintained, are not preferred within a period of one month after such period, the entire amount of advance paid or an amount as decided by the Central Government shall be refunded by the sugar undertaking in respect of sugar factory:

Provided also that if, during the period for which advance has been paid, a sugar factory has not:-

- (a) paid the cess on sugar under sub-section (1) of section 3 of the Sugar Cess Act, 1982 (3 of 1982);
- (b) furnished the returns and information required under rule 4 of the Sugar Cess Rules, 1982;
- (c) complied with the provisions of sub-rule (13); and
- (d) furnished to the Central Government or to the Chief Director the monthly return of the quantity of non-levy sugar sold and the amount of sale proceeds then, the amount paid as advance shall be recovered forthwith.]¹

(15) Manner of calculation of subsidy-(i) the Central Government may specify, from time to time, the rate per annum at which. the subsidy towards interest, storage and insurance charges shall be calculated:

1. inserted vide GSR 787(E) dt.6.10.03

Provided that till such rates are specified, they shall be-
 eighteen per cent per annum towards interest charges and one and half per cent per annum towards subsidy on storage and insurance charges of the value of sugar set apart as buffer stock determined with reference to the average of the tariff value fixed by the Central Government in the Ministry of Finance for the purpose of levy and collection of excise duty on sugar for the three months immediately preceding the commencement of the quarter or the period for which the payment is to be authorised under sub-rule (14):

Provided further that the payment of subsidy in respect of a quarter subsequent to the one ending on the 31st March, 1983, or a part thereof, the value of the buffer stock shall be determined with reference to the average actual realisation per quintal of sugar made by the claimant sugar undertaking on the sale of non-levy sugar in the open market during the relevant quarter/period to which the claim relates.

Explanation-'Non-levy' sugar means the sugar which is outside the purview of the Levy Sugar Supply (Control) Order, 1979 or an order made under clause (f) of sub-section (2) of section 3 of the Essential Commodities Act, 1955 (10 of 1955).

(ii) Subject to first proviso to sub-rule (14), the claim for subsidy for a quarterly period or part thereof shall be based upon the amounts computed in accordance with the following formula, namely:-

(a) subsidy towards interest (Rs.)

$$\frac{B \times V \times I \times N}{365/366}$$

(b) Subsidy towards storage and insurance charges (Rs.)

$$\frac{B \times V \times S \times N}{365/366}$$

(c) Total of (a) and (b) in rupees, rounded off to the nearest rupee.

Explanation to the letters used in the formula:-

'B' is the quantity, in quintals of sugar maintained as buffer stock.

'V' is the value per quintal of sugar determined under the clause (i)

3 . 'I' is the rate of interest specified under clause (i)

4. 'S' means the rate of storage/insurance charges specified in clause (i)

5 . 'N' is the number of days for which the quantity of buffer stock is maintained during the relevant period/ quarter divided by 366 days in a leap year and by 365 days in other years.

The amount under clause (ii) (c) shall be rounded off to the nearest rupee by ignoring 1 to 50 paise and by treating 51 to 99 paise as one rupee.

[Provided also that where a sugar factory did not sell non-levy sugar during any quarter or quarters then the ex-factory price of levy sugar for the relevant season of the sugar zone in which the sugar factory is situated, shall deemed to be the average sales realization for that quarter and in the event of average sales realization of non-levy sugar for the whole year being less than the ex-factory levy sugar price, the average sale realization of the whole year shall be taken into account as the value (v) for the relevant quarter or any quarters.]¹

(16) Manner of claiming the amount due towards subsidy on interest', storage and insurance:

A claim for the amount due to a sugar undertaking under sub-rule (15) shall be preferred by the occupier in Form-V, [*in triplicate*]² to the Central Government in, as soon as may be, after the end of the preceding quarterly period;

Provided that the Central Government may for reasons to be recorded in writing, relax the requirements of the production of the certificate from the State Government referred to in Form V in an individual case of hardship, subject to production by the claimant sugar undertaking of such other documentary evidence as may be considered satisfactory by the Central Government.

[Provided further that once the Bank concerned and the State Government Officer concerned have certified payment of additional bank credit to and deposit thereof by the sugar undertaking into a separate account and utilisation of full amount thereof by the sugar undertaking for payment of cane price dues including arrears of cane price, it shall not be necessary to furnish the certificate from the State Government officer in the subsequent claims so long as no further additional bank credit is received by the sugar undertaking]³

[19A]⁴

Creation of buffer 'stock 'from 2006 - 2007 sugar season onwards (1) - The Central Government may having regard to the stock of sugar held with the sugar factories, the prospects of sugar production, the requirement of sugar for consumption within the country and export and such other relevant factors as may be considered necessary, decide from time to time the quantity of sugar to be maintained as buffer stock and the period for which the buffer stock shall be maintained.

1. **inserted vide GSR 365(E) dt.28.5.09**
2. **omitted vide GSR 817(E) dt.20.12.84**
3. **inserted vide GSR 817(E) dt.20.12.84**
4. **inserted vide GSR 699(E) dt.8.11.07**

(2) The Central Government shall determine the share of each sugar factory having regard to the production of the sugar or the stock held by it or considering the both and the Chief Director (Sugar), Directorate of Sugar, Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution shall make factory-wise allocation of buffer stock on such basis as may be specified by the Central Government.

(3) (a) On allocation of buffer stock, every sugar factory shall set apart the quantity allocated as buffer, stock and store, it in a separate and distinctly identifiable lots and stock within the factory premises;

Provided that the Chief Director (Sugar) may in exceptional circumstances and for the reasons to be recorded in writing, grant exemption to an occupier of the sugar factory from storage of buffer stock within factory premises.

(b) If an occupier contravenes the provisions of clause (a) of sub-rule (3) he shall be ineligible for buffer subsidy for the entire period and the buffer subsidy already paid shall be recovered with due interest thereon at the rate notified by the Department of Economic Affairs to be charged from private companies plus penal interest of 2.5% per annum.

(4) Every occupier of the sugar factory shall provide necessary safeguards against the damage, loss and deterioration in the quality of the sugar stored as buffer and against mixing it with other stocks:

(5) Every occupier of the sugar factory shall insure the buffer stock so set apart against such risk as may be required by the bank with which the buffer stock is pledged for the purpose of securing loan.

(6) (a) Every occupier shall maintain the allocated buffer stock in good condition and in case of any damage or loss to the buffer stock, the occupier of that sugar factory shall replace the same with new stock at his own cost within thirty days of such damage or loss and shall furnish a certificate from the concerned Central Excise Authority for such replacement in Annexure-I of the Form- X, along with the claim.

(b) If an occupier fails to adhere to the time limit referred in clause (a) of sub-rule (6), he shall be deemed to have dismantled the buffer stock and shall be ineligible for buffer subsidy for subsequent period including the relevant quarter.

(7) (a) No occupier of a sugar factory shall sell, remove, dispatch or dispose of any quantity of buffer stock without obtaining prior written permission of the Chief Director (Sugar).

(b) If an occupier contravenes the provisions of clause (a) of sub-rule (7), he shall be ineligible for buffer subsidy for the entire period and the buffer subsidy already paid shall be recovered with due interest thereon at the rate as notified by the Department of Economic Affairs to be charged from private companies plus penal interest of 2.5% per annum:

(8) (a) An occupier shall be free to replace the allocated buffer stock with the production of the subsequent sugar season, without any break, to maintain the quality of the buffer stock and shall furnish a certificate from the concerned Central Excise Authority for such replacement in the Annexure-I of the Form-X along with the claim.

(b) If an occupier contravenes the provisions of clause (a) of sub-rule (8), he shall be ineligible for buffer subsidy for the entire period and the buffer subsidy already paid shall be recovered with due interest thereon at the rate as notified by the Department of Economic Affairs to be- charged from private companies plus penal interest of 2.5% per annum.

(9) The Chief Director (Sugar) or any officer authorized by the Chief Director (Sugar) may inspect the maintenance of buffer stock in the factory and on inspection, if it is found that the sugar factory has violated any provision of these rules, the sugar factory shall be deemed not to have maintained the buffer stock during the entire period for which the buffer stock has been created and the buffer subsidy if any, paid shall be recovered with due interest thereon at the rate as notified by the Department of Economic Affairs to be charged from private companies plus penal interest of 2.5% per annum and the sugar factory shall become ineligible for buffer subsidy for subsequent period including the relevant quarter.

(10) All those sugar factories who have-

(a) maintained allocated buffer stock either in full or in part for the entire period for which the buffer stock has been created, unless permitted to dismantle under sub-rule (7);

(b) availed the additional credit where there are cane price arrears against the sugar factory, and utilized the same for the payment of the cane price arrears provided the bank has not declined to extend such credit to the sugar factory;

(c) submitted the utilization certificates in respect of buffer subsidy, disbursed for earlier quartets as per time schedule specified in sub-rule (20) and the buffer subsidy disbursed including the advance buffer subsidy for buffer stock created vide notification number G.S.R S.O. 1326 (E) dated the 17th December, 2002; and

(d) not been specifically declared ineligible by the Chief Director (Sugar) for such buffer subsidy

Provided that, a sugar factory shall be ineligible under clause(d) till the time the Chief Director (Sugar) declares it as eligible through a speaking and reasoned order.

(11) The interest, insurance and storage subsidy payable to sugar factories for maintenance of buffer stock shall be admissible at the following rates, namely:-

(a) interest (R) at the rate as specified by the Department of Economic Affairs, Ministry of Finance, to be charged from the private companies or actual rate of interest for the quarter (excluding additional or penal Interest) charged by the bank on advance given to sugar factory against the buffer stock, whichever is less.

Explanation. - The rate of interest specified by the Department of Economic Affairs Ministry of Finance, as on the date of creation of buffer stock shall be taken into account and shall remain the same during the period for which the buffer stock has been created or extended.

(b) Storage and Insurance (S) at the flat rate of 1.5% per annum on the value of stock as may be notified by the Central Government.

(c) The buffer stock subsidy towards storage and insurance shall be payable only for the period during which the sugar factory has obtained the insurance coverage of the buffer stock as the storage and insurance subsidy are clubbed together.

(d) The value of the stock (V), zone-wise, shall be as may be notified by the Central

Government and shall remain the same during the period for which the buffer stock has been created or extended irrespective of the replacement of the buffer stock with production of subsequent sugar seasons.

