

F. No. 5-3/2017-Infra (ICC)
Government of India
Ministry of Food Processing Industries
Panchsheel Bhawan, August Kranti Marg
New Delhi – 110049

Dated: 03.03.2017

Subject: Draft guidelines of the Scheme for “Creation of Backward and Forward Linkages” – comments solicited

Ministry of Food Processing Industries (MoFPI) proposes to launch a new scheme for creation of Backward and Forward Linkages with the objective of plugging the gaps in the supply chain, linking of farmers to processors and the market, thereby ensuring remunerative prices for their produce. Under this scheme, financial assistance will be provided in the form of grant-in-aid @35% of eligible cost in general areas and 50% of eligible project cost in North East and difficult areas subject to a maximum of Rs. 5 crore per project. Assistance to Farmer Producer Organizations would be provided @50% and 75% of general areas and difficult areas respectively.

2. Draft guidelines of the Scheme are attached with the request that comments/observations, if any, may kindly be conveyed by Email:- coldchain.mofpi@gov.in within a period of 2 weeks from the date of this communication to enable the Ministry to consider the same.

Encl: As above


(Sanjai Bajpai)

Under Secretary to the Govt. of India
Tel No. 011-26406584
Email: sanjai.bajpai@nic.in

DRAFT

MINISTRY OF FOOD PROCESSING INDUSTRIES

GUIDELINES FOR THE SCHEME FOR CREATION OF BACKWARD AND FORWARD LINKAGES

1. Background

During 9th plan the Ministry of Food Processing Industries operated, inter-alia, the scheme for creation of backward linkages with the objectives of increasing capacity utilization of food processing units including fruit based wine industry by ensuring regular supply of raw materials through contract farming. The scheme was continued to be implemented during 10th plan with the addition of component Forward Integration. In order to plug the gaps in the backward and forward integration and to optimize the capacity utilization of food processing units the Ministry proposes to launch the revamped scheme for creation of backward and forward linkages for processed food industry by assisting in setting up of primary processing centers/collection centers at farm gate and modern retail outlets at the front end along with connectivity through insulated/refrigerated transport. The Scheme is applicable to both perishable horticulture and non-horticulture produce such as, fruits, vegetables, dairy products, meat, poultry and fish etc.

2. Objective

The objective of the scheme is to provide effective and seamless backward and forward integration for processed food industry by plugging the gaps in supply chain in terms of availability of raw material and linkages with the market. The scheme will enable linking of farmers to processors and the market thereby ensuring remunerative prices for their produce.

3. Eligible Sectors

Following Food Processing sectors are eligible to avail the assistance under the scheme:-

- a) Fruits & Vegetables processing
- b) Milk processing
- c) Meat/Poultry/Fish processing including meat/poultry/fish shops
- d) Ready to Eat/ Ready to Cook Food Products
- e) Logistics Sector

4. Eligible organizations/entities

4.1 Following would be eligible for financial assistance under the scheme:-

- a) Promoters of existing food processing units.
- b) Groups of producers such as Co-operatives, Farmer Producer Organizations (FPOs), Farmer Producer Companies (FPCs), Self Help Groups (SHGs) etc. linked to food processing units.

- c) Retailers of processed food.
- d) Logistics Suppliers.

4.2 The applicants in the above categories may be organizations such as Central and State PSUs / Joint Ventures /Farmer Producers Organization (FPOs)/ NGOs / Cooperatives / SHGs / Public &Private Companies / Limited Liability Partnerships, Corporate Entity / Proprietorship Firms / Partnership Firms etc.

5. Grant in aid to any eligible organization, including its subsidiary company/ related company/ Group Company/Organization as well as the promoters of such companies/organizations would be limited to one project only under the Scheme.

