

Scheme of Integrated Food Parks

1. Objectives:

- 1.1 The primary objective of the Integrated Food Parks Scheme (IFP) is to provide modern infrastructure facilities for the food processing along the value chain from the farm to the market. It will include creation of storage and processing infrastructure near the farm, transportation, logistics. The main feature of the Scheme is a cluster based approach. The scheme will be demand-driven, and will facilitate food processing units to meet environmental and safety standards.
- 1.2 The expected outcome is increased realization to farmers, creation of high quality processing infrastructure, reduction in wastage, capacity building of producers and processors and creation of an efficient supply chain along with significant direct and indirect employment generation

2. Salient Features of the Scheme

- 1.1 The Scheme aims to facilitate the establishment of a food processing units. The infrastructure under the Scheme would be need based for storage, effluent treatment, water supply & treatment facilities, power supply, environmental protection systems, quality control labs, trade facilitation centres, etc.
- 1.2 The extent of land required for establishing the IFP is estimated to be minimum 30 acres, though the actual requirement of land would depend upon the business plan of investors.
- 1.3 It is expected that on an average, each project may have around 10 food processing units with a collective investment of around Rs 100 cr. that would eventually lead to an annual turnover of about Rs 200 cr. and creation of direct and indirect employment of about 5,000 persons. However, the actual configuration of the project may vary depending upon the business plan for each Integrated Food Park.
- 1.4 The spirit of the guidelines of the Integrated Food Park Scheme is to facilitate setting up of only food processing industries. Accordingly, only food processing industries that make food products fit for human/animal consumption may be permitted to be set up in the Integrated Food Parks. Packaging facilities of food products as ancillary to the food processing industries may also be allotted land in the Integrated Mega Food Parks.

3. Pattern of Assistance

- 3.1. The Scheme shall provide a capital grant at the rate of 50 % of the eligible project cost* subject to a maximum of Rs.20 cr. per project

** The eligible project cost is defined as total project cost but excluding cost of land, pre-operative expenses and margin money for working capital. However, interest during construction (IDC) as part of preoperative expenses and fee to Project management consultant (PMC) up to 2% of the approved grant would be considered under eligible project cost*

- 3.2. In the interest of expeditious implementation of the projects, the APFPS would engage a Program Management Agency (PMA) to provide management, capacity building, coordination and monitoring support. For meeting the cost of the above and also other promotional activities by the APFPS, office expenses & travel expenses related to the scheme amounting up to 5% of the overall grant available, will be earmarked

3.3. The project cost for the purpose of eligibility under this Scheme would consist of the following components:

3.3.1 Core Infrastructural Facilities:

- I. Cost of civil work & equipments for common facilities like testing laboratory, dry warehouses, Silos, specialized storage facilities, cold storage including Controlled Atmosphere Chambers, pack house, Reefer vehicles, demo plot with agri. extension team in 5% of the total area etc.,
- II. Preference will be given to the projects, which propose common processing facilities like cleaning, grading, sorting, drying, boiling, packing, IQF, pulping, irradiation and packing facilities etc.
- III. The above mentioned facilities are only illustrative and the exact nature of facilities may vary from project to project based on specific requirements as appraised by the concerned bank. However, it is desirable to allocate at least 25% of the eligible project cost towards creation of above mentioned facilities.

3.3.2 Factory Buildings:

- i. Depending on demand in the area, the Integrated Food Park may provide standard factory sheds for Micro and Small Enterprises (MSEs) which are to be built on a maximum of 10% of the area of IFP as part of plug and play facilities for MSEs.

3.3.3 Enabling Basic Infrastructure:

- i. It will include site development including development of industrial plots, boundary wall, roads, drainage, water supply, electricity supply, effluent treatment plant, telecommunication lines, parking bay including traffic management system, weighbridges etc.

3.3.4 Non-core Infrastructure:

- i. It will consist of support infrastructure such as administrative buildings, training centre including equipment, trade and display centre, crèche, canteen, worker's hostel, offices of service providers, labour rest and recreation facilities, marketing support system, etc. However, the cost of non-core infrastructure facilities not exceeding 10 % of the eligible project cost, would be eligible for grant purpose.