Please see Ntn GSR 738(E) dt.29.11.07 for value of stock for calculation of buffer stock subsidy

Explanation. - For the removal of doubts, it is hereby clarified that the valuation of the buffer stock (V) by the Central Government is only for the purpose of calculation of buffer subsidy so as to simplify the procedure and the valuation of the stock would continue to be done by the banks at market rates as per their banking practices.

(12) The buffer subsidy shall be calculated in the following manner, namely:-

(1) (a) Interest subsidy on normal credit:

$$I(a) = \frac{V \times R \times B \times N1 \times P1}{100 \times 395 \text{ (366 for leap year)}}$$

(1) (b) interest subsidy on additional credit.

$$I(b) = \frac{V \times R \times B \times N2 \times P2}{100 \times 365 \text{ (366 for leap year)}}$$

The total interest subsidy payable shall be I (a) plus 1 (b) OR the interest actually paid by the sugar factory, whichever is less.

$$(II) \text{ Insurance and Storage subsidy} = \frac{V \times S \times B \times N3}{100 \times 365 \text{ (366 for leap year)}}$$

Total buffer subsidy payable= (I) + (II)

Where B is the buffer stock maintained by the sugar factory, N1 is the number of days for which the buffer stock has been maintained as certified by the Central Excise Authority in the relevant quarter, N2 is the number of days with effect from the actual date on which the bank credits the account of the sugar factory with additional credit till the end of the relevant quarter, N3 is the number of days for which the Insurance cover was taken for the maintained buffer stock and P1 is the percentage of normal advance relating to buffer stock and P2 percentage of additional credit .

Explanation- For the removal of doubts, it is hereby clarified that during the 1st quarter of the creation of buffer stock, the buffer subsidy shall be payable from the date of creation of buffer stock as notified by the Central Government provided the allocated quantity was available with the sugar factory.

(13) The duly filled proforma as per Form-X for payment of the buffer stock subsidy shall be submitted to the Chief Director (Sugar) on quarterly basis starting from the 1st day of creation of the buffer stock.

(14) The admissible buffer subsidy shall be payable to the sugar factory for the purpose of making payment for the cane price including cane price arrears for the sugar season

in which the buffer stock has been created and of the subsequent sugar season in the following order of preferences, namely:- .

- (a) If the sugar factory has cane price arrears for any of the said sugar seasons as per the cane price arrears position available on the date of processing of the claim or on the date of financial concurrence, whichever is less, for that quarter as also Sugar Development Fund or Levy Sugar Price Equalization Fund over dues, then the buffer subsidy to the extent of cane price arrears for the said sugar season shall be paid to sugar factory notwithstanding the Sugar Development Fund or Levy Sugar Price equalization Fund over dues and if the buffer subsidy amount is higher than the cane price arrears at that point of time then the buffer subsidy amount in excess of cane price arrears shall be adjusted against the Sugar Development Fund over dues and the balance against Levy Sugar Price Equalization Fund over dues.
- (b) If the sugar factory has no cane price arrears for the said sugar seasons as per the cane price arrears position available on the date of processing of claim of that quarter but it has Sugar Development Fund or Levy Sugar Price Equalization Fund over dues then the buffer subsidy amount payable to sugar factory shall be adjusted against the Sugar Development Fund over dues and the balance against Levy Sugar Price Equalization Fund over dues.

(15) The sugar factory shall have a separate bank account for crediting the buffer subsidy amount received and the subsidy shall be utilized as provided in these rules.

(16) (a) The buffer subsidy received by the sugar factory shall be utilized for making payment of cane price including cane price arrears for the sugar season in which the buffer stock has been created and of the subsequent sugar season.

(b) The payment towards cane dues shall be made within one month of receipt of the buffer subsidy:

Provided that if the sugar factory does not have cane price arrears of any of the said sugar seasons as on the date of receipt of buffer stock subsidy claim or the buffer subsidy received by the sugar factory is in excess of the Cane price including cane price arrears pertaining to the said sugar seasons then buffer subsidy amount or the amount in excess of the cane price including cane price arrears may be utilized for any other purpose.

(17) (a) Every occupier shall avail additional credit on creation of buffer stock, when there are cane price arrears at any time during the period for which the buffer stock has been created or extended and the additional credit so given by the banks shall be utilized only for the purpose of making payment of the cane price including cane price arrears of sugar season in which the buffer stock has been created and of the subsequent sugar season within one month of crediting such amount.

(b) If any Bank authority which is the principal banker of the sugar factory for extending loan towards working capital, declines to extend the additional credit for whatsoever reason, the sugar factory shall be eligible to get the Buffer subsidy to the extent of normal credit calculated in accordance with item (1) (a) of sub-rule (12) and such sugar

factory shall submit a certificate from the concerned bank in this regard as per Annexure-III to Form-X.

(18) Every occupier shall furnish the following documents in Form- X to work out the admissible claim of the sugar factory, namely:-

(a) certificate from the Central Excise Authority certifying the quantity as per Annexure-I to the Form-X and the period for which buffer stock has been maintained and its replacement, if any;

(b) certificate from the bank certifying the rate of interest charged by it on amount of loan extended against hypothecated buffer stock and the amount of interest paid or payable by the sugar factory to the bank and amount of additional credit extended by the bank as per Annexure-II to the Form X.

(c) certificate from the concerned State Government Officer responsible for enforcement of payment of price of sugarcane by the sugar factories certifying utilization of buffer subsidy paid for earlier quarters and the buffer subsidy disbursed for buffer stock created vide notification number G.S.R. S.O. 1326 (E) dated the 17th December, 2002 and utilization of additional credit extended by the bank as per Annexure-IV of the Form-X;

(d) a self certified photocopy of the insurance policy of the concerned Insurance agency alongwith a certificate from that insurance agency certifying that the buffer stock of this sugar factory is covered under the insurance policy as per Annexure-V of the Form X;

(e) certificate from the bank certifying crediting of buffer subsidy amount in a separate bank account as per Annexure-III of the Form-X;

(f) any other document in addition to documents referred to in clauses (a) to (e), which the Central Government may require.

(19) The time limit for submission of the claims and requisite documents alongwith duly filled form- X for making admissible claim for the relevant quarter shall be three months from the end of the relevant quarter but within permissible extended period of another three months subject to the following deduction in their admissible claim for the relevant quarter, namely:

(i) 0 to 3 months- Nil

(ii) 3 to 6 months – 10% of the subsidy amount payable and thereafter no claim shall be admissible:

Provided that the Central Government may for a valid reason to be recorded in writing, extend the period of submission of claims by such period as it deems fit.

Explanation - For removal of doubts it is hereby clarified that the relevant date for determining the date of receipt of the claim shall be the date on which the claim in the form- X along with the requisite documents is received by the Chief Director (Sugar) and any document or clarification or revision, furnished by the sugar mill subsequent to the submission of the claim shall be deemed to have been received on

the date on which the original claim was received.

(20) Every occupier of the sugar factory shall submit the utilization certificate for buffer subsidy disbursed to him within three months of the disbursal of the buffer subsidy from the concerned State Government Officer who is responsible for enforcement of payment of cane price by the sugar factories and the concerned bank, certifying that the buffer subsidy amount has been utilized for making payment of cane price including cane price arrears for the sugar season in which the buffer stock has been created and of the subsequent sugar season or the buffer subsidy amount has been utilized as referred to in sub-rule (16) and also the utilization certificate of the last amount of buffer subsidy disbursed in respect of last buffer stock, failing which the buffer subsidy for the relevant quarter shall become inadmissible and shall be recovered from such sugar factory with interest at the rate as notified by the Department of Economic Affairs plus penal interest of 2.5% per annum:

Provided that the Central Government may extend the period of submission of utilization certificate by a further maximum period of three months, if it is satisfied there is sufficient cause for the delay in submission of utilization certificate.

(21) If any sugar factory fails to adhere to these rules and the Central Government decides to recover the buffer subsidy amount paid to the sugar factory, then the buffer subsidy amount shall be recovered from the concerned sugar factory alongwith interest at the rate as notified by the Department of Economic Affairs plus penal Interest of 2.5% per annum either from the levy sugar price differential payable to the sugar factory or any other claim or subsidy payable to the sugar factory by the Central Government in accordance with law.

(22) The Central Government may order dismantling of the buffer stock in phases or in one go and the buffer stock subsidy shall cease to be payable to the extent of dismantling of the buffer stock.

(23) This rule shall be applicable for the buffer stock created for the sugar season 2006-07 and onwards.

(24) Where the Central Government is of the opinion that it is necessary or expedient so to do, it may by order and for reasons to be recorded in writing relax any of the provisions of this rule.

Explanatory Memorandum. - Under these rules, the Central Government reimburses the interest, insurance and storage charges to the sugar factories for the quantity taken on buffer as subsidy. The subsidy amount is to be used primarily for the payment of cane price including the cane price arrears of the sugar season in which the buffer stock is created and the subsequent sugar season. These rules will not adversely affect any person on account of being admissible for buffer subsidy for buffer stock created from 2006-07 sugar season onwards.

[CHAPTER-IX]¹

Defraying Expenditure on Internal Transport and Freight Charges to the sugar factories on export shipments of sugar.

20.(1) The Central Government may, having regard to the stock of sugar held by the sugar factories, prospects of sugar production and requirement of sugar for

consumption in the country, domestic and international prices of sugar and such other factors as may be considered necessary, and after consultation with the Committee, decide from time to time to defray expenditure on internal transport and freight charges to sugar factories on export shipments of domestically manufactured sugar with a view to promoting its export for such period as it deems proper.

1. inserted vide GSR 443(E) dt. 21.6.02

- (2) Subject to the decision of the Central Government under sub-rule (1), the expenditure on internal transport and freight charges on export shipment shall be defrayed from the Fund.
- (3) Any sugar factory which after obtaining release order issued under clause 5 of the Sugar (Control) Order, 1966, has transported its manufactured sugar for export shipments, and the same has been exported either by the sugar factory or through an exporter shall be eligible to apply for reimbursement of expenditure incurred on the internal transport and freight charges on such export shipments of sugar.

Explanation I Where a sugar factory has delivered the export consignment of sugar ex-factory to an exporter and the exporter has, after complying with the legal requirements exported the sugar, it shall be construed to be an export of sugar by that sugar factory through an exporter [and that sugar undertaking in respect of a sugar factory shall be eligible for reimbursement of expenditure incurred on internal transport and freight charges on such export shipments of sugar, provided that the agreement entered into by the sugar undertaking in respect of a sugar factory] ¹ with the exporter of sugar stipulates that the expenditure on internal transport and freight charges shall be borne by that sugar factory.