6. Eligible Components:-

6.1 Following are the eligible components and facilities for which assistance may be availed:-

a) Backward Linkage:-

- i. Integrated Pack-house(s) (with mechanized sorting & grading line/ packing line/ waxing line/ staging cold rooms, etc.)
- ii. Milk Chilling Centres/ Bulk Milk Coolers
- iii. Pre Cooling Unit(s)
- iv. Mobile pre-cooling Vans
- v. Reefer boats

Note: - The exact nature of infrastructure to be supported under the scheme will be decided on the basis of surplus agriculture/horticulture produce in the catchment area of the project.

b) Forward Linkage:-

- i. Ripening Chamber(s)
- ii. Retail chain of outlets for perishables including Meat Shops with facilities such as frozen storage/deep freezers/Refrigerated display cabinets/cold room.
- iii. Retail refrigerated carts, temperature controlled solar powered retail carts.

c) Transport:-

- i. Refrigerated/ Insulated transport / Reefer Vans

Note: (i) To avail financial assistance under this scheme, the applicant may set up any one or more of the aforementioned facilities on a project basis.

(ii) Considering the functional nature of the facilities and with a view to plug in the gaps in the supply chain and to enhance the capacity utilization and viability of the project, the applicant may avail the assistance under this scheme in conjunction with other schemes being implemented by the central government or state government. However, no assistance will be provided for the components for which grant-in-aid has already been availed.

7. Ineligible items:

7.1 The following items will be considered ineligible for grant purposes:-

- a) Compound Wall
- b) Approach Road/Internal Roads
- c) Cost of Land and site development
- d) Administrative Office Building
- e) Canteen
- f) Toilets
- g) Labor Rest Room and quarters for workers
- h) Septic tank, drainage, etc.
- i) Security/ Guard Room or enclosure
- j) Consultancy fee, taxes, etc.
- k) Margin money, working capital and contingencies
- l) Fuel, consumables, spares and stores
- m) Computers and allied office furniture
- n) Transport vehicles other than the reefer trucks/vans/refrigerated carrier/insulated vans/milk tankers
- o) Pre-operative expenses
- p) Second hand/ old machines
- q) All types of service charges, carriage and freight charges, etc.
- r) Expenditure on painting of machinery
- s) AC ducting, furniture, computers and other items for office.
- t) Closed Circuit TV Camera and security system related equipment
- u) Stationery items
- v) Plant & machinery not directly related to cold chain infrastructure

Note: The above list is only illustrative and not exhaustive.

The Inter-Ministerial Approval Committee (IMAC) will be the final authority to decide on the admissibility of the grant and the eligibility or otherwise of the items for this purpose.

8. Eligible Project Cost:-

Includes the cost of Plant & Machinery and Technical Civil Work except for ineligible items as mentioned in Para 6.1 above.

9. Pattern of assistance: -

The maximum admissible grant for each project would be 35% and 50% of the eligible project cost for general areas and for North East States, Himalayan States, ITDP Areas and Islands, respectively subject to maximum of Rs. 5.00 crore per project [Assistance to Farmer Producer Organizations would be provided @50% and 75% for general areas and difficult areas respectively.]

Note: (i) The grant will be provided only in respect of technical civil work and eligible plant & machinery.

(ii) Cost norms of Mission for Integrated Development of Horticulture (MIDH) issued by Department of Agriculture, Cooperation and Farmers Welfare will be followed wherever available. For facilities not covered under MIDH guidelines, cost norms as determined by the Ministry will

be followed.

10. Pattern of release of grant:

The grant-in-aid will be released in 2 instalments of 50 % each as per the following schedule:-

- a) **1st installment of 50%** of the approved Grant under the scheme will be released after ensuring that 50% of the promoter's contribution & 50% of the term loan have been spent on the eligible project cost and after site inspection conducted to ascertain the commensurate physical progress of the project. The promoter shall submit the documents along with the request for 1st installment within **6 months (08 months in case of North East States, Himalayan States, ITDP Areas and islands)** from the date of issue of the approval letter.
- b) **The 2nd instalment @ 50% of the grant amount** of the approved grant under the scheme will be released after ensuring the (i) utilization of the first installment of grant released, (ii) 100% of promoter's contribution & 100% of term loan has been invested in the eligible project cost, (iii) the project has achieved completion and commercial operation has started and (iv) after joint inspection by a team consisting of the representatives of MoFPI, NHB or APEDA or DADF, the Bank (which has sanctioned the Term Loan) & PMA to ascertain the completion of the project and start of commercial operation /production. The promoter shall submit the documents along with the request for 2nd Installment within 12 months (14months in case of North East States, Himalayan States, ITDP Areas and Islands) from the date of issue of the approval letter.
- c) The documents to be submitted by the promoter for the release of 1st and 2nd installment of the grant are at **Appendix-I** [To be added later].

