

# NABARD to Provide Affordable Term Loans From Food Processing Fund

Applications are invited from the eligible food processing units in the designated Food Parks for availing Term Loan from National Bank for Agriculture and Rural Development (NABARD).

With a view to providing impetus to development of food processing sector on cluster basis in the country to reduce wastage of agricultural produce and to create employment opportunities, especially in rural areas, Government of India instituted a Special Fund in NABARD with a corpus of Rs. 2000 crore during 2014-15 for providing direct term loans at affordable rates of interest to food processing units in the designated Food Parks. The overall guidance in operationalising the Fund is being provided by the Ministry of Food Processing Industries, Government of India. Salient features of Fund and funding by NABARD are as given below:

## **Who are eligible?**

State Governments, entities promoted by State Governments or Government of India, Joint ventures, SPVs, Cooperatives, Federations of Cooperatives, Farmers' Producer Organizations, corporates, companies, entrepreneurs, etc., are eligible for term loan assistance from NABARD under the Special Fund.

## **What are designated Food Parks?**

Only the designated Food Parks and the individual processing units in the designated Food Parks will be eligible for term loan financing from NABARD from the Fund. The designated Food Parks will include (i) Food Parks promoted by MoFPI; (ii) Mega Food Parks promoted by MoFPI; (iii) Food Parks/exclusive food processing industrial estates promoted by State Governments; (iv) Designated food processing/ agro processing/ multi products in Special Economic Zones (SEZs), including de-notified areas of these SEZs or (v) Any other area having developed enabling infrastructure and designated as Food Park by MoFPI.

## **Scope of financing from the Fund**

Term loan under the Fund, prima facie, will be eligible for (i) development/ Establishment of all infrastructure required in the designated Food Parks; (ii) augmentation/modernization/creation of additional infrastructure in the designated Food Parks; (iii) setting up of individual food processing units or any other unit that is established for supporting the operations of the food processing units within the designated Food Parks and (iv) modernization of existing processing units in the designated Food Parks resulting in process technology upgradation, automation, increased efficiency, improvement in product quality, reduction in cost, etc.

## **Scope of processing activities eligible for term loan**

The products of processing / manufacturing undertaken by the units may include:

- i. Fruits, vegetables, mushrooms, plantation crops and other horticulture crops.
- ii. Milk and milk products
- iii. Poultry and meat
- iv. Fish and other aquatic & marine products.
- v. Cereals, pulses, oilseeds and oil crops
- vi. Herbs, medicinal and aromatic plants, forest produce, etc.
- vii. Consumer food products, such as bakery items, confectionery, snack, etc.
- viii. Any other ready-to-eat food / convenience foods.
- ix. Beverages, non-alcoholic drinks, energy drinks, carbonated drinks, packaged drinking water, soft drinks, etc.
- x. Food flavours, food colours, spices, condiments, ingredients, preservatives and any other item which may be required in food processing.
- xi. Nutraceuticals, health foods, health drinks, etc.
- xii. Any other activity approved by the competent authority for establishment in the designated Food Park.

The eligible activities may cover range of post-harvest processes resulting in value addition and / or enhanced

storage life, such as cleaning, grading, waxing, controlled ripening, labeling, packing and packaging, warehousing, canning, freezing, freeze drying, various levels of product processing (primary/secondary), etc.

### **Up to what extent of Project Cost the Term Loan can be availed?**

The extent of term loan assistance out of the Fund will vary up to a maximum of 95% of the eligible total project cost assessed by NABARD in respect of the projects taken up by State Governments and entities promoted by the State Governments. For all other categories of promoters, the extent of term loan will be up to a maximum of 75%.

### **What are the items eligible for term loan funding?**

Eligible items in the total project cost may vary depending on the nature of project and will generally include site development, civil works, internal roads, drainage, plant and machinery, equipment and other fixed assets, technology transfer fee and other consultancy charges, preliminary and pre-operative expenses, capitalized working capital for one operating cycle, etc. Where land is purchased by the promoter specifically for the project, cost of land, not exceeding 10% of the project cost, will be reckoned towards borrower's margin contribution.

### **What would be the total loan repayment period?**

The total repayment period of term loan will be assessed by NABARD based on the projected cash flows of the Project / borrowing entity, which shall not exceed 7 years. Depending on the cash flows, grace period up to a maximum of two years would be considered for repayment of installments of principal amount. However, interest will be payable during the grace period also.

### **What will be the rate of interest?**

- (i) The projects sanctioned to State Governments and entities promoted by the State Governments (with government guarantee) shall carry an interest rate as applicable for the projects sanctioned under Rural Infrastructure Development Fund (RIDF) of NABARD, i.e., Bank rate applicable at the time of sanction less 1.50%. The Bank Rate is decided by Reserve Bank of India from time to time.
- (ii) In respect of other categories of promoters, the rate of interest charged on the term loan shall be linked to Prime Lending Rate (PLR) of NABARD and the risk premium based on the risk rating undertaken for the borrowing entity. The borrowers / projects having the risk score below the hurdle rate (60 marks) are not considered for loan assistance from the Fund. Depending on the total marks obtained by the entity, rating of the agency will be done and applicable risk premium will be added over and above the PLR of NABARD. According to the risk rating, the risk premium may vary up to 0.01 to 0.03% p.a. The current PLR of NABARD is 7.45%.

### **Will there be an Evaluation Fee charged?**

An Evaluation Fee of 0.25% of project cost, subject to a minimum of Rs. 2.00 lakh and a maximum of Rs.30.00 lakh per project will be charged for the projects where PLR-based interest is applicable. Goods and Service Tax, if applicable, will be charged extra. Further, 25% of the applicable amount of evaluation fee shall be payable by the applicant as advance amount while submitting the loan application which is non-refundable and non-negotiable. On sanction of the project, the balance amount shall be payable before issue of Sanction Letter to the borrower.

### **Whether the Projects sanctioned under the Fund are eligible for financial assistance extended by the State or Central Governments?**

Projects sanctioned by NABARD under the Special Fund will also be eligible for the financial assistance extended by the MoFPI or any other Central or State Government agencies in the form of subsidy or grant-in-aid as per the extant guidelines of the respective Government schemes.

### **How to apply?**

The interested promoters of the eligible project activity may submit the loan application in the prescribed format along with a Detailed Project Report complete in all respects to the Regional Office of NABARD located in the state where the proposed project is being established.

### **Where to contact?**

Particulars with regard to location, contact number, email ID, etc., in respect of various Regional Offices of NABARD are available at [www.nabard.org](http://www.nabard.org).