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Date: Wed 23 Sep 2020

(STRICTLY FOR INTERNAL CIRCULATION ONLY)

All Offices / Branches

Madam/ Dear Sir,

AGRI BUSINESS: PM FORMALIZATION OF MICRO FOOD PROCESSING ENTERPRISES (PM FME) SCHEME

FY 2020-21 TO FY 2024-25 : NEW PRODUCT

PRODUCT CODE : 6400-8001

PRODUCT DESCRIPTION : EB-TL-AGR PM FME-SCHEME

As a part of Prime Minister's AtmaNirbhar Bharat Abhiyan initiative and with a view to provide credit linked subsidy to upgrade existing food processing enterprises, and undertake new units, Ministry of Food Processing Industries (MoFPI) has launched a Centrally Sponsored Scheme " **PM Formalization of Micro Food Processing Enterprises (PMFME scheme)** ". The scheme envisages an outlay of Rs. 10,000 crore over a period of five years from 2020-21 to 2024-25.

2. The **objectives** of PM FME scheme are :-The objectives of scheme are to build capability of microenterprises to enable:

- 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; and
- f. Increased access for the enterprises, to professional and technical support.

3. The Programme Components of PM FME scheme are as follows:

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

- (I) Support to individual and groups of micro enterprises;
- (II) Branding and Marketing support;
- (III) Support for strengthening of institutions;
- (IV) Setting up robust project management framework.

4. Food Processing Enterprises being supported under the scheme would be eligible for benefits under the following schemes:-

- a. National Rural Livelihood Mission – providing seed capital, training, handholding support and interest subvention to SHGs;
- b. Start-up Village Entrepreneurship Programme (SVEP) –It is a Centrally Sponsored Scheme, a part of NRLM, provides capital and technical support to rural start-ups through training, handholding and support through Community Enterprises Fund (CEF) as a loan up to Rs.1 lakh for individual entrepreneur and Rs.5 lakh for group entrepreneurs at 12% interest;
- c. Interest Subvention Scheme for incremental credit to MSMEs 2018 – 2% interest subvention on outstanding balance;
- d. Credit Guarantee Trust Fund for Micro & Small Enterprises (CGTMSE) for collateral free loan up to Rs 2 crore;
- e. PM MUDRA Yojana for loan up to Rs.10 lakh;
- f. A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship (ASPIRE);
- g. Scheme for Fund for Regeneration of Rural Industry (SFURTI);
- h. Public Procurement Policy for MSEs;
- i. Benefits available under various other Schemes of MoFPI such as Backward & Forward Linkages, Agricultural Production Cluster, Cold Chain etc. would be used to provide support to clusters/groups.
- j. Support from PMKVY and NRLM for skill training for SHGs, if falling within the guidelines would be taken. For shorter duration on site trainings, support would be provided from NRLM and the PM FME scheme, tailor-made for such purposes.
- k. Loan to Food and Agro-processing up to an aggregate sanctioned limit of Rs.100 Cr per borrower is eligible to be categorized under **Priority Sector**.

5. The details of the scheme furnished are as under:

S.No	Particulars	Annexure
i	The PMFME Scheme guidelines	A
ii	Standard Operating Procedure (SOP)	B

Full details of the scheme guidelines can be accessed at <https://mofpi.nic.in/pmfme/>. Branches are advised to strictly follow the scheme guidelines.

6. Circles are advised to give wide publicity and put in a suitable mechanism to monitor the progress under this scheme to source the qualitative business proposals under investment credit and to enable diversification of Agri lending besides enhancing the yields.

7. Please be guided accordingly.

Yours faithfully,

(Barkat Ali)
Chief General Manager
(Business Development)

Rationale: Government of India, Central Sector Scheme, Ministry of Food Processing Industries. PM Formalization of Micro Food Processing Enterprises (PMFME)

Annexure-A

Details of the PM Formalization of Micro Food Processing Enterprises (PMFME scheme)

S.No	Parameter	Description
1	Name of the Scheme	PM Formalization of Micro Food Processing Enterprises (PMFME scheme)

2	Product code	Scheme Code: : 9177-PM Formalization Micro Food Proc Ent- PMFME Product Code : 6400-8001 Product Description : EB-TL-AGRPMFME-Scheme. Activity Code : AC15405-Mfg. of Semi Processed Food Items, AC15410- Mfg. of other Food Products.
3	Validity Scheme of	FY 2020-21 to FY 2024-25
4	Objectives	<p>The objectives of scheme are to build capability of microenterprises to enable:</p> <ul style="list-style-type: none"> g. Increased access to credit by existing micro food processing entrepreneurs, FPOs, Self Help Groups and Co-operatives; h. Integration with organized supply chain by strengthening branding & marketing; i. Support for transition of existing 2,00,000 enterprises into formal framework; j. Increased access to common services like common processing facility, laboratories, storage, packaging, marketing and incubation services; k. Strengthening of institutions, research and training in the food processing sector; and l. Increased access for the enterprises, to professional and technical support.
5	Eligible Entities	<ul style="list-style-type: none"> • Individual Micro Food Processing enterprises • Group category : FPOs / SHGs/Producer Cooperatives.
6	Applications and project cost	<ul style="list-style-type: none"> • It should be ensured by the SNA (State Nodal Agency) that the applications are forwarded to the banks on a regular basis rather than forwarding a bunch of them together on a monthly or quarterly basis. • The proposals should be forwarded to the bank branches along with basic KYC of the applicant. To minimize the processing time, applications should be forwarded to the banks along with all the requisite documents required for loan applications such as lease/ownership documents of land for setting up the

		unit/machinery, registration and necessary Government clearances, etc. Applications should carry complete project details and the DPR should be commensurate with the economic viability of the locality. Project cost should be a realistic figure based on a reasonable assessment of the economic viability of the project.
7	Purpose	Support to individual and groups of micro enterprises.
8	One District One Product	<ul style="list-style-type: none"> • 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 framework 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. • 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. For example, honey, minor forest products in tribal areas, traditional Indian herbal edible items like turmeric, amla, haldi, etc. Support for agricultural produce would be for their processing along with efforts to reduce wastage, proper assaying and storage and marketing. • With respect to support to existing individual micro units for capital investment, preference would be given to those producing ODOP products. However, existing units producing other products would also be supported. In case