11. Implementation Schedule and Penalty:

- 11.1 The implementation schedule for the project would be 12 months in general areas and 14 months in North East States, Himalayan States, ITDP Areas and Islands from the date of issue of the approval letter for the financial assistance. No extension of time for implementation of the project will be given. In exceptional circumstances, for the reasons beyond the control of the promoter(s), the implementation period may be extended with the approval of the Inter Ministerial Approval Committee (IMAC).
- 11.2 In case of non-implementation of the project as per the approval letter, the Ministry would have the discretion to cancel the approval granted to the project and to recall the grant, if any, released, with interest @ 10% per annum.
- 11.3 In case of failure to operate the project for at least three years after commencement of commercial operation, the promoter shall return the entire grant-in-aid with interest @ 10% per annum.

- 11.4** In case of the failure of the promoter(s) to refund the grant-in-aid amount with interest, in the event of non-implementation of the project as approved and / or utilization of the grant for purposes other than on the approved components, the due amount shall be recovered as an arrear of land revenue as per the relevant law in force.
- 11.5** In case of any dispute arising out of interpretation of any of the terms and conditions as contained in the Scheme Guidelines and/or Approval Letter, the interpretation and decision there on of Ministry of Food Processing Industries shall be final and binding.
- 11.6** The Ministry may seek any clarification and/ or any document/ information at any stage of the project. The Ministry reserves the right to modify the Scheme Guidelines or any other terms and conditions as contained herein.
- 11.7** If at any point of time, it comes to the notice of the Ministry that the grant has been availed by manipulation/ concealment of information/ facts, the same shall be withdrawn immediately and the amount, if any, released shall be refunded along with interest at the rate of 10% per annum.
- 11.8** The assets created wholly or substantially out of the Government Grant shall not be disposed-off or encumbered or utilized for purposes other than those for which the grant has been sanctioned, without obtaining the prior approval of the Ministry. In case of non-compliance of this condition, the promoter(s) will be liable to refund the grant with interest @ 10% per annum. In case of the failure of the promoter(s) to refund the grant- in-aid amount with interest, the due amount shall be recovered as an arrear of land revenue as per the relevant law in force.
- 11.9** User charges/hiring rates of the facilities created under the project will be placed in the public domain by uploading the same on the website of the project/organization. A copy of the same will also be made available to the Ministry.
- 11.10** The promoter(s) of the completed projects will submit the following documents every year to the Ministry for next five years from the date of release of the final installment of the approved grant:-
- (a)** Audited Annual Financial Statement of the entity showing balance sheet, profit & loss account, schedule and notes to accounts of the cold chain project.
 - (b)** Percentage capacity utilization of the cold storage/ cold chain/ processing facilities.
- 11.11** The promoter shall make all possible efforts to complete the project as per the stipulated timelines mentioned in the approval letter. In case of non-adherence to stipulated timelines, except in case of *force de majeure* or reasons beyond the control of promoter, the IMAC may consider imposing penalty in terms of reducing the grant amount, on case to case basis as per following:
- (a)** The timeline for each installment of the scheme guidelines and /or as approved by IMAC at the time of according approval shall be applicable for this purpose. Only, *force de majeure*, reason will be accepted as genuine reasons for delay in cases where promoter fails to adhere to the timeline and request the Ministry for relaxation of penal action.

- (b) In case of non-adherence to the timeline of a particular installment due to the project, a penalty amounting to 1% of the quantum of installment due for release will be imposed for each month's delay beyond the stipulated timeline. The maximum amount of penalty, however, shall not exceed 5% of the installment to be released.
- (c) The penalty will be imposed for such delay till the date of submission of the complete documents to the Ministry for release of installment of the grant.
- (d) The decision of the IMAC shall be final and binding on imposition of the penalty, quantum of the penalty and the period for which the penalty is to be imposed.

12. Expression of Interest (EOI):

12.1 Applications under the scheme will be invited through EOI by the Ministry.

12.2 Basic Eligibility Criteria:

The proposals have to meet the following basic eligibility criteria under the scheme:

(a) The net worth of the applicant should be at least 1.5 times of the grant sought. The net worth will be calculated as follows:-

i. In respect of Limited Companies:

The net worth will be ascertained based on the paid-up share capital of the company and reserves created out of profits.