[“*Explanation II.*- Where a sugar undertaking in respect of a sugar factory has exported sugar through an exporter, the customs attested Export Promotion copy of the Shipping Bill shall indicate the name of the exporter and of the sugar undertaking in respect of a sugar factory”] ²

Explanation III An exporter means a person who holds an Importer-Exporter Code number allotted to him by the Director General of Foreign Trade of the Central Government.

- (4) A sugar factory eligible under sub-rule (3) shall prefer a claim for reimbursement of expenditure incurred on the internal transport and freight charges on export shipments of sugar in [Form VI-B] ³ within thirty days of the issue of Bank Certificate of Export and Realisation as given in Appendix 22 of the Handbook of Procedure (Vol.I) for the period 1st April, 2002 – 31st March 2007 issued by the Central Government in the Ministry of Commerce and Industry, Department of Commerce.

Provided that if a sugar [undertaking in respect of a sugar] ⁴ factory fails to prefer the claim within the thirty days, such sugar factory may submit the claim in another thirty days but there shall be late cut at the rate of 10% on the entitlement and no claim shall be entertained after expiry of sixty days from the issue of the said Bank Certificate.

-
- 1. substituted vide GSR 599 dated 30.07.2012**
2. substituted vide GSR 599 dated 30.07.2012
3. substituted vide GSR 787 (E) dated 06.10.03
4. inserted vide GSR 599 dated 30.07.2012

[Provided further that in respect of export shipments made on or after the 21st day of June 2002 against Release Orders issued up to 20th day of June 2004, the claims may be preferred within ninety days of the issue of the Bank Certificate and in case the factory fails to prefer the claims within the said period of ninety days, then it may submit the claims in another ninety days. In case the claim is submitted after the first ninety days from the date of issue of the Bank Certificate but within the next ninety days, there shall be deduction of 10% of the amount admissible under this rule and the resulting amount shall be paid to the sugar factory. No claim shall be entertained after a period of one hundred and eighty days from the date of issue of Bank Certificate mentioned above.]¹

- (5) The claim referred to in sub-rule (4) shall be accompanied by the following documents failing which the claim, in the absence of valid reason, shall to be disallowed:
- (a) a certified copy of the release order issued under clause 5 of the Sugar (Control) Order, 1966;
 - (b) a certified copy of the contract entered into by the sugar [undertaking in respect of a sugar] ² factory with the exporter where the sugar factory itself is not the exporter;
 - (c) a certified copy of the Application made for Removal of Excisable Goods (FORM A.R.E. 1) certifying that the consignment of sugar has been shipped of;
 - (d) a certified copy of customs attested Export Promotion (EP) copy of the Shipping Bill;
 - (e) a certified copy of the Bank Certificate of Export and Realization as given in Appendix 22 of the Handbook of Procedure (Vol.I) for the period 1st April, 2002 – 31st March 2007 issued by the Central Government in the Ministry of Commerce and Industry, Department of Commerce.
 - (f) a certified copy of the distance Certificate issued under in sub-rule (8) regarding the distance between the sugar factory and the loading railhead;
 - (g) a certified copy of the railway freight receipt from loading railhead to railhead nearest to the port;
 - (h) a certified copy of the certificate of railway freight chargeable as specified in sub-rule (9);
 - (i) a certified copy of the certificate issued by the port authorities certifying the distance between the railway station nearest to the port and loading point at the port as specified in sub-rule (10);
-

1. **inserted vide GSR 739(E) dt.9.11.04**
2. **inserted vide GSR 599 dated 30.07.2012**

- (j) a certified copy of the receipt and challan of the road transporter indicating the vehicle number and quantity transported where the sugar [undertaking in respect of a sugar] ¹ factory has transported the export consignment of sugar by road.
- (6) A sugar [undertaking in respect of a sugar] ² factory shall be free to transport export consignment of sugar either by rail or road or both but the reimbursement of expenditure shall be restricted in the manner prescribed in sub-rule (7),
- (7) The reimbursement of expenditure on internal transport and freight shall be restricted as under:
 - (i) for the distance from sugar factory to the nearest loading railhead, the transportation rate as specified in the Sugar (price Determination for Production) Order of the relevant sugar season;
 - (ii) for the distance from loading railhead nearest to the sugar factory to the railhead nearest to the port, the railway freight by the shortest route;
 - (iii) for the distance from railhead nearest to the port to the point of loading at port, the transportation rate as specified in the Sugar (Price Determination for Production) Order of the relevant sugar season;

[“(iv) where a sugar undertaking in respect of a sugar factory has preferred to transport export consignments of sugar by road instead of railway, the claim for reimbursement of expenditure on internal transport and freight charges shall be restricted to the total of transportation charges and railway freight charges as specified in clauses (i) to (iii) or the actual transportation charges by road incurred by the sugar undertaking in respect of a sugar factory, whichever is less.”] ³

Explanation - The restriction imposed in the Sugar (Price Determination for Production) Order of any relevant sugar season, as regards the transportation charges, shall not apply for the purpose of this sub-rule and the sugar [undertaking in respect of a sugar] ⁴ factory shall get reimbursement for the full distance between the sugar factory and the nearest railhead.

[(7 A) For the purposes of reimbursement of expenditure incurred on internal transport and freight charges on export shipments of sugar, a sugar factory may be allowed to claim and may be paid the following

- (i) An amount calculated at the rate of three hundred and fifty rupees per tonne, in respect of the quantity of sugar exported by it by sea from an Indian Port, on or after the 14th day of February 2003; and
- (ii) Handling and marketing charges at the rate of five hundred rupees per tonne on the quantity of sugar exported by it on or after the 3rd day of October, 2003.] ⁵

-
- 1. inserted vide GSR 599 dated 30.07.2012
 - 2. inserted vide GSR 599 dated 30.07.2012
 - 3. substituted vide GSR 599 dated 30.07.2012
 - 4. inserted vide GSR 599 dated 30.07.2012
 - 5. inserted vide GSR 895(E) dt. 19.11.03

[Explanation-For the purposes of this Sub-rule, "reimbursement" means the amount payable in respect of clauses (i) and (ii) irrespective of the actual expenditure incurred by the sugar factory or anyone else on behalf of such sugar factories in actual export shipment of sugar.]¹

- (8) A sugar [undertaking in respect of a sugar]² factory claiming reimbursement of expenditure in respect of sub- rule 7(i) above shall produce a distance certificate from the District Collector or any officer authorized by him in this behalf of the District where the sugar factory is situated, as a proof of distance between the sugar factory and the nearest loading railhead.
- (9) A sugar [undertaking in respect of a sugar]³ factory claiming reimbursement of expenditure in respect of sub-rule 7(ii) above shall produce a certificate from the concerned Railway authorities specifying the railway freight chargeable from the railhead nearest to the sugar factory to the railhead nearest to the port by the shortest route for the quantity of sugar transported.
- (10) A sugar [undertaking in respect of a sugar]⁴ factory claiming reimbursement of expenditure in respect of 7(iii) above shall produce a distance certificate from the concerned Port authorities specifying the distance between railhead nearest to the port and the point of loading at the port.
- [“(11) The reimbursement claim of the sugar undertaking in respect of a sugar factory shall be settled within forty-five days of the receipt of the complete documents from the sugar undertaking in respect of that sugar factory unless the Central Government has communicated in writing to the sugar undertaking in respect of that sugar factory to furnish any requisite document within the said period.”]⁵
- (12) In a case where it is found at any time that a sugar undertaking has wilfully suppressed the facts or concealed some material information or furnished false information or forged documents, then-
- (a) the reimbursement claim of that sugar undertaking shall be rejected;
 - (b) its future claim shall not be entertained, and
 - (c) if the claim has already been settled, the sugar undertaking shall be liable to refund the amount along with such interest as the Committee may decide.

[20 A.]⁶ Defraying Expenditure on Internal Transport and Freight Charges on Export Shipment of Sugar - (1) Notwithstanding anything contained in these rules, the Central Government may, from time to time decide to defray expenditure for the purposes of internal transport and freight charges which would include ocean freight, handling and marketing charges on exports of domestically manufactured sugar.

1. inserted vide GSR 149(E) dt.2.3.05

2. substituted vide GSR 599 dated 30.07.2012

3. substituted vide GSR 599 dated 30.07.2012

4. substituted vide GSR 599 dated 30.07.2012

5. substituted vide GSR 599 dated 30.07.2012

6. inserted vide GSR 697(E) dt.7.11.07

(2) Any sugar factory, which has exported its manufactured sugar under Open General Licence but not under advance licence either itself or through an exporter or through any third party exporter within the time period announced by the Central Government, shall be eligible for payment from the Central Government, the amounts as specified hereunder

(a) for the sugar manufactured by the sugar mills located in the coastal states in India, the payment shall be rupees 1350 per tonne of sugar exported; and

(b) for the sugar manufactured by the sugar mills located in other than the coastal States of India, the payment shall be at a rate of rupees 1450 per tonne of sugar exported:

Provided that the payment for the exports made to neighbouring countries solely by road or rail or by both, not involving movement by sea or ocean, shall be the actual expenditure incurred on the charges referred to in sub - rule (1) calculated as per Appendix annexed hereto or shall be as referred to in clause (a) or clause (b) of sub-rule (2) whichever is less:

Provided further that any refined sugar exported under Open General Licence by a sugar factory or a sugar refinery or through an exporter by way of value addition to raw sugar obtained as input from a domestic sugar manufacturer, shall be considered to be export of domestically manufactured sugar, and the sugar factory which had originally manufactured the raw sugar shall be eligible to receive the payment referred to in this rule in respect of the quantity of sugar so exported.

Provided also that the raw sugar manufacturer and the sugar refinery shall enter into an agreement, a copy of which shall also be submitted with the claim, which should be in addition to other requisite documents specified in Form IX, clearly indicating the quantity of raw sugar to be supplied and the quantity of refined sugar which shall be produced from the same for exports.

(3) (a) The claim should be submitted within ninety days from the date of issue of last bank certificate of export and realization by the bank for the exports made during the month under consideration.

(b) Delayed submissions beyond ninety days but upto a maximum of one hundred eighty days from the date of issue of last bank certificate of export and realization would be allowed, subject to a deduction of 10 per cent of the admissible amount.

(c) No claim shall be admissible after one hundred eighty days from the date of issue of last bank certificate of export and realization with respect to exports made during the particular month under consideration.

