

Government of India
Ministry of Food Processing Industries
(Mega Food Park Division)

FAQs: Pre-Bid Meeting dated 18.08.2017 regarding Expression of Interest (EOI) issued on 02.08.2017 for setting-up Mega Food Parks

Q1. Whether the EOI issued for setting up of Mega Food Park (MFP) is for selected states or it can be setup anywhere in the country?

A. Yes, it is for uncovered states only i.e. Arunachal Pradesh, Goa, Manipur, Meghalaya, Sikkim and Uttar Pradesh. The interested investors / promoters may submit their applications / proposals as per Mega Food Park guidelines dated 21.07.2016 for setting up of Mega Food Park in these uncovered states.

Q2. How many vacancies are available for setting up of Mega Food Park in these selected states?

A. Proposals have been invited from potential promoters for setting up Mega Food Parks to provide modern infrastructure facilities for the food processing in the uncovered States against the available vacancies for the project(s). At present, only one vacancy is available which may vary depending on cancellation / withdrawal of the project(s).

Q3. What is minimum land requirement for setting-up Mega Food Parks?

A. Minimum land requirement is 50 acres of contiguous land free from any kind of encumbrance. The selection of land needs to be justified in terms of connectivity and availability of basic infrastructure such as approach road, power, water etc as also in terms of availability of raw materials/market.

Q4. Whether freehold land is necessary or it can be leasehold land or mix of leasehold and freehold land?

A. Land can either be purchased or can be taken on long term lease. In case of lease, the period on lease should be at least 75 years.

Q5. Whether land use need to be changed from Agricultural to Industrial?

A. Yes, it is mandatory to have Change of Land Use (CLU) for industrial purpose.

Q6. When a Company itself is holding the land in its own name, whether it is necessary to form a Special Purpose Vehicle (SPV)?

A. Yes, It is mandatory to form an SPV under the Companies Act to execute the project. However, this condition is not applicable in case of State Government/State Government Entities/Cooperatives implementing the project. Land for the project has to be transferred in the name of SPV.

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Q7. Whether possession of land is necessary at the time of submitting the proposal against Expression of Interest (EOI)?

- A. Possession of land for the project at the stage of submission of proposal against EOI is not necessary. However, the proposals having possession of land with Change in Land Use (CLU) will be given due weightage during the evaluation and selection process.

It is necessary for SPV / Implementing Agency to meet the condition of possession of at least 50 acres of contiguous land with CLU for according Final approval to such project.

Q8. Whether government is providing any assistance in arranging the land for the project.

- A. No. Requisite land for the project has to be arranged by the SPV. Government does not provide any assistance in procurement of land for the Mega Food Park projects. However, interested companies/individuals may approach the concerned State Government for availability of industrial land in the State.

Q9. Whether separate Equity need to be brought in for this project or it can be done under the existing company?

- A. The existing company has to form an SPV. The SPV will be responsible for execution, ownership, maintenance and management of Mega Food Park. All the funds including equity contribution relating to the project will have to be in the accounts of the SPV.

Q10. What is “eligible project cost”?

- A. The “eligible project cost” is the total project cost but excludes cost of land, pre-operative expenses and margin money for working capital. However, interest during construction(IDC) as part of preoperative expenses and fee to Project Management Consultant (PMC) up to 2% of the approved grant would be considered under eligible project cost (refer para. 4.1 of guidelines).

Q11. Whether it is necessary to set up an anchor unit in the name of promoter with an investment of Rs. 10.00 crore or an arrangement can be made with other industry for setting up the Food Processing Unit in the Park?

- A. The Anchor Investor in the SPV holding majority stake, with or without other promoters of the SPV, will be required to set up at least one food processing unit in the park with an investment of not less than Rs. 10 crore. The Anchor Investor will have at least 51% stake in such processing unit(s). State Government/ State Govt. Entities/ Cooperatives will not be required to set up processing unit(s) in the park. The said unit has to be completed and commissioned along with the MFP. (Refer para 5.1.2 & 5.1.3 of the guidelines)

Q12. Whether Central Government will participate in Equity Subscription if a separate SPV is made for the Mega Food Park?