		<p>of capital investment by groups, predominately those involved in ODOP products would be supported.</p> <ul style="list-style-type: none"> • 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. • New units, whether for individuals or groups would only be supported for ODOP products. • 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. • 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.
9	Programme components	<p>The programme has four broad components addressing the needs of the sector:</p> <ul style="list-style-type: none"> • Support to individual and groups of micro enterprises; • Branding and Marketing support; • Support for strengthening of institutions • Setting up robust project management framework.
10	Eligibility	<p>1.INDIVIDUAL CATEGORY:</p> <p>Individual micro food processing units would be extended credit linked capital subsidy @35%of the eligible project cost for expansion /technology upgradation with a maximum ceiling of Rs 10 lakh per unit. The beneficiary contribution should be minimum 10% of the project cost and the balance being loan from Bank.</p>

		<p>a. Eligibility criteria:</p> <ul style="list-style-type: none"> • Existing micro food processing units in operations. • Existing units should be those identified in the SLUP for ODOP products or by the Resource Persons on physical verification. In case of units using electricity power, electricity bill would support it being in operation. For other units , existing operations, inventory, machines and sales would form the basis. • The enterprise should be unincorporated and should employ less than 10 workers. • The enterprise should preferably be involved in the product identified in the ODOP of the district , other micro enterprises could also be considered. • The applicant should have ownership right of the enterprise. • Ownership status of enterprise could be proprietary / partnership firm. • Applicant should be above 18 years of age and should possess at least VIII standard pass educational qualifications. • Only one person from one family is eligible for obtaining financial assistance. The “ family” for this purpose would include self, spouse and children. • Willingness to formalize and contribute 10% of project cost and obtain Bank loan; • 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. <p>b. Selection Process for Individual Micro Units</p>
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		<ul style="list-style-type: none"> • 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. • 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. • 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. • Due diligence to be carried out by the RP for each Unit should have the following details: i) Annual Turnover of the enterprise; ii) Track Record of payments by the enterprise; iii) Existing infrastructure; iv) Backward and Forward Linkages; v) Proximity to clusters; vi) Marketing linkages of the enterprise. • For the cases recommended by the District Level Committee/SNA, RPs should help them in preparation of DPR for availing bank loan for upgradation of the Unit. The DPR along with necessary documents should be submitted to the Banks for sanction of loan. • 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. • 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.
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		<p>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.</p> <p>ii. GROUP CATEGORY:</p> <p>The Scheme would support clusters and groups such as FPOs/SHGs/ producer cooperatives along their entire value chain for sorting, grading, assaying, storage, common processing, packaging, marketing, processing of Agri-produce, and testing laboratories.</p> <p>Farmer Producer Organizations (FPOs)/Producer Cooperatives</p> <p>FPOs and Producer Cooperatives would be provided the following support:</p> <ul style="list-style-type: none"> • Grant @35% with credit linkage; • Training support; • Maximum limit of grant in such cases would be as prescribed. <p>Eligibility Criteria for Co-operatives/FPOs:</p> <ul style="list-style-type: none"> • It should preferably be engaged in processing of ODOP produce; • It 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 product for a minimum period of 3 years. • 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; <p>Self Help Groups (SHGs)</p> <p>A number of SHGs are undertaking food processing activities. The Scheme proposes to provide following support to SHGs:-</p>
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		<p>Seed capital:</p> <ul style="list-style-type: none"> • Seed capital @ Rs40,000/- per member of SHG for working capital and purchase of small tools would be provided under the scheme; • Priority would be given for SHGs involved in ODOP produce in giving seed capital; • 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; • This would be given as grant to the SHG federation by SNA/ SRLM. SHG federation would provide this amount as a loan to the members of SHGs to be repaid to the SHG. <p>Support to individual SHG member as a single unit of food processing industry with credit linked grant @35% with maximum amount being Rs 10 lakh.</p> <p>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.</p> <p>Training & Handholding Support to SHGs: For support to SHGs, a large number of trained resource persons are available with State Rural Livelihood Missions (SRLMs). These local resource persons of SRLM having expertise in agro-produce would be utilized for training, upgradation of units, DPR preparation, handholding support, etc.</p> <p>Eligibility Criteria for Seed Capital for SHGs:</p> <p>Only SHG members that are presently engaged in food processing would be eligible;</p> <p>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;</p> <p>Before providing the seed capital, SHG Federation should</p>
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collect the following basic details for each of the members:
a) Details of the product being processed; b) Other activities undertaken; c) Annual turnover; d) Source of raw materials and marketing of produce.

Eligibility Criteria for Credit Linked Grant for Capital Investment for SHGs:

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;

The SHG members should have for a minimum period of **3 years' experience** in processing of the ODOP product.

lii .SUPPORT TO COMMON INFRASTRUCTURE:

Support for common infrastructure would be provided to FPOs, SHGs, cooperatives, any Government agency or private enterprises. 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. 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. Credit linked grant would be available @ 35%. Maximum limit of grant in such cases would be as prescribed.

Types of Common infrastructure to be funded under the scheme:

The following common infrastructure would be funded under the Scheme:

- Premises for assaying of agriculture produce, sorting, grading, warehouse and cold storage at the farm-gate;
- Common processing facility for processing of ODOP produce;

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.

Procedure for groups to send proposals for Common Infrastructure and capital investment by FPOs/SHGs/Cooperatives:

The following procedure should be followed for seeking funding for common infrastructure and capital investment by FPOs/SHGs/Cooperatives under the Scheme:

- A DPR for seeking assistance under the Scheme for capital investment and common infrastructure should be prepared, based on the format as prescribed;
- The DPR should have necessary details of the proposal, detailed project cost, proposed manpower, turnover, marketing channel, sources of raw material, estimated profit & loss account, cash flow statement, etc.;
- The DPR should be sent to State Nodal Agency (SNA). After approval of the proposal by SLAC, SNA should recommend the proposal to MoFPI. Any proposal for assistance to a group for grant above Rs.10 lakh should be sent to MOFPI for approval.
- After approval of the proposal by MoFPI, the proposal should be forwarded to the financial institution for sanction of loan;
- The DPR may also contain proposal for training support to the group members based on the training hours & modules, as prescribed and the cost norms of Ministry of Skill Development and Entrepreneurship. Component of training and capacity building would be fully funded under the Scheme;
- Assistance of Rs. 50,000/- per case would be provided to FPOs/SHGs/ Cooperatives for preparation of DPR;