Provided that for the payment of claims for exports which have taken place before issue of this notification, the time limit of one hundred eighty days shall be from the date of issue of this notification or the date of last bank certificate of export and realization for the month of claim, whichever is later.

(4) The admissible amount shall be payable to the sugar factory for the purpose of making payment for the cane price arrears for the sugar season for which export

assistance has been announced by the Central Government and of the subsequent sugar season in the following order of preferences, namely :-

(a) If the sugar factory has cane price arrears for any of the said sugar seasons as per the cane price arrears position available with the Central Government on date of submission of the claim or the latest information available with the Central Government at the time of finance concurrence, whichever is less, as also Sugar Development Fund or Levy Sugar Price Equalization Fund overdues, then the above payment shall be made to the sugar factory to the extent of cane price arrears for the said sugar seasons notwithstanding the Sugar Development Fund or Levy Sugar Price Equalization Fund overdues and if the amount payable is higher than the cane price arrears at that point of time then the payable amount in excess of cane price arrears shall be adjusted against the Sugar Development Fund overdues and the balance against Levy Sugar Price Equalization Fund overdues.

(b) If the sugar factory has no cane price arrears for the said sugar seasons as per the cane price arrears position available with the Central Government on the date of submission of the claim or the latest information available with the Central Government at the time of finance concurrence, whichever is less, but it has Sugar Development Fund or Levy Sugar Price Equalization Fund overdues, then the above amount payable to sugar factory shall be adjusted against Sugar Development Fund overdues and the balance against Levy Sugar Price Equalization Fund overdues .

(5) (a) The amount received by the sugar factory shall be utilized for making payment of cane price arrears for the sugar season for which export assistance has been announced by the Central Government and of the subsequent sugar season.

(b) The payment towards cane dues shall be made within one month of receipt of the payment.

(c) If the sugar factory does not have cane price arrears of any of the said sugar seasons or the amount so received by the sugar factory is in excess of the cane price arrears pertaining to the said sugar seasons, as on the date of submission of the claim to the Central Government or the latest information available with the Central Government at the time of finance concurrence, whichever is less, then the amount in excess of the cane price arrears may be used for any other purpose.

(6) (a) The sugar factory shall open a separate exclusive bank account and furnish details of the same at the time of submission of the claim and the authority making such payments to the factory shall do so in such a manner that the same is deposited into this account.

(b) The separate exclusive account shall be utilised by the factory to make payments of cane price dues of the sugar season for which export assistance has been announced by the Central Government and the subsequent sugar season.

(7) The sugar factory shall submit a utilization certificate in the specified proforma Annexure - 3) to the Department of Food and Public Distribution, New Delhi, to this effect within a period of three months from the date of cheque or demand draft or electronic payment of the payment referred to in sub- rule (2) .

Provided that the Central Government may extend the period of submission of the utilization certificate by a maximum period of another three months if it is satisfied ,that there is a sufficient cause for the delay in submission of the utilization certificate.

(8) If any sugar factory, which has received the payments referred to in sub- rule (2) for exports of sugar, fails to adhere to the provisions of these rules or in case the payment so received is not utilised for payment of cane price dues, if outstanding, within the specified time referred to in sub-rule (7), and the factory does not have any valid reason for the same, the Department of Food and Public Distribution, New Delhi may declare the sugar factory ineligible for such payments and the amount so paid to the factory may be recovered from the concerned sugar factory alongwith interest at the rate as notified by the Department of Economic Affairs as applicable to private parties, on the date of payment of the claim, plus penal interest of 2.5 per cent per annum either from the differential levy sugar price payable to the sugar factory or any other claim or subsidy payable to the sugar factory by the Central Government in accordance with law.

(9) The sugar mill shall submit its claim for payment referred to in sub-rule (2) separately for each calendar month of export in Form IX duly filled in, alongwith the documents specified therein, to the Department of Food and Public Distribution, New Delhi.

(10) For the purposes of this rule, the export incentives for exports of sugar announced by the Government of India, Department of Food and Public Distribution vide its order No. 1- 2/2007-SPF dated the 27th July, 2007 and any order the Central Government may make from time to time shall apply.

(11) Where the Central Government is of the opinion that it is necessary or expedient so to do, it may by order and for reasons to be recorded in writing relax any of the provisions of this rule.

[“*Explanation:* For the purposes of this rule, the provision regarding clearance of cane price arrears shall apply only to the amounts payable and paid to a sugar factory during the sugar seasons 2006-07 and 2007-08”] ¹

1. inserted vide GSR 599 dated 30.07.2012

[Chapter X] ¹

Loans for potentially viable sick sugar undertaking

21. (1) A potentially viable sick sugar undertaking shall be eligible for a loan for the modernization or rehabilitation of plant and machinery:

Provided that the loan from the Fund has been recommended in the rehabilitation scheme for the potentially viable sick sugar undertaking by the Board for Industrial and Financial Reconstruction or the Committee for rehabilitation, as the case may be:

Provided further that the scheme or project for such modernization or rehabilitation of its plant and machinery is approved for financial assistance by a financial institution or a scheduled bank under its relevant scheme [omitted] ²

Provided also that a sugar undertaking shall not be eligible for a loan under this rule if more than one loan under rule 16 remains to be fully repaid

- (2) A potentially viable sick sugar undertaking shall be eligible for a loan for the sugarcane development:

Provided that for a scheme or project for sugarcane development in the rehabilitation scheme for the potentially viable sick sugar undertaking sanctioned by the Board for Industrial and Financial Reconstruction or recommended by the Committee for rehabilitation, a loan from the Fund has been recommended:

Provided further that a sugar undertaking shall not be eligible for a loan under this rule if more than one loan under rule 17 remains to be fully repaid.

- (3) A sugar undertaking, which has availed a loan under sub-rule (1) or sub-rule (2), shall not be eligible to apply for a loan under this rule on any subsequent occasion.

- (4) Any eligible sugar undertaking under sub-rule (1) shall make an application for the loan for modernization or rehabilitation to the Committee [Omitted] ³ in Form II-A along with [two] ⁴ certified copies thereof.

1. inserted vide GSR 584(E) dt. 19.8.02

2. The words *or sponsored by the Technology, Information, Forecasting and Assessment Council in respect of Scheme Mission Mode Project on Sugar Production Technologies of the Department of Science and Technology for modernization and rehabilitation of its plant and machinery* omitted vide GSR 599 dated 30.07.2012.

3. omitted vide GSR 67 (E) dt. 29.01.03 [for rehabilitation]

4. substituted vide GSR 599 dated 30.07.2012

(5) Any eligible sugar factory in connection with which the loan has been applied for under sub-rule (2) shall make an application for the loan for sugarcane development in form **III-B** along with [two] ¹ certified copies thereof to the State Government in which the sugar undertaking is located and the State Government may forward the application after such scrutiny as it deems necessary, with its comments and recommendations to the Member-Secretary of the Committee [****] ²

(6) The Member-Secretary of the committee [****] ³ shall, as soon as may be, after receipt of an application referred to in sub-rule (4) or sub-rule CS), place the application before the said Committee along with his comments if any, for the Committee's consideration.

(7) The Committee [****] ⁴ ,before making a final decision on an application, shall satisfy itself that adequate reliefs, or concessions from the Central Government, State Government, any scheduled bank or other bank, financial institutions or donations from the employees of the undertaking and other agencies, if any, have-been provided in the rehabilitation scheme and such reliefs or concessions or donations have been accepted by the concerned agencies to be provided to the sugar undertaking.

(8) It shall be open to the committee [*****] ⁵ before making a final decision on an application, to call for any further information from the applicant or any other concerned agency, if necessary.

(9) The final decision of the Committee [****] ⁶ on any application under this rule shall be submitted to the Central Government in the form of recommendation.

(10) The Central Government may, after consideration of the recommendation of the Committee [****] ⁷ and any other relevant fact in respect of a project for modernization or rehabilitation, authorise payment to a sugar undertaking of such amount of loan, not exceeding the amount required by the financial institution or the scheduled bank to be contributed by such sugar undertaking as promoter's contribution, Provided that the loan from the Fund under this - rule shall not exceed sixty per cent of the eligible project cost:

1. substituted vide GSR 599 dated 30.07.2012

2-7 . The words “for rehabilitation” omitted vide GSR 67 (E) dt. 29.01.03.

Provided further that the loan from the Fund shall be granted only if the sugar undertaking contributes a minimum of twenty percent of the project cost from its own resources as promoter's contribution:

Provided also that a loan from the Fund shall not be granted for the purpose of repayment of any loan in any form availed by the sugar undertaking or interest on any such loan in any form, whether availed from the Fund or from financial institutions, banks or any other agency including Government:

Provided also that the loan from the Fund shall be granted only if, the sugar undertaking has repaid all the sums, which have become due in respect of the Fund and the Levy Sugar Price Equalisation Fund.

(11) (i) The loan for modernization or rehabilitation shall be disbursed by the Central Government to the concerned sugar undertaking or paid by it to the financial institutions for disbursement to the concerned sugar undertaking, either in lump sum or in two or more instalments as may be considered necessary by the Central Government, after an agreement is executed between the Central Government, the concerned State Government, the participating financial institutions or scheduled banks and the sugar undertaking concerned.

(ii) The agreement referred to in clause (i) of this sub-rule shall contain the terms and conditions with regard to the period of repayment including the number and amount of instalments, payment of interest, the manner of such repayment or payment and any/ other matter incidental to the loan.

[(iii) Omitted ²]

(iv) The repayment of the loan for modernization or rehabilitation together with interest thereon, shall commence after the expiry of such period as may be decided by the Central Government after due verification by financial institution subject to a maximum of five years, reckoned from the date of disbursement of the loan from the Fund and the loan from the Fund along with the interest due thereon, shall be recoverable in half-yearly instalments not exceeding ten in number.

(v) [Omitted] ³

-
1. substituted vide GSR 687(E) dt.21.10.04 for six per cent per annum
 2. deleted vide GSR 188(E) dt.9.3.07
 3. omitted vide GSR 599 dated 30.07.2012

- (12) The Central Government may, after consideration of the recommendation of the Committee [****] ¹ and any other relevant fact in respect of a project for sugarcane development authorize payment to a sugar undertaking of such amount of loan not exceeding ninety per cent of the eligible project cost and not exceeding the amount, if any, specified under rule 17;

Provided that the loan from the Fund shall be granted only if the sugar undertaking or the concerned State Government contributes a minimum of ten per cent of the project cost from its own resources:

Provided further that the loan from the Fund shall not be granted for the purpose of repayment of any loan in any form availed by the sugar undertaking or interest on any such loan in any form, whether availed from the Fund or from financial institutions, banks or any other agency including Government:

Provided also that the loan from the Fund shall be granted only if the sugar undertaking has repaid all the sums, which have become due in respect of the Fund and the Levy Sugar Price Equalisation Fund.

