

## **Scheme of Establishment of New Food Processing Units**

### **1. Objectives:**

The main objective of the scheme is to increase the level of processing, reduction of wastage, value addition, enhance the income of farmers as well as increase exports thereby resulting in overall development of food processing sector. The scheme envisages extending the financial assistance for establishment of new food processing units in the state.

### **2. Eligible Sectors:**

Food processing sectors like fruits & vegetables, milk / meat / poultry, cereal / other consumer food products, rice / flour/pulse/oil milling and such other agri - horti sectors including food flavours, colours, oleoresins, spices, coconut, mushrooms, wines and hops will be covered under the scheme. The list of activities ineligible for financial assistance under the scheme is given at annexure-1

### **3. Pattern of assistance:**

**Investment subsidy:** 25% of the cost of Plant & Machinery and technical civil works, subject to a maximum of Rs.5.00 crores.

**Interest Subvention:** The interest subvention is extended for a period of 5 years from the date of commercial production 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 crore per project or actual interest accrued on term loan, whichever is less.

### **4. Eligible / Ineligible components:**

#### **4.1 Ineligible items of non-technical civil works:-**

- i. Compound wall
- ii. Approach Road
- iii. Administrative Office Building
- iv. Toilets
- v. Labour Rest Room and quarters for workers
- vi. Sanitation Room
- vii. Security/Guard Room or enclosure
- viii. Consultancy Fee

In short, all expenditure on account of civil works that are not related to the production or processing is excluded.

#### **4.2 Ineligible items of Plant and machinery:**

- i. Fuel, consumables, spares and stores
- ii. Electrical fixtures not mounted on the machine
- iii. Computers and allied office furniture
- iv. Transport vehicles

- v. Erection, installation and Commissioning charges
- vi. Second hand/old machines / refurbished machinery
- vii. All types of service charges, carriage and freight charges
- viii. Expenditure on painting of machinery
- ix. Closed Circuit TV Camera and related equipment
- x. Consultancy Fee
- xi. Stationery items

## 5. Eligibility Conditions:

The eligibility conditions of applicants are as under:

- The project proposals are required to be duly appraised by the bank/ financial institution and avail term loan. The term loan will not be less than 10% of the project cost.
- Units which are already under commercial production and those which may start, commercial production within 2 months from the last date of application submission are not eligible.
- Those units which obtain term loan on subsidized interest rates from NABARD are eligible for investment subsidy only.

## 6. Invitation & Sanction of Proposals:

In response to the notice inviting proposals by APFPS, application along with the required documents are to be submitted by the applicants. *The proposal will be evaluated by the empanelled consultants / PMA appointed by APFPS as per criteria given at serial no:10. The evaluation reports will be placed before the State Level Empowered Committee (SLEC) for consideration of "Approval" to the projects.*

## 7. Release of Financial assistance sanctioned:

### 7.1. Investment subsidy :

The grant-in-aid will be released in two instalments:

#### A. Release of 1<sup>st</sup> Instalment:

The first instalment of grant would be released after the firm has utilized 50% of the term loan as well as 50% of promoter's contribution and on production of the following documents by the firm:

- i. **Duly notarised surety Bond:** To be executed by the beneficiary company on Non-judicial stamp paper of not less than Rs.100/- (**Appendix-A**)
- ii. **Duly notarized Affidavit:** To be executed by the beneficiary company on Non-Judicial stamp paper of not less than Rs.100/- (**Appendix-B**)
- iii. **C.A Certificate:** Actual expenditure incurred on the project showing the means of finances and 50% utilisation of promoters contribution and 50% of Term Loan (**Appendix-C**)
- iv. **Bank Certificate:** certifying that they have released 50% of term loan and have no objection on release of 1st instalment of grant being provided by State (**Appendix-D**)
- v. Invoices/receipts from the suppliers/vendors.
- vi. Bank statement highlighting the payment made to suppliers
- vii. Certificate of the Chartered Engineer (Civil) for technical civil works indicating item wise progress, cost, quantity, manufacturer/supplier and comment on quality.

- viii. Certificate of the Chartered Engineer (Mech.) for Plant & Machinery indicating item wise progress, cost, quantity, manufacturer/supplier and comment on quality.
- ix. Compliance of conditions imposed in the approval letter of the grant-in-aid, if any.
- x. *Site inspection of Consultant / PMA to ascertain the physical progress and assess the eligible project cost to arrive and release of Grant-in-aid.*
- xi. *Submission of Statutory clearances / approvals*
  - a. *Consent for Establishment from Pollution control board*
  - b. *Approval of Building plan*
  - c. *NOC from Gram panchayat*

#### **B Release of 2<sup>nd</sup> Instalment:**

The 2<sup>nd</sup> instalment of the grant would be released only after confirming the commencement of commercial production and submission of documents specified below by the firm, utilization of first instalment of the grant, 100% of Term loan as well as 100% of Promoter's contribution.

