

# **National Bank for Agriculture and Rural Development**

## **Investment Credit Department**

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All Scheduled Commercial Banks/ RRBs/ ADFCs/SCBs/SCARDBs

### **Capital Investment Subsidy Scheme for Construction/Expansion/Modernization of Cold Storages and Storages for Horticulture Produce**

As you may be aware, nearly one third of our horticultural produce, especially fruits and vegetables are wasted, mainly on account of poor cold storage and other storage facilities. The country also experiences wide fluctuations in prices of horticultural produce, particularly potatoes and onions. The Government of India had, therefore, appointed a High Level Expert Committee in November 1998 for improving the cold storage/other storage capacity for horticultural produce of the country. The Committee has made an assessment that additional cold storage capacity of the order of 12 lakh tonnes would be required. Besides, rehabilitation/renovation of 8 lakh tonnes capacity (approximately), which is lying unutilized in various states especially in U.P, Bihar and Orissa would be necessary. The Committee has also assessed the requirement of storage for onion of 1.5 lakh tonnes on-farm storage in producing areas and 3 lakh tonnes buffer godowns at APMC Yards and terminal markets in different states. The scheme would be implemented by NABARD/NCDC/NHB.

2. With a view to ensuring faster development of cold storage capacity and to encourage entrepreneurs to invest more in this sector, the Honorable Finance Minister had made the following announcement while presenting the Union Budget for 1999-2000:

"Today, we have a very weak post-harvest storage and marketing infrastructure. This causes tremendous national loss. To overcome this problem, I propose to introduce a new credit-linked capital subsidy scheme for construction of cold storages and godowns. This scheme, which will be implemented by the Ministry of Agriculture with the help of NABARD, will help create additional cold storage capacity of 12 lakh tonnes and will rehabilitate and modernize 8 lakh tonnes of existing units over the next few years. We also propose to create 4.5 lakh tonnes of onion storage capacity".

3. An outline of the scheme as approved by the Government of India is enclosed (Annexure-I). You may please observe therefrom, among others, the scheme would be implemented by NABARD through back-ended capital subsidy, which would be available up to 25% of the project cost subject to a maximum of Rs.50 lakh per project. However, for the projects in the northeastern States, maximum subsidy admissible would be Rs.60 lakh @ 33.33% of the project cost. We are requesting RBI to extend the benefit of exemption of balances in "Subsidy Reserve Fund" Accounts under this scheme from the computation of DTL for CRR/SLR purposes. RBI will issue a separate communication in this regard.

4. NABARD would provide refinance to Commercial Banks/RRBs /ADFCs/ SCBs/SCARDBs @ 90% of the amount financed by the banks for which the interest will be charged to financing banks at 8.5% p.a. (however, quantum of refinance is 95% in the case of SCARDBs in North-Eastern Region and Sikkim). Under the scheme, interest to be charged to the borrowers would be at the following rates:

Size of Limit	Commercial Banks	RRBs/ADFCs/SCBs/SCARDBs
i) Up to Rs.2 lakh	Not exceeding PLR of the bank	Not exceeding PLR of the convenor bank of the State Level Bankers Committee (SLBC) of the concerned state.
ii) Above Rs.2 lakh	Not exceeding 1% above PLR of the bank	Not exceeding 1% above PLR charged by the convenor Bank of the State Level Bankers Committee (SLBC) of the concerned State.

**It may please also be noted that the scheme will be implemented only in those States/Union Territories/Areas, which do not administer or control rentals for cold storages.** In addition, the State Governments would be advised to carry out market reforms to facilitate access of producers to primary markets, enhance holding and carrying capacity of producers/farmers and introduce measures to ensure transparency in transactions.

5. Copies of checklist for construction of cold storage and storage for onions are given in Annexures II&III respectively to facilitate formulation/scrutiny /appraisal of the projects. The loan application formats as are in use by the individual banks may be used for the captioned scheme. The banks would also

follow their own procedures for monitoring the projects financed by them under the scheme. The banks may also advise the borrowers the complete procedure in providing financial assistance under the captioned scheme relating to the appraisal of the project, sanction of loan/subsidy, release of funds, etc. to encourage the entrepreneurs.

