



**KARNATAKA LEGISLATIVE ASSEMBLY
FOURTEENTH LEGISLATIVE ASSEMBLY
FIFTH SESSION**

**THE KARNATAKA MOLASSES REGULATION BILL, 2014
(L.A. Bill No. 55 of 2014)**

A Bill to regulate the production, supply and distribution of Molasses in the State of Karnataka.

Whereas, it is expedient to regulate the production, supply and distribution of Molasses in the State of Karnataka, and for certain other matters hereinafter appearing;

Be it enacted by the Karnataka State Legislature in the sixty-fifth year of the Republic of India as follows:-

CHAPTER I

PRELIMINARY

1. Short title, extent, commencement and application.- (1) This Act may be called the Karnataka Molasses Regulation Act, 2014.

(2) It extends to the whole of the State of Karnataka.

(3) It shall come into force at once.

(4) All the provisions of this Act shall be applicable to the areas of the State in which the Karnataka Excise Act, 1965 is in operation.

2. Definitions.- In this Act, unless the context otherwise requires,-

(a) “Distillery” means the premises licenced under the provisions of the Karnataka Excise Act, 1965 (Karnataka Act 21 of 1966) for the manufacture of potable or industrial alcohol;

(b) “Excise officer” means an excise officer as defined in clause (10) of Section 2 of the Karnataka Excise Act, 1965 (Karnataka Act 21 of 1966);

(c) “Licence” means a license granted or renewed under the provisions of this Act or the Rules made thereunder;

- (d) "Licensee" means a person/organization or company in whose name a licence is granted under this Act or the rules made thereunder;
- (e) "Molasses" means the heavy, dark coloured, Viscous liquid, produced from the final stage of manufacture of sugar or ghur, when the liquid as such or in any form or admixture contains sugar;
- (f) "Molasses Controller" means the "Molasses Controller" appointed under Section 3;
- (g) "Occupier" in relation to a sugar factory means the person who has ultimate control over the affairs of the factory and includes a lessee or a managing agent of the factory;
- (h) "Sugar factory" means any premises including the precincts thereof or any part of which where a manufacturing process connected with the production of sugar by means of vacuum pan or open pan being carried on or is ordinarily carried on with the aid of power.

3. Appointment of Molasses Controller.- The Excise Commissioner shall be the Molasses Controller for the State for the purpose of exercising the powers and performing the duties of Molasses Controller under this Act or the rules made thereunder. The State Government may by notification appoint any other officer to exercise or perform all or any of the powers and duties of the Molasses Controller under this Act or the rules made thereunder.

CHAPTER II

PRODUCTION, POSSESSION, PRESERVATION, TRANSPORT AND SALE OF MOLASSES

4. Production of Molasses.- Every sugar factory shall submit periodically the details of production of molasses as a proportion of the cane crushed

5. Possession of molasses.- No person shall possess any molasses except under and in accordance with the conditions of a license or permit issued under this Act.

6. Transport of molasses.- No molasses shall be transported from one place to another within the State of Karnataka or pass through the State of Karnataka except under a transport permit granted by the Molasses

Controller or any Officer authorised by him on payment of such fee and such terms as may be prescribed.

7. Sale of Molasses.- No molasses shall be sold to any person except to a licensee to whom the Molasses Controller or an Officer authorised by him has issued an allotment order and who is in possession of a valid permit.

8. Restriction on Sale or removal or disposal of Molasses.- No occupier of a sugar factory shall sell or remove or dispose of in any other manner or cause to sell or remove or dispose of in any other manner, any molasses produced or held in stock by him, from any part of the sugar factory to any place outside such sugar factory except with the written permission of the Molasses Controller.

9. Delivery of Molasses.- No occupier of a sugar factory shall refuse to deliver Molasses to the persons to whom it is allotted by the Molasses Controller, the entire quantity or part thereof, or cause delay in delivering the molasses to the allottees unless such denial or causing delay is explained to the satisfaction of the Molasses Controller.