		<ul style="list-style-type: none"> Disbursement of grant should take place to the bank account of the applicant organization after sanction of loan by the bank.
11	Type of facility	Term Loan.
12	Quantum of loan	As per the scheme guidelines, there is no minimum and maximum ceilings under the project cost and loan limits.
13	Margin	<p>Individual Micro enterprises:</p> <p>The beneficiary contribution should be minimum 10 % of the project cost.</p> <p>FPO / Producer Cooperative:</p> <p>Cooperative /FPO should have sufficient internal resources to meet 10% of the project cost and margin money for working capital.</p> <p>SHGs:</p> <p>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 State Government.</p>
14	Sanctioning Authority	As per the Scheme of Delegation of Financial Powers.
15	Interest rate	<p>Tiered Interest Rate Structure :</p> <p>For Eligible MSME Entities:</p> <ul style="list-style-type: none"> Loan up to Rs. 2 Cr: EBLR (External Benchmark based Lending Rate) +200 bps for all eligible project costs falling within MSME defined ceiling. No discretion is given to circle functionaries for interest concession for the loan limit up to Rs.2.00 Cr. Loan above Rs. 2 Cr: CRA based Pricing. Please refer to e-Circular No.865 / 2019-20 dated 30.09.2019 for FOOD PROCESSING AND AGRO BASED UNITS (Priority Sector

		<p>Discretion for further concessions in interest rates be guided vide e-circular S.No 454/ 2018-19 dated 18.07.2018 to empower the Business Verticals (BVs) & Circle functionaries to negotiate with borrower to counter competition on case to case basis.</p> <p>For Other Categories : FPOs / SHGs / Producer Cooperatives: Card rate.</p> <ul style="list-style-type: none"> • Loan up to Rs. 50 lakh: Card rate (EBLR +360 bps, at present) Please refer to e-Circular No.865 / 2019-20 dated 30.09.2019. • Loan above Rs.50 lakh: CRA based pricing. Please refer to e-Circular No.865 / 2019-20 dated 30.09.2019 for FOOD PROCESSING AND AGRO BASED UNITS (Priority Sector
16	Subsidy / Grant	<ul style="list-style-type: none"> • Individual Micro Enterprises: Credit linked Capital Subsidy @35% of the eligible project cost with a maximum ceiling of 10.0 lakh per unit.. • FPOs/SHGs/Cooperatives : Credit linked grant @35% of eligible project cost to FPOs / SHGs/ Cooperatives for upgradation of their operations. • Common Infrastructure Development : Credit linked grant @35 % for common infrastructure development by groups, Government agencies or private entities <p>Nodal Bank: MoFPI would select a Nodal Bank for facilitation and ensuring smooth flow of subsidies from the Banks to the micro enterprises.</p> <p>The functions of the Nodal bank would include the following:</p> <ul style="list-style-type: none"> • Monitoring and Liaising with Banks for target driven approvals of applications and timely disbursement of subsidies to individual micro enterprises and groups; • Transfer of subsidy from the central and state governments to the bank accounts of beneficiary in the lending bank branch

		<p>The bank sanctioning the loan would open a mirror account in the name of the beneficiary. The lending bank would report the fact of sanction of loan to the Nodal Bank at the national level. After receipt of this information, Central and State Government should respectively transfer 60% and 40% of its share of grant to the Nodal Bank. The Nodal Bank would transfer 60% of the Central share of the grant and 40% of the State share of the grant together to the concerned lending Bank branch. That Bank branch should place this amount in the mirror-bank account of the beneficiary. The lending bank should disburse sanction loan amount in accordance with normal banking practice to the beneficiary/supplier.</p> <p>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. 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. 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.</p>
17	Interest Subvention	<p>For MSME Entities :</p> <p>Interest subvention of 2% under the Interest Subvention Scheme for incremental credit to MSMEs 2018 would also be available to the borrowers on the outstanding balance.</p> <p>For SHGs:</p> <p>Interest subvention as applicable to SHGs under NRLM (National Rural Livelihood Mission)</p>
18	Credit linkage	<p>For MSME Entities:</p> <p>Benefit of credit guarantee coverage for loans offered under this Scheme should be provided to the borrower</p>

		<p>under the Credit Guarantee Trust for Micro & Small Enterprises through the National Credit Guarantee Trustee Company under their usual terms & conditions.</p> <p>For Loan sanctioned under PM Mudra Yojana up to Rs. 10 Lakh:</p> <p>Benefit of credit guarantee coverage for loans offered under this Scheme should be provided to the borrower under the Credit Guarantee Fund for Micro Units (CGFMU).</p>
19	Convergence Framework	<p>Food Processing Enterprises being supported under the Scheme would be eligible for benefits under the following Government Schemes:</p> <ul style="list-style-type: none"> • National Rural Livelihood Mission – providing seed capital, training, handholding support and interest subvention to SHGs; • Start-up Village Entrepreneurship Programme (SVEP) –It is a Centrally Sponsored Scheme, a part of NRLM, provides capital and technical support to rural start-ups through training, handholding and support through Community Enterprises Fund (CEF) as a loan up to Rs.1 lakh for individual entrepreneur and Rs.5 lakh for group entrepreneurs at 12% interest; • Interest Subvention Scheme for incremental credit to MSMEs 2018 – 2% interest subvention on outstanding balance; • Credit Guarantee Trust Fund for Micro & Small Enterprises (CGTMSE) for collateral free loan up to Rs 2 crore; • PM MUDRA Yojana for loan up to Rs.10 lakh; • A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship (ASPIRE); • Scheme for Fund for Regeneration of Rural Industry (SFURTI); • Public Procurement Policy for MSEs;

		<ul style="list-style-type: none"> • Benefits available under various other Schemes of MoFPI such as Backward & Forward Linkages, Agricultural Production Cluster, Cold Chain etc. would be used to provide support to clusters/groups. • Support from PMKVY and NRLM for skill training for SHGs, if falling within the guidelines would be taken. For shorter duration on site trainings, support would be provided from NRLM and the PM FME scheme, tailor-made for such purposes.
20	Security	<p>Primary :</p> <ol style="list-style-type: none"> a. Hypothecation of plant, machinery and stocks, etc. b. Mortgage of land. <p>Collateral:</p> <p>Mortgage of immovable property (compliant under SARFAESI Act) belonging to the unit (promoter / partner /director) or their near relatives, near relatives will cover Father, Mother, Spouse, Son , Daughter, real Brother & real Sister.</p> <p>Further, security which will be provided as collateral should not be linked with other loan / liabilities.</p> <p>Property mortgaged needs to be within a radius of 25 KM from the branch, wherein account is maintained (Sanctioning Authority may decide going beyond 25 KM on case to case basis.</p> <p>CERSAI verification shall also be made on the collateral securities.</p> <ol style="list-style-type: none"> a. For MSME defined ceiling units : <ul style="list-style-type: none"> • For loan up to Rs. 2 Cr : No collateral • Loan above Rs. 2 Cr : Security norms linked to CRA of the entity as per Circular 1577/2018-19 dated 21.02.2019.

