

No.1-42/2005-PC
Government of India
Ministry of Food Processing Industries
Panchsheel Bhawan, August Kranti Marg,
New Delhi-110 049.

....

Dated : 20th April 2007.

To

All the SNAs
Industry Associations (ASSOCHAM, CII, FICCI, AIFPA, etc)
Banks/ Financial Institutions

Subject: Decentralisation of Plan Scheme of Technology
Upgradation/Setting up/Modernisation/Expansion of Food
Processing Industries – reg.

Sir,

The Ministry of Food Processing Industries has been operating several plan schemes for the development of processed food sector in the country during the 10th Plan. One of the schemes relates to the Technology Upgradation/Establishment/ Modernisation of food processing industries. This Scheme covers setting up, technology upgradation, modernization of food processing industries in fruits & vegetables, milk products, meat, poultry, fishery, oil seeds and such other agri-horticultural sectors including food flavours and colours, oleoresins, spices, coconut, mushroom, hops, etc. leading to value addition and shelf-life enhancement. The implementing agencies engaged in setting up, technology upgradation, modernization of food processing industries are at present required to submit their proposal to the Ministry through State Nodal Agencies (SNA) which are State Government Departments/Corporations.

2. As already informed vide this Ministry's letter No.19012/16/1999-2000-RM dated the 10th April 2007 (copy enclosed), it has been decided that the Grain Milling sector, namely, rice milling, flour milling and pulse processing units will also be eligible for availing of grant in the current year in accordance with the detailed guidelines mentioned above. It may be noted that a minor modification has been made in Annexure-I to the above guidelines through a foot note.

3. As was indicated in the letter cited above, it has been decided to decentralize the implementation of the Scheme for Technology Upgradation/ Establishment/ Modernisation of Food Processing Industries w.e.f. 1st April 2007. The detailed guidelines dated 19th April 2007 in this regard are enclosed.

4. In the decentralized implementation of the Scheme, the objective is to provide a thrust and wider coverage for processed food sector in the country and to decentralize the procedure for appraisal, grant of financial assistance and monitoring through banks/financial institutions. Since banks are expected to appraise the proposal while sanctioning loan, it may not be necessary to repeat the appraisal at the Ministry again. This is expected to speed up disposal of cases, enhance quality of appraisal and monitoring implementation.

5. Accordingly, the applicant while seeking financial assistance under the Scheme will submit an application in duplicate to any branch of the designated banks/financial institutions of his choice with the request for project appraisal and also for sanction of term loan as well as the grant. The applicant may also draw up feasibility report with the assistance of professional consultants and thereafter submit the same to the bank for appraisal. The Bank shall make entry in the computer - a one page summary of the application - as in the format in Annexure-III to be sent by the bank on the same day to the Ministry of Food Processing Industries through the e-portal being created for the same and also issue bank's acknowledgement to the applicant unit as in Annexure-II. The banks need not send the complete application to the Ministry but only the MIS format containing essential details about the applications as specified which will be shared with the SNA concerned.

6. At the State level, the SNAs will form a Committee with the banks concerned in the respective State as indicated in para 7(iii) of the guidelines for monitoring the cases being approved by the banks. They may hold a meeting at least on quarterly basis.

7. A detailed note on the new procedure is enclosed for your information and wide publicity. For detailed guidelines in this regard, Ministry's website www.mofpi.nic.in may also be accessed. As the system of decentralization may take some more time to be fully operational, an overlapping time zone of a month in April, 2007 has been kept when SNAs may also receive applications, and forward them to the banks thereafter under intimation to MFPI as indicated in para 1 of the guidelines.

8. For the purpose of effective coordination, the Banks will furnish the details of a Nodal Officer (not below the rank of General Manager) along with his address, Telephone/Fax, e-mail address etc. with whom the Ministry will interact on a regular basis.

9. The Scheme has been discussed in detail with the financial institutions and their suggestions incorporated. It is expected that this will help in enabling the food processing industry to access resources speedily.

Sd/-
(S.K. Lohani)
Director
Tel: 26494032

Encl : As above

Copy to :

1. Chief Secretaries of all State Governments
2. Secretary, Industries of all State Governments
3. Industrial Development Commissioners of all State Governments
4. PS to MOS(IC) FPI/PS to Secretary (FPI)/PS to AS&FA
5. All officers of the rank of SO or above in the MFPI dealing with Plan Schemes.
6. **Copy to all Banks as per list in para 6 of the Guidelines.**

Government of India
Ministry of Food Processing Industries

Subject: Guidelines on the eligibility, scope and decentralized procedure for appraisal and disbursement of grant of financial assistance and monitoring under the Scheme for Technology Upgradation/ Establishment/Modernisation of Food Processing Industries.

OBJECTIVE:

The food processing industry in India occupies a unique position in the Indian economy in terms of its potential for employment generation, increasing the farmers' income and export growth. The Scheme for Technology upgradation/expansion/modernization/establishment being implemented by the Ministry of Food Processing Industries (MFPI) is aimed at upgradation of processing capabilities. It has been decided to decentralise the implementation of the scheme for Technology Upgradation Establishment/ Modernisation of Food Processing Industries in the 11th Plan period ie. w.e.f. 1st April 2007 through Banks/financial institutions to provide a thrust and wider coverage for food processing industries in the country and simultaneously decentralise the procedures for appraisal, grant of assistance and monitoring. Detailed guidelines in this regard are given below. Under these guidelines, the applicant units are required to apply directly to the Banks/financial institutions for claiming grant under the above Scheme with effect from 1st April 2007. However, it has been decided that till 30th April 2007, applications may also be received by SNAs to avoid any inconvenience to applicant units. The SNAs will receive such applications and send the same to the concerned Banks/Financial Institutions to whom they have applied for term loan in accordance with the following guidelines. In case, no term loan has been taken, the units may be asked to indicate the Bank/Financial institution of their choice to whom the application may be sent for processing of grant element as indicated in para 4(B) (iii) & (iv) below. However, SNAs will not receive applications after 30th April 2007 and the applicants will be advised to submit their applications for assistance to the Banks/PLIs.

