

**CAPITAL INVESTMENT SUBSIDY FOR CONSTRUCTION / EXPANSION /
MODERNISATION OF COLD STORAGES / STORAGES OF
HORTICULTURE PRODUCT (1999-2002)**

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1. Objectives

- To promote setting up of cold storages/storages in the country for reducing post harvest losses.
- Creation of 12 lakh tonnes and modernization/rehabilitation of 8 lakh tonnes of cold storages and addition of 4.5 lakh tonnes onion storages.

2. Components

Cold Storages including Controlled Atmosphere (CA) and Modified Atmosphere (MA Stores, pre-cooling units and mother Storages for onion etc.

3. Eligible Organisations

The eligible promoters shall include NGO's, Association of Growers, Partnership/Proprietary Firms, Companies, Corporations, Cooperatives,

Agricultural Produce Marketing Committees, Marketing Boards/Committees and Agro-Industries Corporations.

4. Pattern of Assistance

- 25% promoters' contributions;
- 50% term loan by banks at PLR + 1% through NABARD refinance. 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);
- 25% back-ended capital investment subsidy by NHB;
- Wherever term loans are not raised from institutional sources and projects are funded through internal resource generation, the NHB would provide capital subsidy directly to such units on the completion of the projects;
- The Subsidy would flow from NHB and operated by NABARD, through commercial/cooperative banks/RRBs/ ADFCs/SCARDBs and by NCDC where cooperatives seek loan from NCDC;
- Wherever banks are not availing refinance from NABARD, the rate of interest to be charged by such banks should not be more than PLR + 1% and all other terms and conditions of the scheme are complied with. However, in this case the subsidy would be released only through NABARD and monitoring of such cases shall also be through NABARD.
- In the case of cold storages/storages projects financed by State Level Financing Institutions, such projects shall be covered for granting subsidy provided all the terms and conditions under the scheme, including

charging the rate of interest at PLR + 1% are followed by such financial institutions and the NHB subsidy would be released through the respective State FIs;

- The cost of 5000 MT capacity for new cold storage and expansion of existing capacity would not exceed to Rs. 2.00 crore. Subsidy @ 25% would not exceed Rs. 50.00 lakh per project, including for the CA/MA Stores and projects of higher capacity. However, for the projects in the North-Eastern States @ 33.33%. However, maximum subsidy admissible would be Rs. 60.00 lakhs.
- Projects upto 5000 MT capacity would be promoted for wider dispersal. Cold storage capacity may vary from 10 MT to 5000 MT (i.e. the cold storages may be established for capacity of different sizes i.e. 10/50/100/500/1000/2000/5000 MT etc.) depending upon volume, value of the commodities to be stored, technical feasibility, financial viability etc. In the case of pre-cooling units and CA/MA stores, the capacity may be even below 10 MT;
- While administering the scheme, the criteria of subsidy linked to the cold storage capacity shall be followed. For new cold storage/ expansion, capital investment subsidy will be @ Rs. 4000/- per tonne capacity additionally created, subject to the 25% of the project cost. Capacity of cold storages would be calculated on the basis of 3.4 cubic metres per tonne or 120 cubic feet per tonne. For modernisation of existing cold storages, subsidy @ Rs. 1000/- per tonne capacity would be provided, subject to the 25% of the project cost. For other storages, subsidy would be @ Rs. 2,000/- per tonne capacity created/to be created.
- For calculating the space/volume requirement for some of the commodities, the parameters provided by NCDC as indicated in

Annexure-2 are required to be followed. However, for the purpose of calculating the amount of subsidy, the capacity of cold storage will be decided as mentioned above.

- Storage Conditions (Temperature, Humidity, Storage period, Freezing point etc.) of various commodities are given in Indian Horticulture Database 2000 published by the Board. A copy of the Commodity Storage Manual for perishable commodities prepared by International Association of Refrigerated Warehouses (LARW) and World Food Logistics Organisation (WFLO) is available with all officers of NHB for further reference.

- This capital investment subsidy scheme will be implemented only in those States/UTs/Area which do not control rentals for cold storages under any statutory or administrative order.

- Emphasis shall be laid on the following points:-
 - Reducing PHM losses with Multi-Chamber (at least two chambers) and Multi-Product facilities.
 - Adopting modern Designs/Technology and Energy Saving Equipments/Devices to avoid obsolescence of Machinery, etc.
 - Making improvement in technology like shifting from Diffuser System to Gravity Cooling System/Fincoil System, etc;

- The respective Banks/FIs/NCDC/NABARD, etc. will adhere to their own appraisal norms. However, copies of the checklist to facilitate the compliance of the requirements of formulation/ scrutiny/appraisal in respect of cold storage and storage for onions are given in Annexure 3 & 4, respectively.

- 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 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:

- The cost of the land will be computed in the project cost only when the land is to be purchased by the enterprise
 - The cost of the land should be the purchase value and not the market value
 - The value of that portion of the land which is need based for the project only is included.
- Cold storages/storages may be treated as infrastructure for financing.
 - Repayment period of loan will depend upon the cash flow and will be upto 9 years including grace period of two years.

5. Submission of Proposals for Release of Subsidy

A. Projects where refinance/loan from NABARD/NCD/Bank/FIs is involved.

- The project proposal may be submitted to NCDC/Banks/FIs as the case may be for appraisals and sanction of loan
- FI/Bank/NCDC will furnish a very brief profile/fact sheet of the project alongwith a copy of sanction letter indicating the following details to the NHB HQ at Gurgaon with a copy to Assistant Director, NHB posted in the respective State :-
 1. Name address and location of the project/beneficiary

2. Promoter's profile
3. Name of the associate banks/FIs
4. Nature/main activities under the project, its capacity, size
5. Itemwise Financial projections,
6. Means of finance including NHB subsidy
7. Brief coverage on technical feasibility and financial viability
8. Other relevant information, if any.