3.3.5 Project Implementation Expenses:

- i. This would include cost of hiring the services of domain consultants by the SPV's for preparation of DPRs, supply chain management, engineering/designing and construction supervision etc.

3.3.6 Land:

- i. At least 30 acres of land for the project shall be arranged by the SPV either by purchase or on lease of at least 25 years with sub lease eligibility. The registered value of such land would be taken as part of the project cost and contribution/share of the SPV. The GoAP grant shall not be used for procurement/purchase of land.

4. Implementation Process:

4.1. Special Purpose Vehicle (SPV)

- 4.1.1. The responsibility of execution, ownership and management of the Integrated Food Park would vest with a Special Purpose Vehicle (SPV) registered under the Companies Act.
- 4.1.2. The Anchor Investor in the SPV holding majority stake, with or without other promoters of the SPV, will be required to set up at least one food processing unit in the park with an investment of not less than Rs. 5 cr.. The Anchor Investor will have at least 51% stake in such processing unit(s).
- 4.1.3. The Food Processing unit(s) to be set up by the Anchor Investor in the IFP will be completed and commissioned along with the commissioning of the IFP project by the SPV.
- 4.1.4. The preference for sanctioning assistance under the Scheme may be given to those SPVs which focus on processing of wide range of perishable products

4.2. Eligibility Criteria for SPV

- 4.2.1. The main eligibility criteria of the SPVs, which shall act as Implementing Agencies (IAs) of the project under the Scheme, are indicated below:

- i. SPV shall be a body corporate registered under the Companies Act.
- ii. The promoter holding maximum equity in the SPV will be the lead promoter. The lead promoter will be primarily responsible for co-ordination with all stakeholders including with the APFPS to ensure effective implementation of the project.
- iii. The combined net worth of the promoters/proposed shareholders of SPV should not be less than Rs.20.00 cr. Each member in SPV must have a net worth at least 1.5 times of his/her proposed equity contribution in order to ensure requisite contribution for the project from each shareholder.
- iv. The SPV needs to bring in at least 20 percent of the total project cost as equity.
- v. Every SPV will publish the user charges/hiring rates for common facilities and lease rental rates for plots and factory buildings for MSEs in the Integrated Food Park on their websites for wider information of the prospective investors. Rate of plots in the Integrated Food Park may also be made available to APFPS for uploading on their website. SPVs are not permitted to sell plots/facilities in Integrated Food Parks and can only give plots/facilities on lease to other food processing units.
- vi. The common facilities in the park cannot be sold or leased out. They can only be offered to units on rental basis.

- 4.2.2. As Implementing Agency, the SPV would be responsible for the following:

- i. To formulate the Detailed Project Report (DPR) and execute the project in a transparent, efficient and timely manner.
- ii. To procure/purchase land and ensure external infrastructure linkages for the project.
- iii. To obtain statutory approvals/clearances including environmental clearances, which are prerequisite for commencement and operation of the Project.

- iv. To achieve financial closure and ensure completion of the project.
- v. To own and maintain the common infrastructure including common facilities.
- vi. To receive grant-in-aid under the Scheme, and to ensure its utilization in a transparent and judicious manner.
- vii. To maintain proper accounts of the project implementation and the maintenance of infrastructure and common facilities after commissioning of the project.

4.3. Program Management Agency (PMA)

4.3.1. APFPS will appoint a Program Management Agency (PMA) to assist it in implementation of the Scheme. The PMA will be a reputed institution with extensive experience in project development, management, financing and implementation of infrastructure projects.

4.3.2. The envisaged role of PMA is as follows:

- i. To assist the APFPS in organizing workshops/media campaigns aimed at sensitizing the potential stakeholders about the scheme.
- ii. To assist the APFPS in inviting Expression of Interest for projects under the Scheme.
- iii. To assist the APFPS in selection of projects through evaluation/appraisal of techno-feasibility reports and DPRs submitted for Integrated Food Park projects. Appraisal of the DPRs will include examination of financial viability and sustainability of Ownership & Management structure of the projects.
- iv. To assist in the evaluation of any amendments to the projects/DPRs.
- v. To assist the SPVs in achieving financial closure and obtaining necessary clearances from various authorities for the Project.
- vi. To assist the APFPS in release of the grant under the Scheme.
- vii. To monitor and report the progress of the Mega Food Park projects to the APFPS.
- viii. To maintain and update the database of the projects on monthly basis in the software decided by the APFPS.