2. ASSISTANCE & ELIGIBILITY UNDER THE SCHEME

(i) The Scheme will provide 25% of the cost of plant & machinery and technical civil works subject to a maximum of Rs.50 lakhs in general areas and 33% up to Rs.75 lakh in difficult areas (Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Sikkim, North-Eastern States, Andaman & Nicobar Islands, Lakshadweep and Integrated Tribal Development Project (ITDP) areas). Only new Plant & Machinery shall be eligible. Technical civil works include civil works for functional purposes and shall exclude boundary wall, office buildings, guest house, canteen and roads. An indicative list of ineligible items of Technical Civil Works and Plant & Machinery, additional information required in case of applications for expansion/modernization of existing units and restrictions/in-eligibility of second grant in certain cases and definition of General and Difficult Areas are provided in **Annexure-VI**. The application should be made by the entrepreneur before commencement of commercial production.

(ii) To obviate duplication of grants, beneficiaries shall need to submit affidavits as outlined in para 4(i).

(iii) The scheme shall cover specified sectors for activities leading to value addition and shelf-life enhancement. Individuals, firms, cooperatives, companies and PSUs shall be eligible.

3. SCOPE & SPREAD OF THE SCHEME:

Sectors in food processing such as fruits & vegetables, milk products, meat, poultry, fishery, cereal/other consumer food products, oilseeds products, rice milling, flour milling, pulse processing and such other agri-horticultural sectors including food flavours and colours, oleoresins, spices, coconut, mushrooms and hops will be covered under the Scheme. The activities of aerated water, packaged drinking water and soft drinks will not be considered for financial assistance under the Scheme. The Banks/their co-opted primary lending Institutions (PLIs) should ensure an adequate regional spread of assistance. Sanctions under the scheme to women, SC/STs should be given priority.

4. DISBURSEMENT OF GRANT:

- (i) (A) The financial assistance would be released in two equal instalments. The first instalment would be released after the firm has utilized 50% of the term loan and 50% of promoter's contribution and on production of the following documents by the firm:
- (a) An Agreement on a non-judicial stamp paper of a value not less than of Rs.100/- duly notarized in a format prescribed by this Ministry. (sample enclosed at **Annexure-A**)
 - (b) Affidavit on a non-judicial stamp paper of a value not less than Rs.100/- duly notarized, in the prescribed format regarding (i) non-drawal of MFPI grant in the past by the firm and also that the firm has not availed any grant earlier under the scheme for the same purpose at the same location (ii) that no subsidy/grant has been availed/applied for against the proposal for the same purpose and activity from other Central Govt. Department /Ministry/ Agencies/ State Governments in terms of Rule 209(i) of General Financial Rules (GFR), 2005 and (iii) that the firm or its sister concern has not availed /shall not avail more than two grants (including this grant) from MFPI under this scheme and that firm or its sister concern have not availed /shall not avail more than one grant (including this grant) from MFPI for the Grain milling sector. (sample enclosed at **Annexure-B**)
- (B) The second instalment of the grant would be released on production of Utilization Certificate by the unit in form prescribed in GFR 19A (**Annexure C**) for having utilized the first instalment of the grant and utilization of 100% of Term Loan and Promoter's contribution as the case may be, where no term loan is availed. The UC may be sent to the Ministry after countersigning by the bank.
- (ii) In the case of term loan-linked application the Bank/PLI shall calculate the eligible amount of grant. The grant portion will be kept as fixed deposit with the banks in the name of the borrower for the duration of the full term loan but will not earn

interest. The dates of the fixed deposit created out of subsidy amount will be the date of release of 1st /2nd installment of release of grant respectively. The loanee shall be released the full amount of term loan and the 1st instalment of the grant subject to fulfilling the conditions mentioned in para (i) above. The interest charged thereof shall be on the basis of the outstanding amount of term loan less the grant. The grant amount shall be the last instalment payable which shall be adjusted by the proceeds of the fixed deposit of the borrower with the bank as an adjustment against the instalments due against the full term loan, on proper implementation/utilization by loanee as per schematic requirements. The fixed deposits created for the 1st and 2nd instalments should run for a minimum period of 3 years from the date of commercial production of the unit and would be admissible for the above adjustment only thereafter.

- (iii) In the case where only working capital loan is availed by the beneficiary, the Bank/PLI shall calculate the grant as eligible and extend the grant as per requirements of the project and create term loan only to the extent of the eligible grant. The grant as and when released - in two instalments as indicated in
 - (i) and (ii) above shall also be reflected as a fixed deposit with the bank in the name of the borrower for the duration of three years from the date of commercial production of the unit in the same manner as indicted in para (ii) above but will not earn any interest thereon. At the close of the said 3 years, the grant amount shall stand adjusted in the name of the borrower, against the term loan subject to proper implementation/utilization by loanee as per schematic requirement.
- (iv) In the case where neither term loan nor working capital loan is availed by the beneficiary, the grant shall be granted by the Bank/PLI as per procedure mentioned at (iii) above subject to bank having been satisfied with the financial and technical viability of the project based on an appraisal done for the purpose.

- (v) The Lending Institutions may follow their own norms regarding promoter's contribution, rate of interest, period of repayment, security etc. while appraising the project. In order to ensure efficient running of the unit in a professional manner, the Lending Institution may stipulate conditions relating to broad-basing of the Board, appointment of senior technical/financial experts, professionalisation of the management etc., as considered necessary.
- (vi) As regards economic size of the unit, any unit found viable as per the viability analysis of Lending Institutions, will be eligible for grant under the scheme.
- (vii) As the funds are very limited and the perishable commodities need to be given priority over non-perishables, it has been decided that overall financial allocation for assistance to grain milling sector covering the sub-sectors namely, rice milling, flour milling, pulse processing and oil milling should be limited to 15% of the total financial outlay for the scheme. This norm may be achieved by banks over a period of time, keeping in view the flow of applications in various sub-sectors.
- (viii) The bank branches would be responsible for receipt of the application from the entrepreneurs and their processing at their end. The bank branch sanctioning the grant would be responsible for ensuring that the grant is sanctioned as per the norms of the Government and also for proper end-use of the funds,
- (ix) The grant would be released subject to availability of funds. In case, the grant amount is not available, it is expected that the banks may give the eligible amount of loan in the normal course. When the funds of the Government are available, the loan amount will be appropriately reduced.
- (x) Since the grant-in aid is being released as reimbursement of expenditure already incurred, under the rule 212(I) of GFR utilization certificate need not be furnished. This expression will be incorporated in sanction orders in respect of the scheme of technology up gradation. However ,procedure for adjusting the FD against the installments due against the full term loan as indicated in para 4(ii) above will remain unchanged.