B. Projects where refinance/loan from NABARD/NCDC/Banks/FIs is NOT involved

- Detailed Project Report to be submitted to NHB directly.
- Promoter has to deposit 0.5% of the project cost at the time of submission of project as charges for the financial/technical appraisal of the project.
- Affidavit with regard to the fact that no loan has been obtained from any other financial institution for the same project.(Annexure-5)

6. Procedure for sanction of project and release of subsidy

A. Projects where refinance/loan from NABARD/NCDC is involved

50% of the subsidy amount will be released to NABARD by NHB in advance. Accordingly, NABARD would release subsidy to the participating banks in advance for keeping the same in the Subsidy Reserve Fund account of the

concerned Borrower, to be adjusted finally against loan amount of the bank on completion of the project. This amount of 50% advance subsidy would be released by NABARD to the participating banks on submission of a brief profile (as stated above).

The remaining 50% of the subsidy amount would be disbursed to the participating banks by NABARD only, after conduct of an inspection by the Monitoring Committee consisting of Officials from NABARD, participating banks and the In-charges of the NHB's Centres in the concerned State.

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.

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. No interest should be applied on this by the bank. 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. Suitable instructions to banks in this regard would be issued by RBI.

In case of NCD, 100% of the subsidy amount will be released on demand.

Projects where loan from Banks/FIs is involved without refinance Wherever State FIs/banks provide loan assistance without the refinance support at PLR+1% and within the overall guidelines of the Scheme, the subsidy would be released in the manner as 6 (A) above, as under:-

- Directly in case of FIs
- Through NABARD in case of banks

B. Projects where loan from NABARD/NCDC/FI/Banks is NOT involved

The possibility of 100% financing by the promoters may arise in the cases where cold storages/storages/pre-cooling units/CA/MA stores of only smaller sizes are established. Smaller sizes cold storages may be viable in case of storing high value produce or own farm produce. NHB may provide subsidy directly only in such small size cold storages. All such projects may be appraised by NCDC and monitored by NHB. After obtaining sanction of the project from the competent authority, sanction in principal would be issued to the entrepreneur.

The limit of small size capacity shall not be applicable in case of projects of Govt. Corporations, agricultural Produce Marketing Committees, Marketing Boards/Committees and Agro-Industries Corporations, etc.

- The project would be appraised / approved by the Internal Committee/Project Appraisal Committee/Managing Committee of NHB as the case may be.
- After approval, in principal, a letter of intent would be issued to the entrepreneur.
- Upon completion of the project, entrepreneur would submit expenditure statement together with relevant receipts/invoices/supporting documents,

duly certified by Chartered Accountant, and also a completion certificate from an approved architect/ engineer.

- Subsidy would be released directly to the account of promoters upon completion as per the projections made in the project report and conduct of spot-inspection by a Committee of NHB.

7. Monitoring

- NABARD would instruct its Regional Offices to ensure close monitoring of the flow of loan applications (receipt, processing, sanction, release of funds, etc.) under the scheme at State Level Bankers Committee (SLBC) and also at district level.
- NABARD would delegate powers to the Chief General Manager/General Manager/Incharges of Regional Offices of NABARD so as to facilitate expeditious sanction of proposals for refinance support under the captioned scheme.
- A Monitoring Committee consisting of officials from NABARD NCDC, participating banks/FI, as the case may be, and Incharge of NHB's Centres in the concerned State would thoroughly inspect the project-work within the overall scope of the operational guidelines of the above Scheme and would submit its report to NHB.
- For this purpose, the promoters/participating banks/FIs will initiate necessary action to get the inspection conducted on the project site by the Monitoring Committee at the time when the project is nearing completion, so as to avoid any delay in release/ adjustment of subsidy.

- On completion of the project, the participating bank/FI/promoter would submit a commissioning/completing certificate to NHB through NABARD/NCDC/FI/Bank, as the case may be.
- Thereafter, a utilization certificate is required to be submitted by the NABARD/NCDC/ Promoter/Bank/FI as the case may be, indicating clearly that the full amount of subsidy received by them has been fully utilized/adjusted in the books of account under the sanctioned terms and conditions of the project, within the overall guidelines of the Scheme.
- Other institutions like NCDC, Commercial /Cooperative Banks/FIs etc. would follow their own procedures for monitoring the projects financed by them under the above scheme.

8. The cold Storage Schemes of DFPI

The Cold Storages schemes of MFPI (now DFPI) would discontinue excepting for the schemes as under:-

- a) 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,
- b) Facilities under the scheme "Food Park",
- c) The controlled/modified atmospheric storage systems.

9. Other Conditions

- A signboard at the site "NHB Assisted Project" will also be exhibited.

- NHB reserves the right to modify, add, and deletes any term/ conditions without assigning any reason.
- NHB's interpretation of various terms will be final.
- NHB reserves the right to accept/reject any proposal without assigning any reason thereof.
- Any other pre & post inspection would be undertaken by NHB representative to find out the physical & financial progress as and when required.
- Other Operational instructions issued by NHB/NABARD/NCDC from time to time to the various banks and financial institutions etc. would be strictly followed.