Revaluation reserves only in respect of land & building may be considered for ascertaining the net worth, which will be based on circle rates duly supported by circle rate notification. Such revaluation reserves shall also be reflected in forward going balance sheet of the company.

Share application money would be considered towards calculation of net worth provided the same has been converted into Paid up Capital within stipulated time as per Companies Act but, in any case, it should be converted into paid up capital before the approval is accorded to the project by the Ministry.

In case of newly formed companies for the purpose of setting up integrated cold chain projects, the networth of the share holders of the company would be considered in the same manner as in case of partnership firms.

Loans and advances given to group companies/ related concerns/ individuals will not be considered towards computation of net worth.

A latest provisional balance sheet duly certified by the Statutory Auditor of the Company needs to be submitted for ascertaining the net worth.

(ii) In respect of Proprietorship/ Partnership firms/ NGOs/ Cooperatives/ SHGs etc.

The net worth of all entities other than companies will be ascertained on the basis of latest balance sheet of individual proprietor/partner(s) i.e. assets minus all liabilities, duly certified by the Chartered Accountant (CA). Following components would be considered towards net worth:-

Assets include cash, current value of investments, land and building (supported by valuation report at circle rate, circle rate notification and land ownership documents), Bonds, cash value of life insurance, current total balance of savings, current or fixed deposit accounts.

The aforementioned net worth components need to be supported by relevant documentation.

Shares of unlisted companies will be considered at face value for net worth and shares of listed companies will be considered based on the average market price of the share for a period of 6 months prior to date of submission of proposal.

Assets such as car, jewellery, antiques, gold etc. would not be considered for net worth.

Loans and advances given to group companies/related concerns/individuals will also not be considered towards computation of net worth.

The applicant(s) will have to give a self-certification regarding the details of the encumbrance of the property submitted by them towards the net worth.

- (b)** Infusion of equity of at least **20%** and **10%** of the total project cost respectively for projects in general areas and for projects in North East States, Himalayan States, and ITDP Areas & Islands.
- (c)** Availing term loan from the Bank / Financial Institutions (FI) for an amount not less than **20%** of the project cost.
- (d)** In-principle or final term loan sanction letter along with a detailed appraisal note from the Bank / FI should be submitted with the proposal. The detailed appraisal note should be specific to the proposal submitted to the Ministry of Food Processing Industries. **Detailed Project Report /Techno Economic Viability Report merely stamped or endorsed by the Bank/ FI without detailed appraisal note shall not be considered as valid appraisal note and such proposals will not be considered for financial assistance.**
- (e)** The date of sanction of term loan should not be earlier than the date of issue of EoI.

- (f) Date of purchase of component should not be prior to the date of submission of application.
- (g) Project should have new facilities and up gradation of existing facilities are not allowed under the scheme.

13. DOCUMENTSREQUIRED:

Following documents are required to be submitted with the application:

- (a) CA/Statutory Auditor certified net worth along with all supporting documents as detailed in Para 8.2 (a) (i & ii) of scheme guidelines.
- (b) Proof of Infusion of equity of at least **20%** and **10%** of the total project cost respectively for projects in general areas and for projects in North East States, Himalayan States, and ITDP Areas & Islands duly certified by the lending bank/FI.
- (c) Detailed Project Report (DPR) in the prescribed template as at **Appendix-II** [To be added later].
- (d) In-principle or Final term loan sanction from the Bank/ Financial Institution for availing term loan for an amount not less than 20% of the project cost.
- (e) A detailed appraisal note from the Bank / Financial Institution.
- (f) Certificate of incorporation/ registration of the applicant firm, Memorandum and Articles of Association in case of Company/ Bye laws of the Society, Co- operative, Self Help Group/ Registered partnership deed, etc.
- (g) Bio-data/background/ experience of the project promoter(s).
- (h) Annual reports and Audited Financial Statement of Accounts of the applicant firm/company/cooperative/ Partnership/ Self Help Group, etc. for last two years.
- (i) Self-attested English/ Hindi version of land documents for the project in support of land title in the name of the applicant or land lease, duly registered with the competent authority for not less than the period of 15years.
- (j) Change in Land Use (CLU) permission for the project for the said land from the competent authority.
- (k) However, if the land is not available at the time of application, the land documents shall be submitted as below:-
 - i. Land documents, in the name of the applicant or land lease, duly registered with the competent authority for not less than the period of 15 years, are required to be submitted within 60 days of the issue of approval letter.
 - ii. Land documents, in the name of the applicant or land lease, duly registered with the competent authority for not less than the period of 15 years, for all the collection centers/ farm-level infrastructure are required to be submitted before the release of 1st installment of grant in aid.