5. PROCEDURAL FORMALITIES:

- (i) The applicant while seeking financial assistance under the Scheme will submit an application in duplicate to any branch of the bank/PLI of his choice, with the request for project appraisal and also for availing term loan. Applicant may also draw up the feasibility report with the assistance of a professional consultant and thereafter submit the same to the Bank for appraisal. The format of the application form and Acknowledgement to be given by the Banks/FIs are at **Annexure-I and II** respectively. The respective Bank may ask for any additional information, whenever required, for the purpose of appraisal of the project and also relating to the loan and grant component.
- (ii) The day any bank branch receives any application, it will get a centrally allotted Computer No. to the applications through the e-portal and send the soft copy of one page summary sheet of the application details (as in **Annexure-III**) to the MoFPI the same day.
- (iii) After sanction of the assistance, the Banks/PLIs will get an Agreement executed by the beneficiary in favour of the Government of India, which will, *inter-alia*, stipulate the terms and conditions under which financial assistance is to be provided to the beneficiary. It will also bind the beneficiary to allow inspection of the unit at any time by representatives of Banks/PLIs /MFPI, not to change the ownership or location of the unit in any manner without explicit written permission of the lending financial institution and refund the financial assistance to the Government in the event of violation of any of the terms and conditions of assistance or having obtained assistance by misrepresentation or furnishing false information, etc. The unit assisted is expected to function (at least) for a period of three years and the assistance shall also stand revoked if the Bank/PLI determines that the unit has not fulfilled the terms of the assistance. On revocation of assistance or for any reasons as above when assistance is revoked/ recalled/ assessed to have been ineligible, the

unit shall be liable to refund the initial assistance along with interest at the Prime Lending Rate prevailing at the time of extension of assistance. The Banks/PLI shall ensure that the grant is utilized for the purpose for which it is sanctioned.

(iv) In the event of Bank/PLI going in for compromise/restructuring of their loan, they may do so without reference to the Government. In the case of banks recovering their loan amounts, whether term loan or working capital, they shall make best endeavour to realize claims on behalf of Government in terms of the sub para above. The Banks/PLI shall refund to the Government the grant amount in proportion to their own dues as finally recovered from the defaulter.

6. **BANKS/PLIs/MFPI**

(i) To begin with, the following will be the Banks for operation of the Scheme:

1. State Bank of India
2. Canara Bank
3. Punjab National Bank
4. Andhra Bank
5. Central Bank of India
6. Bank of Baroda
7. State Bank of Bikaner & Jaipur
8. UCO Bank
9. Bank of India
10. SIDBI
11. North Eastern Development Finance Corporation(NEDFi)

(iii) These Banks may co-opt other Co-operative/Commercial/ Regional/Rural Banks/Financial Institutions as Primary Lending Institutions (PLIs) under the scheme for sanction and disbursement of loans so as to extend their reach.

(iv) All the co-opted financial institutions shall execute a General Agreement with their Bank for availing of the subsidy under the scheme. This Agreement will lay down the terms and conditions

agreed *to* between the Banks and the Co-opted Primary Lending Institutions (PLIs) regarding their responsibilities and obligations. In short, the PLIs will agree to act as Agents of the Banks, provide assistance to the beneficiaries on behalf of the Banks in accordance with the rules and regulations of the scheme, provide necessary information regarding receipt, sanction, disbursements of loans, periodic estimate of requirements of assistance etc. to the Banks as required and recover assistance along with interest from the beneficiary, if so necessitated by violation of any terms and conditions by the beneficiary, etc. The Banks will furnish information regarding receipt of proposals, rejections, sanctions and disbursement *of* assistance and other relevant information to MFPI every week through the web portal. Such information in respect of the co-opted financing institutions will be coordinated and furnished by the concerned Bank to the MFPI.

- (iv) The Banks will send to this Ministry a Summary Sheet in the prescribed pro-forma (**Annexure-V**) at the end of every week inter-alia indicating the grants-in-aid utilized and required by them.
- (v) In the decentralization procedure, the Ministry will formulate priorities for sector-wise distribution of funds as and when necessary keeping in view of the funds constraint and policy objectives. **Weekly** reports (**Annexure-V**) from the Nodal Bank will indicate the level of utilization of grants by different sectors which will enable the Ministry to instruct the bank whenever required.
- (vi) MFPI is putting in place a scheme to transfer funds as per their requirements - on line to banks through a Nodal Bank (being separately notified) and this is expected to expedite release funds without much time lag. The Banks/FIs shall alongwith their own demand of funds place the demand of funds for their PLIs to MFPI. The demand received through the Nodal bank will be processed in the Ministry and money transferred through the Nodal bank on real time basis. Accordingly, no advance money is to be placed with them nor any service charges are proposed to be paid by Government. In respect of the co-opted Financing Institutions, Banks will be responsible for verifying the subsidy claims and actual disbursement thereof. At the end of each financial

year audit certification by the statutory auditor shall be required from the Banks/PLIs.

- (vii) In case of a contravention of the guidelines as to funds allocated to banks and their proper disbursal etc. as per the terms of the scheme, the Banks/PLIs shall be liable to refund such amounts to the Government alongwith interest at the rate of PLR of the said bank on the date of demand having been raised. The demand may be met forthwith and in case of delay the PLR of the concerned bank as aforesaid shall continue to be attracted. In case of a dispute about the correctness of the said demand, the matter shall stand referred to the permanent Machinery of Arbitrators as established by the Government of India.

7. ADMINISTRATION OF THE SCHEME:

- (i) The Government shall constitute an Empowered Committee under the Chairmanship of the Secretary, MFPI to review these norms and guidelines on need basis and providing directions for effective implementation of the scheme periodically and taking necessary corrective measures/policy decisions. These reviews/guidelines will be in addition to those laid down by the Banks/PLIs for assessing the techno-economic feasibility, commercial viability and bank-ability of the proposals submitted by prospective units under the scheme.
- (ii) The Government shall also constitute a Technical Advisory cum Monitoring Committee under Chairmanship of Joint Secretary, MFPI to take decisions/provide clarifications on any issues raised by SNAs /Banks/Primary Lending Agencies etc. and coordinate and sort out any inter-bank and Lending Institution - Banks issues. It will refer issues involving policy matters to the Empowered Committee for a decision along with its recommendations. The Committee will encourage that the food products under the Scheme, meet the minimum standards of human safety, hygiene and product specifications under the relevant rules and regulations (FPO, MFPO, MMPO, PFA etc.) The Committee will also review the progress of the scheme and critically analyze the operation thereof and sort out

administrative and operational bottlenecks. The committee shall also set up technical bench marks over a course of time.

