	<b>Name of the Policy</b>	<b>PM Formalisation of Micro Food Processing Enterprises (PMFME) Scheme</b>
	<b>Department</b>	<b>Branches Coordination cell (BRCC)</b>
	<b>Year</b>	<b>2021-22</b>
	<b>Status</b>	<b>Board Approved by Person-In-Charge</b>

### 1. Introduction:

The unorganized food processing industry in India faces challenges that limit its development and weakens 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.

This 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.

The scheme aims to 1) Enhance the competitiveness of existing individual micro-enterprises in the unorganized segment of the food processing industry and promote formalization of the sector 2) Support Farmer Producer Organizations (FPOs), Self Help Groups (SHGs) and Producers Cooperatives along their entire value chain.

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. The states will identify the product for a district.

### 2. Objectives:


- a. Increased access to credit by existing micro food processing entrepreneurs, FPOs, Self Help Groups and Co-operatives
- b. Integration with organized supply chain by strengthening branding & marketing.
- c. Support for transition of existing 2,00,000 enterprises into formal framework
- d. Increased access to common services like common processing facility, laboratories, storage, packaging, marketing and incubation services
- e. Strengthening of institutions, research and training in the food processing sector
- f. Increased access for the enterprises, to professional and technical

### 3. Scheme implementation period:

5 years from 2020-21 to 2024-25

### 4. Eligible entities:

- a. Farmer producer Organisations (FPOs)
- b. Self Help groups (SHGs)
- c. Co-operatives
- d. Existing Micro food processing units
- e. New units

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## 5. Programme Components:

The programme has four broad components addressing the needs of the sector

- a. Support to individual and groups of micro enterprises
- b. Branding and Marketing support
- c. Support for strengthening of institutions
- d. Setting up robust project management framework.

## 6. Common Infrastructure:

1. Support extended to FPOs, SHGs, cooperatives, any Government agency or private enterprises.
2. Common infrastructure created under the scheme should also be available for other units and public to utilize on hiring basis for substantial part of the capacity.
3. Eligibility of a project under this category would be decided based on benefit to farmers and industry at large, viability gap, absence of private investment, criticality to value chain, etc.
4. The following common infrastructure would be funded under the Scheme:
  - a. Premises for assaying of agriculture produce, sorting, grading, warehouse and cold storage at the farm-gate
  - b. Common processing facility for processing of ODOP produce
  - c. Incubation Centre should involve one or more product lines, which could be utilized by smaller units on a hire basis for processing of their produce. The Incubation Centre may partly be used for training purpose. It should be run on commercial basis.


**Note:** No financial support would be provided for opening retail outlets under the scheme.

## 7. Branding and Marketing Support:

Marketing and branding support would be provided to groups of FPOs/SHGs/ Cooperatives or an SPV of micro food processing enterprises under the Scheme. Following the ODOP approach, marketing & branding support would only be provided for such product at the State or regional level.

The proposal should fulfil the following conditions:

- a. The proposal should relate to ODOP
- b. Minimum turnover of product to be eligible for assistance should be Rs 5 crore
- c. The final product should be the one to be sold to the consumer in retail pack
- d. Applicant should be an FPO/SHG/cooperatives or an SPV of micro food processing enterprises
- e. Management and entrepreneurship capability of promoting entity should be established in the proposal.

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### **8. Credit linked Capital Subsidy:**

The customers are provided with Credit linked back-end grant/subsidy. Once the loan is sanctioned by the lending Bank, the same has to be reported to the Nodal bank at National level appointed for disbursement of subsidy to the banks. A mirror account may be opened by the branch in the name of the beneficiary. The grant amounts received, shall be kept in mirror account of the beneficiary.

