



Central Office, ChanderMukhi, Nariman Point, Mumbai-400021

Agriculture and Rural Development Department, M.G Road, Fort, Mumbai-400023

Instruction Circular No : 2552 Date : 02.01.2021
File No : 30 Department running No : 202

**PM Formalization of Micro Food Processing Enterprises Scheme (PM FME Scheme)
Cent PM FME Scheme**

Product Description :	Product codes :
TL Cent PM FME Scheme AGRI RBLR	6240 1247
CC Cent PM FME Scheme AGRI RBLR	6140 1057
OD Cent PM FME Scheme AGRI RBLR	6040 1054
TL Cent PM FME Scheme MSME RBLR	6240 1248
CC Cent PM FME Scheme MSME RBLR	6140 1058
OD Cent PM FME Scheme MSMR RBLR	6040 1055

Scheme at a Glance:

In accordance with guidelines received from Ministry of Food Processing Industries, Government of India for implementation of "PM Formalisation of Micro Food Processing Enterprises Scheme (PM FME Scheme)" for providing concessional finance to the Micro Food Processing Enterprises

Eligible Entities: Individual Micro Enterprises, farmer Producers Organisation(FPOs)/Producers Cooperatives and SHGs.

Quantum of Loan : No cap on upper limit

Margin: Minimum 10%

Interest: RBLR+2%

Subsidy: 35% of eligible Project Cost with a maximum ceiling of Rs.10.00 lakh per unit

Credit Guarantee: Advances up to Rs.2.00 cr will be covered under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

Repayment: CC / OD - To be renewed every year. Term loan, Maximum repayment period should not exceed 6 years including the moratorium of 6 months repayable in monthly / Half yearly / yearly instalments based on harvesting & marketing of crops.

Security : Primary : Hypothecation of Stock / Book Debts /Plant & machineries

Collateral : Advance up to Rs.2.00 crore : NO Collateral advance to be covered under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).
Advances above Rs.2.00 crore, 150% of limit, collateral securities is required.

THE SCHEME IN DETAIL

S.No	Parameter	Details
1.	Name of the Scheme	Cent PMFME Scheme.
2.	Purpose / Objectives of the Scheme	To build Capability of Micro Enterprises to enable; <ol style="list-style-type: none"> i) Increased access to credit by existing micro food processing entrepreneurs, FPOs, SHGs, and Cooperatives. ii) Integration with organized supply chain by strengthening branding & marketing. iii) Support for transition of existing enterprises in to formal framework. iv) Increased access to common services like common processing facility, laboratories, storage, packaging, marketing and incubation services. v) Strengthening of Institutions, Research and Training in the Food Processing Sector. vi) Increased access for the enterprises, to professional and technical support.
3.	Facility Type	<ol style="list-style-type: none"> a) Term Loan b) Cash Credit c) OD Book Debts against receivables d) NFB limits –Bank Guarantee (BGs)
4.	Activity of the Project	<p>1). The Scheme adopts one District One Product (ODOP) approach to reap the benefit of scale in terms of procurement of inputs, availing common services and marketing of products. ODOP for the scheme will provide the frame work for value chain development and alignment of support infrastructure. There may be more than one cluster of ODOP product in one District. There may be cluster of ODOP product consisting of more than one adjacent District in a State.</p> <p>2). The states would identify the food product for a District, keeping in perspective the focus of the scheme on perishables. A baseline study would be carried out by the State Government. The ODOP product could be a perishable agri produce, cereal based product or a food product widely produced in a District and their allied sectors. illustrative list of such products includes mango, potato, litchi, tomato, tapioca, kinnu, bhujia, petha, papad, pickle, millet based products, fisheries, poultry, meat as well as animal feed among others. In addition, certain other traditional and innovative products including waste to wealth products could be supported under the Scheme.</p> <p>3). With respect to support to existing individual micro units for capital investment, preference would be given to those producing</p>