10. Refusal to take delivery of Molasses.- No person who is allotted Molasses shall refuse to take delivery of the entire quantity of molasses allotted or part thereof, or cause delay in taking delivery of molasses allotted to him, unless, such refusal to take delivery or delay in taking delivery is for the reasons beyond his control or for the reasons explained to the satisfaction of the Molasses Controller.

11. Preservation of Molasses.- Every occupier of a sugar factory, shall provide,-

- (a) sufficient number of covered and separate storage tanks for the storage and safe preservation of different grades of molasses produced in the sugar factory;
- (b) adequate safeguards against leakage, pollution, seepage, overflow, instant combustion or any other accident likely to damage the quality of molasses stored in the factory;
- (c) adequate arrangements to prevent the mixing up of water with molasses or of deteriorated molasses with fresh molasses; and
- (d) adequate facilities for handling of molasses, including taking out of samples, pumping and loading of molasses into tank wagons, tank lorries and other containers.

12. Prevention of adulteration.- (1) No occupier of a sugar factory shall adulterate or allow to be adulterated any molasses produced or held in stock by him.

(2) If the molasses in any storage tank of a sugar factory has less than forty percent sugar contents (expressed as total reducing sugar, determined by the Lane and Eynon's volumetric method), it shall be sufficient to raise a presumption that the occupier of the factory has adulterated the molasses or allowed it to be adulterated.

13. Grading of Molasses.- (1) The Director of sugar may, by a notification, classify the molasses into different grades depending upon the total reducing sugar contained in the molasses.

(2) The Molasses Controller may, with a view to ensuring proper storage, preservation, gradation, supply or disposal of unadulterated molasses, require the occupier of a sugar factory to destroy any adulterated molasses in the manner and within the reasonable period to be specified by him and the occupier shall within the time so specified comply with the requirement.

14. Destruction of adulterated or deteriorated Molasses.- (1) The Molasses Controller may with a view to the supply un-adulterated and good molasses, order destruction of adulterated and deteriorated molasses.

Provided that no such order shall be passed unless it is certified by a Government Chemical Examiner that the said molasses is adulterated or deteriorated.

(2) If the Molasses Controller passes an order for destruction of adulterated or deteriorated molasses under sub-section (1) the owner of such molasses shall get necessary clearance from the Central Excise and Pollution Control authorities and shall comply the orders of the Molasses Controller. The Molasses Controller shall specify the manner in which and the time within which the molasses has to be destroyed.

(3) For the purpose of this section, the molasses referred to in sub-section (2) of section 12 shall be deemed to be adulterated.

(4) In the event of destruction of molasses under this section the owner of such molasses shall not be entitled for any compensation, whatsoever in this regard.

Explanation.- Any molasses having less than twenty five percent sugar contents (expressed as total reducing sugar determined by the Lane

and Eynon's volumetric method) shall be treated as molasses unfit for use in the manufacture of alcohol or animal feed or any other industry.

15. Write off of molasses decomposed, lost or destroyed during storage, transit etc.- If any molasses is decomposed, lost or destroyed due to any reasons beyond the control of the licensee or due to any unavoidable accident, during storage or while in transit the Molasses Controller may order for write off of such stocks:

Provided that if any molasses is so decomposed, lost or destroyed, notice thereof shall be given by the licensee to the officer incharge of the sugar factory or the distillery or the Excise Officer in charge of the jurisdiction where the licensed premises is located, immediately after the discovery of such loss or destruction.

16. Application for allotment of Molasses.- (1) Any person, who requires molasses for his distillery or for any other purposes may apply in the prescribed manner to the Molasses Controller specifying the purpose for which it is required.

(2) On receipt of an application under sub-section (1) and after making such inquiries in the matter, as he may think fit, the Molasses Controller may make an order under section 17.