4.4. Project Management Consultant (PMC)

4.4.1. In addition to the PMA, for ensuring smooth implementation of projects at ground level, APFPS will provide a list of Project Management Consultants (PMC) with experience in preparation of DPRs for large projects and in project implementation. Any of these APFPS's empanelled agencies may be engaged by the SPVs for preparation of DPRs and for assistance in implementation and the cost of which would be considered as one of the eligible components of the project. However, such cost should not exceed 2% (inclusive of taxes) of the eligible grant amount of the project. The list of agencies will be provided by APFPS.

4.4.2. In addition to assisting SPV in finalising business plan and preparing Detailed Project Report for the project, which would meet the guidelines of the Scheme and requirements of banks/financial institutions providing term loan for the project, the envisaged role of PMC, inter-alia, would be as follows :

- i. Detailed engineering and design including preparation of detailed cost estimates for various project components/facilities,
- ii. Assistance to SPV in preparation of a procurement policy, bid documents and

- selection and appointment of contractors/equipment suppliers in a transparent manner, for project construction and supply of plant and machinery,
- iii. Monitoring and overseeing the work output of the contractors/equipment suppliers in compliance of the terms and conditions of the contracts/appointments with the objective of ensuring quality, completeness and compatibility of the work carried out in relation to the Project,
 - iv. Assistance to SPV in preparing all necessary documentation for submission to APFPS in order to facilitate release of funds sanctioned under Scheme
 - v. Assistance to SPV in submission of Monthly Progress Reports to APFPS in prescribed format.

4.4.3. SPV would enter into an agreement with PMC as per Draft Agreement prepared by the APFPS and any change in PMC later needs to be approved by the APFPS.

4.4.4. While PMC would be working primarily with SPV for smooth implementation of the project, the APFPS may, if required, directly seek reports from PMC on the aspects of project implementation.

4.5. Invitation of Proposals

4.5.1. In response to the notice inviting Expression of Interest (EoI) by APFPS for selection of Projects, a proposal for the proposed Integrated Food Park will be submitted by the promoters/SPV. An illustrative list of points to be covered in the proposal along with E o I is provided at **Annexure-B**. The proposal will be evaluated by the APFPS through the PMA, as per criteria given at **Annexure-C**.

4.5.2. The proposal would have tentatively identified the locations of the CPC and PPCs, availability of land, potential investors for food processing units in the park, proposed level of investment including the estimated project cost and the proposed means of finance, the number and type of food processing units. The proposals having ownership and possession of suitable land with Change in Land Use (CLU) for the project will be given preference.

4.5.3. **Suo Motu proposals will also be considered, for which a Swiss Challenge process would be adopted for Sanction.**

4.6. In-Principle Approval

4.6.1. The proposal received in response to the EOI proposals will be evaluated by the Program Management Agency (PMA). The applicants will be invited to make a presentation of their proposals before the Screening Committee (SC) to be formed by Govt. of AP for the purpose.

4.6.2. The PMA will undertake evaluation on a scale of 100 points on the basis of EoI proposals while the **SC** will provide their comments / observations on the basis of the presentation made by the applicants. The final evaluation report along with the comments / observations of the **SC** will be placed before the State Level Empowered Committee (SLEC) for consideration of "In-Principle Approval" to the projects. The evaluation criteria for PMA is placed at Annexure-C.

4.6.3. If the SPVs fail to submit the requisite DPRs along with other documents needed for Final Approval, within 6 months from the date of issue of "In-Principle Approval", the "In-Principle Approval" will be automatically cancelled, unless extension of time is granted by the APFPS.