- (iii) At the State level, the SNAs will form a Committee with the banks concerned in the respective States for monitoring the cases being approved by the banks. They may hold a meeting on quarterly basis. The banks need not send the complete applications to the Ministry but only the MIS format containing essential details about the applications as specified in Annexure-III which may be shared with the SNA concerned.

(Capt Sanjay Gahlot)
Director
Tel : 26497635

APPLICATION FORM

For Technology upgradation/expansion/modernization/establishment of food processing industries covering the sectors viz., fruits & vegetables, milk products, meat, poultry, fishery, cereal, consumer foods including food flavours and colours, oleoresin, spices, coconut, mushroom, hops, leading to value addition and shelf-life enhancement.

A. PROMOTER:

1. Name & Address:
(Telephone/Fax)
2. Background/Experience:
3. Financial Status
Bankers Name, if any)
4. Existing Industry:
(if any)
5. Male/Female
6. General/SC/ST:

B. PROJECT DESCRIPTION:

1. Name of the Project:
2. State/District:
3. Location/Area:
4. Products/Byproducts
(their specifications)
5. Technology (source:
indigenous/imported):
6. Final Capacity of Manufacturing unit
(per day/per year with units)
7. Final capacity/Existing capacity.

C. PROJECT COST: (Rs. lakhs)

1. Land Area & Cost
2. Civil Works
3. Technical Civil Works
4. Plant & Machinery (indigenous)
5. Imported machinery
6. Pre-operative expenses

D. FINANCE: (Rs. lakhs)
Means of Financing

1. Equity
2. Loan (Term)
3. Loan working capital
4. Other sources
5. Fund requirement from MFPI

E. IMPLEMENTATION SCHEDULE:

1. Items of work Date of implementation
(Bar charts/Milestone charts may be enclosed)
2. Start of Civil works
3. Completion of civil works
4. Completion of P&M installation
5. Trial production

F. EMPLOYMENT GENERATION: Male Female SC *ST*

Direct
Indirect

Place:

Date:

(SIGNATURE)

ACKNOWLEDGEMENT RECEIPT

The application for financial assistance from Ministry of Food Processing Industries under the Scheme of Technology Upgradation/Expansion/Modernization/Establishment of food processing industries, has been Received today from Shri/Smt.....representing M/s (Name and Address of the applicant)Tele phone/Fax No/Email for consideration. The application has been assigned Computer No..... by this Bank.

(SIGNATURE OF THE BANK OFFICER WITH OFFICE SEAL)
Dated: OFFICE ADDRESS AND TELEPHONE/FAX NO/Email

DETAILS OF PROPOSAL FOR GRANT-IN-AID FOR FPI UNITS

BANK NAME FINANCIAL YEAR
 COMPUTER NO. 2001-2002,2002-2003,2003-2004,2004-2005,2005-2006,2006-2007,2007-2008, 2008-2009,2009-2010, 2010-2011,2011-2012
 SECTOR APPLICATION DATE DD/MM/YYYY

APPLICANT NAME
 ADDRESS (Reg. Office)
 STATE / UT DISTRICT
 PHONE NO. FAX NO. E-Mail
 PROMOTER'S GENDER MALE/FEMALE

PROJECT LOCATION STATE / UT DISTRICT
 EMPLOYMENT: DIRECT INDIRECT MALE FEMALE COMMUNITY GEN GBC SC ST

CATEGORY OF ORGN. PRODUCT
 CENTRAL GOVT. UNDERTAKING, STATE GOVT. UNDERTAKING, EDUCATIONAL INSTITUTIONS, COOPERATIVE UNDERTAKING, STATE INDUSTRIAL GOVT. CORP. JOINT SECTOR UNDERTAKING, PRIVATE SECTOR UNDERTAKING, INDIVIDUAL PROMOTER, FOREIGN/NRI/OCB COMPANY, FOREIGN/NRI INDIVIDUAL, PARTNERSHIP FIRM, REGISTERED SOCIETIES, OTHERS
 AREA BACKWORD, URBAN, RURAL, HILL, TRIBAL, MINING

CATEGORY ESTABLISHMENT, TECH. UPGRADATION ETC.
 TOTAL COST IN LAKH Rs.
 ASSISTANCE ASKED FOR 50.00 IN LAKH Rs.