- 13 (i) The loan for sugarcane development shall be disbursed to the concerned sugar undertaking after a tripartite agreement is executed between the Central Government, the concerned State Government and the sugar undertaking.
- (ii) The tripartite agreement referred to in clause (i) of this sub-rule shall contain the terms and conditions as the Central Government may decide in consultation with the state government such as monitoring of the progress of the project by a research institute or any other organization as may be decided by the Central Government, repayment of the loan with interest, remittance to the credit of the Fund, utilization certificate by the concerned State Government and any other matter incidental to the loan.

1. The words “*for rehabilitation*” *omitted vide GSR 67 (E) dt. 29.01.03*

[(iii)]¹

(iv) The repayment of loan for sugarcane development together with interest thereon shall commence on the expiry of moratorium period of one year reckoned from the date of disbursement of the loan and shall be repaid in equal half-yearly instalments not exceeding eight in number and interest thereon shall be paid half-yearly after the expiry of one year from the date of disbursement of the loan.

[CHAPTER-XI]²

Loan for production of Anhydrous Alcohol or Ethanol from Alcohol [or from Molasses]

³

22 [“(1) Any sugar factory of an undertaking having an installed capacity of 2500 Tonnes Crushed per Day or higher to which financial assistance has been approved by a financial institution or a scheduled bank for it to implement a project for production of anhydrous alcohol or ethanol from alcohol or molasses by installing the required plant and machinery shall be eligible to apply for loan under this rule:

Provided that at least ten percent of the project cost is being met by the sugar factory of an undertaking from its own internal generation of fund as part of the promoters contribution required by the financial institution or the scheduled bank.”]⁴

[“(1A) A proposal for modernisation-cum-expansion project integrated with cogeneration plant or ethanol plant of any sugar factory of an undertaking having an installed capacity of less than 2500 tones Crushed Per Day but not less than 1250 tones Crushed Per Day and to which financial assistance has been approved as provided in sub-rule (1), shall also be eligible to apply for loan under this rule, subject to the following conditions, namely:-

(i) the application for such project is submitted to a bank or financial institution by the sugar factory;

(ii) in every such project, the appraising authority of the bank of financial institution certifies that the project submitted by the sugar factory is financially viable for such sugar factory of capacity less than 2500 tones crushed Per Day;

(iii) such project shall be technically appraised by the National Sugar Institute, Kanpur or any other institute recognized by the Central Government and it has certified that the project is technically viable;

(iv) State Government guarantee is furnished by the sugar factory or sugar undertaking for Sugar Development Fund loan]⁷

[“(2) A sugar undertaking that has availed of a loan in respect of a sugar factory under this rule shall not be eligible for another loan for the same sugar factory during the period in which the previous loan under this rule along with interest thereon has not been fully repaid.”]⁵

[“(3) A sugar undertaking which is in default of payment that has become due in respect of the Sugar Development Fund and the Levy Sugar Price Equalization Fund relating to any of the sugar factories or units under it shall not be eligible to apply for a loan under this rule.”]⁶

1. deleted vide GSR 188(E) dt.9.3.07

[the loan from the Fund shall carry a concessional rate of simple interest of [two per

cent below the bank rate] substituted vide GSR 687(E) dt.21.10.04 for "six per cent per annum and in case of any default in repayment of the amount of loan, or payment of any instalment thereof or interest thereon, an additional interest at the rate of two and a half cent per annum on the amount of default shall be payable by the sugar undertaking".]

- 2. inserted vide GSR 67(E) dt.29.1.03**
- 3. inserted vide GSR 72(E) dt.23.1.04**
- 4. substituted vide GSR 599 dated 30.07.2012**
- 5. substituted vide GSR 599 dated 30.07.2012**
- 6. substituted vide GSR 599 dated 30.07.2012**
- 7. inserted vide GSR 496(E) dated 07.08.2020**

[(4) A sugar undertaking shall not be eligible to apply for a loan under this rule for one or more of the following reasons or purposes, namely; –

(a) a second hand project, equipment or machinery:

Provided that a sugar undertaking shall be eligible to apply for a loan for a project where second hand equipment or machinery has been used or is proposed to be used, subject to the following conditions, namely:-

(i) use of such second hand machinery or equipment shall not change the overall character of the project, which shall essentially consist of new plant, machinery and equipment;

(ii) it shall technically be certified that the use of the second hand machinery or equipment shall not affect the overall efficiency and life of the project;

(iii) the useful life of the second hand machinery or equipment so used shall not be less than the term of repayment of sugar development fund loan;

(iv) subject to fulfillment of conditions specified in clauses (i) to (iii), the estimated or actual cost of machinery or equipment which are not new shall be deducted from the estimated or actual cost of the project before arriving at the eligible project cost for the purpose of sugar development fund loan;

(b) refinancing.

[Explanation:- For the purpose of this clause, the term ‘refinancing’ includes availing of loan for repayment of loan taken from any financial institution or scheduled bank before applying to a financial institution or bank for appraisal in which Sugar Development Fund component is proposed, but shall not include a ‘bridge loan’ taken in lieu of Sugar Development Fund component after submitting an application to the Standing Committee on Sugar Development Fund;

Explanation:- ‘bridge loan’ means a short loan from any Financial Institution in lieu for Fund loan and the shall be repaid on the disbursement of the same.]²

(c) financing of cost over run;

(d) project commissioned prior to the date of application under these rules;

(e) if such sugar undertaking is a defaulter in respect of repayment of loan availed under Sugar Development Fund or in payment of any dues under the Levy Sugar Price Equalization Fund in respect of any of its sugar factories.”]¹

(5) The Committee may, with the previous approval of the Central Government make any class or classes of sugar undertaking ineligible for loan under this rule.

Provided that where the Committee decides that an applicant is not eligible, reasons therefore shall be recorded in writing:

- 1. substituted vide GSR 599 dated 30.07.2012**
- 2. substituted vide GSR 847(E) dated 09.11.2015**

- (6) An eligible sugar undertaking under this rule, shall make an application to the Committee in Form VII in duplicate along with a copy each of its balance sheet and profit and loss account for the last three consecutive years preceding the year in which the application is made.
- (7) (i) All applications made under sub-rule (6) shall first be placed before the sub-committee constituted by the Committee for this purpose .
(ii) The Member Secretary of the Committee, who shall be the convener of the sub-committee, shall call a meeting of the sub-committee at least once in-every month, provided that in a month in which the Committee has received no application, it shall not be necessary to hold the meeting.
(iii) The sub-committee shall consider the application and all other relevant factors and give its recommendation for the consideration of the Committee in its next meeting.
- (8) It shall be open to the Committee and the sub-committee to call for any further information from the applicant or refer the matter to an expert or group of experts to make an investigation and report on any aspect relating to the application before making their recommendations,
- (9) (a) The Committee shall after taking into account the recommendations of the sub-committee, and after considering the information or report obtained by the Committee under sub-rule (8), if any, and all relevant aspects, make its recommendations as to the amount of loan that may be made to the sugar undertaking.
(b) The Committee may also, with the previous approval of the Central Government; issue directions to the sub-committee to make a recommendation directly to the Central Government on the amount of loan that may be made to the sugar undertaking.
- (10) (a) In respect of a sugar undertaking that has applied for a loan, falling [under this rule] ¹, the Central Government may after consideration of the recommendation of the Committee and any other relevant factor with view to improving its viability, authorize payment of such amount of loan not exceeding the amount required by the Financial Institution or the scheduled Bank, as the case may be, to be contributed by such sugar undertaking as promoters' contribution as may be determined by the Central Government.

[(b) – omitted] ²

[(c) – omitted] ³

[“(11) The amount of loan authorised under sub-rule (10) shall be disbursed by the Central Government to the sugar undertaking or paid by it to the Financial Institution or the Scheduled Bank, as the case may be, for disbursement to the sugar undertaking either in lump sum or in instalments as may be considered necessary by the Central Government.”] ⁴

1. substituted vide GSR 599 dated 30.07.2012

2. omitted vide GSR 599 dated 30.07.2012

3. omitted vide GSR 599 dated 30.07.2012

4. substituted vide GSR 599 dated 30.07.2012

(12) The Financial Institution or the Scheduled Bank, as the case may be, shall treat the amount authorised [omitted] ¹ as a part of the promoters' contribution.

[(13)] [Omitted] ²

(14) (a) The loan from the Fund along with the interest due thereon shall be recovered in half-yearly instalments not exceeding eight in number.

(b) the repayment of the loan with interest thereon shall commence after the expiry of one year reckoned from the date of each disbursement of the loan from the Fund.

(15) (a) The disbursement of the loan authorised by the Central Government under sub-rule (10) shall be preceded by a tripartite agreement between the Central Government, the sugar undertaking and the Financial Institution or the Scheduled Bank, or a bilateral agreement between the Central Government and the sugar undertaking, as the case may be.

(b) The agreement referred to in clause (a) above, shall contain the terms and conditions with regard to the utilization of the loan including monitoring of the implementation of the project by an agency designated by the Central Government in this behalf, the period of repayment including the number and amount of installment, payment of interest, the manner of such repayment or payment, security to be provided for the loan and any other matter incidental to the loan.

[(16) - Omitted] ³

[(17) – omitted] ⁴

[(18) - Omitted] ⁵

[“*Explanation.*- For the purpose of this rule, the expression “sugar factory” includes any unit thereof (which may or may not be within the premises of the sugar factory) used for production of anhydrous alcohol or ethanol from alcohol or from molasses for which raw material is supplied by such sugar factory in accordance with the norms specified by the Standing Committee in this behalf.”] ⁶

1. The words under clause (a) [or clause (c)] of sub-rule (10) **omitted vide GSR 599 dated 30.07.2012.**

2. **deleted vide GSR 188(E) dt.9.3.07** “*The loan from the Fund under this rule shall carry a rate of simple interest of [two per cent below the bank rate] substituted vide GSR 687(E) dt.21.10.04 for six per cent per annum, which may be revised*” by' the Central Government from time to time.”