4.7. Final Approval

4.7.1. Project will be accorded Final Approval on fulfilment of the following conditions:

- i. Submission of Detailed Project Report (DPR) consisting of technical, commercial, financial and management aspect of the project and its appraisal/recommendations of the PMA and Screening Committee. The DPR should include cluster analysis depicting availability of raw materials, legible contour survey report and contour plan/maps of the proposed land, site analysis for element like soil analysis, flood history, onsite features etc. for realistic cost estimate of land development and construction, detailed master plan along with sectional drawings and building plan with legends giving clear picture/title of drawings and other relevant details, construction cost certified by Chartered Engineer, cost of plant and equipment backed with quotations from equipment and machinery suppliers etc. and its appraisal/recommendations of PMA and Screening Committee.
- ii. Submission of proof for possession of at least 30 acres of contiguous land by the SPV for the CPC. The land should have permission for change of land use for industrial /infrastructure purposes.
- iii. Submission of proof for incorporation of SPV and execution of Share Subscription Agreement (SSA) amongst the members of SPV, as per draft SSA to be given by the APFPS.
- iv. Plan to fund the project duly supported by proposed equity contribution clearly suggesting respective cash contribution from each of the shareholders in proportion to their equity holding and sanction letter of term loan from the bank along with bank appraisal report.
- v. Proof of appointment of Project Management Consultant (PMC). The PMC for the project should be selected from the agencies empanelled by APFPS.

5. Dovetailing of Assistance and Revisions in Project Cost

- 5.1. Considering the complexities and challenges associated with a supply chain linked agricultural infrastructure projects of this nature, the SPV may dovetail assistance available under various other schemes of Central and State Governments, which would improve the viability of the projects. While dovetailing such assistance, it will be ensured that there is no duplication of assistance for the same component/activity of the project.
- 5.2. The revision in project cost after final approval of the project shall be considered by the SLEC.

6. Release of Funds

- 6.1. Once the project is accorded Final Approval by the SLEC the grant will be released by the APFPS subject to fulfilment of conditions prescribed for each instalment as below:
 - 6.1.1. First Instalment of 20 percent of total grant under the Scheme will be released subject to fulfilment of following criteria:
 - i. Establishment of Trust and Retention Account and signing of the TRA Agreement with any Schedule - A Commercial Bank and Regional Rural Banks (RRB). Draft TRA Agreement, clearly giving mode of account operation and duties/responsibilities of lending bank, SPV and PMC, would be shared by the APFPS with SPV.

- ii. Representative of State Government will be appointed as a nominee on the board of the SPV. Tenure of the nominee will be co-terminus to the operationalization of the project.
 - iii. Proof of increase in authorized capital of SPV to allow stipulated equity contribution as per approved means of finance for the project.
 - iv. Expenditure certificate from Chartered Accountant confirming expenditure of at least 10 percent of the eligible project cost.
 - v. Award of contracts worth at least equivalent to 30 percent of total project cost including at least 20 percent of approved components of basic enabling infrastructure.
 - vi. Recommendation of PMA confirming the fulfilment of above conditions.
- 6.1.2. Second Instalment representing 30 percent of approved grant assistance will be released to SPV subject to fulfilment of following criteria:
- i. Utilization Certificate for the 1st instalment.
 - ii. Proof of proportionate expenditure by SPV (including term loan and equity) of the eligible project cost equivalent to percentage of grant released as 1st instalment.
 - iii. Proof of proportionate contribution by SPV (including term loan and equity) in TRA account, of the eligible project cost equivalent to percentage of grant to be released as 2nd instalment.
 - iv. Proof of commencement of construction of Standard Design Factory sheds for SMEs.
 - v. Recommendation of PMA confirming the fulfilment of above conditions.
- 6.1.3. Third Instalment representing 30 percent of approved grant assistance will be released to SPV subject to fulfilment of following criteria:
- i. Utilization Certificate for the grant released as 2nd instalment.
 - ii. Proof of proportionate expenditure by SPV (including term loan and equity) of the eligible project cost equivalent to grant released as 2nd instalment.
 - iii. Proof of proportionate contribution by SPV (including term loan and equity) in TRA account, of the eligible project cost equivalent to percentage of grant to be released as 3rd instalment.
 - iv. Certificate from PMC confirming completion of at least 40 percent of the total proposed cost as per approved DPR
 - v. Certificate from PMC confirming completion of at least 50 per cent construction of Standard Design Factory sheds for SMEs
 - vi. Proof of allotment of at least 25 per cent of total allotable plots.
 - vii. Recommendation of PMA confirming the fulfilment of above conditions.
- 6.1.4. Fourth and final Instalment representing 20 percent of approved grant assistance will be released to SPV subject to successful completion of project and commencement of operations. The criteria for completion of project are as follows:
- i. Utilization Certificate for the grant released as 3rd instalment.
 - ii. Proof of expenditure of 100% envisaged contribution of SPV including term loan and equity on the approved project components.
 - iii. Certificate from PMC confirming completion of the project as per approval.
 - iv. Proof of allotment of at least 75 percent of total allotable plots and commencement of operations in at least 25 percent of the units.
 - v. Completion and Commissioning of the Processing unit (s) of the Anchor Investor in the Park.
 - vi. Recommendation of PMA confirming the fulfilment of above conditions.

