

Guidelines/Clarifications/Formats for Release of Interest subvention

1. INTRODUCTION:

As per National Mission on Food Processing (NMFP) scheme guidelines under cold chain scheme the financial assistance are:

- a. Grant-in-aid: 35% of the bank appraised cost including ID, subject to a maximum of Rs,5.00 crore per project. The cost of land and pre-operative expenses will not be eligible for the purpose of calculation of grant-in-aid
- b. Interest subvention: the interest subvention is extended for a period of 5 years from the date of completion of the project. Every year the interest subsidy @6% will be paid to the Bank/FI directly against the term loan sanctioned by it, subject to a maximum of Rs.2.00 crores per project or actual interest accrued on term loan, whichever is less.

However, no detail guidelines were communicated by MoFPI, GOI as part of scheme guidelines for release of Interest Subvention.

2. Guidelines of APFPP 2015-20 and AP Fisheries Policy 2015-20:

Meanwhile Andhra Pradesh Food Processing Policy 2015-20 and AP Fisheries Policy 2015-20 was formulated and the following guidelines were formulated:

2.1 Interest-subsidy for New Food Processing Units: The interest subvention is extended for a period of 5 years from the date of completion of the project. Every year the interest subsidy @ 7 per cent will be paid to the Bank/FI directly against the term loan sanctioned by it, subject to a maximum of Rs.2.00cr. per project or actual interest accrued on term loan, whichever is less.

2.2 Interest-subsidy for Cold Chain for Agri/Horti/Dairy/Meat Produce: The interest subvention is extended for a period of 5 years from the date of completion of the project. Every year the interest subsidy @ 7 per cent will be paid to the Bank/FI directly against the term loan sanctioned by it, subject to a maximum of Rs. 2.00cr. per project or actual interest accrued on term loan, whichever is less

2.3 Interest-subsidy for Primary Processing Centres / Collection Centres: The interest subvention is extended for a period of 5 years from the date of completion of the project. Every year the interest subsidy @ 7 per cent will be paid to the Bank/FI directly against the term loan sanctioned by it, subject to a maximum of Rs. 1.00cr. per project or actual interest accrued on term loan, whichever is less.

2.4 Interest-subsidy for Shrimp and Fish Processing Units: The interest subvention is extended for a period of 5 years from the date of completion of the project. Every year the interest subsidy @ 6 per cent will be paid to the Bank/FI directly against the term loan sanctioned by it, subject to a maximum of Rs.2.50crores per project or actual interest accrued on term loan, whichever is less.

3. Guidelines for Release of Interest subvention:

No detailed guidelines were formulated /available for Interest subvention under NMFP as the scheme was transferred to states by MoFPI.

However, in the AP Food Processing Policy, the following limited guidelines were indicated:

The sanctioned Interest subvention is released for every 6 months after completion of every half-year i.e., 31st March for first half year and 30th September for second half year for 5 years from the date of Commercial production after submission of the following documents:

- i. Request letter from Promoter
- ii. Bank Statement highlighting the interest paid **on term loan** to the Bank
- iii. No objection letter from bank for releasing the sanctioned interest subvention.
- iv. CA certificate showing the amount of interest paid for **term loan on** monthly / quarterly for the respective 6 months.
- v. Production details – month wise (in MTs / KLs)
- vi. Sales of the unit – month wise (Rs.in Lakhs/Crores)

The Andhra Pradesh fisheries Policy 2015-20 released also did not have any guidelines indicated.

Since AP Food Processing Society is implementing all the three i.e. NMFP, APFPP 2015-20, AP Fisheries Policy 2015-20, it has become necessary to issue detailed guidelines as well as bring harmony to the implementation of Interest Subvention part of Schemes.

4. Detailed Methodology/Clarifications/Guidelines:

After detailed consideration of issues under the Interest subvention scheme, the methodology to be followed for release of interest subvention is detailed below:

- i. Maximum rate of interest: A maximum of first 6% interest on Term loan availed for NMFP (Cold Chain projects)& AP Fisheries Policy (Shrimp and Fish Processing projects) and a maximum of first 7% interest on term loan availed for AP Food Processing Policy projects will be reimbursed on the interest rate charged by the bank / FIs. No reimbursements will be allowed

for unsecured loans and other loans. Any subsequent additions to term loans either after sanction of project or after commissioning will be considered eligible for Interest subvention. However, any transfer of term loan to lower interest loans by same bank or takeover of loan by another Bank/FI at same or lower interest rates will be considered as eligible.

