



To ALL BRANCHES / ROs / Depts. at HO

CIR No: CREDIT / 201 / F.755 / 2021

DATE : 08.09.2021

Sir/Madam,

Sub: NEW LOAN PRODUCT: "PRADHAN MANTRI FORMALIZATION OF MICRO FOOD PROCESSING ENTERPRISE SCHEME (PMFME)"- PMFME - Individual & PMFME - Group.

The Ministry of Food Processing Industries, Government of India has formulated new centrally sponsored scheme "PRADHAN MANTRI FORMALIZATION OF MICRO FOOD PROCESSING ENTERPRISE SCHEME (PMFME)" as a part of Aatmanirbhar Bharat Abhiyan for providing financial, technical and business support for upgradation of existing micro food processing enterprises. This scheme is to be implemented for a period of five years from 2020-21 to 2024-25 with an outlay of Rs.10,000 cr. Two lakh micro food processing units will be directly assisted with credit linked subsidy.

The centrally sponsored scheme aims:

- To modernize and enhance the competitiveness of the existing individual micro enterprises and ensure their transition to formal sector.
- To support FPOs/ SHGs/ Cooperatives for delivery of package of services, creation of common infrastructure, branding and marketing etc.

The scheme envisages support to Individual Micro Enterprises as under:

- Credit-linked capital subsidy @35% of the eligible cost, max. ceiling Rs.10 lakh per unit.
- Beneficiary contribution – minimum of 10% of the eligible project cost, balance loan from bank, i.e. applicants shall be eligible for a loan up to 90% of the eligible project cost, on the form of a term loan.

SL. No	Particulars	Guidelines
1.	Product Code	PMFME – Individual: 5013 0009 PMFME – Group: 5013 0010
2.	Background & Scheme Guidelines	The unorganized food processing industry in India faces challenges that limit its development and weakens the performance. These challenges include: (a) Lack of productivity and innovation due to limited skills and access to modern technology and machinery for production and packaging; (b) Deficient quality and food safety control systems, including lack of basic awareness on good hygienic and manufacturing practices; (c) Lack of branding & marketing skills and inability to integrate with the supply chains, etc.; (d) Capital deficiency and low bank credit. Due to these challenges, the unorganized food processing sector,





		<p>despite having large number of units and providing large employment contributes much less in terms of value addition and output.</p> <p>The scheme is a centrally sponsored scheme that is designed to address the challenges faced by the micro enterprises and to tap the potential of groups and cooperatives in supporting the upgradation and formalization of these enterprises.</p> <p>Accordingly Ministry of Food Processing Industries has formulated "Scheme for Formalization of Micro food processing Enterprises (FME)"</p>
3.	Target Group	The existing individual Micro Food Processing Enterprises, as well as groups such as SHGs/ FPOs/ Cooperatives would be supported under the scheme for up-gradation of their food processing activities.
4.	Objective	<p>i) Increased access to credit by existing micro food processing entrepreneurs, FPOs, Self Help Groups and Co-operatives;</p> <p>ii) Integration with branding & marketing;</p> <p>iii). Increased access to common services like common processing facility, laboratories, storage, packaging and marketing services;</p> <p>iv) Strengthening of institutions, research and training in the food processing sector.</p>
5.	Purpose	To enhance the competitiveness of existing individual micro-enterprises in the unorganized segment of the food processing industry and promote formalization of the sector; and to support Farmer Producer Organizations (FPOs), Self Help Groups (SHGs) and Producers Cooperatives along their entire value chain.
6.	Eligibility norms for covering under PM FME	<p><u>Individual micro food processing units:</u></p> <p>1 Existing micro food processing units, with investment not exceeding Rs.1 crore and turnover not exceeding Rs.5 crore;</p> <p>2 The enterprise should be unincorporated and should employ less than 10 workers;</p> <p>3 The enterprise should preferably be involved in the product identified in the One District One Product (ODOP) of the district. Other micro enterprises can also be considered if already established earlier;</p> <p>ODOP product for Krishna District- Mango for Chittoor District- Tomato</p>