10.	Security	<p>Primary Security: Hypothecation of Stock / Book Debts/ Hypothecation of plant & machineries (in case of loan to machineries).</p> <p>Collateral Security: No collateral securities are required up to Rs.2.00 crore if the activity is eligible under Micro and Small enterprises as per defined MSME ceilings, since the advance will be covered under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).</p> <p>Advances above Rs.2.00 crore, and advances not covered under CGTMSE, 150% of limit, collateral securities is required.</p>
11.	Credit Guarantee	Advances up to Rs.2.00 cr will be covered under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).
12.	Disbursement	Disbursement should be made only after approval of the project by District Level Approval Committee (DLC/State Nodal Agency (SNA) and CGTMSE
13.	Repayment	<p>CC / OD to be renewed every year.</p> <p>Term loan - Maximum 6 Years including maximum moratorium of 6 months in case of purchase of machineries and should be repayable on Monthly/Half Yearly /Yearly installments based on harvesting and marketing of Crops.</p>
14.	Processing Charges / Service charges	As per Service charge Master circular 2017-26 dated 01.01.2017 and amended from time to time.
15.	Sanctioning Authority	As per Delegated powers.
16.	Documentation	<ol style="list-style-type: none"> 1. Loan application form. 2. Term loan Agreement 3. Hypothecation of machineries 4. Hypothecation of plant & machineries wherever applicable 5. Letter of Guarantee wherever applicable 6. Interest variation letter. 7. Book Debts. 8. Hypothecation of stock in case of CC.
17.	IRAC Norms	IRAC norms for Agricultural-Ancillary Advances will be applicable coinciding with harvesting & marketing of crops
18.	KYC Compliance & CIC	<p>Due diligence and KYC Compliance of the Borrower/s Co borrowers / Guarantors to be ascertained by the Branch before sanction of the loan.</p> <p>CIC report / RBI defaulter list to be verified.</p>

		<p>ODOP products. However, existing units producing other products would also be supported. In case of capital investment by groups, predominately those involved in ODOP products would be supported.</p> <p>4). Support to groups processing other products in such districts would only be for those already processing those products and with adequate technical, financial and entrepreneurial strength.</p> <p>5). New units, whether for individual or groups would only be supported for ODOP products.</p> <p>6). Support for common infrastructure and marketing & branding would only be for ODOP products. In case of support for marketing & branding at State or Regional level, same products of Districts not having that product as ODOP could also be included.</p> <p>7). Department of Commerce is focusing on agriculture crops on a cluster approach for support for exports under the Agriculture Export Policy and Ministry of Agriculture is also focusing on cluster approach for development of specific agri produce in Districts having comparative advantage. A number of states have adopted similar cluster based development. The ODOP approach of the scheme would lead to ease in providing common facilities and other support services.</p>
5.	Loan classification	<p>Priority Sector – Agriculture- Ancillary Services</p> <p>As per RBI/FIDD/2020-21/72 Master Directions FIDD.CO.Plan.BC.5/04.09.01/2020-21 dated 04.09.2020 under 8.4 iii. Loans for Food and Agro Processing up to an aggregate sanctioned limit of Rs 100 crore per borrower from the banking system will be covered under Priority sector-Agriculture-Ancillary activity.</p>
6.	Margin	Minimum 10%
7.	Subsidy	Individual micro food processing units would be provided credit-linked capital subsidy @35% of the eligible project cost with a maximum ceiling of Rs.10.00 lakh per unit. Beneficiary contribution should be minimum of 10%of the project cost with balance being loan from Bank
8.	Quantum of Loan	No cap on upper limit
9.	Interest	<p>RBLR (presently it is 6.85% as per Circular No.CO/ALM/2020-21/32 dated 13.10.2020) + 2% for the borrowers whose project cost are falling within Micro Enterprises of MSME defined ceilings. Revised criteria for classification of Micro, Small and Medium Enterprises as per MSME Department Instruction Cir No.2374 dated 01.07.2020.</p> <p>(If the Investment in plant & machinery or Equipment does not exceeds Rs.1.00 crore and turnover does not exceeds Rs.5.00 cr and such unit is called as Micro Enterprises).</p>

