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SUB :	Rural Lending - 45	CO: Rural Banking Department	FILE	M-2 S-201

New Loan Product – “IND Micro Food Processing Enterprises- (PMFME)- Individual” & “IND Micro Food Processing Enterprises- (PMFME)- Group””

The unorganized food processing sector in the country comprises nearly 25 lakh food processing enterprises which are unregistered and informal. With only 7% of investment in plant & machinery and 3% of outstanding credit, the unorganized enterprises contribute to 74% of employment (a third of which are women), 12% of output and 27% of the value addition in the food processing sector. Nearly 66% of these units are located in rural areas and about 80% of them are family-based enterprises. Most of these units falls under category of micro manufacturing units in term of their investment in plant & machinery and turnover.

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, despite having large number of units and providing large employment contributes much less in terms of value addition and output.

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.

Accordingly Ministry of Food Processing Industries has formulated “Scheme for Formalization of Micro food processing Enterprises (FME)”

Features of the Product, “IND Micro Food Processing Enterprises- (PMFME)- Individual” & “IND Micro Food Processing Enterprises- (PMFME)- Group”, Standard Operating procedures & FAQs will be communicated separately.

Field level functionaries are advised to utilize the product to support the eligible borrowers.

T. Dhanaraj
General Manager (RBD)

Annexure- I: Features of the Product

Annexure-II: Guidelines for the scheme, Prime Minister Formalization of Micro Food Processing Enterprises (PM FME) implemented by Ministry of Food Processing Industries (MoFPI)

Features of the Product**NEW PRODUCT – “IND Micro Food Processing Enterprises- (PMFME)- Individual” & “IND Micro Food Processing Enterprises- (PMFME)- Group”**

Sl. No	Particulars	Guidelines		
1.	Product Code		IND RBD PMFME-INDIV-MCLR	IND RBD PMFME-GROUP-MCLR
		IB Branches	5704-0024	5704-0025
		e- AB Branches	6033-3469	6033-3470
2.	Background & Scheme Guidelines	<p>The unorganized food processing sector in the country comprises nearly 25 lakh enterprises which are unregistered and informal. With only 7% of investment in plant & machinery and 3% of outstanding credit, the unorganized enterprises contribute to 74% of employment. Nearly 66% of these units are located in rural areas and about 80% of them are family-based enterprises.</p> <p>The unorganized food processing industry in India faces challenges that limit its development and weakens the performance. These challenges include:</p> <p>(a) Lack of productivity and innovation due to limited skills and access to modern technology and machinery for production and packaging;</p> <p>(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.;</p> <p>(d) Capital deficiency and low bank credit. Due to these challenges, the unorganized food processing sector, despite having large number of units and providing large employment contributes much less in terms of value addition and output.</p> <p>In the last decade, Central and State Governments have made intensive efforts to organize farmers in Food Processing Organisations (FPOs) and women’s Self Help Groups (SHGs). SHGs have considerable progress in thrift and their repayment record of 97%, NPA level is among the lowest. Governments have made efforts to enable SHGs to undertake various manufacturing and service sector activities including food processing. However, there are few Government schemes to support FPOs and SHGs to make investment and upscale their operations.</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> <p>Keeping in view the importance a separate product has been introduced.</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. New units, whether for individuals or groups would only be supported for ODOP products.
4.	Objective	<ul style="list-style-type: none"> i) Increased access to credit by existing micro food processing entrepreneurs, FPOs, Self Help Groups and Co-operatives; ii) Integration with organized supply chain by strengthening branding & marketing; iii) Increased access to common services like common processing facility, laboratories, storage, packaging, marketing and incubation services; iv) Strengthening of institutions, research and training in the food processing sector; and increased access for the enterprises, to professional and technical support.
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>Individual micro food processing units:</p> <ul style="list-style-type: none"> i) Existing micro food processing units, with investment not exceeding Rs.1 crore and turnover not exceeding Rs.5 crore; ii) The enterprise should be unincorporated and should employ less than 10 workers; iii) The enterprise should preferably be involved in the product identified in the ODOP of the district. Other micro enterprises can also be considered; iv) The applicant should have ownership right of the enterprise; v) Ownership status of enterprise could be proprietary / partnership firm; vi) The applicant should be above 18 years of age and should possess at least VIII standard pass educational qualification; vii) Only one person from one family would be eligible for obtaining financial assistance. The “family” for this purpose would include self, spouse and children; viii) Willingness to formalize and contribute 10% of project cost and obtain Bank loan; ix) 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; x) 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>Farmer Producer Organizations (FPOs) / Producer Cooperatives</p> <ul style="list-style-type: none"> i) It should be engaged in processing of ODOP produce. ii) They should have minimum turnover of Rs.1 crore; iii) The cost of the project proposed should not be larger than the present turnover. iv) The members should have sufficient knowledge and experience in dealing with the ODOP product for a minimum period of 3 years. v) 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.