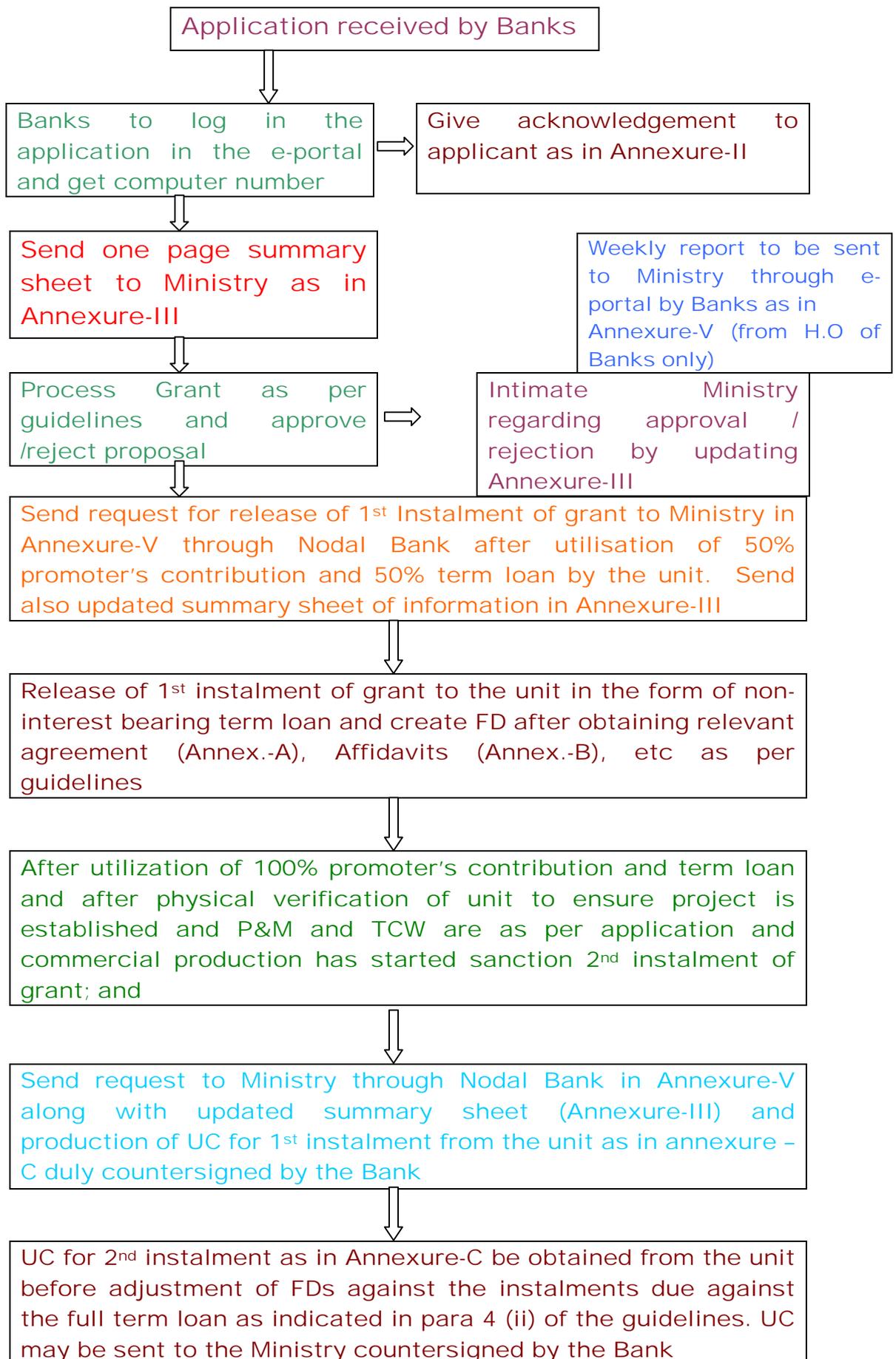
STATUS & DATE PENDING AS ON DD/MM/YYYY
 PENDING, APPROVED, COMPLETED, REJECTED
 DEFAULT VALUE IS APP. DATE TILL CASE IS PENDING. IF IT IS APPROVED OR REJECTED THEN CURRENT DATE WILL BE FLASHED AND FLASHED DATE CAN BE CHANGED (IF REQUIRED)

IN CASE OF REJECTION, REASONS

TOTAL APPROVED GRANT AMOUNT IN LAKH Rs.
 (To be filled in after Bank's Approval of the Grant)

AMOUNT RELEASED AS ON		
	AMOUNT IN LAKH Rs.	DATE
First Instalment	<input type="text"/>	<input type="text"/>
Second Instalment	<input type="text"/>	<input type="text"/>

PROCESSING FLOW CHART FOR BANKS



Weekly Report

Status as on (date)

1. Name of the Bank :
 3. Address with telephone, fax, email id:
 3. (A) Status of applications pending :

Amount Rs. Lakhs

Till last week				During current week		At the end of current week			
Number of applications pending	Amount	No. of Applications approved	Total no. of applications pending	Number of applications received	Amount	Total no. of applications pending	Amount	Total number of applications approved	Amount
1	2	3	4	5	6	7	8	9	10

3(B) Out of pending applications number of applications and amount relating to Grain Milling sector : Number _____ Amount _____

4. Status of funds utilization :

Amount Rs. Lakhs

Funds received from Ministry till this week	Amount utilized so far			Balance Amount with the Bank/outstanding from Ministry
	Grain Milling sector	others	Total	
1	2	3	4	5

5. Requirement of Funds :

(Amount Rs. in lakhs)

Computer No. & Name of the Company	Amount of Funds for Grant		
	Ist Instalment	Iind Instalment	Total
1	2	3	4

Eligibility of Grant:-

- a) 25% of plant and machinery and technical civil works subject to a limit of Rs. 50 lakhs in **General Areas**
- b) 33.33% of plant and machinery and technical civil works subject to a limit of Rs. 75 lakhs in **Difficult Areas**.
- c) The application should be made before commencement of commercial production.

The following is an indicative list of items that are not eligible for calculation of grant admissible under:-

(1) Technical Civil Works-

1. Compound wall
2. Approach Road
3. Administrative Office Building
4. Toilets
5. Labour Rest Room and quarters for workers
6. Sanitation Room
7. Security/ Guard Room or enclosure
8. Consultancy Fee

- **In short, all expenditure on account of civil works that are not related to the production or processing is excluded. Construction activities on account of labour welfare are excluded totally.**

(2) Plant and Machinery-

1. Fuel, consumables, spares and stores are not considered
2. Electrical fixtures not mounted on the machine are excluded
3. Computers and allied office furniture are excluded
4. Transport vehicles are excluded
5. Erection, installation and Commissioning charges are excluded
6. Second hand/ old machines are not considered
7. All types of service charges, carriage and freight charges are excluded
8. Expenditure on painting of machinery are excluded
9. Closed Circuit TV Camera and related equipment are excluded
10. Consultancy Fee

- **In short, all the expenses relating to plant and machinery that are not related to the processing or production related activities are excluded completely.**

Note: **The above list is only indicative in nature and not exhaustive. The grant amount is decided on a case to case basis considering the scale of operations (plant capacity), the levels of automation and the type of processing activities and the production process/ technology involved in a particular project.**

In case of expansion/ modernization following additional information are also required:-

- Item-wise capacity-wise details of existing plant and machinery certified by a Chartered Engineer (Mechanical) and existing civil works certified by chartered engineer (Civil/ Architect).
- Capacity Utilization (in %) of existing unit certified by Chartered Accountant.
- Capacity before and after expansion.
- Value addition of the project in case of modernization.
- Audited profit and loss statement for preceding three years to assess financial position of company before expansion / modernization.

In-eligibility for Second Grant, etc:

(a) Second grant for expansion/ modernization of the same unit for which MFPI grant has already been availed for setting up in the same location or activity is not admissible.