(3) In disposing of an application under sub-section (1) the Molasses Controller shall consider,-

- (a) the general availability of molasses in the State;
- (b) various requirements of molasses;
- (c) the best utilisation to which molasses could be put in the public interest;
- (d) the extent to which the requirement of the applicant is genuine;
- (e) any apprehension or likelihood of molasses that may be obtained by the applicant being diverted for purposes other than those specified in the application.

17. Sale and supply of Molasses.- (1) The Molasses Controller may by order require the occupier of any sugar factory to sell and supply in the prescribed manner such quantity of molasses to such person, as may be specified in the order, and the occupier shall, notwithstanding any contract, comply with the order.

(2) The Molasses Controller may make such modification in the order under sub-section (1) as may be necessary including a modification to correct any error or omission.

18. Application for grant of licenses.- Any person who is desirous of possessing a license under this Act or the rules made thereunder shall make an application to the Deputy Commissioner of Excise in the prescribed form and after paying the prescribed license fee.

19. Procedure for grant of license.- On receipt of the application under section 18, the Deputy Commissioner of Excise after making such enquiry in the matter as he may think fit, submit a proposal for prior approval of the Molasses Controller and after obtaining prior approval from the Molasses Controller he may grant license under this Act or under the rules made thereunder.

20. Period of licence.- The period of licences granted under this Act or the rules made thereunder shall be from first of November to thirty first of October of the succeeding year.

CHAPTER III

OFFENCES AND PENALTIES.

21. Penalty for contravention of provisions.- (1) Whoever in contravention of the provision of this Act or the rules made thereunder or any specific instructions of the Molasses Controller,-

- (a) transports molasses without a valid permit granted by the competent authority;
- (b) sells molasses without a license or permit granted by the competent authority;
- (c) fails to deliver molasses to the persons to whom it is allotted by the Molasses Controller the entire quantity or part thereof, or cause delay in delivering the molasses, or contravenes or does not comply with an order of the Molasses Controller;
- (d) adulterates or permits them to be adulterated;

he shall on conviction be punished with imprisonment for a term not less than six months which may extend to one year and a fine which shall not be less than ten thousand rupees for the first offence and for the second or subsequent offences with imprisonment for not less than two years and fine, which shall not be less than twenty thousand rupees.

(2) Whoever contravenes any provision of this Act or the rules or orders made or the direction issued thereunder or willfully makes any false statement or submits any false return regarding any matter in respect of which he is required under this Act or the rules, orders or directions made or issued thereunder to give informations, shall on conviction, be punished with imprisonment of either description which may extend to six months or with fine which may extend to ten thousand rupees or with both and in the case of a continuing contravention, with an additional fine which may extend to twenty thousand rupees and an additional imprisonment of three more months.

(3) Whoever aids or abets violation of the provisions of this Act or the rules and such orders shall be punished as if he has contravened the provisions himself.

22. Penalty for offence not otherwise provided for.- Whoever does any act in contravention of any of the provisions of this Act, or of any rule, notification or order made or issued thereunder, and not otherwise provided for in this Act, shall, on, conviction, be punished with fine which shall not be less than one thousand and not more than ten thousand rupees.

23. Offences by Companies.- (1) If the person committing an offence under this Act is a company, the company as well as every person incharge of, and responsible to, the company for the conduct of its business at the time of the commission of the offence shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Explanation.- For the purposes of this section ,-

- (a) "company" means any body corporate and includes a firm or other association of individuals, and
- (b) "director" in relation to a firm is a partner in the firm.

24. Cognizance of offence.- (1) No court shall take cognizance of an offence punishable under this Act except under a report in writing of the facts constituting such offence made by an Excise Officer of and above the rank of Excise Sub-Inspector.

(2) No Court inferior to that of a Magistrate of the first class shall try any offence punishable under this Act.

(3) An offence punishable under this Act shall be cognizable and bailable within the meaning of the code of Criminal Procedure, 1973 (Central Act 2 of 1974).