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		Minimum CIC score should be 675 (Minimum 2 CIC reports should be obtained if the loan is more than Rs.10.00 lakh and to be held on record).
19.	Credit Risk Rating	For loans up to Rs.1.00 cr – risk rating to be done as per applicable manual rating tool for Agriculture Advances and Hurdle Score should be 51. Loans above Rs.1.00 cr & up to Rs.5.00 cr on RAM Tool & loans above Rs.5.00 cr external rating should be obtained
20.	Ratios.	As per loan Policy.
21.	Due Diligence	Due diligence of the Borrower/s and Guarantors must be carried out. Due diligence of the Dealer / supplier is must while accepting the quotation and before sanction of the loan and same should be incorporated in the due diligence report of the Borrower.
22.	Insurance	Assets created out of Bank finance to be got insured for the full value of the assets with Banks clause.
23.	Programme Components	
23.1	Support to Individuals and group of Micro Enterprises	<p>A. Support to Individual Micro Enterprises</p> <ol style="list-style-type: none"> 1. Individual micro food processing units would be provided credit linked capital subsidy @35% of the eligible project cost with a maximum ceiling of Rs.10.00 lakh per unit. Beneficiary contribution should be minimum of 10% of the project cost with balance being loan from Bank. 2. Eligibility criteria for Individual Micro Enterprises under the Scheme; <ol style="list-style-type: none"> i) Existing micro food processing units in operations; ii) Existing units should be those identified in the State Level Up gradation Plan (SLUP) for One District One Product (ODOP) or by the Resource Person on physical verification. In case of units using electrical power, electricity bill would support it being in operations. For others units, existing operations, inventory, machines and sales would form the basis; iii) The enterprise should be unincorporated and should employ less than 10 workers; iv) The enterprise should preferably be involved in the product identified in the ODOP of the district. Other micro enterprises could also be considered; v) The applicant should have ownership right of the enterprise; vi) Ownership status of enterprise could be proprietary / partnership firm; vii) The applicant should be above 18 years of age and should

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- possess at least VIII standard pass educational qualification;
- viii) Only one person from one family would be eligible for obtaining financial assistance. The "family" for this purpose would include self, spouse and children;
 - ix) Willingness to formalize and contribute 10% of project cost and obtain Bank loan;
 - x) Cost of the land should not be included in the Project cost. Cost of the ready built as well as long lease or rental work shed could be included in the project cost. Lease rental of work shed to be included in the project cost should be for a maximum period of 3 years only.
3. Selection process for individual Micro Units.
- i) Identification of existing units to be supported would be by a two pronged process. Based on One District One Product approach, support would preferably be provided to the units engaged in that product in the District. Other units, who have potential, would also be supported.
 - ii) Applications would be invited at the District level on an ongoing basis for Units from those interested in availing the benefits under the scheme. Resource Persons (RPs) would undertake survey of various clusters and identify units that show potential for availing benefits under the scheme. For applications received directly, RPs would undertake field verification and due diligence to assess their potential.
 - iii) All the potential cases based on identification of units directly by RPs and application received would be submitted before the District Level Committee. District Level Committee should study the report submitted by RP for each unit and interview the interested persons.
 - iv) Due diligence to be carried out by the RP for each unit should have the details of Annual turnover of the enterprise, track record of payments by the enterprise, existing infrastructure, backward and forward linkages proximity to clusters and marketing linkages of the enterprise.
 - v) For the cases recommended by the District Level Committee / State Nodal Agency (SNA), RPs should help them in preparation of Detailed Project Report (DPR) for availing bank loan for up gradation of the unit. The DPR along with necessary documents should be submitted to the Banks for sanction of loan.
4. The procedure delineated above would apply for selection of new units also, provided the ODOP baseline study throws up a need / potential for such new investments.
5. State Governments should decide at what level they would want to finalize individual micro units list to be supported, by DLC or at SNA level. Similarly, for applications for capital

investment by groups, common infrastructure & marketing & branding, the states should decide the role of DLC/SNA in routing of applications.

B. Group Category:

**1. Farmer Producer Organizations (FPOs) /
Producer Cooperatives.**

- 1) FPOs and producer cooperatives would be provided the following support.
 - a) Grant @ 35% with credit linkage
 - b) Training support
 - c) Maximum limit of grant in such cases would be as prescribed.
- 2) Eligibility Criteria for FPOs / Cooperatives:
 - a) It should be preferably be engaged in processing of ODOP produce.
 - b) It should have minimum turnover of Rs.1.00 cr
 - c) The cost of the project proposed should not be larger than the present turnover.
 - d) The member should have sufficient knowledge and experience in dealing with the product for a minimum period of 3 years.
 - e) The cooperative / FPO should have sufficient internal resources or sanction from the State Government to meet 10% of the project cost and margin money for working capital.