(b) Grant will not be provided to any unit including its sister concerns beyond two times. However, for grain milling (rice, flour and pulses processing including oil milling sector), grant to any unit including its sister concerns would be limited to one time only including setting up/modernization/ expansion of project.

Note: Difficult Areas: The difficult areas comprise the states of Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Sikkim, North-Eastern States of Assam, Meghalaya, Manipur, Mizoram, Nagaland, Arunachal Pradesh and Tripura, Andaman and Nicobar Islands, Lakshadweep and Integrated Tribal Development Project (ITDP) Areas in different States.

General Areas: Areas other than the Difficult Areas mentioned above are considered as General Areas for the purpose of calculation of eligible grant.

(To be stamped as an Agreement)

Agreement for grant-in-aid under the Scheme of the Ministry of Food Processing Industries for Establishment, Technology Upgradation, Modernisation/ Expansion of Food Processing Industries(FPI) units

This Agreement made at on this day of in the year Two thousand between M/s a Public/Private Limited Company/Proprietary concern, incorporated under the Companies Act of 1956 and having its Registered Office at and being an industrial concern (hereinafter called the Beneficiary which expression shall unless repugnant to the context or meaning thereof include its successors and assigns) of the One Part

OR

FOR PARTNERSHIP FIRM

- (i) Shri son of aged years residing at
- (ii) Shri son of aged years residing at
- (iii) (i) Shri son of aged years residing at

carrying on business in partnership in the firm name and style of and having their office at (hereinafter referred to as 'Beneficiary' which expression shall, unless it be repugnant to the subject or context thereof, include its/his/her/their legal representatives, heirs, administrators, successors and assigns) of the One part.

AND

..... (hereinafter referred to as the financing institution/bank/which expression shall unless repugnant to the context or meaning thereof include its successors and assigns) of the Other part.

WHEREAS

1 The Government of India appointed as Nodal Agency/ PLI (hereinafter referred to as the Agent) for channelising grant-in-aid for Establishment, Technology Upgradation, Modernisation/ Expansion of the FPI unit under the Scheme of the Ministry of Food Processing Industries, Government of India (hereinafter referred to as " the Scheme") and permitting the financial institution/ bank under the scheme for claiming grant-in-aid to the Beneficiary for eligible technical civil works and plant & machinery for a project appraised as techno-economically feasible by financing institution/ bank.

2 The Beneficiary has requested the financing institution/bank for providing grant-in-aid under the Scheme to the extent of Rs. (Rupees only) for Establishment, Technology Upgradation, Modernisation/ Expansion of a FPI unit for eligible technical civil works and plant & machinery for the project by the Beneficiary as per terms and conditions provided in the Agreement executed between the financing institution/bank and the Beneficiary.

3. The Agent has agreed to act as nodal agency for Government of India for channelising disbursement of grant-in-aid sanctioned to the Beneficiary by the financing institution /bank, and the parties hereto desire to enter into an agreement for the said purpose, being these presents providing for the terms hereinafter appearing.

NOW THESE PRESENTS WITNESS AND IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. The Beneficiary, hereby, covenants:

- a) That the Beneficiary will comply with and faithfully observe all terms and conditions of the said Scheme and also all the subsequent amendments and modifications and additions thereto together with the conditions of the sanction of the said grant-in-aid.
- b) That the Beneficiary will allow the officers of the Agent and/or the Government of India or any other person or persons authorized, by the Agent or by the Government of India to inspect the technical civil works for which the grant-in-aid has been granted and also the plant and machinery, for which the grant-in-aid has been granted and will furnish such information concerning the technical civil works and plant and machinery, for which the grant-in-aid has been granted or concerning the matter connected with the grant-in-aid or incidental thereto as the Agent or the Government of India or their nominees may, from time to time require.
- c) That the Beneficiary will not change the place or location of the FPI unit entirely or partly, nor enter into partnership with any one, or change its constitution by merger, amalgamation or in any manner nor the Beneficiary effect disposal of fixed capital investment without the express prior permission of the Agent in writing.
- d) The Beneficiary unit shall remain in commercial production for a period of at least three years after installation of eligible plant and machinery on which grant-in-aid under the Scheme has been obtained, otherwise, the entire amount of grant-in-aid along with the interest to be charged from the date of disbursement to the date of refund will have to be refunded by the Beneficiary unit. This is except in cases where the unit remains out of production for short periods not exceeding three-months due to reasons beyond its control such as shortage of raw material / power, etc. to the satisfaction of the lending institution.

2. It is further hereby agreed and declared by and between the parties hereto, that in any of the following cases, namely,

- a) where the Beneficiary has obtained the grant-in-aid by misrepresentation as to an essential fact, or by furnishing of false information; or,
- b) where the Beneficiary fails to furnish the prescribed statement or information which it is called upon to furnish,

If the Beneficiary commits breach of any one of the covenants herein contained or of the terms and conditions of the Scheme as amended from time to time, the Beneficiary shall refund the same forthwith to the financing institution/bank together with interest at the then prevailing prime lending rate of financing institution/bank.

3. The interpretation/clarification/decision of agent or Government of India regarding the eligibility, grant-in-aid and any other benefits of a unit/borrower under the Scheme, either before or after release of the grant-in-aid by the financing institution/bank shall be binding on the Beneficiary and the Beneficiary will not raise any objection either against agent/financing institution/ bank.

4. It is hereby further agreed and declared that the stamp duty chargeable on these presents, shall be paid and borne by the Beneficiary and that the Beneficiary will also be liable to bear the expenses, if any, incurred by enforcing the terms and conditions of these presents.

IN WITNESS WHEREOF the Beneficiary has caused its common seal to be affixed hereto and to duplicate hereof on the day, month and year first hereinabove written and the financing institution/bank has caused these presents and the said duplicate to be executed by the hand of Shri..... (Name & Designation) of bank, as hereinafter appearing.

THE COMMON SEAL OF LIMITED has pursuant to the Resolution of its Board of Directors passed in that behalf on the day of hereunto been affixed in the presence of Shri and Shri Shri....., Director who have signed these presents in token thereof and Shri..... Secretary*/Authorised* person who has signed/countersigned the same in token thereof.

SIGNED AND DELIVERED BY the within named bank by the hand of Shri (Name & Designation), an authorized official of financing institution/bank.

