

**GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA**

UNSTARRED QUESTION NO:2548
ANSWERED ON:16.08.2004
FINANCIAL ASSISTANCE FOR SUGAR MILLS
Sidhu Shri Navjot Singh

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether the Government has received representation from Government of Punjab regarding grant of financial assistance to sugar mills/co-operative sugar mills in Punjab;
- (b) if so, the details thereof; and
- (c) the reaction of the Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (DR. AKHILESH PRASAD SINGH)

(a)&(b): The Government has received a representation from Government of Punjab requesting for financial assistance for sugar mills in Punjab. The requests are inter-alia :-

1. One time financial assistance should be provided to sugar mills by Government of India enabling them to clear their arrears of about Rs. 100 crores of sugarcane;
2. Government of India should provide interest free loan out of Sugar Development Fund to the Cooperative Sugar mills without any conditionality in terms of Government guarantee to enable them to expand their capacity and modernize their equipment.

(c): 1. For cane price arrears of 2002-03 sugar season, Government of Punjab have been offered assistance under the scheme of open market borrowings after complying with the condition mentioned therein.

The conditions in brief are -

- (a) The State Governments would be extended financial support to meet the interest liability to the extent of difference between the Coupon Rate on the Bonds raised through additional market borrowings and 4% (the rate at which loan is being extended to the sugar mills).
- (b) The State Governments would, in turn, extend 10 year loan to the sugar mills with a ceiling interest rate of 4% per annum, this loan will have moratorium on repayment of principal and interest for a period of 5 years and would, thereafter, be repaid in 5 equal instalments.
- (c) The above would be available to the mills in the cooperative and public sectors where the practice of announcing the State-Advised Prices of sugarcane exists all sugar mills in the States where no practice exists.
- (d) The extent of open market borrowings would be determined on the basis of sugarcane price arrears in a given State.
- (e) Any additional benefit, which a State Government may wish to provide, would be to the charge of the State Government concerned.
- (f) The State Governments would make specific proposals to the Ministry of Finance seeking permission for access to additional open market borrowings.

2. Loans from Sugar Development Fund for modernisation and expansion of sugar mills carry interest rates of 6% to 9%. Government guarantee is not insisted upon in respect of these loans.