		<p>b. Other categories :</p> <p>(i) For loans under PM MUDRA Yojana:</p> <ul style="list-style-type: none"> For loan up to Rs. 10 lakh :No collateral <p>(ii) For SHGs under NRLM :</p> <ul style="list-style-type: none"> For loan up to Rs 10 Lakh: No collateral. <p>(iii) For Producer Cooperatives :</p> <ul style="list-style-type: none"> For loan up to Rs.1.0 Cr : Minimum collateral :50% of credit exposure as per circular 1577/2018-19 dated 21.02.2019. <p>(iv) Loans above Rs. 1 Cr: Security norms linked to CRA of the entity as per Circular 1577/2018-19 dated 21.02.2019.</p> <table border="1"> <thead> <tr> <th>CRA</th> <th>Minimum Collateral Security (percentage of aggregate exposure).</th> </tr> </thead> <tbody> <tr> <td>a.SB-7 and better</td> <td>25%</td> </tr> <tr> <td>b.SB-8 ,9</td> <td>50%</td> </tr> <tr> <td>c.SB-10 or worse</td> <td>100%</td> </tr> </tbody> </table>	CRA	Minimum Collateral Security (percentage of aggregate exposure).	a.SB-7 and better	25%	b.SB-8 ,9	50%	c.SB-10 or worse	100%
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21	Valuation of property	Valuation of property to be carried out as per the Bank's extant instructions. Fresh valuation of property to be carried out every 3 years and any shortfall has to be topped up.								
22	Third party Guarantee	Personal Guarantee from the promoters / Partners /Directors of the unit. Personal Guarantee of the owner of the collateral security offered for mortgage.								
23	Assessment of the credit limits	The need based assessment for the requirement of credit limits has to be done. Assessment of fund based limits is as per the Bank's extant instructions.. CMC of Circle is authorized to identify designated RACCs/SMECCs/RASMECs for processing loan proposals.								

		<p>a. For Term loan up to Rs. 50 lakh: with Scoring Model.</p> <p>b. For Term Loan above Rs.50 lakhs: with CRA Model.</p> <p>Internal Credit Rating- Credit Risk Assessment (CRA) for assessing the credit risk of borrower for term loan facility. Each CRA Model has specified Ratio Band for each Financial Parameter for assigning Score. The Ratio Band at which the highest Score are awarded shall be considered as Desirable level (Page 34 Point No. 5.3 para 1 of Bank's Loan Policy 2020) Based on the CRA score, risk rating (SB-1 to SB-15) is awarded to the entity. Hurdle rate SB-10 has been prescribed under internal risk rating models for considering new connections. The SB-16 rating is assigned to NPA accounts by default.</p>																				
24	Documents	<p>Original Title Deeds, House / Property tax payment receipts. Title Investigation Report (TIR) as per Bank's extant instructions. However, TIR should be obtained from two different panel advocates in case of loan is above Rs 25 lakhs.</p> <p>It is , reiterated that the mortgager should have absolute, clear and marketable title as on the date of mortgage,</p> <p>Please refer to Circular SI.No.154 /2005-06 dated 23.07.2015 on SME Segment Simplification of Documentation.</p> <table border="1" data-bbox="544 1346 1334 2018"> <thead> <tr> <th colspan="2">Documents</th> </tr> </thead> <tbody> <tr> <td>SME-1</td> <td>Letter of arrangement</td> </tr> <tr> <td>SME-2</td> <td>Agreement of loan cum Hypothecation</td> </tr> <tr> <td>SME-2A</td> <td>Letter furnishing the particulars of assets acquired after the execution of SME-2</td> </tr> <tr> <td>SME 3</td> <td>Guarantee Agreement</td> </tr> <tr> <td>SME-4</td> <td>Supplementary Agreement of loan- cum -hypothecation.</td> </tr> <tr> <td>SME-5</td> <td>Memorandum of recording creation of mortgage by deposit of title deeds in case of equitable mortgage.</td> </tr> <tr> <td>SME-6</td> <td>Letter of confirmation for creating of mortgage by deposit of title deeds.</td> </tr> <tr> <td>SME-7</td> <td>Memorandum for recording extension of mortgage by deposit of title deeds.</td> </tr> <tr> <td>SME-8</td> <td>Letter of confirmation for extension of mortgage by deposit of title deeds.</td> </tr> </tbody> </table>	Documents		SME-1	Letter of arrangement	SME-2	Agreement of loan cum Hypothecation	SME-2A	Letter furnishing the particulars of assets acquired after the execution of SME-2	SME 3	Guarantee Agreement	SME-4	Supplementary Agreement of loan- cum -hypothecation.	SME-5	Memorandum of recording creation of mortgage by deposit of title deeds in case of equitable mortgage.	SME-6	Letter of confirmation for creating of mortgage by deposit of title deeds.	SME-7	Memorandum for recording extension of mortgage by deposit of title deeds.	SME-8	Letter of confirmation for extension of mortgage by deposit of title deeds.
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SME-6	Letter of confirmation for creating of mortgage by deposit of title deeds.																					
SME-7	Memorandum for recording extension of mortgage by deposit of title deeds.																					
SME-8	Letter of confirmation for extension of mortgage by deposit of title deeds.																					