6. We shall be glad, if you will please give wide publicity to the scheme through your controlling offices/branches and initiate necessary steps for its implementation. The participating banks may please process/sanction/clear the applications under the captioned scheme expeditiously subject to however, not compromising on the quality of the lending. All pending applications with the banks may be processed, appraised and sanctioned under the new captioned scheme, if eligible. The implementation of the scheme would also be monitored regarding flow of loan applications (receipt, processing, sanction, release of funds, etc.) by the State Level Bankers' Committee (SLBC)/District Level Consultative Committee (DLCC).

**7. The attention of banks is drawn in particular to sub-paragraph (vi) of paragraph(e) of Annexure I wherein it is indicated that the sanction/release of subsidy under the scheme is subject to availability of funds, the instructions/guidelines issued by the GOI/NHB from time to time in this regard. The banks may also stipulate the above condition invariably in the sanction letters, etc., issued by them to the borrowers under the scheme.**

8. Banks, as per existing procedure, may submit their proposals under the captioned scheme to the Regional offices of NABARD in the respective states.

## Annexure I

### **Capital Investment Subsidy for Construction/Expansion/Modernization of Cold Storage and Storages for Horticulture Produce - Outline of the scheme**

A new capital investment subsidy scheme for construction/expansion/modernization of cold storage and storages for horticulture produce is introduced by the Government of India. It would help in minimizing post-harvest losses being suffered by farmers, particularly small and marginal farmers. The Scheme would be implemented by National Horticulture Board, Ministry of Agriculture in collaboration with NABARD/NCDC in IX Five Year Plan starting from 1999-2000, at a cost of Rs.175 crore. The Scheme would be a part of the ongoing Post Harvest Management (PHM) Scheme of National Horticulture Board (NHB), of which cold storage is one of the components. The projects would also cover the facilities constructed under controlled and modified atmosphere on the same parameters as have been stipulated for construction of cold storages under the scheme. The cold storage component will be excluded from the present on-going scheme of NHB and Department of Food Processing Industries (DFPI). However, the following cold storage schemes of DFPI would continue.

1. Where cold storage is a subsidiary and small component of an integrated food processing unit and the cold storage facility is meant for captive use for storage of raw material or the processed product.
2. Facilities under the scheme "Food Park".
3. The controlled/modified atmospheric storage systems.

The main features of the scheme are as under:

#### **(a) Eligible Organizations**

Cooperatives, Companies, Corporations, Partnership and Proprietary firms, Agricultural Produce Marketing Committees/Boards, Agro-Industries Corporations and Growers' Associations.

#### **(b) Project Cost**

The project cost will depend upon the capacity; technology used for cold storage/storages for horticulture produce and will be arrived at on the basis of actuals/estimates of architects/invoice prices of machineries, etc., subject to the norms of appraisal of financing banks/NABARD regarding technical feasibility/financial viability.

#### **(c) Eligible Institutions for refinance from NABARD**

Commercial Banks (CBs), Regional Rural Banks (RRBs), State Co-operative Banks (SCBs), State Co-operative Agricultural and Rural Development Banks (SCARDBs), Agriculture Development Finance Companies (ADFCs) and other institutions that are eligible to obtain refinance assistance from NABARD.

**(d) Technical Aspects**

(i) Checklist

A copy of the checklist to facilitate the compliance of the requirements of formulation / scrutiny / appraisal before submission of the proposals to NABARD in respect of cold storage and storage for onions is given in Annexures II & III respectively.

(ii) Type of Technology

Emphasis shall be laid on the following points:

- Reducing Post Harvest Management (PHM) losses with multi-chamber and multi-product facilities;
- Modern Design/Technology and Energy Saving Equipments/Devices to be adopted to avoid obsolescence of machinery, etc.
- Improvement in technology like shifting from Diffuser system to Gravity Cooling System/Fincoil System, etc.