- a. Credit linked back-end grant/subsidy @ 35% of the project cost, subject to a maximum of Rs.10.00 lakh, for micro food processing enterprises or individuals.
- b. Credit linked back-end capital investment grant/subsidy @35% to FPOs/SHGs/Cooperatives.
- c. Credit linked back-end grant/subsidy @ 35% for common infrastructure development by groups, government agencies or private entities


**Note:** The grant/subsidy would be transferred to the lending bank after sanction of the loan by the bank.

### **9. Adjustment of Grant amount Received from GoI/GoAP:**

- a. If after a period of three years from the disbursement of last tranche of the loan, the beneficiary account is still standard, and the unit is operational, this grant amount would be adjusted in the bank account of the beneficiary.
- b. If the account becomes NPA prior to three years from the date of disbursement of the loan, the grant amount would be adjusted by the Bank towards repayment by the beneficiary.
- c. If the grant amount is adjusted after three years against the loan amount in case of standard account, no interest would be payable by the borrower on the portion of the loan disbursed by the Bank equal to the grant amount from the date of receipt of the grant amount by the lending bank.

### **10. Other Guidelines:**

- a. Branch managers have to ensure viability of the project before sanctioning the loan.
- b. The branch should release the loan amount to the borrower after collecting borrower contribution.
- c. The disbursement details have to be uploaded in the portal. Branches can claim the credit linked subsidy only after the disbursement of the loan (full/first instalment).
- d. The branches have to open mirror account of the beneficiary to receive the grant/subsidy amount. Further, branches have to acknowledge the receipt of the fund by updating the portal regarding the date of receipt and date of deposit.


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- e. Bank branches have to enter the details of the designated account for the receipt of credit linked subsidy like account no, IFSC Code, contact number of the Branch manager, bank and branch details and to upload the bank account details.
- f. Details of adjustment of the subsidy grant such as date of adjustment, the status of loan account, adjustment towards NPA or standard account to be updated in the portal.
- g. The borrowers are eligible under Interest Subvention scheme for incremental credit to MSMEs 2018 – 2 % Interest Subvention on outstanding balance

**Review and Monitoring:**

Taking into consideration of the market conditions, circulars from GoI/GoAP/RBI/NABARD, the Managing Director is authorised to make suitable modifications to the above policy from time to time.

**MANAGING DIRECTOR**

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**MASTER CIRCULAR ON PM FORMALISATION OF MICRO FOOD PROCESSING ENTERPRISES (PM FME) SCHEME**

<b>S.No.</b>	<b>Feature</b>	<b>Scheme</b>
1	Nature of the Loan	<ol style="list-style-type: none"> <li>1. Term Loan</li> <li>2. Working capital loan</li> </ol>
2	Purpose	<ol style="list-style-type: none"> <li>1. To support individuals and groups of micro enterprises</li> <li>2. Support for strengthening of institutions</li> <li>3. Setting up robust project management framework</li> <li>4. Branding and marketing support</li> </ol>
3	Applicants	<ol style="list-style-type: none"> <li>1. Existing Micro food processing units</li> <li>2. Farmer producer organisations (FPOs)</li> <li>3. Self Help Groups (SHGs)</li> <li>4. Co-operatives</li> <li>5. New units</li> <li>6. Individuals</li> </ol> <p>* In case of new units only ODOP Products have to be preferred for financing.</p>
4	Max. Loan Limit	<p><b>Term loan:</b> Rs. 30.00 lakh</p> <p><b>Working capital loan:</b> Rs. 10.00 lakh</p> <p>Limit shall be assessed based on the Detailed Project Report (DPR) submitted by the borrower. As finance is being provided to the unit, limit assessment shall be done for whole unit irrespective of individual/group.</p>
5	Eligibility Criteria	<p><b>Individuals (Existing/New):</b></p> <ol style="list-style-type: none"> <li>1. Existing Micro food processing units</li> <li>2. The applicant should have the ownership right of the enterprise. Ownership status of the enterprise could be Proprietary/partnership firm.</li> <li>3. The applicant should be above 18 years of age and should possess at least 8<sup>th</sup> standard pass educational qualification.</li> </ol>