25. Power to enter, search and seize.- (1) An Excise Officer of and above the rank of sub-Inspector of Excise may,-

- (a) enter and search at any time any premises vehicle, raft, vessel, package, receptacle, where any molasses in respect of which an offence has been or is about to be committed is kept or concealed;
- (b) seize such molasses or any vessel, raft, vessel, animal, box, packet, receptacle, package or covering containing such molasses and any books, account, documents or statements related to transaction in such molasses; and,
- (c) detain, search and arrest any person whom he has reason to believe to be guilty of any offence punishable under this Act.

(2) All searches made under this section shall be in accordance with the provisions of the Code of Criminal Procedure, 1973
(Central Act 2 of 1974)

(3) An Excise Officer of and above the rank of Excise Sub-inspector may investigate any offence punishable under this Act and committed within the limits of the area in which such officer exercises jurisdiction.

(4) Any such officer may exercise the same powers in respect of such investigation as an officer-in-charge of a police station may exercise in relation to a cognizable offence under the provisions of Chapter XIV of the Code of Criminal Procedure, 1973 (Central Act 2 of 1974).

26. Report about seizure.- A report about any molasses or articles seized under section 25 shall as soon as may be after such seizure, be submitted to the Magistrate having jurisdiction.

27. Power to compound offences.- The Molasses controller or any other officer authorised in this regard by the State Government, may accept from any person who is reasonably suspected of having committed an offence punishable under this Act, a sum of money not less than ten thousand rupees but which may extend to twenty five thousand rupees by way of compounding fine for the offence which may have been committed and in all the cases in which any property has been seized as liable to forfeiture under this Act, may release the same on payment of value thereof as estimated by him. On payment of such sum of money or value or both,

as the case may be, to the Molasses Controller or the Authorised Officer, the accused, if in custody, shall be discharged and the property seized shall be released and no further proceeding shall be taken against such person or property.

Provided that the compounding fine:

- (i) for production of Molasses without a valid licence shall not be less than twenty five thousand rupees;
- (ii) for sale of Molasses without a valid licence or permit shall not be less than twenty five thousand rupees;
- (iii) for possession of Molasses without a valid licence or permit shall not be less than fifteen thousand rupees;
- (iv) for transportation of without a valid licence or permit shall not be less than fifteen thousand rupees;

Provided that no molasses shall be released to any person who does not have valid licence to possess it or use it.

28. Liability of certain things to confiscation.- Whenever an offence has been committed, punishable under this Act, the following things shall be liable to confiscation, namely:-

- (1) any molasses by means of which the offence has been committed;
- (2) any molasses lawfully imported, transported, manufactured, had in possession or sold along with or in addition to molasses liable for confiscation under clause (1); and
- (3) any receptacle, package or covering in which anything liable to confiscation under clause (1) or (2) is found and the other content, if any, of such receptacle, package or covering and any animal, vehicle, raft or other conveyance used for carrying the same.
- (4) All Confiscations made under this Section shall be in accordance with the provisions of the Code of Criminal Procedure, 1973 (Central Act 2 of 1974)

29. Confiscation by Excise Officers in certain cases.- (1)

Notwithstanding anything contained in this Act or any other law for the time being in force, where anything liable for confiscation under section 28 is seized or detained under the provision of this Act, the officer seizing and

detaining such property shall, without any unreasonable delay, produce the same before an officer not below the rank of a Deputy Commissioner of Excise authorised by the State Government in this behalf by notification (hereinafter referred to as 'Authorised Officer').

(2) On production of the seized property under sub-section (1), the Authorised Officer if satisfied that an offence under this Act has been committed may, whether or not a prosecution is instituted for the commission of such offence, order confiscation of such property.

(3) While making an order of confiscation under sub-section (2), the authorised officer may also order that such of the properties, to which the order of confiscation relates, which in his opinion cannot be preserved or are not fit for usage be destroyed.

(4) Where the Authorised Officer after passing an order of confiscation under sub-section (2), is of the opinion that it is expedient in the public interest so to do, he may order the confiscated property or any part thereof to be sold by public auction.