A back up arrangement of supply of power through diesel generating sets would be necessary for cold storages and it would form part of the capital cost of the project.

**(e) Quantum of Subsidy**

i) The subsidy will be available only in States/Union Territories/Areas which do not administer or control rentals for cold storages under any statutory or administrative order. In addition, the State Governments would be advised to carry out market reforms to facilitate access of producers to primary markets, enhance holding and carrying capacity of producers/farmers and introduce measures to ensure transparency in transactions. The scheme should be technically feasible and financially viable.

ii) The office of the Agriculture Marketing Adviser (AMA), Directorate of Marketing & Inspection would continue to persuade removal of control on rentals in those states where the respective states are still operating their own Cold Storage Control Acts.

iii) AMA will also provide free consultancy support for construction of cold storages and also manpower - training, especially to the northeastern States.

**iv) The unit cost permissible for the purpose of calculation of subsidy is 25 % of the project cost arrived as per paragraph (b) above or the ceilings mentioned below, whichever is less.**

- (a) New cold storage/expansion of existing cold storage Rs. 4000 per tonne
- (b) Modernization/rehabilitation of existing cold storage Rs. 1000 per tonne
- (c) Storage for horticulture produces like onion Rs 2000 per tonne

The permissible subsidy calculated, as above is subject to a maximum of Rs. 50 lakh per project. However, for the projects in the northeastern States, maximum subsidy admissible would be Rs.60 lakh @ 33.33% of the project cost. For calculating subsidy, the capacity of cold storage can be decided by providing a volume of 3.4 cum. per tonne or 120 cft. per tonne of produce.

v) Project upto 5000 tonnes capacity would be preferred. The banks may sanction projects having cold storage capacity of more than 5000 tonnes on the basis of techno-financial appraisal, but the maximum amount of subsidy under these projects would be calculated as per the guidelines at sub paragraph (iv) above and restricted to Rs.50 lakh and in the case of North-Eastern States, the limit of subsidy would be Rs.60 lakh.

**vi) The sanction/release of subsidy under the scheme is subject to availability of funds, the instructions/guidelines issued by the Government of India/NHB from time to time in this regard.**

**(f) Term Loan/Margin Money**

(i) The margin money is 25% for the term loan. 50% of the project cost can be raised as term loan from institutional agencies. The eligible amount of subsidy also would be allowed as term loan.

(ii) The value of land to be computed in the project cost should not exceed 10% of the project cost. In other words, in case the cost of the land exceeds 10% of the cost of project, such value to the extent of 10% of the total cost should only be computed in the project cost. The cost of land computed in the project cost is to be reckoned towards the margin money required to be met by the enterprise. The above is also subject to the following conditions:

1. The cost of the land will be computed in the project cost only when the land is to be purchased by the enterprise.
2. The cost of the land should be the purchase value and not the market value.
3. The value of that portion of the land, which is, need based for the project only is included.

**(g) Rate of Interest to be charged from borrower:**

Size of Limit	Commercial Banks	RRBs/ADFCs/SCBs/SCAR DBs
i) Upto Rs.2 lakh	Not exceeding PLR of the bank	Not exceeding PLR of the convenor bank of the State Level Bankers Committee (SLBC) of the concerned state.
ii) Above Rs.2 lakh	Not exceeding 1% above PLR of the bank	Not exceeding 1% above PLR charged by the convenor Bank of the State Level Bankers Committee (SLBC) of the concerned State.

**(h) Rate of Interest on refinance amount to be charged to financing banks:**  
**8.5% p.a.**

**(i) Quantum of refinance**

90% of amount financed to borrower (95% in case of SCARDBs in North -Eastern Region and Sikkim).

**(j) Repayment Period**

Repayment period will depend upon the cash flow and will be up to 9 years including a grace period of 2 years.

**(k) Period of Implementation of Project**

April 1999-March 2000 to April 2001-March 2002 (i.e., 3 years)

**(l) Other modalities**

(i) NABARD would release subsidy to the financing bank on submission of commissioning certificate and the same would be dealt with as provided in sub paragraph (iii) & (iv) below.