2. Self Help Groups (SHGs):

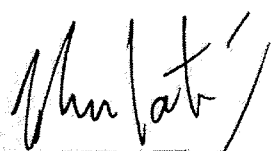
SHGs which are undertaking food processing activities will get the following support;

- a) Seed capital
 - i) Seed Capital @Rs.40000/- per member of SHG for working capital and purchase of small tools would be provided under the Scheme.
 - ii) Priority would be given for SHGs involved in ODOP produce in giving seed capital.
 - iii) All the members of an SHG may not be involved in the food processing. Therefore, seed capital would be provided at the federation level of SHGs.
 - iv) This would be given as grant to the SHG federation by SNA / State Rural Livelihood Mission (SRLM). SHG federation would provide this amount as a loan to the members of

		<p style="text-align: center;">SHGs to be repaid to the SHG.</p> <ul style="list-style-type: none"> b) Support to individual SHG member as a single unit of food processing industry with credit linked grant @35% with maximum amount being Rs.10.00 lakh. c) Support for capital investment at federation of SHG level, with credit linked grant @35%. Maximum limit of grant in such cases would be as prescribed. d) Training & Handholding Support to SHGs e) Eligibility criteria for seed capital for SHGs; <ul style="list-style-type: none"> i) Only SHG members that are presently engaged in food processing would be eligible. ii) The SHG member has to commit to utilize this amount for working capital and purchase of small tools and give a commitment in this regard to the SHG and SHG federation. iii) Before providing the seed capital , SHG Federation should collect the details of each member on product being processed, other activities undertaken, annual turnover and source of raw materials and marketing of produce. f) Eligibility criteria for Credit Linked Grant for Capital Investment for SHGs; <ul style="list-style-type: none"> i) The SHGs should have sufficient own funds for meeting 10% of the project cost and 20% margin money for working capital or sanction of the same as grant from the State Government. ii) The SHG members should have for a minimum period of 3 years' experience in processing of the ODOP product.
23.2	Branding & marketing	<ol style="list-style-type: none"> 1. Marketing and Branding support would be provided to groups of FPOs/SHGs/Cooperatives or an SPV of micro food processing enterprises under the Scheme at the State / Regional level. 2. Eligible items for support; <ul style="list-style-type: none"> i) Training relating to marketing to be fully funded under the scheme. ii) Developing a common brand and packaging including standardization to participate in common packaging. iii) Marketing tie up with national and regional retail chains and state level institutions. iv) Quality control to ensure product quality meets required standards.

		<p>3. Marketing and branding will be prepared by SNA</p> <p>4. Vertical products at the national level could also be provided support for branding & marketing on the same lines for ODOP focus.</p> <p>5. Eligibility Criteria</p> <ul style="list-style-type: none"> i) The proposal should relate to One District One Product (IDOP) ii) Minimum turnover of product to be eligible for assistance should be Rs.5.00 cr. iii) Final product should be the one to be sold to the consumer in retail pack. iv) Applicant should be an FPO/SHG/Cooperative / Regional – State levels SPV to bring large number of producers together v) Product and producers should be scalable to larger levels vi) Management and entrepreneurship capability of promoting entity should be established in the proposal.
24.	Other Terms and Conditions	<p>While opening the account, CIF- ID Type, 61 (Aadhar Card Number) should be mentioned compulsorily in order to reflect the Aadhar number in all linked accounts.</p> <p>All other guidelines as mentioned in guidelines and other guidelines received from RBI / GOI from time to time are applicable.</p>

All Field functionaries are instructed to take a note of this circular and take appropriate action for implementation of the Scheme.


(SUNDEEP GULATI)
GENERAL MANAGER-ARD & FI

Encl: Guidelines for Implementation of Micro Food Processing Enterprises Scheme (PM FME Scheme) issued by Ministry of Food Processing Industries, Government of India.