		SME-9	Deed of Mortgage.
25	Manner of disbursements		Disbursements should be in stages. Disbursement towards civil works will be made on production of certified statements of expenditure duly countersigned by the borrower(s) / personal inspection by the Bank Officials. Disbursements towards purchase of machinery will be made on receipt of machinery and installation thereof in the unit's location.
26	Repayment		Maximum re-payment period should not exceed 10 years from the date of first disbursement inclusive of maximum moratorium of 6-24 months.
27	Moratorium		The moratorium will vary from project to project. The moratorium ranges from Six months to 24 months based on the nature of project.
28	End use of funds		End use of funds to be ensured immediately upon disbursement of loan, through inspection / verification of purchase bills, etc. The project would be considered completed when the following two documents are submitted by the entities to the Bank: a) Completion certificate signed by an approved engineer/ registered architect. b) Certificate signed by a Chartered Accountant.
29	Insurance Cover		Ensure comprehensive insurance policy against all risks. The policy should be taken in the name of the borrower with Bank's name duly noted in Bank's clause of the policy. Insurance premium is borne by the Borrower.
30	Processing charges Equitable mortgage Charges inspection charges. Penal interest charges.	and	Please refer to e-circular S.No 1599/2018-19 dated 27.02.2019 issued by CPPD, for detailed information on processing charges, equitable mortgage charges and inspection charges. These charges are subject to revision by bank from to time. As per RBI guidelines, Processing charges and inspection charges should not be recovered for loans to SHG up to Rs.25,000 per member. Accordingly, no inspection charges to be recovered for loan up to Rs. 5.00 lakh from SHG. Penal interest @2 percent per annum for the

		defaulted portion for the period of default.
31	Inspection	Inspection of the unit /activity is stipulated at monthly intervals during implementation of project / unit / activity thereafter half yearly intervals.
32	Monitoring Follow up & Exist policy	In case of non-repayment of instalments, the borrower to be contacted immediately. Though structured inspection is stipulated at half-yearly intervals, inspection to be done immediately if there is no credit in a calendar month If the irregularity persists, the matter should be reported to controllers of the branch and corrective action be initiated.
33	IRAC Norms	IRAC norms applicable to term loans will be applicable. 90 days norms.
34	National Project Management Unit (NPMU) MoFPI	There would be a PMU housed at the National level comprising professionals engaged on contract basis. The PMU would provide all support to the Programme Division of MoFPI for carrying all the functions listed below: a. Approval of the following: <ul style="list-style-type: none"> • Guidance for the carrying out capacity building & research activities under the Scheme. • Proposals of Capacity Building activities of MoFPI, State and District agencies for further financial approvals from PEC/IMEC • Calendars and syllabus for training being given by National and State Agencies for enterprises and groups • Curriculum for handholding support modules for FUPs and DPRs for the enterprises. b. Review of the following: <ul style="list-style-type: none"> • Trainings being provided as per approved

		<p>training calendars by National, State agencies and District Resource persons.</p> <p>The specific functions of the NPMU will include the following:</p> <ul style="list-style-type: none"> • Prepare necessary templates, closely coordinate with, mentor and monitor State PMUs and SNAs, for timely completion of studies and PIPs; • Capacity building activities of MoFPI, State and District Agencies and placing the proposals for due approvals of the training committee and PEC; 21 • Development of the National Portal and MIS and ensuring timely flow of information in the Portal; iv) Trainings being provided as per approved training calendars by National, State agencies and District Resource persons for further review by Training Committee; • Strengthening of National and State Level Technical Institutions; • Timely disbursement of subsidies to enterprises through the National Portal; • Appraisal of DPRs submitted by the States and other agencies to MOFPI for approval; • Timely provision of seed capital support to groups; ix) Timely submissions of Branding and Marketing plans from SNA; • Timely setting up of the SPMUs and District Resource Persons.
35	State Level Approval Committee of MoFPI	<p>State Level Structures</p> <p>At the State level, a State Level Approval Committee would oversee the implementation of the scheme and the scheme would be operated by a nominated State Nodal Agency, supported by a State PMU. The details are given below.</p>

State level Approval Committee:

The State Level Approval Committee would be chaired by the Chief Secretary or his nominee and would have the following composition:

SLAC Composition

- Chief Secretary : **Chairperson**
- Finance Secretary: **Member**
- ACS/Pr Secretary/Secretaries of Food Processing, Agriculture, Industries, MSME, Fisheries, Animal Husbandry, Skill Development :Members
- Mission Director, SRLM **Member**
- Representative of State Level Technical Institution **Member**
- **Institutions** – Representatives from key State Technical Institutions. **Members**
- Representatives of NABARD, NSDC, SLBC, NCDC **Member**
- Experts in Banking/Finance and Marketing/Branding as nominated by the State Government **Member**
- State Nodal Officer **Member Secretary**

The State Government may nominate any other member to SLAC or DLC.

The State Level Approval Committee would be responsible for approval of the following:

- Surveys/Studies
- PIP submitted by SNA;
- Capacity building activities of State and District officials;
- Training and skill development calendars for State level agencies, enterprises;
- Strengthening of State institutions;
- Subsidy proposals for groups for recommending to MOFPI;
- Proposals for provision of Common Facilities,

- groups and marketing & branding;
- Seed Capital to groups;
- The SLAC will have power to sanction project expenditure up to Rs. 10 lakh on various activities included in the PIP;

Apart from the above approvals, the SLAC would also undertake the following activities

- Set monthly targets for the scheme in line with the overall scheme targets.
- Monitor the progress of the scheme through the portal.
- Ensure synergy with other relevant organizations.
- Ensure inspection of Units/ CFC funded under the scheme.

State Nodal Department: Each State Government should appoint a Nodal Department at the Governmental level and a State Nodal Officer to oversee the implementation of the Scheme. The selection of the Nodal Department should be undertaken keeping in view the relative strength and experience of various departments in the State involved in the food processing sector at micro & cluster levels. The State Nodal Officer should be of the rank Secretary or Director/HOD. The potential nodal departments could be Agriculture or Horticulture Department, Food Processing Department, Industries Department, MSME Department or Rural Development Department

State Nodal Agency: Each State should appoint a State Nodal Agency. The State Nodal Agency (SNA) could be a Directorate or a Mission or an entity of the State Government. The SNA would be the operational agency at the State level for implementing the Scheme. Role and Responsibilities of the SNA shall include:

		<ul style="list-style-type: none"> • Conducting various studies; • Getting PIP prepared; • Monitoring the training and capacity building activities undertaken by State Level Technical Institute and District Resource Persons. • Carrying out strengthening of State Level Technical Institution; • Ensuring timely submission of Subsidy proposals by District Committees; • Ensuring timely submission of plans for provision of Common Facilities; • Ensuring timely submission of Seed Capital proposals of groups; • Developing Branding and Marketing proposals; • Monitoring the handholding support being given by District Resource Persons to enterprises for DPRs; x) Setting up of SPMU; • Monitoring and approvals for hiring of District Resource Persons; • Furnishing Utilization Certificates (UCs) and regular Progress Reports to MoFPI in the prescribed formats; • IEC; • Sharing of best practices.
36	State Project Management Unit of MoFPI.	<p>State Project Management Unit (SPMU): The State Nodal Agency (SNA) should appoint a State Project Management Unit (SPMU). The SPMU could be appointed by recruiting the staff on contract basis or on deputation or own staff of SNA. The SPMU staff should be engaged on full-time basis for the work of the Scheme. SNA may decide to appoint a private agency also as a SPMU through competitive bidding process</p> <p>SNA would be provided 2% of the Scheme expenses as administrative expenses. The expenses of the SPMU would be borne by the SNA from 2% for administrative cost allowed under the Scheme. Details of staff of SPMU along with qualification would be as prescribed.</p> <p>SPMU would have the key responsibility of supporting</p>

		the SNA in all the functions
37	District Structure MoFPI Level of	<p>District Level Committee: At the district level, a District Level Committee (DLC) would be constituted under the Chairmanship of District Collector. The Committee would have representation from panchayats, banks, subject experts, academia, community institutions, FPOs/SHGs, etc. The District Collector may co-opt any other person as a member of DLC. The composition of the District Level Committee would be :</p> <p>Composition of DLC</p> <ul style="list-style-type: none"> • District Collector Chairperson • GM, DIC, District Agriculture Officer, District Horticulture Officer Member • Sarpanch of one GP Member • One Block Development Officer Member • District Lead Bank Manager Member • SHG/FPO representatives Members • Representative of NABARD Member • District representative of SRLM Member • Any other persons nominated by Collector Member. <p>The DLC would be responsible for the following:</p> <ul style="list-style-type: none"> • Approvals of applications for loan and subsidy to individual micro enterprises; • Recommend applications for common infrastructures & groups to SNA; • Monitor handholding support being rendered to micro enterprises by District Resource Persons; • Monitor the progress of the Scheme through the portal and through effective dashboard monitoring; • Ensure synergy with all relevant Institutions. <p>Resource Persons:</p> <p>At the district/regional level, Resources Persons (RP) should be appointed by SNA for providing handholding</p>

		<p>support to the beneficiaries.</p> <p>RPs should have the following qualifications:</p> <ul style="list-style-type: none"> • Diploma/degree in Food Technology/ Food Engineering from reputed National/ International University/Institute • 3-5 years' experience in providing consultancy services to food processing industries for technology upgradation, new product development, quality assurance, food safety management; • If persons qualified in food technology are not available, persons with experience in food processing industry, banking, DPR preparation and training may be engaged. <p>Handholding support should be provided by the Resource Persons to individual units and groups for preparation of DPR, taking bank loan, support for obtaining necessary registration and licences including food standards of FSSAI, Udyog Aadhar, GST etc.</p> <p>Payment to the Resource Persons would be made on the basis of each beneficiary supported by them after sanction of loan to them by the bank. Payment to each Resources Person would be @ Rs.20,000/- per bank loan sanctioned. 50% of the payment would be made after sanction of bank loan and remaining 50% after the Units takes GST &Udyog Aadhar registration, takes standard compliance of FSSAI. Implement the project and is given training.</p> <p>State Nodal Department should decide on the flow& approval process of applications and support under the Scheme. They should decide the respective roles of DLC, SNA & State Level Technical Institutions for the following:-</p> <ul style="list-style-type: none"> • Approval level for shortlisting of individual application; • Flow of application of groups & common
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		<p>infrastructure within the state level;</p> <ul style="list-style-type: none"> • Training & capacity building activities and decision making between DLC, SNA & State Level Technical Institutions; • This decision on the flow of applications & process for support within the state would apply irrespective of the roles of the agencies specified in the guidelines. <p>Partner Institutions for Convergence</p> <p>The scheme lays special focus on SC/ST, women and aspirational districts and FPOs, SHGs and producer cooperatives. The following organizations have been working in these areas:</p> <ul style="list-style-type: none"> • TRIFED; The Tribal Cooperative Marketing Development Federation of India • National SC Development Finance Corporation; • National Cooperative Development Cooperation; • Small Farmer Agri-Business Consortium; • National Rural Livelihood Mission under M/o Rural Development. <p>The above institutions may converge their activities by facilitating identification of units / clusters of STs, SCs, cooperatives, FPOs and SHGs respectively. They should support preparation of DPRs and proposals for funding and development of such institutions under the Scheme and feed such proposals to the State PIPs. They should also provide handholding support to such supported units and work with the States in this endeavor. Each of the Partner Institutions would be member of the PEC</p>
38	Disbursement of funds of MoFPI	<p>The scheme is a centrally sponsored scheme with the following sharing of resources between the Centre and the States:</p> <ul style="list-style-type: none"> • Centre-State share at 60:40; • 90:10 sharing between center and Himalayan and North Eastern States;

		<ul style="list-style-type: none"> • UTs with legislature sharing would be 60:40 between the Centre and the States; • UTs without legislature 100% funds would be provided by the Central Government. <p>The following components would be met 100% by the Central Government:</p> <ul style="list-style-type: none"> • Capacity buildings & training; • Administrative cost of national PMU for MoFPI; • Training support in terms of audio-visual, development of print material, development of modules etc. at the national level; • MIS; • Development of technologies, products, etc; • Support to national level partner institutions; • Promotional activities at the national level; • Any other expenditure made directly by Govt. of India would be borne 100% by MOFPI. <p>Expenditure in the first year, whether incurred by the Centre or the States would be borne 100% by the Govt. of India. This is being done because the Scheme is launched after the State budgets have been approved. Therefore, the States may be able to provide funding only after Supplementary Budgets are approved. The expenditure made in the first year would be adjusted in 60:40 ratio in the funds being transferred to the States equally in the next four years.</p> <p>The funds would be provided to the States based on the approved PIP in two installments in a year after Utilization Certificate (UC) for the installments other than the immediate previous release, have been given. There would be no such requirement of UC for the</p>
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		<p>funds transferred in the year 2020-21.</p> <p>To meet administrative expenditure for PMUs, studies & training, grant of would be provided to the States in the second/third quarter of 2020-21. Subsequently, after the approval of PIP, funds would be provided for the full year 2020-21 to the States in a single installment</p> <p>Allocation for Scheduled Caste (SC)/ Scheduled Tribe (ST)/ North Eastern Region (NER)</p> <p>Specific allocations for SC/ST and NER would be made in the budget allocations under the Scheme. These funds would be allocated to the States based on population of SC/ST in the States. Such SC/ST allocations could only be utilized for giving benefits under the Scheme to the units owned by SC/ST persons respectively. In case of Groups, such funds could be utilized only if more than 50% of the members of such groups belong to SC/ST community. In case of North Eastern States, allocations would be made under the Scheme to comply with the norms of using such funds in such States..</p>
39	MIS (GoI)	<p>The Scheme would to be monitored and the entire flow of data and approval of proposals, etc. would take place on an online system:</p> <ul style="list-style-type: none"> • An MIS would be developed by MoFPI for this purpose. The following information flow/approvals would take place on MIS: • Proposals for PIP sent by the States and their approval including any changes by MoFPI; • Proposal of PIP by national level training institutions of their approval including any changes; • Application for loans submitted by individual micro food processing enterprises; • Uploading of DPRs and details of handholding support provided;