(ii) In case the unit has not submitted the commissioning certificate, NABARD would refund the subsidy to NHB.

**(iii) Adjustment in Borrowers' Account**

The subsidy released by NABARD to the banks on behalf of individual units that are sanctioned assistance will be kept in a separate account. The adjustment of

subsidy will be on the pattern of back-ended subsidy. Accordingly, the full project cost including the subsidy amount but excluding the margin money contribution from the beneficiary would be disbursed as loan by the banks. The repayment schedule will be drawn on the loan amount in such a way that the subsidy amount is adjusted after the bank loan portion (excluding subsidy) is liquidated.

(iv) No interest chargeable on subsidy portion

The subsidy admissible to the borrower under the scheme will be kept in the Subsidy Reserve Fund A/c. - borrower-wise in the books of the financing banks. The bank should apply no interest on this. In view of this, for the purpose of charging interest on the loan, the subsidy amount should be excluded. The balance lying to the credit of the Subsidy Reserve Fund A/c. will not form part of Demand and Time Liabilities for the purpose of SLR/CRR. RBI in this regard would issue suitable instructions to banks.

(m) Monitoring

- NHB will monitor the progress of this scheme and a proforma for such monitoring would be developed by NABARD for submission of report on quarterly basis.
- Commissioning certificate obtained by the financing banks would be furnished to NABARD for onward transmission to NHB in respect of all such cold storages/storages for which subsidy has been released through NABARD.
- NABARD/NHB monitors the progress regarding construction, operation, etc. of the cold storages/storages from time to time by conducting field visits to the project site along with the representatives from financing bank(s), wherever necessary.
- The progress report of these projects shall be reviewed by the State Level Bankers Committee Meetings/District Level Bankers' Committee Meetings.

(n) Physical Outlay

i) Physical programme envisages creation of 12 lakh tonnes capacity of additional cold storage, modernization/rehabilitation of 8 lakh tonnes of cold storage capacity and addition of 4.5 lakh tonnes of onion storage (1.5 lakh tonnes 'on-farm' storage in production areas and 3 lakh tonnes buffer godown at APMC and terminal markets). The scheme would include construction of 4000 tonnes capacity onion storage with modern technology at a cost of Rs.2.50 crore on a pilot basis, which would be implemented by NAFED. The target for the year 1999-2000 is creation of additional cold storage capacity of 3 lakh tonnes,

modernization/rehabilitation of cold storage capacity of 2 lakh tonnes and other storages of the capacity of 1.5 lakh tonnes to be implemented by NABARD/NCDC/ NHB.

ii) Wherever term loans are not raised from institutional sources and the promoters fund projects entirely through internal resource generation, such proposals may be submitted to NHB directly. As regards the projects financed by NCDC the subsidy applications may be submitted to NCDC.

**(o) Other terms and conditions:**

The usual terms and conditions on which refinance is given to banks continue to be applicable for the above scheme.

## ANNEXURE-II

### COLD STORAGE SCHEME

(To be completed by the Executive/Officer of the bank forwarding the Scheme)

NOTE: Tick ( ) in the boxes to signify that the relevant information has been furnished in the scheme.

#### 1) GENERAL

a) Project background, specification of the scheme area and arrangements for acquisition of land ( )

b) Nature and objective of proposed development and whether as an independent item or an integral part of the project( )

c) Name (s) of the financing banks(s)/branch (es)

d) Approval of the scheme by competent authority/State Government in case of SCARDB/SCB ( )

e) Status of implementing agency/company/Corporation/ Partnership Firm/ Individuals etc. and promoter's bio-data ( )

f) Approval of competent authority for construction and storage ( )