(5) Where any confiscated property is sold as aforesaid, the proceeds thereof, after deduction of the expenses, of any such auction or other incidental expenses relating thereto, shall where the order of confiscation made under this Act is set aside or annulled by an order under section 32 or 33, be paid to the owner thereof or to the person from whom it was seized as may be specified in such order.

(6) All Confiscations made under this Section shall be in accordance with the provisions of the Code of Criminal Procedure, 1973 (Central Act 2 of 1974)

30. Issue of show-cause notice before confiscation under section 29.- (1) No order confiscating any property shall be made under section 29 unless the person from whom the same is seized.

- (a) is given a notice in writing informing him the grounds on which it is proposed to confiscate such property;
- (b) is given an opportunity of making a representation in writing within such reasonable time as may be specified in the notice against the grounds of confiscation; and
- (c) is given a reasonable opportunity of being heard in the matter.

(2) Without prejudice to the provisions of sub-section (1), no order confiscating any animal, cart, vessel or other conveyance shall be made under section 29 if the owner of the animal, cart vessel or other conveyance proves to the satisfaction of the authorised officer that it was used in carrying the molasses without the knowledge or connivance of the owner himself, his agent, if any, and the person in charge of the animal, cart, vessel or other conveyance and that each of them had taken all reasonable and necessary precautions against such use.

31. Order of confiscation when an offender is not known or cannot be found etc.,- When an offence under this Act has been committed, but the offender is not known or cannot be found, or when anything liable to confiscation under this Act, and not in the possession of any person cannot be satisfactorily accounted for, the authorised officer may order such confiscation.

Provided that no such order shall be made until the expiration of thirty days from the date of seizing the goods intended to be confiscated or without hearing the persons if any, claiming any right thereto and the evidence, if any, which they produce in support of their claims.

32. Revision.- Any Excise Officer not below the rank of a Joint Commissioner of Excise specially empowered by the State Government in this behalf, may, before the expiry of thirty days from the date of order of the authorised officers under section 29 or 31 suo-motto call for and examine the records of that order and may make such inquiry or cause such enquiry to be made and may pass such orders as he deems fit after giving the person against whom such order is made an opportunity of being heard.

33. Appeal.- Any person aggrieved by an order passed under section 29, 31 and 32 may within thirty days from the date of communication to him of such order, appeal to the Sessions Judge having jurisdiction over the area in which the property to which such order relates has been seized and the Session Judge shall after giving an opportunity to the appellant to be heard pass such orders as he deems fit and such order shall be final.

34. Award of Confiscation not to interfere with other Punishments:- The award of any Confiscation under sub-section(2) of section 29 or section 31 or section 32 or section 33 shall not prevent infliction of any other punishments to which the person affected thereby is liable under this Act.

CHAPTER 4
MISCELLANEOUS.

35. Maintenance of accounts and furnishing of returns etc.- Every occupier of a sugar factory every licensee and every person to whom molasses is supplied by such occupier shall be bound,-

- (a) to maintain such registers, records, instruments and chemical reagents as may be specified by the Molasses Controller;
- (b) to furnish all such information and returns relating to the production and disposal of molasses in such manner, to such persons and by such dates as may, by order, be specified by the Molasses Controller; and,
- (c) to produce on demand by an Excise Officer not below the rank of a Sub-Inspector of Excise, registers, records, documents, instruments and chemical reagents which he is required to maintain under the provision of this Act or the rules or orders made thereunder.

36. Delegation of powers.- The Molasses Controller may by notification in the Official Gazette, direct that any power exercisable by him under this Act, except Section 17 thereof, or the rules made thereunder shall in such circumstances and under such conditions, if any, as may be specified in the notification be exercisable also by an officer subordinate to him.

37. Protection of action taken in good faith.- No suit or other legal proceedings shall lie against the State Government, Molasses Controller or any officer in respect of anything which is in good faith done or intended to be done in pursuance of this Act or any rules or orders made thereunder.