- (l) Certificate from lending Bank/ FI that the facility has not commenced commercial operations as on the date of issue of EOI or the date of bank certificate, whichever is later.
- (m) An undertaking to be furnished by the applicant as per **Appendix-III** [To be added later].

Note: All pages of the proposal are to be properly numbered and the proposal should contain an Index as first page of the proposal indicating the various documents submitted along with page number, failing which the proposal is likely to be rejected.

- 14. **The promoter shall submit land documents for the proposed facility along with CLU permission wherever required and final term loan sanction letter from Bank/FI, within two months from the date of issue of approval letter, in case these documents have not already been submitted along with the proposal.**
- 15. **Selection of Proposals for Financial Assistance:**

15.1 Technical Committee (TC):

All proposals received against Eoi will be scrutinized by the Technical Committee (TC) to ascertain prima-facie eligibility. Proposals found eligible will further be appraised/ evaluated by the TC. The TC will have the following composition:-

- (a) Additional Secretary/ Joint Secretary, MOFPI, In-charge of the Cold Chain Scheme – Chairperson.
- (b) Managing Director, National Horticulture Board (NHB) or his nominee- Member
- (c) Economic Advisor, MoFPI-Member.
- (d) Joint Secretary, Department of Animal Husbandry, Dairying and Fisheries or his nominee-Member.
- (e) Joint Secretary/Director (Finance), MoFPI-Member.
- (f) Chairman, Agricultural & Processed Food Products Export Development Authority (APEDA) or his nominee-Member.
- (g) State Representative from the concerned State Food Processing Mission Directorate (NMFP)-Member.
- (h) Two technical experts [(a)-Domain Expert and (b) Finance Expert] to be nominated by Secretary, FPI- Members.
- (i) Deputy Secretary/ Director, MoFPI-Member Secretary.

The proposals found prima facie eligible based on the basic eligibility criteria mentioned in para12.2 above will be evaluated as per the assessment criteria at **Appendix-IV (to be added later)** of these guidelines.

15.2 Inter-Ministerial Approval Committee (IMAC):

The recommendation(s) of the TC on each proposal (eligible or otherwise) will be placed before Inter-Ministerial Approval Committee (IMAC) for approval. The IMAC will have following composition:-

- (a) Hon'ble Minister for Food Processing industries- Chairperson.
 - (b) Secretary, MoFPI-Member.
 - (c) Financial Adviser, MoFPI-Member.
 - (d) Joint Secretary, In-charge Cold Chain Scheme, MoFPI– Convener& Member.
 - (e) Principal Secretary, Industries/FPI of the concerned State-Member.
 - (f) Joint Secretary, In-charge, MIDH, Ministry of Agriculture, Cooperation & Farmers Welfare-Member.
 - (g) Representative of NABARD as Financial Expert-Member.
 - (h) Joint Secretary, Department of Animal Husbandry, Dairying and Fisheries - Member.
16. **The Ministry shall have the final say regarding eligibility or otherwise of the proposals and selection of proposals for grant-in-aid.**
17. The criteria of maintaining regional balance may be taken into account by the Ministry while deciding the projects for sanction of grant under the scheme. This criterion will however, be applicable only to proposals found eligible as per these guidelines.
18. **Programme Management Agency (PMA):** The Ministry will implement the scheme with the assistance of Programme Management Agency (PMA). The role and responsibilities of the PMA are defined at **Appendix-V**. (To be added later)
19. **Ministry's decision final: The decision of the Ministry in all matters relating to eligibility, acceptance or rejection of the applications, mode of selection, grant approved and imposition of penalty will be final and binding on the applicants.**
20. **Court's Jurisdiction:** Any dispute arising out of selection of proposals and implementation of approved project under this scheme guideline will be subject to Courts/ Tribunals having jurisdiction over Delhi.