3. **deleted vide GSR 188(E) dt.9.3.07**

(a) “*The sugar factory shall, after the execution of the agreement referred to in sub-rule (15) above, furnish a Bank Guarantee from a Scheduled Bank as security for the loan to the satisfaction of the Central Government. (b) The Bank Guarantee shall cover the amount of loan and the interest thereon for the full period of repayment as provided in sub-rule (14).]*”

4. **Omitted vide GSR 599 dated 30.07.2012.**

5. **deleted vide GSR 188(E) dt.9.3.07** “*In case of any default in repayment of the amount of loan, or payment of any instalment thereof, or payment of interest thereon, an additional interest at the rate of two and a half per cent per annum on the amount and the period of default shall be payable by the sugar factory:*

Provided that in case of two consecutive defaults in repayment of the loan or instalment thereof, the Central Government shall realize the entire amount of loan along with the interest thereon from the Bank Guarantee furnished under sub-rule (16) or any claim of the sugar factory against the Central Government or any other security provided for the loan.]”

6. **substituted vide GSR 599 dated 30.07.2012**

[22A. Loan for conversion of existing ethanol plant into zero liquid discharge plant]¹

(1) Any sugar factory of an undertaking having an installed capacity of two thousand five hundred Tonnes crushed per day or higher to which financial assistance has been approved by a Financial Institution or a scheduled bank for it to implement a project for conversion of existing ethanol plant into zero liquid discharge plant by installing the required plant and machinery shall be eligible to apply for loan under this rule:

Provided that ten per cent of the project cost shall be met by the sugar factory of an undertaking from its own internal generation of fund as part of the promoters contribution required by the Financial Institution or the scheduled bank.

[“(1A) A proposal for modernisation-cum-expansion project integrated with cogeneration plant or ethanol plant of any sugar factory of an undertaking having an installed capacity of less than 2500 tones Crushed Per Day but not less than 1250 tones Crushed Per Day and to which financial assistance has been approved as provided in sub-rule (1), shall also be eligible to apply for loan under this rule, subject to the following conditions, namely:-

(i) the application for such project is submitted to a bank or financial institution by the sugar factory;

(ii) in every such project, the appraising authority of the bank of financial institution certifies that the project submitted by the sugar factory is financially viable for such sugar factory of capacity less than 2500 tones crushed Per Day;

(iii) such project shall be technically appraised by the National Sugar Institute, Kanpur or any other institute recognized by the Central Government and it has certified that the project is technically viable;

(iv) State Government guarantee is furnished by the sugar factory or sugar undertaking for Sugar Development Fund loan]²

(2) A sugar undertaking which is in default of payment that has become due in respect of the Fund and the Levy Sugar Price Equalisation Fund relating to any of the sugar factories or units under it shall not be eligible to apply for a loan under this rule.

(3) A sugar undertaking shall not be eligible to apply for a loan under this rule for any of the following reasons or purposes, namely:-

(a) if loan is with respect to a second hand project, equipment or machinery:

Provided that a sugar undertaking shall be eligible to apply for a loan for a project where second hand equipment or machinery has been used or is proposed to be used, subject to the following conditions, namely:-

(i) use of such second hand machinery or equipment shall not change the overall character of the project, which shall essentially consist of new plant, machinery and equipment;

(ii) it shall technically be certified that the use of the second hand machinery or equipment shall not affect the overall efficiency and life of the project;

(iii) the useful life of the second hand machinery or equipment so used shall not be less than the term of repayment of sugar development fund loan;

(iv) subject to fulfilment of conditions specified in sub-clauses (i) to (iii), the estimated or actual cost of machinery or equipment which are not new shall be deducted from the estimated or actual cost of the project before arriving at the eligible project cost for the purpose of Fund loan;

(b) refinancing;

(c) financing of cost over run;

(d) project commissioned prior to the date of application under these rules;

1. Rule 22A inserted vide GSR 847(E) dated 09.11.2015

2. inserted vide GSR 496(E) dated 07.08.2020

(e) if such sugar undertaking is a defaulter in respect of repayment of loan availed under Fund or in payment of any dues under the Levy Sugar Price Equalisation Fund in respect of any of its sugar factories.

(4) (i) The Committee may, with the previous approval of the Central Government make any class or classes of sugar undertaking ineligible for loan under this rule:

(ii) The sub-committee or Committee shall record the reasons in writing if it decides that an applicant is not eligible for loan.

(5) An eligible sugar undertaking under this rule, shall make an application to the Committee in Form VII-A in duplicate along with a copy each of its balance sheet and profit and loss account for the last three consecutive years preceding the year in which the application is made.

(6) (i) All applications made under sub-rule (5) shall first be placed before the sub-committee;

(ii) The Member-Secretary of the Committee, who shall be the Convener of the Committee, shall call a meeting of the sub-committee once in a month where there is application for loan.

(iii) The sub-committee shall consider the application and all other relevant factors and give its recommendation for the consideration of the Committee in its next meeting.

(7) It shall be open to the Committee and the sub-committee to call for any further information from the applicant or refer the matter to an expert or group of experts or expert organisations to make an investigation and report on any aspect relating to the application before making their recommendations.

(8)(i) The Committee shall after taking into account the recommendations of the sub-committee, and after considering the information or report obtained by the Committee under sub-rule (7), if any, and all relevant aspects, make its recommendations as to the amount of loan that may be made to the sugar undertaking.

(ii) The Committee may also, with the previous approval of the Central Government; issue directions to the sub-committee to make a recommendation directly to the Central Government on the amount of loan that may be made to the sugar undertaking.

(9) In respect of a sugar undertaking that has applied for a loan, falling under this rule, the Central Government may after consideration of the recommendation of the Committee and any other relevant factor with view to improving its viability, authorise payment of such amount of loan not exceeding the amount required by the Financial Institution or the scheduled bank, as the case may be, to be contribute^{4d} by such sugar undertaking as promoters' contribution as may be determined by the Central Government.

(10) The amount of loan authorised under sub-rule (9) shall be disbursed by the Central Government to the sugar undertaking or paid by it to the Financial Institution or the scheduled bank, as the case may be, for disbursement to the sugar undertaking either in lump sum or in instalments as may be considered necessary by the Central Government.

(11) The Financial Institution or the scheduled bank, as the case may be, shall treat the amount authorised as a part of the promoters' contribution.

(12) (i) The loan from the Fund along with the interest due thereon shall be recovered in half-yearly instalments not exceeding eight in number.

(ii) The repayment of the loan with interest thereon shall commence after the expiry of one year reckoned from the date of each disbursement of the loan from the Fund.

(13) (i) The disbursement of the loan authorised by the Central Government under sub-rule (9) shall be preceded by a tripartite agreement between the Central Government, the sugar undertaking and the Financial Institution or the scheduled bank, or a bilateral agreement between the Central Government and the sugar undertaking, as the case may be.

(ii) The agreement referred to in clause (a), shall contain the terms and conditions with regard to the utilisation of the loan including monitoring of the implementation of the project by an agency designated by the Central Government in this behalf, the period of repayment including the number and amount of instalment, payment of interest, the manner of such repayment or payment, security to be provided for the loan and any other matter incidental to the loan.

Explanation-For the purpose of this rule, the expression "sugar factory" includes any unit thereof (which may or may not be within the premises of the sugar factory) used for production of anhydrous alcohol or ethanol from alcohol or from molasses for which raw material is supplied by such sugar factory in accordance with the norms specified by the Committee in this behalf."

[Chapter – XII] ¹

Loan for bagasse-based co generation power projects

23 (1) Any sugar factory of a sugar undertaking having an installed capacity of 2500 Tonnes Crushed Per- Day or higher to which financial assistance has been approved by a Financial Institution or, a Scheduled Bank for it to implement a project of bagasse-based cogeneration of power by installing the required plant and machinery shall be eligible to apply for a loan from the Fund under this rule for implementing the project provided that the project envisages marketable surplus of cogenerated power and provided further that at least ten per cent of the cost of the project is being met by the sugar factory of a sugar undertaking from its own internal generation of funds as part of the promoters contribution required by the Financial Institution or the Scheduled Bank.

[“(1A) A proposal for modernisation-cum-expansion project integrated with cogeneration plant or ethanol plant of any sugar factory of an undertaking having an installed capacity of less than 2500 tones Crushed Per Day but not less than 1250 tones Crushed Per Day and to which financial assistance has been approved as provided in sub-rule (1), shall also be eligible to apply for loan under this rule, subject to the following conditions, namely:-

- (i) the application for such project is submitted to a bank or financial institution by the sugar factory;
- (ii) in every such project, the appraising authority of the bank or financial institution certifies that the project submitted by the sugar factory is financially viable for such sugar factory of capacity less than 2500 tones crushed Per Day;
- (iii) such project shall be technically appraised by the National Sugar Institute, Kanpur or any other institute recognized by the Central Government and it has certified that the project is technically viable;
- (iv) State Government guarantee is furnished by the sugar factory or sugar undertaking for Sugar Development Fund loan]³

(2) A sugar factory of a sugar undertaking that has availed of a loan under this rule shall not be eligible to apply for a loan during the period in which that loan along with interest thereon has not been fully repaid.

(3) A sugar factory of a sugar undertaking, which is in default of payment that has become due in respect of the Fund and the Levy Sugar Price Equalization Fund, [in respect of any of the sugar factories or units thereof] ² shall not be eligible to apply for a loan under this rule.

[“(4) A sugar undertaking shall not be eligible to apply for a loan under this rule for one or more of the following reasons or purposes, namely; –

- (a) a second hand project, equipment or machinery:

Provided that a sugar undertaking shall be eligible to apply for a loan for a project where second hand equipment or machinery has been used or is proposed to be used, subject to the following conditions, namely:-

(i) use of such second hand machinery or equipment shall not change the overall character of the project, which shall essentially consist of new plant, machinery and equipment;

(ii) it shall technically be certified that the use of the second hand machinery or equipment shall not affect the overall efficiency and life of the project;

(iii) the useful life of the second hand machinery or equipment so used shall not be less than the term of repayment of sugar development fund loan;

(iv) subject to fulfillment of conditions specified in clauses (i) to (iii), the estimated or actual cost of machinery or equipment which are not new shall be deducted from the estimated or actual cost of the project before arriving at the eligible project cost for the purpose of sugar development fund loan;

-
1. **inserted vide GSR 67(E) dt.29.1.03**
 2. **inserted vide GSR 599 dated 30.07.2012**
 3. **inserted vide GSR 496(E) dated 07.08.2020**

(b) refinancing;

Explanation.- For the purpose of this clause, the term ‘refinancing’ includes availing of loan for repayment of loan taken from any financial institution or scheduled bank before applying to a financial institution or bank for appraisal in which Sugar Development Fund component is proposed, but shall not include a ‘bridge loan’ taken in lieu of Sugar Development Fund component after submitting an application to the Standing Committee on Sugar Development Fund.

