

No. J-9/3/2010-SEZ(Pt.)
Government of India
Ministry of Commerce & Industry
Department of Commerce
(SEZ Division)

Udyog Bhawan, New Delhi.
Dated: 30th November, 2010.

To
All DCs

Subject: Clarification on execution of Bond-cum-legal Undertaking by the SEZ Developer or SEZ Unit in terms of rule 22(1)(iv) of the SEZ Rules, 2006.

Sir/Madam,

The undersigned is directed to say that the representations have been received from the SEZ Developer SEZ Unit seeking clarification on execution of bond-cum-Legal Undertaking by the SEZ Developer or SEZ unit in terms of Rule 22 (1)(iv) of SEZ rules, 2006, as under:-

- (i) Whether bond amount is required to be monitored by developer or unit itself or it is required to be monitored by the Office of the Development Commissioner;
- (ii) Whether a developer or a unit can execute Bond-cum-Legal Undertaking for an amount, covering requirement of raw material etc., for a longer period (say 1 year or 5 year).

In this context, rule position is clarified as follows:-

- (i) Rule 22(1)(iv)(d) prescribes that there shall be no debit and credit and the Bond-cum-Legal Undertaking amount shall be monitored quarterly or yearly on the basis of quarterly progress report or annual performance report submitted by the developer or unit, as the case may be, and **in case of any shortfall in the Bond-cum-Legal Undertaking amount, a fresh or additional Bond-cum-legal Undertaking shall be furnished**. Hence as per this provision a developer or unit is required to monitor its own Bond-cum-Legal Undertaking amount on quarterly and yearly basis and in case there is shortfall, developer or unit is required to submit, on its own, additional Bond-cum-Legal Undertaking. This is the responsibility of the developer or unit to

ensure that sufficient balance is available in the Bond-cum-Legal Undertaking.

- (ii) Rule 22(1)(iv)(b) prescribes that a SEZ unit is required to give Bond-cum-Legal Undertaking to cover duties leviable on import or DTA procured raw material etc., for 3 months. In respect of SEZ developer this paragraph says that Bond-cum-Legal Undertaking should cover affective duty leviable on import or procurement from DTA of projected requirement of goods for the authorized operations. However, in case a unit or a developer wants to execute Bond-cum-Legal Undertaking for covering the requirement for 1 year or for 5 year, so that it does not have to monitor on quarterly or yearly basis, then there is no objection to it and the same can be executed.

Yours faithfully,



(G. Muthuraja)
Under Secretary
Telefax : 23061762