- 6.2. Separate bank account as stipulated in Trust & Retention Account (TRA) Agreement shall be kept by the SPV for the funds released by Government of Andhra Pradesh.
- 6.3. In the event of any SPV withdrawing from executing a project before utilizing the Government assistance, the SPV has to immediately return the Government assistance together with the interest accrued thereon, in accordance with provision laid under GFR 19 as defined by Government of India.
- 6.4. SPV shall have to submit a Utilization Certificate (UC) for utilization of amount of grant released by the Government as per provisions of General Financial Rules. A format of the Utilization Certificate (UC) is given as per Annexure-E

7. Time Schedule

- 7.1. The time schedule for completion and operationalization of project will be 24 months from the date of issuance of final approval and 10 months for submission of documents for release of 1st instalment unless extended by SLEC for the reasons to be recorded.
- 7.2. The SPV shall make all possible efforts to complete the projects as per the stipulated timelines committed to while seeking approval for the project. In case of non-adherence to stipulated timeline, except in case of force de majeure or reasons beyond the control of SPV, the SLEC may consider imposing appropriate penalty in terms of reducing the grant amount, on case to case basis.

8. Project Monitoring and Evaluation

The APFPS will periodically review the progress of the projects under the Scheme. The PMA would devise a suitable project monitoring system and shall furnish monthly reports/returns to the APFPS on the progress of the approved projects. In so far as interpretation of any of the provisions of these Guidelines is concerned, the decision of the SLEC shall be final.

Annexure-B

The list of the Points / Information to be covered in the Eols / Proposals

(The objective of this Checklist is to facilitate the potential promoters to submit the proposal covering the salient features of the proposed Project, to enable the assessment of the project against the criterion as listed in Annexure B)

1. Profiles of the Promoters who will be the key shareholders of the Proposed SPV

- 1.1. Names and brief profiles of the proposed promoters/shareholders of SPV along with their contact details.
- 1.2. Indicate the nature and location of existing operations of the Promoters.
- 1.3. Audited balance sheets for last 3 years or Chartered Accountant (CA) Certificates that would establish the net worth of each of the promoters. In case of companies, CA certificates need to be certified by their statutory auditors.
- 1.4. Experience of the key promoters related to food processing industry and related infrastructure development, particularly the relative strengths of each of the promoters that will help in the smooth execution of MFP.
- 1.5. A brief note as to why the promoters are keen to undertake the Integrated Food Park project, their vision etc.
- 1.6. In case the SPV is already registered, the details of the SPV including shareholding pattern.
- 1.7. Any other relevant information that would establish the credentials and suitability of the promoters in the context of the Scheme.