OR

IN WITNESS WHEREOF the partners of the Beneficiary have set their respective hand hereto and to a duplicate hereof on the day, month and year first hereinabove written and bank has caused these presents and the said duplicate to be executed by the hand of Shri (Name & Designation) of financing institution/Bank as hereinafter appearing.

1)* SIGNED AND DELIVERED BY the within named Shri..... Partner of the within named Partnership Firm.

2)* SIGNED AND DELIVERED BY the within named by the hand of Shri..... in pursuance to the Board Resolution dated and common seal has been affixed in presence of Shri..... who has signed in token thereof.

SIGNED AND DELIVERED BY the within named FI/Bank/SFC by the hand of Shri..... authorised official.

(*whichever is applicable).

Note: Relevant Board Resolution authorizing the person(s) to execute the document on behalf of the Beneficiary has to be submitted with the Agreement.

Annexure-B

Affidavit

I.....son ofaged
.....proprietor/promoter of
M/s.....R/o.....hereby affirm
& I declare and also certify that our firm has not obtained or applied/will not
obtain grant for the same purpose or activity from any other Ministry or
Department/Agency of the Government of India or State Government.

2. I also affirm that our firm has not availed any grant earlier under the
scheme for the same purpose at the same location; and

3. I further affirm that our Firm/Company or sister concern(s) has not
availed/shall not avail more than two grants (including this grant) from MFPI
under the Scheme for Technology Upgradation/ Establishment/
Modernization/ Expansion of food processing units and that our Firm/
Company or our sister concern(s) have not availed of more than one grant
(including this grant) from MFPI for the oilseed sector/grain milling sector
from MFPI under the above Scheme.

4. I also affirm that the Declaration/Certificate given above by me is true
and fair to the best of my knowledge and belief.

DEPONENT

VERIFICATION

Verified that the contents of this Affidavit are true and correct to
the best of my personal knowledge and belief. If anything is found false in
this Affidavit subsequently, my organization and I shall be liable jointly and
severally for action under the laws.

DEPONENT

UTILIZATION CERTIFICATE

For FY _____

Sl. No.	Letter No. and date	Amount
*	Recoveries	
	Total	_____

Certified that out of Rs..... of grants-in-aid sanctioned during the year in favour of under this Ministry / Department Letter No. given in the margin and Rs. on account of unspent balance of the previous year and a sum of Rs..... as recoveries during the year, a sum of Rs..... has been utilized for the purpose of for which it was sanctioned and that the balance of Rs..... remaining unutilized at the end of the year has been surrendered to Government (vide No....., dated.....) / will be adjusted towards the grants-in-aid payable during the next year

2. Certified that I have satisfied myself that the conditions on which the grants-in-aid was sanctioned have been duly fulfilled / are being fulfilled and that I have exercised the following checks to see that the money was actually utilized for the purpose for which it was sanctioned. The certificate of the Statutory Auditor is enclosed.

Kinds of checks exercised

- 1.
- 2.
- 3.
- 4.
- 5.

Signature
(Name & Designation of Authorized Signatory of the Bank)
Please affix Seal/Rubber Stamp of Bank)

Place :
Date :

- 23 -
~~22~~

18
21

No.M-19012/16/1999-2000-RM
Government of India
Ministry of Food Processing Industries
Panchsheel Bhawan, August Kranti Marg,
New Delhi-110 049.

....

Dated : 10th April 2007.

To

All the SNAs
Banks/ Financial Institutions

Subject: Re-opening of financial assistance to grain milling sector for Setting up/Modernisation/Expansion of food processing industries – reg.

Sir,

The Ministry of Food Processing Industries, vide its letter No.M-19012/16/199-2000-RM dated 18 March 2004 had discontinued the financial assistance for Setting up/Modernisation/Expansion of food processing industries in the Grain Milling sector namely, rice milling, flour milling and pulse processing. Subsequently, there have been representations for providing financial assistance to this sector. This issue was considered by a Technical Committee on Grain Milling Industries in the Ministry which recommended that emphasis should be placed on value addition and adoption of modern processing techniques in the grain milling sector. It also recommended certain technical Benchmarks and specific criteria for providing assistance to units in the grain milling sector.

2. After considering the recommendations of the Technical Committee, it has been decided to include the following Grain Milling sector, namely rice milling, flour milling and pulse processing which conform to the technical benchmarks indicated in Annexure-I for financial assistance with immediate effect. Also, keeping in view that perishable agricultural and horticultural items should be given adequate priority for processing in providing financial assistance, it has been decided that overall financial allocation for assistance to grain milling sector covering the sub-sectors namely, rice milling, flour milling, pulse processing and oil milling should be limited to 15% of the total financial outlay for the scheme.

3. Further, based on detailed reviews of the existing procedure and feedback from industry, financial institutions and other stakeholders, it has also been decided to decentralise the implementation of the scheme of Setting Up/ Expansion/ Modernisation of food processing industries w.e.f 1st April 2007 through Banks/financial institutions. Detailed guidelines in this regard are being issued separately. Under these guidelines, the applicant units are required to apply directly to the Banks/financial institutions for claiming grant. However, considering that the relevant guidelines are under issue, it has been decided that till 30th April 2007, applications may also be received by SNAs to avoid any inconvenience to applicant units and send the same to the concerned Banks/Financial Institutions to whom they have applied for term loan in accordance with the guidelines on its receipt. In case, no term loan has been taken, the units may be asked to indicate the Bank/Financial institution of their choice to whom the application may be sent for processing of grant element.

4. All the SNAs are, therefore, requested to accept applications for financial assistance for Setting up/Modernisation/Expansion of food processing industries in the Grain Milling sector namely, rice milling, flour milling and pulse processing with immediate effect upto 30th April 2007 and forward the same to the Banks, etc. as indicated above.

Sd/-
(S.K. Lohani)
Director

Encl : As above

Copy to :

1. Chief Secretaries of all State Governments
2. Secretary, Industries of all State Governments
3. Industrial Development Commissioners of all State Governments
4. All officers of the rank of SO or above in the MFPI dealing with Plan Schemes.
5. PS to MOS(IC) FPI/PS to Secretary (FPI)/PS to AS&FA

Bench Mark Requirement for Grain Milling Industries

It may be stated that while processing the applications, there is need to emphasise the aspect of higher value addition and adoption of modern processing techniques in the grain milling sector. The choice of technology may be left to the market.