		<p>4. The applicant must have passed 8th Standard, and age of 18 years or above.</p> <p>5. Registered enterprises are not eligible under this. For covering a new enterprise under PMFME it must process any form of ODOP product. Already established enterprises can also be considered under these when directed through portal.</p> <p>6. The applicant should have ownership right of the enterprise; Ownership status of enterprise could be proprietary / partnership firm;</p> <p>7. Only one person from one family would be eligible for obtaining financial assistance. The "family" for this purpose would include self, spouse and children;</p> <p>8. Willingness to formalize and contribute 10% of project cost and obtain Bank loan;</p> <p>9. Cost of the land should not be included in the Project cost. Cost of the ready built as well as long lease or rental Workshed could be included in the project cost. Lease rental of workshed to be included in the project cost should be for a maximum period of 3 years only;</p> <p>10. The enterprise should have a minimum average turnover of Rs 5 lakh and should be in profits, over the last three years (as measured based on available records);</p> <p>11. The applications forwarded through PMFME portal only are to be considered for lending purpose on satisfaction of all parameters.</p> <p><u>Farmer Producer Organizations (FPOs) / Producer Cooperatives</u></p> <ul style="list-style-type: none"> • It should be engaged in processing of ODOP produce. • They should have minimum turnover of Rs.1 crore; • The cost of the project proposed should not be larger than the present turnover. • The members should have sufficient knowledge and experience in dealing with the ODOP product for a minimum period of 3 years. • The cooperative/FPO should have sufficient internal resources or commitment from the State Government to meet 10% of the project cost and margin money for working capital.
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7.	Type of Facility	Term Loan - MSME
8.	Quantum of finance	Decided based on the Project Cost 1. Individual Micro Enterprises 2. Group (FPOs, Self Help Groups and Co-operatives) (As per the scheme guidelines by MOFPI).
9.	Subsidy/Grant	<ul style="list-style-type: none"> Credit linked subsidy to existing Micro Food Processing units @35%, with maximum subsidy of Rs.10.00 lakh.(Back ended subsidy) Credit linked investment Grant @35% to FPOs/ SHGs/ Cooperatives. Grant @35% for common infrastructure development by groups, government agencies or private entities. <p>The subsidy amount would be adjusted against the loan, if the account is standard and the unit is operational after three years from the date of disbursement of the loan (or) Grant amount would be adjusted by the bank against repayment.</p> <p>If the account becomes NPA within three years from the date of disbursement of the loan, the grant amount would be adjusted by the bank towards repayment by the beneficiary and it is to be updated in the portal without fail.</p>
10.	Margin Norms	Minimum 10%.
11.	Repayment Period	Repayment for commercial activity is to be fixed based on life cycle of the project, on the cash flows, in EMI. Maximum Repayment period- 15 years





12.	Holiday Period	Holiday period is permissible up to a maximum of 12 months, based on cash flows from the chosen economic activity, to be decided by Branch Manager/ Sanctioning Authority.
13.	Processing & other charges	Processing Charges : 1. Up to Rs.25000/ : Nil 2. Above Rs.25000/-: As applicable to Term loans under MSME Sector loans
14.	Rating of account	Internal Scoring Model
15.	Rate of Interest	13.50%
16.	Security Norms	Primary: Hypothecation of machineries / EM of factory land & building / charge on assets created out of Bank finance. Collateral: No collateral should be obtained for limit up to Rs. 10 Lakhs. Minimum Security Coverage Ratio of 1.20 should be maintained at all times. Guarantee: Suitable third party guarantee may be obtained depending upon the loan amount.
17.	Documentation	DPN, D1/D2, D 36, D 57, D 7, D 113, EM Registration/RM.
18.	MDL	<u>As applicable to MSME sector:-</u> Branch category Scale-1: 6.00 lakh Branch category Scale-2: 10.00 lakh Branch category Scale-3: 15.00 lakh Branch category Scale-4: 30.00 lakh Branch category Scale-5: 50.00 lakh
18.	Other details	<ul style="list-style-type: none"> • Credit Information Company Score (CIBIL / CRIF Himark / Experian / Equifax etc.) of the applicant to be extracted; No minimum score is stipulated for this product. However, NPA / write off, if any in the report, such application/s should not be considered. • All existing food processing units are eligible under the scheme. • Interest Subvention Scheme for incremental credit to MSMEs 2018 – 2% interest subvention on outstanding balance. • PM MUDRA Yojana for loan up to Rs.10 lakh to be covered as per the eligibility norms.





		<ul style="list-style-type: none"> • Insurance to be taken for assets created out of the loan/ assets held as security as per guidelines from time to time. • Monitor the progress of the scheme through the portal and through effective dashboard monitoring will be done by MOFPI. • Branding and Marketing support will be extended by State Nodal Agency. • All guidelines as specified by Prime Minister Formalization of Micro Food Processing Enterprises (PM FME) to be complied. • All guidelines issued from time to time and Credit Policy 2020-21 to be complied with.
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The scheme would be administered through PMFME portal and it can be accessed through <https://pmfme.mofpi.gov.in/pmfme/#Home-page>.

The loan sanction letter with the signature of borrower and manager along with seal is to be uploaded in the portal after sanctioning.

Zarith
GENERAL MANAGER