		<ul style="list-style-type: none"> • Details of training support provided to individual Units; • Forwarding of loan proposals to the banks; • Uploading of details of sanction of loan by the banks; • Any payment made to any person or agency including groups and maintenance of accounts; • Any support provided in terms of training, hand holding to groups and individuals; • A ledger should be there for each individual and group selected under the Scheme. • This ledger should provide details of all the support to the individual and group, details their economic activities, disbursement of loans etc; • All payments made by SNA/ MoFPI under the Scheme to any entity should be entered into MIS. All activities undertaken under the Scheme should be entered into the MIS; • MIS would be developed by MoFPI. All expenditure for development, maintenance and monitoring would be met by MoFPI under the Scheme.
40	PSL categorization	<p>The disbursements under the scheme are eligible to be categorized under PSL up to aggregate sanctioned limit of Rs.100 Cr per borrower (RBI notification dated 04.09.2020 , Chapter -III, Page No. 8 , Point No,2 under Agriculture (sub para 8.3 Agri Infrastructure).</p>

ANNEXURE-B

STANDARD OPERATING PROCEDURE (SOP) PM FORMALIZATION OF MICRO FOOD PROCESSING ENTERPRISES (PM FME) SCHEME

As a part of Prime Minister's AtmaNirbhar Bharat Abhiyan initiative and with a view to provide credit linked subsidy to upgrade existing food processing enterprises, and undertake new units, Ministry of Food Processing Industries (MoFPI) has launched a Centrally Sponsored Scheme " **PM Formalization of Micro Food Processing Enterprises (PMFME scheme)** ". The scheme envisages an outlay of Rs. 10,000 crore over a period of five years from 2020-21 to 2024-25.

2. The **objectives** of PM FME scheme are :-

- 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;
and
- f. Increased access for the enterprises, to professional and technical support.

3. The main features of the PMFME Scheme are as follows:-

- Credit linked capital subsidy at **35% of the project cost** with maximum up to Rs 10.0 lakh to existing unorganized food processing units for upgradation;
- Credit linked grant at **35% of the project cost** to SHGs/FPOs/cooperatives for capital expenditure with maximum limit as prescribed;
- Seed capital @ Rs. 40,000/- per member to those engaged in food processing as a working capital;
- Credit linked grant at **35% of the project cost** for common infrastructure with maximum limit as prescribed;
- Support for marketing & branding up to 50% of the expenditure with maximum limit as prescribed.
- New units, whether for individuals or groups would only be supported for ODOP (One District One Product) products.

The USPs of the scheme are as under :

- **Interest Subvention :**

For MSME Entities :

Interest subvention of 2% under the Interest Subvention Scheme for incremental credit to MSMEs 2018 would also be available to the borrowers on the outstanding balance.

For SHGs:

Interest subvention as applicable to SHGs under NRLM (National Rural Livelihood Mission)

- **Credit Guarantee :**

For MSME Entities:

Benefit of credit guarantee coverage for loans offered under this Scheme should be provided to the borrower under the Credit Guarantee Trust for Micro & Small Enterprises through the National Credit Guarantee Trustee Company under their usual terms & conditions.

For Loan sanctioned under PM Mudra Yojana up to Rs. 10 Lakh:

Benefit of credit guarantee coverage for loans offered under this Scheme should be provided to the borrower under the Credit Guarantee Fund for Micro Units (CGFMU)

- **Tiered Interest Rate Structure :**

For Eligible MSME Entities:

Loan up to Rs. 2 Cr: EBLR (External Benchmark based Lending Rate)

+200 bps for all eligible project costs falling within MSME defined ceiling. No discretion is given to circle functionaries for interest concession for the loan limit up to Rs.2.00 Cr.

Loan above Rs. 2 Cr: Card rate. CRA based Pricing. **Please refer to e-Circular No.865 / 2019-20 dated 30.09.2019 for FOOD PROCESSING AND AGRO BASED UNITS (Priority Sector).**

Discretion for further concessions in interest rates be guided vide e-circular S.No 454/ 2018-19 dated 18.07.2018 to empower the Business Verticals (BVs) & Circle functionaries to negotiate with borrower to counter competition on case to case basis.

For Other Entities: FPOs / SHGs / Producer Cooperatives.

Loan up to Rs. 50 lakh: EBLR +360 bps. **Please refer to e-Circular No.865 / 2019-20 dated 30.09.2019.**

Loan above Rs.50 lakh: CRA based pricing. **Please refer to e-Circular No.865 / 2019-20 dated 30.09.2019 for FOOD PROCESSING AND AGRO BASED UNITS (Priority Sector).**

The salient features of the scheme areas as under:

- **Name of the scheme:** PM Formalisation of Micro Food Processing Enterprises (PMFME) scheme
- Scheme Code: : 9177-PM Formalization Micro Food Proc Ent- **PMFME**
- Product Code : **6400-8001**
- Product Description : **EB-TL-AGRPMFME-Scheme.**
- Activity Code :
- **AC15405-Mfg. of Semi Processed Food Items,**
- **AC15410- Mfg. of other Food Products**
- **Product code :** .Activity Code : Scheme Code:
- **Objective** : To upgrade existing food processing enterprises, and undertake new units.
- **Quantum of loan** : No minimum and Maximum ceilings
- **Loan facility** : Term Loan
- **Margin** : Minimum of 10% of the project cost.
- **Tiered Interest Rate Structure** :

For MSME : Loan limit up to Rs. 2 Cr : EBLR +200bps . Loan above Rs

2 Cr: Card rate based on CRA.

For Other categories : Card rate.