(c) financing of cost over run;

(d) project commissioned prior to the date of application under these rules;

(e) if such sugar undertaking is a defaulter in respect of repayment of loan availed under Sugar Development Fund or in payment of any dues under the Levy Sugar Price Equalization Fund in respect of any of its sugar factories.”] ¹

(5) The Committee may, with the previous approval of the Central Government, make any class or classes of sugar factory of a sugar undertaking ineligible to apply for loan under this rule:

Provided that where the Committee decides that an applicant is not eligible, the reasons therefore shall be recorded in writing.

(6) An eligible sugar factory of a sugar undertaking under this rule, shall make an application to the Committee in Form VIII in duplicate along with a copy each of its balance sheet and profit and loss account for the last three consecutive years preceding the year in which the application is made.

(7) (i) All applications made under sub-rule (6) shall first be placed before the sub-committee constituted by the Committee for this purpose.

(ii) The Member Secretary of the Committee, who shall be the convener of the sub-committee, shall call a meeting of the sub-committee at least once in every month, provided that in a month in which the Committee has received no application, it shall not be necessary to hold the meeting.

(iii) The sub-committee shall consider the application and all other relevant factors and give its recommendation for the consideration of the Committee in its next meeting.

(8) It shall be open to the Committee and the sub-committee to call for any further information from the applicant or refer the matter to an expert or group of experts to make an investigation and report on any aspect relating to the application before making their recommendations.

1. substituted vide GSR 599 dated 30.07.2012.

(9) The Committee shall after taking into account the recommendations of the sub-committee, and after considering the information or report obtained by the Committee under sub-rule (8), if any, and all relevant aspects, make its recommendations to the Central Government as to the amount of loan that may be made to the sugar factory of a sugar undertaking.

(10) The Central Government may, after consideration of the recommendations of the Committee and any other relevant factor with a view to improving the viability of the sugar factory, authorize payment to a sugar factory, of such amount of loan not exceeding the amount required by the Financial Institution or the Scheduled Bank, as the case may be, to be contributed by such sugar factory of a sugar undertaking as promoters' contribution, as may be determined by the Central Government.

(11) The amount of loan authorised under sub-rule (10) shall be disbursed by the Central Government to the sugar factory of a sugar undertaking or paid by it to the Financial Institution or the Scheduled Bank, as the case may be, for disbursement to the sugar factory of a sugar undertaking, either in lump sum or in two or more instalments, as may be considered necessary by the Central Government.

(12) The Financial Institution or the Scheduled Bank, as the case may be, shall treat the amount paid to it under sub-rule (11) as the promoters' contribution or as part thereof required to be raised by the sugar factory of a sugar undertaking for availing of the loan under the relevant scheme of the Financial Institution or the Scheduled Bank for bagasse-based cogeneration power projects.

[(13) - Omitted] ¹

(14) (a) The repayment of the loan shall commence after the expiry of three years reckoned from the date of each disbursement of the loan and shall be repaid in half yearly instalments not exceeding ten in number.

(b) The interest on the said loan shall be paid [half yearly] ² for the first three years from the date of each disbursement of the loan after which it shall be paid half yearly along with the instalment of the repayment of the principal.

1. **omitted vide GSR 388(E) dt.19.5.08** “*The loan from the Fund under this rule shall carry a rate of simple interest of [two percent below the bank rate] substituted vide GSR 687(E) dt.21.10.04 for six per cent per annum, which may be revised by the Central Government from time to time.*”

2. **substituted vide GSR 599 dated 30.07.2012.**

[(15) - Omitted] ¹

[(15)(a) The disbursement of the loan authorized by the Central Government under sub-rule (1) shall be preceded by a tripartite agreement between the Central Government, the sugar factory and the Financial Institution or the Scheduled Bank, as the case may be.

(b) The agreement referred to in clause (a) shall contain the terms and conditions with regard to the utilization of the loan including monitoring the implementation of the project by an agency designated by the Central Government in this behalf, the period of repayment including the number and amount of instalment, payment of interest, the manner of such repayment or payment, security to be provided for the loan and any other matter incidental to the loan.] ²

[(16) - Omitted] ³

[(17) – Omitted] ⁴

1. deleted vide GSR 188(E) dt.9.3.07

“(a) The disbursement of the loan authorised by the Central Government under sub-rule (11) shall be preceded by a tripartite agreement between the Central Government, the sugar factory and the Financial Institution or the Scheduled Bank, as the case may be.

(b) The agreement referred to in clause (a) above, shall contain the terms and conditions with regard to the utilization of the loan including monitoring of the implementation of the project by an agency designated by the Central Government in this behalf, the period of repayment including the number and amount of instalment, payment of interest, the manner of such repayment or payment, security to be provided for the loan and any other matter incidental to the loan.]”

2. inserted vide GSR 388(E) dt.19.5.08

3. deleted vide GSR 188(E) dt.9.3.07

“(a) the sugar factory shall, after the execution of the agreement referred to in sub-rule (15) above, and before the disbursement of the loan under sub-rule (u), furnish security for the loan to the satisfaction of the Central Government.

(b) The security shall cover the amount of loan and interest thereon for the full period of repayment as provided in sub-rule (14) above, and shall be furnished in any of the following manners, namely: -

(i) Bank Guarantee from a Scheduled Bank, or

(ii) A mortgage on all immovable and movable properties of the sugar factory on pari passu first charge basis failing which on the basis of an exclusive second charge.]”

4. Omitted vide GSR 599 dated 30.07.2012.

[(18)] [Omitted] ¹

[“*Explanation.*- For the purpose of this rule, the expression “sugar factory” includes any unit thereof (which may or may not be within the premises of the sugar factory) used for bagasse based cogeneration power project for which raw material is supplied by the said sugar factory in accordance with the norms specified by the Standing Committee in this behalf.”] ²

[Chapter XIII] ³

Special provision relating to calculation of rate of interest in certain cases

24. (1) Notwithstanding anything contained in rules 16, 17, 21, 22, [22A]⁵ and 23, on and from the date of commencement of the Sugar Development Fund (Second Amendment) Rules, 2005, the rate of interest on all loans outstanding on the date of commencement of the Sugar Development Fund (Second Amendment) Rules, 2004 shall be two per cent below the bank rate as was prevailing on the 21st day of October, 2004.

(2) In respect of loans outstanding as mentioned in sub-rule (1), the rate of interest during the period between the date of commencement of the Sugar Development Fund (Second Amendment) Rules, 2004 and the commencement of the Sugar Development Fund (Second Amendment) Rules, 2005 shall be two per cent below the bank rate prevailing as on the 21st day of October, 2004, and any interest paid or charged in excess thereof for the said period shall be credited to the account of the loanee sugar undertaking.

[(3) – Omitted] ⁴

1. **deleted vide GSR 188(E) dt.9.3.07** “*In case of any default in repayment of the amount of loan, or payment of any instalment thereof, or payment of interest thereon, an additional interest at the rate of two and a half per cent per annum on the amount for the period of default shall be payable by the sugar factory:*

Provided that in case of two consecutive defaults in repayment of the loan or instalment thereof, the Central Government shall realize the entire amount of loan along with the interest and additional interest thereon from the security furnished under sub-rule (16) or any claim of the sugar factory against the Central Government.]”

2. **substituted vide GSR 599 dated 30.07.2012.**

3. **inserted vide GSR 451(E) dt.4.7.05**

4. **Omitted vide GSR 599 dated 30.07.2012.**

5. **inserted vide GSR 847(E) dated 09.11.2015**

[Chapter XIV] ¹

Security, interest and additional interest on Sugar Development Fund loans

25. (1) The security, interest and additional interest for the loans given under [Sugar Development Fund Rules 16, 16A, 17, 17A, 21, 22, [22A]⁶ and 23] ² from the Fund shall be governed as follows.

(2) The loans shall carry a concessional rate of simple interest of 2% below the Bank Rate.

(3) In case of any default in repayment of the amount of loan or payment of any instalment thereof or interest thereon, an additional interest at the rate of [six percent per annum on the amount of default or at such rate as may be decided by the Central Government shall be] ³ [“rate of four per cent”]⁷ payable by the sugar undertaking.

(4) The sugar undertaking shall, after the execution of the agreement required to be entered into and before the disbursement of the loan under Rules, furnish security for the loan to the satisfaction of the Central Government.

(5) The security shall cover the amount of loan and interest thereon for the full period of repayment as provided in the Rules and further additional interest on the amount of default as provided in sub-rule (3) above, and shall be furnished in any of the following manners namely:-

- (i) Bank Guarantee from a Scheduled Bank; or
- (ii) A mortgage on all immovable and movable properties of the sugar factory on pari passu first charge basis failing which on the basis of an exclusive second charge:

Provided that [in case of short term loans under Rules 16A and 17A, any sugar undertaking and] ⁴ in case of sugarcane development loan under Rules 17 and 21, a cooperative sugar undertaking can furnish the security in the form of State Government Guarantee.

(6) In case of two consecutive defaults in repayment of the-loan or instalment thereof, the Central Government shall realise the entire amount of loan alongwith the interest and the additional interest thereon from any of the security provided for the loan under sub-rule (5) above or any claim of [any sugar factory under the sugar undertaking] ⁵ against the Central Government.