		<p>Eligibility Criteria for Credit Linked Grant for Capital Investment for SHGs:</p> <p>i) The SHGs should have sufficient own funds for meeting 10% of the project cost and 20% margin money for working capital;</p> <p>ii) The SHG members should have for a minimum period of 3 years experience in processing of the ODOP product;</p> <p>iii) If the State Government is providing grant from the State schemes to SHGs to meet their share, there should be an order of sanction to that effect from the State Government in this regard.</p> <p>Support for common infrastructure:</p> <p>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.</p>
7.	Type of Facility proposed	Term Loan
8.	Quantum of finance	<p>Based on the Project Cost</p> <p>Individual Micro Enterprises</p> <p>Group (FPOs, Self Help Groups and Co-operatives): Based on the project cost. As per the scheme guidelines by MOFPI.</p>
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 Lakhs. • Credit linked capital 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>
10.	Margin Norms	Minimum 10%.
11.	Repayment Period	<p>Repayment for commercial activity is to be fixed based on life cycle of the project, on the cash flows, on ballooning basis, or as bullet payment or in EMI.</p> <p>Term Loans – Maximum repayment period allowed is 15 years.</p>
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	<p>Processing Charges :</p> <p>1. Upto Rs.25000/ : Nil</p> <p>2. above Rs.25000/-: 0.50% of the limit sanctioned + Applicable GST</p> <p>(All other charges: As per circular on service charges related to Agri advances issued from time to time)</p>
14.	Rating of account	RAM rating is mandatory for exposure above Rs.100.00 Lakh

FOOD AND AGRO PROCESSING (Limits up to Rs. 100.00 Crore per Borrower from the Banking system):

A. Accounts with exposure less than Rs. 1.00 Crore

Product Category	MCLR (One Year)	Spread	Interest
Limits up to Rs. 2 Lakh	7.40%	1.35%	8.75%
Limits above Rs. 2 Lakh & up to Rs. 10.00 Lakh	7.40%	2.00%	9.40%
Limits above Rs. 10 Lakh & less than Rs. 1.00 Crore	7.40%	2.40%	9.80%

B. Accounts with exposure of Rs. 1.00 Crore and above and up to Rs. 5.00 Crore

Combined Rating Grade	MCLR (One Year)	Spread	Interest
IB AAA	7.40%	2.00%	9.40%
IB AA+	7.40%	2.25%	9.65%
IB AA	7.40%	2.75%	10.15%
IB A	7.40%	3.25%	10.65%
IB BBB	7.40%	3.75%	11.15%
IB BB & below/ Unrated Accounts	7.40%	6.45%	13.85%

C. Accounts with exposure over Rs. 5.00 Crore

Combined Rating Grade	MCLR (One Year)	Spread	Interest
IB AAA	7.40%	1.50%	8.90%
IB AA+	7.40%	1.95%	9.35%
IB AA	7.40%	2.50%	9.90%
IB A	7.40%	3.00%	10.40%
IB BBB	7.40%	3.50%	10.90%
IB BB & below/ Unrated Accounts	7.40%	6.15%	13.55%

D. Accounts with CGTMSE coverage - exposure upto Rs. 2.00 Crore

Combined Rating Grade	MCLR (One Year)	Spread	Interest
IB AAA	7.40%	1.90%	9.30%
IB AA+	7.40%	2.15%	9.55%
IB AA	7.40%	2.40%	9.80%
IB A	7.40%	2.90%	10.30%
IB BBB	7.40%	3.40%	10.80%
IB BB & below/ Unrated Accounts	7.40%	4.00%	11.40%

15. Rate of Interest

		<p>IB Star Agro Mills Scheme (Rice Mills, Dhal Mills, Oil Mills and Flour Mills):</p> <table border="1"> <tr> <td>For limits less than Rs. 1.00 Crore</td> <td>MCLR (One Year)</td> <td>Spread</td> <td>Interest</td> </tr> <tr> <td></td> <td>7.40%</td> <td>1.60%</td> <td>9.00%</td> </tr> <tr> <td colspan="4">For Limits of Rs. 1.00 Crore and above</td> </tr> <tr> <td colspan="4">Combined Rating</td> </tr> <tr> <td>IB AAA</td> <td>7.40%</td> <td>1.30%</td> <td>8.70%</td> </tr> <tr> <td>IB AA+</td> <td>7.40%</td> <td>1.30%</td> <td>8.70%</td> </tr> <tr> <td>IB AA</td> <td>7.40%</td> <td>1.30%</td> <td>8.70%</td> </tr> <tr> <td>IB A</td> <td>7.40%</td> <td>1.60%</td> <td>9.00%</td> </tr> <tr> <td>IB BBB</td> <td>7.40%</td> <td>1.60%</td> <td>9.00%</td> </tr> <tr> <td>IB BB and below & Unrated Accounts</td> <td>7.40%</td> <td>5.95%</td> <td>13.35%</td> </tr> </table>	For limits less than Rs. 1.00 Crore	MCLR (One Year)	Spread	Interest		7.40%	1.60%	9.00%	For Limits of Rs. 1.00 Crore and above				Combined Rating				IB AAA	7.40%	1.30%	8.70%	IB AA+	7.40%	1.30%	8.70%	IB AA	7.40%	1.30%	8.70%	IB A	7.40%	1.60%	9.00%	IB BBB	7.40%	1.60%	9.00%	IB BB and below & Unrated Accounts	7.40%	5.95%	13.35%
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16.	Security Norms	<p>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.</p>																																								
17.	Documentation	As per Documentation manual																																								
18.	Other details	<ul style="list-style-type: none"> • Credit Information Company Score (CIBIL / CRIF Himark 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. Can be referred to respective ZLCC. • 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; Our MSMED Circular No.ADV – 163/2018-19 dated 04.03.2019 & ADV-159/2019-20 dated 12.02.2020. • Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) for collateral free loan up to Rs 2 crore & PM MUDRA Yojana for loan up to Rs.10 lakh to be covered as per the eligibility norms. SHGs for limits above Rs. 10.00 Lakhs and for limits upto Rs.20.00 lakhs to be covered under CGFMU. • 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. 																																								