2. Profile of the Proposed Project

- 2.1. Rationale for proposed cluster/location in terms of availability of agricultural produces and marketable surplus, with focus on perishable produces.
- 2.2. Proposed Area and availability of requisite land for establishment of IMF along with tentative layout.
- 2.3. selection of site needs to be justified in terms of connectivity and availability of basic infrastructure including power, water, approach road etc.
- 2.4. In case of land being available with promoter(s), proof of possession of land in form of sale deed/lease deed (CLU if applicable).
- 2.5. Details of the proposed core infrastructure facilities and rationale for their selection in terms of availability of raw materials/market and type of food processing units being targeted.
- 2.6. Details of proposed enabling basic infrastructure including requirements of basic utilities like power, water, effluent treatment along with rationale in terms of overall business plan

- 2.7. Details of proposed non-core infrastructure and their justification
- 2.8. Above details for various project components should include area required, estimated capacities and costs for various facilities
- 2.9. Proposed strategy/methodology for building supply chain to ensure supply of raw materials, particularly fruits and vegetables, to the food processing units inside CPC, including estimated quantities
- 2.10. Proof of backward and forward linkages in terms of letters of intent from farmers' bodies and food processors respectively
- 2.11. Estimated turnover of the proposed food processing industry units covered in the project, after successful execution of the project
- 2.12. Estimated employment generation out of implementation of the project, and other impact on the industry and farm produce in the project area
- 2.13. Investment details, mix of the products and processes and area requirement of the processing unit(s) to be set up by the Anchor Investor in the park.
- 2.14. Any other related information.

3. Project Financials and Business Plan

- 3.1. Summary of estimated cost of each of the eligible components of the project for funding by Government as outlined in the Scheme
- 3.2. Proposed means of finance to fund the project: equity, debt etc
- 3.3. The amount of grant support needed for the project, as per the Scheme
- 3.4. Tie-ups with Financial Institutions/Banks, if any, for funding of the Project
- 3.5. Proposed Business Plan –Estimated revenue sources and assumptions, Estimated operating costs and assumptions, Projected profit and loss statements, balance sheets and cash flows based on these assumptions
- 3.6. Key financial indicators such as IRR, DSCR based on above financial assumptions

Annexure-C

**Illustrative Criterion for Assessment/ Evaluation of Eols/ Proposals Criteria for
Evaluation of Proposals/Eols by Programme Management Agency (PMA)**

S.No.	Criteria	Maximum Score
1	Viability of the Cluster	15
1a	Adequate volume of raw materials/days of operation in a year	5
1aa	200 to 250 days	2
1ab	251 to 300 days	3
1ac	More than 300 days	5
1b	Mix/variety of raw materials	5
1ba	5 to 10 crops	3
1bb	More than 10 crops	5
1c	Agreement/arrangements of raw materials	5
1ca	Absence of backward linkages (strategy/proof not given)	0
1cb	Proposed backward linkages (Copy of MoU/Agreements provided)	3
1cc	Existing backward linkages in the proposed cluster (Copy of MoU/Agreements provided)	5
2	Proposed Investment in Core Infrastructure Facilities	10
2a	Up to Rs. 20 Crores	5
2b	Rs. 20 Crores to Rs. 40 Crores	8
2c	More than Rs. 40 Crores	10
3	Possession of appropriate land	25
3a	Land identified, but not acquired	0
3b	Agreement to Sale/Purchase of more than 30 acres of Land	5
3c	More than 30 acres of land available with one or more promoters	10
3d	Allotment letter from State Govt. Agencies to the SPV or its member(s)	15
3e	Complete title and possession of more than 30 acres of land in the name of SPV	20
3f	Complete title and possession of more than 30 acres of land in the name of SPV along with CLU	25
4	Investment by Anchor Investor in Food Processing Unit(s)	10
4a	Up to Rs 5 crore	0
4b	Rs 5 crore or 10 crore	5
4c	Rs 10 crore or more	10
5	Cumulative Net Worth of Promoters/Shareholder of the SPV	20
5a	Rs. 20 Cr to Rs. 40 Cr	5
5b	Rs. 40 to 60 Cr	10
5c	Rs. 60 to 80 Cr	15
5d	More than Rs. 80 Cr	20
6	Focus on Core Infrastructure facilities	10
6a	Less than 30 percent of total investment	0
6b	30 to 50 percent of total investment	5
6c	50 percent or more of total investment	10
7	Investment in basic infrastructure facilities	10
7a	Less than 10 percent	0
7b	10 percent and 20 percent	5
7c	20 percent and more	10
Total Points		100