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- A. Central Government agencies becoming shareholders in the SPV can only hold up to 26 percent of equity in the SPV. No such restriction is there on State Govt./State Govt. entities/ its Cooperatives. (Refer para 5.2.1(v) of the guidelines)

Q13. What are the criteria on formation of Special Purpose Vehicle (SPV)?

- A. The responsibility of execution, ownership and management of the Mega Food Park would vest with a Special Purpose Vehicle (SPV). The criteria of forming the SPV are given below:
- i. SPV shall be a body corporate registered under the Companies Act. State Govt/State Govt Entities/ Cooperatives intending to set up Mega Food Park project will be exempted from the condition of forming SPV.
 - ii. The combined net worth of the proposed shareholders / promoters of the SPV should not be less than Rs. 50 crore. Each member in SPV must have a minimum net worth of 1.5 times of his / her proposed equity contribution in SPV.
 - iii. The Anchor Investor in the SPV holding majority stake, with or without other promoters of the SPV, will be required to set up at least one food processing unit in the park with an investment of not less than Rs. 10 crore, with minimum 51% stake in the unit.

Q14. In the event of SPV having possession of minimum 50 acres of land along with permission for Change in Land Use, how the net worth of such SPVs shall be considered for ascertaining eligibility on net worth criterion?

- A. The duly registered SPV having possession of minimum 50 acres of land along with permission for Change in Land Use shall accordingly be awarded maximum marks for criterion pertaining to possession of land. However, the possession of land shall be ascertained only on basis of registered Sale Deed/Lease Deed and relevant documents related to CLU status. In case of land allotted by State Govt., possession of land shall be ascertained on basis of Lease Deed or Possession Certificate issued by concerned Department of State Govt.

In the above case, the combined net worth of SPV shall be ascertained taking into consideration the net worth of individual promoters (existing as well as proposed) in the SPV. In case of individual promoters and Partnership Firms, net worth shall be ascertained on the basis of CA certificate. While in case of companies, the Net Worth shall be ascertained on the basis of audited Balance Sheets and certificate of Statutory Auditor.

Q15. Does SPV need to register the land in its name before consideration of final approval to the project?

- A. Yes. The SPV must ensure possession of land along with permission for Conversion of Land Use (CLU) for Industrial purposes in its own name. The land should be

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registered in the name of the SPV and cost of land will be considered as a part of total project cost based on registered Sale Deed/Lease Deed.

In case of land acquired on long term lease, the minimum period of lease should be 75 years. The Registered Lease Deed must provide for relevant Clause related to provision of “sub-lease” of developed plots in the Park to prospective units. Similar provisions for sub lease must also be mentioned in lease Deeds of the land allotted by the State Govt.

Q16. In case SPV furnishes an Agreement to Sale for project land, will the same be considered as land in possession at the time of consideration of the proposal.

A. No. At the stage of EOI submission/In-principle approval, the proposals confirming possession of land would qualify for additional weightage during evaluation process. As per the guidelines of the Scheme, the SPV must have the land duly transferred and registered in its name alongwith CLU for consideration of Final approval.

Q17. In case of one (or more) of the SPV members having the requisite land for the project in possession, will this be considered as land in possession?

A. In case of SPV member possessing the land, it will not be considered as in possession of SPV. The member(s) of the SPV must transfer the land in the name of the SPV. However, SPV has the option to purchase land from such member(s) and allot requisite equity in proportion of the registered value of land, as per the Sale Deed/Lease Deed, to such members based on mutual agreement.

Q18. Is there any maximum cap on the equity to be held by the members in SPV?

A. There is no cap on maximum equity that can be held by a member in the SPV. As per the revised Guidelines w.e.f. 21.07.2016, the SPV needs to bring in at least 20% of the total project cost as equity in general areas and at least 10% in North East and difficult areas.