38. Power to make rules.- (1) The State Government may by notification, after previous publication in the Official Gazette, make rules to carryout the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for,-

- (a) conditions relating to the preservation and storage of molasses by sugar factories;
- (b) specification and test in respect of grading and sampling of molasses including verification of its quantity and quality;
- (c) manner of sale and supply of molasses ;

- (d) the procedure for compounding of offences;
- (e) registers, records, instruments and chemical reagents to be maintained by the occupiers of sugar factories;
- (f) collection of information or statistics in respect of production, distribution and use of molasses;
- (g) disposal of molasses and articles confiscated under this Act; and
- (h) any other matter which is to be or may be prescribed.

(3) Any rule made under this Act may be made with retrospective effect and when such a rule is made the reasons for making the rule shall be specified in a statement laid before both Houses of the State Legislature. Subject to any modification made under sub-section (4), every rule made under this Act shall have effect as if enacted in this Act.

(4) Every rule made under this Act shall be laid as soon as maybe after it is made, before each House of the State Legislature while it is in Session for a total period of thirty days which may be comprised in one Session or in two or more successive Sessions, and if before the expiry of the Session, immediately following the session or the successive session aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be, so however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

STATEMENT OF OBJECTS AND REASONS

Molasses is a byproduct of sugar industry and it is used in the State by primary distilleries for manufacturing rectified spirit and by blending distilleries for manufacturing of Indian made liquor.

Molasses is also used by cattle feeds manufacturing units, alcohol based chemical industries and others including export.

The Government of India has recently permitted mixing of ethanol (spirit) with petrol and it has further increased the demand for molasses.

The Molasses Control Order, 1961 issued by the Government of India under the Industries (Development and Regulation) Act, 1951 was rescinded on 10.6.1993. At present, there is no law to regulate production, supply and distribution of molasses.

Therefore, in order to ensure adequate supply of molasses for various purposes and to prevent diversion of Molasses for manufacture of illicit liquor in the form of seconds, resulting in loss of revenue to the state, it is considered necessary to have a law for regulation of production, supply and distribution of molasses.

The Karnataka Molasses Regulation Bill, 2014 among other things provides for the following:-

- (i) Regulation of production, possession, export, import, transport and sale of molasses;
- (ii) Grading of molasses;
- (iii) Prevention against adulteration;
- (iv) Restriction on sale or removal or disposal of molasses;
- (v) Destruction of adulterated or deteriorated molasses;
- (vi) Grant of licence for possession of molasses;
- (vii) Penalty for contravention of the provisions of the Act;
- (viii) Power to enter and search any premises, vehicles or vessel and seize any vehicle, vessel, receptacle, package, molasses etc.;
- (ix) Confiscation of the seized vehicle, vessel, receptacle etc., and the procedure for confiscation;
- (x) Maintenance of account and furnishing of return by every occupier of sugar factory and a person to whom molasses is supplied by such occupier.

Certain other incidental and consequential provisions are also made.

Hence the Bill.

FINANCIAL MEMORANDUM

There is no extra expenditure involved in the proposed legislative measure.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 3.-	Clause 3 empowers the State Government to make rules regarding the powers to be exercise and duties to be performed by the Molasses Controller.
Clause 6.-	Clause 6 empowers the State Government to make rules regarding fixation of fee for grant of Transport permit.
Clause 16.-	Sub-clause (1) empowers the State Government to make rules regarding the manner of application for requirement of molasses.
Clause 17.-	Clause 17 empowers the State Government to make rules regarding the manner of sale and supply of molasses by the occupier of sugar factory.
Clause 18.-	Clause 18 empowers the State Government to make rules regarding the form of application and fixation of fee for grant of licence.

The proposed delegation of Legislative power is normal in character.

SATISH JARKIHOLI
Minister for Excise

P. OMPRAKASHA
Secretary
Karnataka Legislative Assembly