1. inserted vide GSR 188(E) dt.9.3.07

2. substituted vide GSR 508(E) dt. 7.7.09 for “Sugar Development Fund Rules 16,17,21,22 and 23”

3. substituted vide GSR 599 dated 30.07.2012

4. inserted vide GSR 508(E) dt.7.7.09

5. substituted vide GSR 599 dated 30.07.2012

6. inserted vide GSR 847(E) dated 09.11.2015

7. substituted vide GSR 496(E) dated 07.08.2020

[Chapter XV] ¹

[“Restructuring of loans of potentially viable sick sugar undertaking”]⁵

26. (1) Notwithstanding anything contained in the rules 16, 17, 21, 22,[22A]⁴, 23, 24 and 25, the Central Government may, after taking into consideration the scheme of rehabilitation circulated by the Board for Industrial and Financial Reconstruction or the scheme recommended by the Committee for rehabilitation, as the case may be, and any other relevant factor, restructure the loan, interest or additional interest on account of default thereof of a potentially viable sick sugar undertaking,

[“Provided that while so restructuring, no portion of the outstanding principal or simple interest at applicable rates at the relevant time shall be waived off:

Provided further that the Central Government may, at its discretion, waive additional interest in full or in part, for reasons to be recorded in writing.”]²

(2) A potentially viable sick sugar undertaking shall be eligible to apply for restructuring of loan, interest or additional interest on account of default thereof .

Provided that the restructuring has been recommended in the Draft Rehabilitation Scheme circulated by the Board for Industrial and Financial Reconstruction, or recommended by the Committee for Rehabilitation in the scheme for rehabilitation for sugar undertakings, as the case may be :

Provided further that the sugar undertaking shall, during such period till such restructured loans are fully repaid, be eligible for loans only if it is a part of the rehabilitation scheme under rule 21 for modernization or rehabilitation and cane development schemes only:

Provided also that no undertaking shall be eligible for reliefs and concessions more than once.

(3) Any eligible sugar undertaking referred to in sub-rule (2) shall make an application for restructuring to the Committee in [Form XI] ³

(4) The Member-Secretary of the Committee shall soon after receipt of the recommendations of Board for Industrial and Financial Reconstruction or Committee for Rehabilitation, as the case may be, place the same before the said Committee alongwith his comments if any, for the Committee's consideration:

1. inserted vide GSR 749(E) dt.5.12.07

2. inserted vide GSR 599 dated 30.07.2012.

3. substituted vide GSR 115(E) dt.28.2.08 for Form IX.

4. inserted vide GSR 847(E) dated 09.11.2015

5. inserted vide GSR 885(E) dated 17.09.2018

(5) The Committee, before making a final decision on the recommendations satisfies itself that adequate reliefs or concessions from the other lenders namely, banks, financial institutions, State Governments and other agencies if any, have been provided in the restructuring package and such reliefs or concessions have been accepted by the concerned agencies to be provided to the sugar undertaking.

(6) The Committee shall, before making a final decision on an application made to it for the purpose of rule 26,

(a) call for any further information from the sugar undertaking or the recommending agency referred to in sub-rule (1).

(b) appoint a sub-committee or expert to make an investigation and report on any aspect relating to the recommendations of the Board for Industrial and Financial Reconstruction or the Committee for rehabilitation.

(7) The Committee shall submit its recommendations to the Central Government.

(8) The Central Government may, after consideration of the recommendation of the Committee and any other relevant facts, authorize restructuring subject to such terms and conditions as the Central Government may decide and communicate to the sugar undertaking for acceptance of the same by the sugar undertaking in writing.

(9) (a) The restructured loan under this rule shall carry a rate of simple interest equivalent to the prevailing Reserve Bank of India bank rate, from the date of implementation of the rehabilitation package.

(b) In case of any default in repayment of the amount of loan or payment of any instalment thereof or interest thereon on the restructured loan, an additional interest at the rate of [six percent per annum on the amount of default or at such rate as may be decided by the Central Government shall be] ¹ payable by the sugar undertaking.

(10) The rehabilitation scheme shall be implemented after a bipartite agreement is entered into between the Central Government and the sugar undertaking:

Provided that in the case of cooperative or public sugar undertaking, if there are any reliefs and concessions required from the State Government, the scheme shall be implemented after a tripartite agreement is executed amongst the Central Government, the sugar undertaking and the Government of the State in which the sugar undertaking is situated.

(11) (a) The sugar undertaking shall after execution of the agreement, referred to in sub-rule (10), furnish security for the restructured loan to the satisfaction of the Central Government.

1. substituted vide GSR 599 dated 30.07.2012.

(b) The security shall cover the amount of loan and interest for the full period of repayment as provided for in the rehabilitation scheme as accepted by the Central Government and additional interest on account of default as referred to in clause (b) of rule 9 and shall be furnished in any of the following manners, namely:

- (i) bank guarantee from a Scheduled Bank; or
- (ii) a mortgage on all immovable and movable properties of the sugar undertaking on pari passu first charge basis.

(12) The rehabilitation scheme shall become effective after the agreement referred to in sub-rule (10) is entered into and the security as provided in sub-rule (11) is furnished by the sugar undertaking.

(13) (a) A monitoring agency, nominated by the Central Government, shall, carry out periodic reviews of the operation and financial performance, including its cash flow, and progress of the undertaking regarding implementation of the rehabilitation scheme.

(b) The monitoring agency shall, from time to time, with the approval of the Central Government, advise the undertaking to take corrective steps to ensure that projected parameters of the scheme are met.

(14) In Case of more than two consecutive defaults in repayment of the loan or instalment thereof, the Central Government shall realize the entire loan, interest alongwith additional interest thereon from the bank guarantee furnished under sub-rule (11) or any claim of the [any sugar factory under the sugar undertaking] ¹ against the Central Government or any other security provided for the loan.

“[26A. Restructuring of loans affected by natural calamities. Where, on occurrence of any natural calamity in a State, the Government of that State has declared such calamity in the Official Gazette of the State, the Central Government may, on the request from that State Government, grant moratorium for such period, as it deems fit, for repayment of loan, extend the period for repayment of loan and accordingly restructure the repayment of the loan granted in accordance with these rules”.]³

[Chapter XVI] ²

Provision of interest subvention to sugar factories towards interest on loans

27. (1) The Central Government may provide financial assistance to sugar factories towards payment of interest, in part or in full, on loans given to the sugar factories by scheduled banks, financial institutions, co-operative banks and regional rural banks, in terms of any scheme approved by the Government, from time to time:

Provided that such financial assistance shall be for such loans which have been utilized for clearance of cane price arrears and cane price dues of the sugarcane farmers.

(2) The Central Government shall provide financial assistance to the lending bank or financial institution through nodal agencies appointed by it, from amongst the scheduled banks and the National Bank which shall be passed on by the concerned bank or the financial institution to the appropriate sugar factories as a credit.

(3) The financial assistance to be given to the nodal agencies from the Sugar Development Fund, shall be specified in the scheme referred to in sub-rule (1) and shall be subject to the following conditions, namely :-

- (a) the nodal agencies shall certify that the loans have been utilized by the sugar factories for clearance of cane price arrears or cane price dues; and
- (b) the nodal agencies shall certify that the quantum of bank loans to the sugar factories have been disbursed in accordance with the scheme:

- 1.substituted vide GSR 599 dated 30.07.2012.**
- 2. inserted vide GSR 279(E) dt.10.04.10**
- 3. inserted vide GSR 885(E) dated 17.09.2018**

Provided that in the event of the loan not being used by the factory for payment of sugarcane arrears or dues, the entire interest subvention provided by the Central Government shall be recovered with twelve per cent interest per annum:

Provided further that in case the loanee sugar factory is not able to make repayment of the loan as per the repayment schedule, it shall not be entitled for the interest subvention till it regularizes the account and once the account is regularized, the said loanee shall be entitled to get the subvention from the date of regularization till the end of four year period.

(4) For the purposes of this rule, the scheme announced by the Central Government vide its notification number 1 (5)/2007 -SPII, dated the 7th December, 2007 and any notification the Central Government may issue from time to time shall apply.

The principal rules were published in the Gazette of India Extraordinary, Part-II, Section 3, Sub-Section (i) vide notification number G.S.R. 752 (E) dated the 28th September, 1983 and were subsequently amended by the following notifications:-

- (i) G.S.R 817 (E), dated the 20th December, 1984;
- (ii) G.S.R 838 (E), dated the 14th November, 1985;
- (iii) G.S.R 551 (E), dated the 6th May, 1988;
- (iv) G.S.R 235(E), dated the 24th April, 1991;
- (v) G.S.R 441 (E), dated the 28th April, 1992;
- (vi) G.S.R 435 (E), dated the 6th May, 1994;
- (vii) G.S.R 27 (E) dated the 12th January, 1996;
- (viii) G.S.R 656 (E), dated the 21st November, 1997;
- (ix) G.S.R 91 (E), dated the 12th February, 2001;
- (x) G.S.R 886 (E), dated the 6th December, 2001;
- (xi) G.S.R 442 (E), dated the 21st June, 2002;
- (xii) G.S.R 584 (E), dated the 19th August, 2002;
- (xiii) G.S.R 67 (E), dated the 29th January, 2003;
- (xiv) G.S.R 241 (E), dated the 25th March, 2003;
- (xv) G.S.R 787 (E), dated the 6th October, 2003;
- (xvi) G.S.R 895 (E), dated the 19th November, 2003;
- (xvii) G.S.R 953 (E), dated the 17th December, 2003;
- (xviii) G.S.R 72 (E), dated the 23rd January, 2004;
- (xix) G.S.R 687 (E), dated the 21st October, 2004;
- (xx) G.S.R 739 (E), dated the 9th November, 2004;
- (xxi) G.S.R 149 (E), dated the 2nd March, 2005;
- (xxii) G.S.R 451 (E), dated the 4th July, 2005;
- (xxiii) G.S.R 558 (E), dated the 15th September, 2006;
- (xxiv) G.S.R 188 (E), dated the 9th March, 2007;

(xxv)G.S.R. 697 (E), dated the 7th November, 2007;
(xxvi) G.S.R 699 (E), dated the 8th November, 2007;
(xxvii) G.S.R 738 (E), dated the 29th November, 2007;
(xxviii) G.S.R 749 (E), dated the 5th December, 2007;
(xxix) G.S.R. 115 (E), dated the 28th February, 2008;
(xxx) G.S.R. 279 (E), dated the 10th April, 2008;
(xxxi) G.S.R. 388 (E); dated the 19th May, 2008;
(xxxii) G.S.R. 508(E), dated the 7th July, 2009;
(xxxiii) GSR 599(E) dated the 30th July, 2012;
(xxxiv) GSR 210(E) dated the 8th April, 2013;
(xxxv) GSR 847(E) dated 9th November 2015;
(xxxvi) GSR 23(E) dated 13th January, 2016;
(xxxvii) GSR 885(E) dated 17th September, 2018;
(xxxviii) G.S.R. 496 (E) dated the 07th August, 2020.
(xxxix) G.S.R. 564 (E) dated the 16th September, 2020