- **Repayment Period** : Maximum repayment period will be ten (10) years inclusive moratorium of Six (6) to Twenty Four (24) months from the date of disbursement.
- **Agri PSL** : Categorized under Agri PSL for the aggregate loan limit of Rs. 100 Cr per borrower.

A SOP has been prepared in line with product features to facilitate the operating functionalities.

- Loan Limit up to Rs. 50 Lakh : Assessment of limit by Scoring Model.
- Loan Limit above Rs. 50 Lakh : Assessment of limit by CRA method.
- CMC of Circle is authorized to identify designated RACC/SMECC/RASMEC for processing of loan proposals.

Stage -1

Lead Generation & Customer Contact

- i. Applications received from the District Level Committee / State Nodal Agency of Ministry of Food Processing Industries, along with DPRs (Detailed Project Report) for sanction of loan.
- ii. For MSME applicants, "**Udyami Registration Number**" , is necessary for claiming Interest Subvention and Credit Guarantee benefits.
- iii. The Bank will appraise the project and decide whether to sanction the loan or reject the application based on the viability of project.
- iv. Once the loan is sanctioned , disbursement will happen in stages.
 - (i) If the customer is prima facie eligible / agreeable with scheme features, hand over the check list of documents required for the activity. Obtain KYC documents. Statement of accounts for past 12 months of existing bank. Details of securities offered, if applicable.

Stage -2

Activities to be processed by processing officials / RACC/SMECC/RASMEC
(Only designated RACCs/SMECCs/RASMEC by CMC of Circle)

- i. Scrutinize and enter the application in the Loan Application Received

<p>and Disposal Register / IT tool and to be branded with reference number.</p> <p>ii. DO KYC of borrowing entity.</p> <p>iii. Verify Address & location of entity.</p> <p>iv. Verify CIBIL / CRIF High Mark other Credit Information Companies Bureau for credit history check / RBI defaulters list, Willful defaulters list, Caution List, I-Probe, CRILC, Banned list of promoters of SEBI, ROC Site (financials and details of existing charges), etc.</p>	
<p>On the basis of above documents, conduct a preliminary assessment of the proposal, take a view, whether proposal is as per scheme, bank's loan policy and guidelines issued by the bank from time to time and if found acceptable move to Stage -3. Otherwise suitably advise the customer and controllers.</p>	
Stage-3	In case the proposal is found viable, then proceed to Stage-3.
<p>Obtain the relevant documents from the applicant which may include MSME registration, License / approval from regulatory authority, if any, VAT registration, Declaration about the existing banking /borrowing arrangements, if any. Copy of IT returns for the last 2 years, Letter of allocation of power supply, environmental clearance, Assets & Liabilities Statements, Memorandum & Article of Association, Partnership Deed, Bye-laws of society. Obtain original title deeds of collaterals security , other relevant documents for the activity, etc.</p> <p>Obtain other information, documents , etc, if any, required to proceed to arrive CRA. DO the CRA. Inspect the unit, godown, collaterals, etc make discreet enquiries with local persons to ascertain the ownership of the property (ies).</p> <p>Arrange TIRs of immovable properties as per extant instructions, if applicable. Arrange valuation report of the properties as per bank's norms.</p> <p>Prepare appraisal note and put up to sanctioning authority, otherwise advise the customer of our inability to consider the proposal .</p>	
Stage-4	If the proposal is sanctioned in stage 3 then proceed to stage-4.
<p>Advise the sanction to the entity incorporating all the terms and conditions and observation of the sanctioning authority.</p> <p>Discuss with customer regarding documentation formalities / requirements fulfilment of terms and conditions stipulated in the sanction.</p> <p>Prepare the documents and get it executed by the borrower including creation of</p>	

equitable mortgage of collateral security, if applicable, as per bank's extant instructions.
Create all the charges viz ROC, CERSAI, etc.

Stage -5

Post Sanction

Open the loan account and recover the **processing fee** as per the instruction circulated vide e-circular S.No. 1599/2018-19 dated 27.02.2019.

Ensure **Credit Linked Subsidy @35%** of project cost subject to ceiling, be accounted as per the system driven functionality.

Ensure the coverage under **credit guarantee** under CGTMSE for MSMEs / CGFMU for eligible units.

Ensure **interest subvention claim @2%** p.a received from MoFPI for MSMEs / Interest subvention at the applicable rates for SHGs under NRLM (National Rural Livelihood Mission) on an ongoing basis .

Ensure submission of **control forms** online to controllers and comply controllers observations in time.

Ensure **comprehensive insurance policy** against all risks. The policy should be taken in the name of the borrower with Bank's name duly noted in Bank's clause of the policy.

Disbursement should be made in stages. Ensure end use of funds through periodical inspections / verification of purchase bills and obtaining approvals.

Inspect the unit during construction and implementation stage at monthly intervals thereafter half yearly.

The project would be considered completed when the following two documents are submitted by the entities to the Bank:

- a) Completion certificate signed by an approved engineer/ registered architect.
- b) Certificate signed by a Chartered Accountant.

In case of irregularity, penal interest @2% per annum of outstanding amount for the period of irregularity should be charged, if overdue by 7 days.

Arrange fresh valuation of the property every 3 years and any shortfall has to be topped up.

Though structured inspection is stipulated at half-yearly intervals, inspection has to

be done immediately, if there is default in repayment of instalment.

If the irregularity persists, the matter should be reported to controllers and corrective action should be initiated.

Appendix

S.No	Circulars/ letter number	Date	Subject
1	Government of India, Ministry of Food Processing Industries (MoFPI)	30.06.2020	PM Formalisation of Micro Food Processing Enterprises (PM FME)
2	SL NO 154/2005-06	23.07.2015	SME Segment Simplification of Documentation.
3	SL No 52/2016-17	11.04.2016	Review of Loan Appraisal and Modification Formats
4	SL No 454/2018-19	18.07.2018	Interest rates Modification in Authority Structure to permit concessions.
5	SLNo 1577/2018-19	21.02.2019	SME Advances: Finance to Trade & Services Sector Revision in Collateral Security Norms.
6	SL No 1599/2018-19	27.02.2019	Review of Advances Related Services Charges (INLAND) OTHER THAN PER SEGMENT ADVANCES) effective from 01.04.2019.
7	SI.No 865/2019-20	30.09.2019	MSME Advances : Linking of rate of interest for Micro , Small and Medium enterprises (MSME) loans to external benchmark based lending rates (EBLR) : Introduction of new lending rate system w.e.f 01.10.2019.