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		<p>4. Only one person from one family is eligible for obtaining financial assistance. The family includes "self, spouse and children".</p> <p>5. Cost of land should not be included in Project cost. Cost of the ready built as well as long lease or rental workshed could be included in the project cost. Lease or rental of workshed to be included in the project cost should be for a maximum period of 3 years only.</p> <p>6. The enterprise should be unincorporated and should employ less than 10 workers.</p> <p>7. New units should be involved in ODOP products.</p> <p><b>Farmer Producer Organisations (FPOs):</b></p> <ol style="list-style-type: none"> <li>1. It should preferably be engaged in processing of ODOP produce.</li> <li>2. It should have minimum turnover of Rs.1 crore.</li> <li>3. The cost of the project proposed should not be larger than the present turnover.</li> <li>4. The members should have sufficient knowledge and experience in dealing with the product for a minimum period of 3 years.</li> </ol> <p><b>Self Help Groups (SHGs):</b></p> <ol style="list-style-type: none"> <li>1. The SHG members should have for a minimum period of 3 years' experience in processing of the ODOP product.</li> <li>2. Financial support shall be extended to individual SHG/SHG members for setting up a unit and its marketing and support, SHG federations for setting up common infrastructure and common processing facilities.</li> </ol>
6	Credit Rating	In case of individuals/proprietors, the Minimum CIBIL score of the borrower should be 650
7	Eligible projects	<ol style="list-style-type: none"> <li>1. Premises for assaying of agriculture produce, sorting, grading, warehouse and cold storage.</li> <li>2. Common processing facility for processing of ODOP produce</li> <li>3. Incubation center which could be utilized by smaller units on a hire basis for processing of the produce. It should run on commercial basis</li> </ol>



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8	Security	<p><b>Up to Rs. 10.00 lakh</b></p> <ol style="list-style-type: none"> <li>1. Primary Security: Hypothecation of assets created out of bank finance and/ or mortgage of land and building for which credit facilities have been extended/ project has been established out of Bank Finance.</li> <li>2. Collateral Security: 85% of the loan amount (SRA value of land/urban building)</li> </ol> <p><b>Above Rs. 10.00 lakh</b></p> <ol style="list-style-type: none"> <li>1. Primary Security: Hypothecation of assets created out of bank finance and/ or mortgage of land and building for which credit facilities have been extended/ project has been established out of Bank Finance.</li> <li>2. Collateral Security: 150% of the loan amount (SRA value of land/building)</li> </ol>
9	Verification	<ol style="list-style-type: none"> <li>1. Branch Manager/ concerned officer should verify the addresses of the borrower &amp; guarantors and to that extent a verification report is to be filled in the application.</li> <li>2. Branch Manager should consider and file the opinions with regard to the honesty, integrity and credit worthiness of the borrower before considering the loan application.</li> </ol>
10	Quantum of the Loan	<p><b>Term Loan:</b> 90% of the project cost enumerated in DPR</p> <p><b>Working capital loan:</b> 80% of loan assessment</p>
11	Margin requirement	<p><b>Term loan:</b> 10% of the loan amount</p> <p><b>Working capital loan:</b> 20% of the loan amount</p>
12	Repayment Tenure	7 years (Monthly/quarterly/Half yearly based on project cycles) in case of term loan.
13	Moratorium Period	1 year (Principal moratorium only, Interest to be paid) for term loan.
14	Renewal	<b>working capital loan:</b> Renewal of CC limit for subsequent years shall be based on the satisfactory



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		<p>performance/operations in the cash credit account during the previous year.</p> <p>Renewal application to be obtained before the expiry of validity period processed and decision to be taken in time to ensure continuity in operations i.e., at least one month in advance.</p>
15	Rate of Interest	<p><b>Term Loan:</b></p> <p>-----% p.a. will be charged on monthly/quarterly/half yearly compounding basis.</p> <p><b>Working Capital Loan:</b> ---%</p> <p>Note: Outstanding in the unrenewed cash credit will be considered as overdue and penal interest @ 2% shall be charged on such amount till renewal/closure of the account.</p> <p>*Interest rates may be revised from time to time by ALCO.</p>
16	Penal Interest	In the event of default of loan amount, Penal interest @2% over and above the interest rate will be charged by the bank.
17	Legal Opinion	The Branch shall obtain the opinion on the title of the property offered as security from the Legal Counsel/Panel Advocate of the Bank. The charges shall be borne by the borrower.
18	Insurance	The units offered as security should be insured against the risk of fire / riots/ earthquakes / lightning / floods etc. comprehensively for a minimum of 100% of the loan amount. The charges shall be borne by the borrower.
19	Share Capital	Rs. 100/-
20	Processing fee	<p><b>Term loan:</b> 1% of the Total outlay of the Project.</p> <p><b>Working capital loan:</b> 0.25% of the loan amount.</p>
21	Precautions	1. The BM/Concerned officer should thoroughly verify the documentation and ensure that the