S.No.	Criteria for Evaluation of Proposals to Establish Forward and Backward Linkages	Max Marks
1	Raw Material Availability, Adequate Volume and Wider Mix of Raw Materials/Days of Operation in a Year	20
	a Availability of raw materials, (Higher marks shall be given to the projects which provide the details of raw material in the catchment area supported by latest authentic data). <ul style="list-style-type: none"> i. 5 Marks for raw material in the catchment area backed by latest data based on government source. ii. 5 marks for availability of raw material if data is based on self-conducted survey, duly authenticated by village/district authority. iii. 4 marks for availability of raw material backed data based on government source but not the latest one. 	5
	b No. of days of operation <ul style="list-style-type: none"> i. More than 250 – 3 Marks ii. 180 – 250 Days – 2 Marks iii. Less than 180 – 1 Mark 	3
	c Product Mix	2
	d Agreement / Arrangements for Raw Material Procurement & Marketing <ul style="list-style-type: none"> i. Initiatives already taken for Backward Linkages – 5 marks ii. Initiatives already taken for Forward Linkages – 5 marks iii. No plan proposed for Forward/Backward Linkages – 0 marks <p>** One mark for each MoUs /LoA provided for proof of Forward Linkages upto a maximum of 5 marks. ** Half (0.5) mark for each MoUs /LoA provided for proof of Backward Linkages upto a maximum of 5 marks. ** MOUs/LOAs for backward linkages should be duly authenticated by village authority.</p>	10
2	Details of existing business operations	10
	<ul style="list-style-type: none"> i. <ul style="list-style-type: none"> (i) Food processing business and Cold Chain Logistics having annual turnover of Rs. 5 Crore and above during a year:- 10 marks (ii) Food processing business having annual turnover of Rs. 5 Crore and above during a year:- 6 marks (iii) Cold Chain Logistics business having annual turnover of Rs. 5 Crore and above during a year:- 6 marks 	
	ii. If the Applicant is an FPO / SHG/ Cooperative registered with SFAC/NABARD/NDDB/ other Government Agency.	20

3	Economic Viability of the proposal	10
	<p>Economic Viability of Project Based on Bank Appraisal (Key financial parameters viz. IRR, DSCR etc.)</p> <p><u>Max marks shall be given for IRR = 5</u></p> <p>a. 5 marks shall be given if IRR>20%</p> <p>b. 4 marks shall be given if IRR is between17%-20%</p> <p>c. 3 marks shall be given if IRR is between14%-16.9%</p> <p>d. 2 marks shall be given if IRR is between10%-13.9%</p> <p>e. Nil marks shall be given if IRR is less than10%</p> <p><u>Max marks shall be given for DSCR = 5</u></p> <p>e. 5 marks shall be given if DSCR>=3.0</p> <p>f. 4 marks shall be given if DSCR is between 2.5 and2.9</p> <p>g. 3 marks shall be given if DSCR is between2.0-2.4</p> <p>h. 2 marks shall be given if DSCR is between1.5-1.9</p> <p>i. Nil marks shall be given if DSCR<1.5)</p>	10
4	Leveraging of Investment in the Project	10
	For General Areas	
	i. Proposed private investment excluding land < 2 times of grant sought: 5 marks	
	ii. Proposed private investment excluding land >= 2 times of grant sought: 10 marks	
	For Difficult Areas	
	i. Proposed private Investment excluding land < grant sought: 5 marks	
	ii. Proposed private Investment excluding land >= grant sought: 10 marks	
5	Proposed Investment in Farm Level Infrastructure and/or Reefer Transport / Insulated Transport[Excluding Cost of Project Land]	20
	a. Upto80% of Project Cost : 20marks	
	b. More than 60%andupto 79% : 15marks	
	c. Less than 60% : 10marks	
6	Project proposed to be set up in uncovered rural areas/ district having abundant raw material availability and lacking farm level infrastructure or set up under any other food park	10
	Total	100