#### 2) TECHNICAL ASPECTS

a) Name of the commodities to be stored, market survey and assessment of the need for storage capacity-Storage space available at present in the locality vis-a-vis potential requirement of storage ( )

b) Criteria for selection of cold storage ( )

c) Arrangements for procurement, storage and marketing of produce, Availability of labour for handling of stock ( )

d) Organization pattern ( )

e) Loading schedule and refrigeration capacity of plant supported by heat load calculation( )

f) Detailed cost estimates of the cold storage unit and auxiliary structures prepared as per approved schedule of rates applied to site. Auxiliary structure should include facility for drying, sorting and office space in case of new units ( )

g) Details of drawings of various structures including layout plans

(Registered Architect's certificate regarding the status of the site for use of land for non-agricultural purposes). ( )

h) Details of plants and machinery including fire-fighting equipments along with copies of invoices/quotations ( )

i) Total Horse Power of motors/prime movers with detailed break up ( )

j) Power supply position and provision for generator set ( )

k) Details of insulation works and storage racks, soil strength to carry proposed load ( )

l) Water requirement of the plant and its availability, water test report to be enclosed ( )

m) Phasing of the programme with financial outlay ( )

n) Availability of technical staff with implementing agency for supervision of work ( )

o) Availability of technical staff with the financing bank for supervision and scheme monitoring ( )

p) Comments on technical feasibility of the project ( )

### 3) FINANCIAL ASPECTS

a) Lending terms: Rate of interest grace period, repayment period, down payment, nature of security, availability of government guarantee for bank loan/refinance (wherever applicable), source and extent of availability of subsidy, etc ( )

b) Year-wise physical, financial programme, bank loan and refinance requirement ( )

c) Estimates of unit-wise aggregate income, expenditure and surplus from the cold storage. Comments on financial viability of the project along with cash flow, B/C ratio, net present worth, financial rate of return, etc ( )

d) Comments on the financial position of the borrowers/implementing agency. In case of companies, partnership firm, etc., an analysis of their financial position, debt-equity and profitability along with copies of audited financial statements, for last three years ( )

### 4) INFRASTRUCTURAL FACILITIES

a) Arrangements/availability of building materials/refrigeration equipment( )

b) Details of technical guidance, government support ( )

Signature and Designation of Bank Officer

### ANNEXURE-III

#### ONION STORAGE SCHEME

(To be completed by the Executive/Officer of the bank forwarding the Scheme)

NOTE: Tick ( ) in the boxes to signify that the relevant information has been furnished in the scheme.

#### 1) GENERAL

a) Project background, specification of the scheme area and arrangements for acquisition of land ( )

b) Nature and objective of proposed development and whether as an independent item or an integral part of the project ( )

c) Name (s) of the financing banks(s)/branch (es)

d) Approval of the scheme by competent authority/State Government in case of SCARDB/SCB ( )

e) Status of implementing agency/company/Corporation/ Partnership Firm/ Individuals etc. and promoter's bio-data ( )

f) Approval of competent authority for construction and storage ( )

#### 2) TECHNICAL ASPECTS

a) Market survey and assessment of the need for storage capacity - Storage space available at present in the locality vis-a-vis potential requirement of storage capacity ( )

b) Arrangements for procurement, storage and marketing of produce, Availability of labour for handling of stock ( )

c) Detailed cost estimates of the storage unit and auxiliary structures prepared as per approved schedule of rates applied to site ( )

d) Details of drawings of structures including layout plans ( )

e) Phasing of the programme with financial outlay ( )

f) Comments on technical feasibility of the project ( )

### 3) FINANCIAL ASPECTS

- a) Lending terms: Rate of interest, grace period, and repayment period, down payment, nature of security, availability of government guarantee for bank loan/refinance (wherever applicable), source and extent of availability of subsidy, etc ( )
- b) Year-wise physical, financial programme, bank loan and refinance requirement. ( )
- c) Estimates of unit-wise aggregate income, expenditure and surplus from the storage. Comments on financial viability of the project along with cash flow, B/C ratio, net present worth, financial rate of return, etc ( )
- d) Comments on the financial position of the borrowers/implementing agency. In case of companies, partnership firm, etc., an analysis of their financial position, debt-equity and profitability along with copies of audited financial statements, for last three years ( )

Signature and Designation of Bank Officer