The technology and machinery may be sourced from within India or from abroad to suit the needs of the sector. The equipment to be installed by an existing or a new mill must be modern, hi-tech and must have been manufactured as per BIS or equivalent Standards to ensure the operational performance. The proposed equipment/ components/process are listed below.

- I. Pre cleaners and Destoners:** The grain mills should have adequate pre cleaning devices and destoners to match with the capacity of the processing plant.
- II. Driers:** Grain mills should have driers of adequate capacity to match the milling capacity. There should be provision for tempering with at least three tempering bins or rooms. In places where the atmospheric temperature will be below 20 C, the bins should have adequate insulation.
- III. Dehuskers:** Rubber roll dehuskers ensuring higher whole grain recovery with minimum breakage.
- IV. Paddy separators:** There should be adequate provision for separating the unshelled paddy by installing Schule/Satake* type paddy separator.
- V. Polishers:** There should be not less than 3 stages of polishing in case of rice.
- VI. Colour Sorting Unit :** Should have provision to separate all the discoloured grains.
- VII. Graders:** Adequate provision for separating brokens should be made by the use of appropriate grading devices.
- VIII. Parboiling Units:** Parboiling units with facility for producing different coloured parboiled rice like white, light yellow and deep yellow colour to suit the requirement of various customers like Government, Quasi Government like FCI or private rice millers. All the parboiling installations should have adequate provision for tempering the dried paddy (atleast 3 bins or rooms).

* The make mentioned is only indicative and do not specify or recommend any particular brand to be insisted.

- IX. Power generation plants using husk/ crop residues:** When assistance is for power generation using husk/ crop residues as fuel in the boiler, exhaust steam should be used for parboiling and drying. There should not be separate boilers for parboiling and drying purposes.
- X. New Modern Rice Mills:** The mill should ensure the head rice yield of minimum 55%.
- XI. New Dal Mills:** Hi-tech modern dal mills with assured minimum dal recovery of 73%. Installation of noise dampner, dust arrester and other pollution control devices in dhal mills ensuring maximum pollution control in the plant area.
- XII. New Oil Milling Plants:** The establishment of the new oil milling plant should ensure the utilization of the de-oiled cake for value added products.
- XIII. New Oil Refining Units:** The unit should have a chemical-residue free technology for edible oil refining.
- XIV. Quality Monitoring Equipment:** All standard equipments and devices meant for quality monitoring and quality control with regard to raw as well as processed products.
- XV. Grain Storage Structures in Production Catchments:** The unit should ensure safe storage of agricultural produce by farmers on custom hire basis.
- XVI. Agro-Processing Centres in Production Catchments:** Installation of small and medium grain processing plants in production catchments to permit greater economic activity and livelihood opportunities in rural sector.
- XVII. Fortification of milled flour:** The industry may clearly indicate the ingredients for fortification, the process of fortification and the composition of fortified product along with the recommended daily allowances (RDA). The fortified product to be adequately certified by accredited national laboratories and labeled.
- XVIII. Processing Plants for Value Added Products from Byproducts of Grain Milling Industries:** Broken rice, rice bran, brokens and fines from pulse milling, deoiled cake from oil milling industries to be used for manufacturing of value added products.

GOVERNMENT OF INDIA
Ministry of Food Processing Industries
Panchsheel Bhavan, August Kranti Marg
New Delhi-110049

**DECENTRALISATION OF SCHEME ON TECHNOLOGY UPGRADATION/
MODERNIZATION / ESTABLISHMENT OF FOOD PROCESSING INDUSTRIES**
IMPORTANT INFORMATION FOR APPLICANT ENTREPRENEURS SEEKING
GRANT UNDER THE SCHEME AND THE BANKERS

The Ministry of Food Processing Industries has been operating a Plan Scheme for Technology Upgradation/Establishment/Modernization of Food Processing Industries during the 10th Plan period providing financial assistance for technology upgradation /establishment/ modernization of food processing industries. The implementation of the above scheme has been decentralized through banks and other financial institutions from the current financial Year 2007-08 ie. with effect from 1st April 2007.

All the applicant units/entrepreneurs are, hereby informed that they may submit their claim for grant under the above scheme direct to the concerned Bank branch from which Term Loan has been obtained for the project. Presently, the following 27 banks/FIs have been designated under the scheme for participating in the above scheme for receiving claims from the entrepreneurs and processing of grant.

1. State Bank of India	15. Syndicate Bank
2. Canara Bank	16. United Bank of India
3. Punjab National Bank	17. Karnataka State Financial Corporation
4. Andhra Bank	18. AP State Financial Corporation
5. Central Bank of India	19. Indian Overseas Bank
6. Bank of Baroda	20. J & K Bank Ltd
7. State Bank of Bikaner & Jaipur	21. Indian Bank
8. UCO Bank	22. Catholic Syrian Bank
9. Bank of India	23. UTI Bank
10. SIDBI	24. HDFC Bank
11. North Eastern Development Finance Corporation (NEDFi)	25. Federal Bank Ltd.
12. Union Bank of India	26. Tamilnadu Mercantile Bank
13. Oriental Bank of Commerce	27. Bank of Maharashtra
14. Corporation Bank	

These Banks may receive the applications and process the applications for grant as per guidelines which have been sent to their Headquarters. The detailed guidelines in this regard is also available on Ministry's website www.mofpi.nic.in under "Decentralization of Plan Scheme". As indicated in para 6(ii) and (iii) of the guidelines, these Banks may co-opt other Co-operative/Commercial/ Regional/Rural Banks/Financial Institutions as Primary Lending Institutions (PLIs) under the scheme for sanction and disbursement of loans so as to extend the reach.

The Ministry will be putting in place an e-portal system for on-line transfer of funds for disbursal of grant approved by the banks through e-portal. Till such time this arrangement is made, the banks may process the grant and send the details to the Ministry to Shri S.K. Lohani, Director (Tel.No.011-26494032; Fax:011-26492176; e-mail: sk.lohani@nic.in) or by post in the format in Annexure III to the guidelines which is available in the Ministry's website indicated above. The grant sanctioning bank branch shall ensure that the grants are calculated, sanctioned and disbursed strictly as per the guidelines. The disbursal of the first installment of grant will be due only after the unit has utilized 50% of promoter's contribution and Term Loan.

(Ajit Kumar)
Joint Secretary to the Government of India
19th June 2007