Q19. How the SPV should engage the Project Management Consultant (PMC) for the project?

A. Ministry has approved a panel of Project Management Consultants (PMC) having required experience in preparation of DPRs and in project implementation of infrastructure projects with requisite exposure to food processing sector. Any of these empanelled agencies may be engaged by SPVs/Applicants as Project Management Consultant. The list is annexed with the scheme guidelines as Annexure-A.

Q20. Whether Project Management Consultant (PMC) is required to be engaged before the submission of proposal against EoI? Whether engaging PMC is necessary?

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- A. No, it is not necessary to engage PMC before the submission of proposal against EoI. However, appointment of PMC is one of the condition which has to be fulfilled by project implementing agency / SPV before Final Approval is accorded to the project.

Q21. Can the SPV set up processing units in the MFP?

- A. No. SPV shall only be responsible for ownership, execution and management of the Mega Food Park and the revenue streams for SPV shall include income from long term lease of developed plots to units, income from rentals of Standard Design Factory Sheds for Micro and Small Enterprises and income from user charges of common facility by tenants in the Park.

However, members/promoters in SPV are allowed to set up units in the Park. The Anchor Promoter in SPV is required to set up a food processing unit in the Park with a minimum capital investment of Rs.10 Cr.

Q22. What types of industries/units are permitted in Mega Food Park?

- A. Only food processing industries/units that make food products fit for human / animal consumption are permitted to be set up in the Mega Food Parks. Packaging facilities of food products as ancillary to the food processing industries will also be eligible for setting up in the Mega Food Parks. However, setting up of alcoholic beverage unit as an anchor unit will not be allowed.

Q23. Can foreign investors, Private Equity arms of foreign firms become members in SPV and invest in creation of common infrastructure in form of equity.

- A. Yes. Such firms can join hands with Indian promoters to form the Special Purpose Vehicle and invest in the project by way of contributing equity. It may also be noted here that foreign direct investments in food processing sector is allowed under automatic route in India. However, adequate documents with regard to net worth and other relevant financial details in respect of such firms must be provided with the EOI proposal.

Q24. Is there any minimum requirement of land for PPCs / CCs ?

- A. There is no minimum requirement of land for PPCs/ CCs. However, the land for the purpose shall be arranged by the SPV either by purchase or on registered lease. The land and / or infrastructure taken on lease for PPCs / CCs should be for a period of at least 25 years.

Q25. Whether SPV/IAs is permitted to sell the plots in Mega Food Park?

- A. SPVs/IAs are not permitted to sell the plots in Mega Food Park. The plots can only be given on lease to other entrepreneurs for setting up of food processing units in the Park. (Refer para 5.2.1(vi) of the guidelines)

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Q26. What is the criterion for valuation of immovable assets?

- A. The valuation of the immovable assets will be on the basis of circle rates (as on date of application) declared by the concerned State Government, which should be duly certified by the competent State Revenue Authority. This valuation must be carried out within a period of 30 days preceding EoI bid submission date (Please refer para. 4(b) & 4(f) in Annexure-B of guidelines).

Q27. What are the documents required in support of net worth?

- A. Please refer para.4 in Annexure-B of guidelines.

Q28. Are ownership documents required for backward and forward linkage?

- A. Details of backward and forward linkages along-with documents in support of such linkage like ownership, existing facilities etc has to be submitted along with the proposal(refer para 2.10 of Annexure-B and C2 of Annexure-C).

Q29. Whether the data on marketable surplus of the focused crops in the catchment area available on website can be used?

- A. Latest authentic data available in respect of marketable surplus of the focused crops in the catchment area has to be mentioned in the proposal. These may also be obtained from local concerned authorities of the catchment area like Agriculture Department/ Horticulture Department.

Q30. What is the criteria of awarding marks for food processing experience and backward / forward linkages prescribed in Annexure-C of the scheme guidelines dated 21.07.2016?

- A. The food processing and backward / forward linkages experience of only those promoters having at least 10% of equity individually in the proposed project / SPV will be considered for awarding marks.