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		<p>signatures of the applicant and co-applicant are obtained wherever necessary</p> <ol style="list-style-type: none"> <li>2. Loan amount shall be utilised for the said purpose only. A self-declaration by the applicant shall be obtained.</li> <li>3. Detailed project Report (DPR) shall be verified thoroughly and each parameter mentioned in the DPR should be recalculated, if necessary.</li> </ol>
22	Due diligence	<p>Conduct personal interview with the Applicant. Based on the information provided in the application and additional information gathered during the interview, the proposal should be processed quickly.</p>
23	Pre sanction Documentation	<ol style="list-style-type: none"> <li>1. Application form as prescribed by the Bank, duly filled and signed</li> <li>2. Photographs of the applicant &amp; Co-applicant</li> <li>3. KYC of the applicant and Co-applicant.</li> <li>4. Business address proof: Trade licence, Lease agreement, Sales Tax certificate, Utility bill under the name of the Business. (For existing enterprises)</li> <li>5. Business plan: It would be necessary to ascertain Business, the Industry and long term growth prospects before the loan is sanctioned.</li> <li>6. Detailed Project Report (DPR) of the proposed project.</li> <li>7. Bank statement for last 6 months</li> <li>8. Lease/Ownership documents of land for setting up the unit/machinery</li> <li>9. Quotation/ estimation for installation of the unit.</li> <li>10. Group resolution in case of Groups like SHGs, FPOs etc.</li> <li>11. Registration proof: Could be Partnership deed, Memorandum of Association (MoA), Articles of association (AoA), sales deed, copy of licence certificate, Rent agreement etc.</li> <li>12. Clearance certificate from Pollution control board, electricity board and other statutory authorities.</li> <li>13. No Objection certificate (NOC) from fire department, Revenue Division Officer (RDO), Mandal Revenue Officer (MRO), Police and panchayat approval</li> </ol>



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		<p>14. Permanent Account Number of the Business  15. CIBIL report of the applicant  16. Udyog Aadhar Number</p> <p>Any other document felt necessary by the BM/Sanctioning authority.</p> <p>In addition to the above, the following documents have to be submitted by the borrower in case of Existing Micro Food processing units/Groups.</p> <ol style="list-style-type: none"> <li>1. Group resolution in case of Groups like SHGs, FPOs etc.</li> <li>2. Balance sheet, Profit &amp; Loss and Trial Balance for the past 3 financial years.</li> <li>3. Interse agreement in case of SHGs</li> </ol>
24	Post sanction documentation	<ol style="list-style-type: none"> <li>1. Sanction letter</li> <li>2. D P Note</li> <li>3. Acceptance to the terms and conditions by the customer</li> <li>4. Loan agreement duly stamped</li> <li>5. Acknowledgement of debt</li> <li>6. NSC Application duly signed</li> <li>7. Receipt acknowledging the release of loan amount</li> <li>8. Original title deeds in case collateral security in the form of immovable property offered</li> <li>9. Any other document felt necessary by the BM/Sanctioning authority.</li> </ol>
25	Sanctioning Authority	<p>Up to Rs. 5.00 lakh – Branch Manager  Up to Rs. 10.00 lakh – AGM, CLPC  Up to Rs. 15.00 lakh – DGM, BOD  Above Rs. 15.00 lakh – Loan sanction committee</p>
25	Disbursement	Phase wise- as per recommendations of the Civil Engineer in case of new enterprises.
26	Monitoring	After the loan is disbursed, the account should be closely monitored by the Branch manager.

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