- ii. Penal Interest: No penal interest charged by Bank/FI is considered as eligible for subsidy as this interest component has been charged by bank due to fault of beneficiary.
- iii. Since Interest Subvention is provided to ensure support post commissioning and also to incentivize and ensure continuous commercial operation by the Unit for five years, annual ceiling limit for 5 year period is considered essential and Annual limit on the reimbursement of interest subsidy is given below:

Year	% of limit
1	40% of the interest subvention as per sanction order or 6%/7% rate of interest actually charged by bank/FI, whichever is lower
2	30% of the interest subvention as per sanction order or 6%/7% rate of interest actually charged by bank/FI, whichever is lower
3	15% of the interest subvention as per sanction order or 6%/7% rate of interest actually charged by bank/FI, whichever is lower
4	10% of the interest subvention as per sanction order or 6%/7% rate of interest actually charged by bank/FI, whichever is lower
5	5% of the interest subvention as per sanction order or 6%/7% rate of interest actually charged by bank/FI, whichever is lower

- iv. If in any year, the total interest charged is less than the ceiling amount prescribed for that year, the balance Interest subvention amount will be carried over to the next year upto 5th Year. Any balance Interest amount at the end of 5th year will be appropriated and will not be carried forward.
- v. In case of Foreign currency loans (Term loans/transferred loans), the relevant amounts are converted to Indian Rupees using the Closing conversion rate prevailing on the last day of the Month for interest calculation purposes.
- vi. Since the eligibility of reimbursement of Interest Subvention is from the date of Commissioning, the unit has to submit all necessary documents for claiming interest subvention amount within 3 months from the end of every

six Months/12 Months (in case of smaller units/loans)from the date of Commercial operation.

5. Formats

As guidance to the entrepreneurs, the formats to be followed for submission of documents for Interest subvention is given below:

- i. Request letter from Promoter (Annexure-A)
- ii. Bank Statement of the respective period highlighting the interest paid **on term loan** to the Bank
- iii. No objection letter from bank for releasing the sanctioned interest subvention. (annexure-B)
- iv. CA certificate showing the amount of interest paid for **term loan on** monthly / quarterly for the respective 6 months. (Annexure-C)
- v. Production details – month wise (in MTs / KLS/or any other appropriate units) (Annexure-D)
- vi. Sales of the unit – month wise (Rs.in Lakhs/Crores) (Annexure-E)

Annexure-A

Date:

To
The Chief Executive Officer
Andhra Pradesh Food Processing Society
Hyderabad

Respected sir,

Sub: Submission of application for release of Interest Subvention – reg.

We thank you for supporting us by providing Investment Subsidy for establishment of M/s._____. Herewith we are submitting the following documents for release of sanctioned Interest subvention for your kind consideration:

1. Bank Statement highlighting the interest paid on Term Loan to the Bank
2. No Objection Letter from bank for releasing the sanctioned interest subvention.
3. CA certificate showing the amount of interest paid for term loan on monthly / quarterly
4. Production details - month wise
5. Sales - Month wise.

Thanking You Sir

Yours Faithfully

Signature

Annexure-B

CA certificate on letter head of the CA firm

Unit name:

Address:

Term Loan Account Number:

Date of Commercial operations:

Statement Starting from: _____ to _____

1	2	3	4 (5+6)	5	5A	6	7 (2-6)	8
Date	Principle amount / balance (in Rs)	Rate of Interest (%)	Amount deposited (in Rs)	Amount Adjusted towards interest on Term Loan (in Rs)		Amount adjusted towards Term Loan (in Rs)	Balance Term Loan (in Rs)	Remarks
				Normal interest	Penal Interest if any			

Signature of Chartered Accountant with Number and Stamp

Date & Place:

(This has to be countersigned by the Bank and Promoter)

Annexure-C

Bank Letter Head

Bank Certificate

1. Certified that the bank sanctioned Term loan of Rs. _____ at an interest rate of ___vide Lr.No: _____ to M/s. _____
2. The unit is functioning well and maintaining good financial track record.
3. We have no objection in releasing the interest subvention to the unit if sanctioned by the State Govt.

Date:

Place:

Signature

(Branch Manager)

(BANK IFSC CODE)

Annexure-D

On letter head of the company

PRODUCTION DETAILS

Unit Name

Address:

Year	Month	Product (s)	Production (in MTs / KLs/ Any other appropriate units)

Signature

Date

Place

Annexure-E

On letter head of the company

SALES DETAILS

Unit Name

Address:

Year	Month	Product	Amount (Rs Lakhs/Crores)

Signature

Date

Place