- i. **Utilisation Certificate:** As per GFR 19A, Duly certified by the C.A. and countersigned by the Bank and promoter of the beneficiary company (**Appendix-E**).
- ii. **Chartered Accountant Certificate :** Actual expenditure incurred on the project showing the means of finances and 100% utilisation of promoters contribution, 100% of Term Loan and 1st instalment of released grant (**Appendix-C**).
- iii. **Bank Certificate:** Certifying that they have released 100% of term loan and 1st instalment of grant released by the State. They have no objection in releasing 2nd instalment of grant being released by State (**Appendix-F**)
- iv. Bank statement highlighting the payment made to suppliers
- v. Certificate of the Chartered Engineer (Civil) for technical civil works indicating item wise progress, cost, quantity, manufacturer/ supplier and comment on quality.
- vi. Certificate of the Chartered Engineer (Mech.) for Plant & Machinery indicating item wise progress, cost, quantity, manufacturer/ supplier and comment on quality.
- vii. Compliance of conditions imposed at the time of release of 2<sup>nd</sup> Instalment of grant, if any.
- viii. *Site inspection of Consultant / PMA to ascertain the physical progress (start of commercial operations) and assess the eligible project cost to arrive and release of Grant-in-aid.*
- ix. Before release of 3rd & final instalment of grant-in-aid, eligible grant-in-aid for the project will be re-calculated based on the proposed/appraised /actual cost, whichever is less, for the already approved items and released accordingly.
- x. *Submission of Statutory clearances / approvals*
  - a. *Consent for Operations from Pollution control board*
  - b. *Approval from Fire & Safety Department*
  - c. *License from FSSAI*
  - d. *Electricity load release certificate*

#### **7.2. Release of Interest subvention:**

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 termloan** 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 crores)

## 8. Documents required:

- i. Application in the prescribed format (**Annexure-I**)
- ii. Detailed project report.
- iii. Sanction letter of term loan from bank/financial institutions, if any
- iv. Appraisal report from Bank/Financial Institution
- v. Certificate of Incorporation/registration of the organisation, Memorandum and Articles of Association and Bye laws of the society (if applicable) Partnership deed etc.
- vi. Bio-data/background of the office bearers/promoters of the organisation.
- vii. Blue Print of the building plan approval
- viii. Land Registered documents / Lease agreement duly notarized
- ix. Item wise and cost wise details of Technical civil works envisaged duly certified by Chartered Engineer (Civil).
- x. Item wise and cost wise details of Plant & Machinery envisaged duly certified by Chartered Engineer (Mechanical).
- xi. Quotations from the suppliers of Plant & Machinery and equipment's etc. required for the project
- xii. *Availability of raw material and Letter of intent (LOI) / MOU for procurement of raw material from suppliers*
- xiii. *Marketing Strategy and Letter of intent (LOI) / MOU for marketing of products produced by the unit.*
- xiv. Process Flow diagram
- xv. Entrepreneur's Memorandum (EM)
- xvi. Implementation schedule indicating (a) date of acquiring land, (b) date of start of construction of building (c) date of completion of building (d) date for placing order for plant & machinery and date of installation/erection (f) date of trial production/running and (g) date of commercial production/running..
- xvii. An affidavit duly executed on non-judicial stamp paper of Rs.100/- or more duly notarised by Notary Public affirming.
  - a) that the organisation's sister concern(s)/related company/ group company as well as the applicant company itself has not availed any financial assistance for a food processing project in the past from Andhra Pradesh Food Processing Society. If yes, the details thereof.
  - b) that the organisation has not obtained/applied for or will not obtain any grant/subsidy from any Ministry of Central Govt. /GOI organisation/ agencies and State Government for the same purpose/activity/same components. If yes, the details thereof.

## 9. Implementation and Monitoring of the projects sanctioned:

The implementation schedule for the projects would be about 12 months for MSMEs and 24 months for large & mega units from the date of the issue of approval letter unless extended by the Competent Authority for the reasons to be recorded in writing.

**10. Recall of Grant:**

*The Government will have the authority*

- a. If the project is not completed in time within the approved project period.*
- b. If the project is not completed even within the extended project period approved by competent authority.*
- c. If the institute / organization become non-functional or said activity / organization is closed before 6 years from the date of Commercial operations. In such cases, all incentives/concessions sanctioned are liable to be cancelled and the incentives/concessions already availed are liable for recovery.*
- d. Break-in-production up to a period of one and half (1 1/2) years due to the reasons beyond its control such as shortage of raw-materials, power and change of management, etc. may be condoned by SLEC on merits. Any break-in-production will result in extending the six (6) years continuous production condition by the period of such break.*
- e. If the unit shall not submit the Audited reports of every financial year for a period of 6 years, with in 4 months from completion of respective financial year.*

**11. Evaluation Criteria:**

S.No.	Particulars		Marks
1	Priority of Sector		20
	a. For Perishable products	20	
	b. For Non-Perishable Products	10	
2	Level of Processing		30
	a. For Primary processing	10	
	b. For Secondary Processing	20	
	c. For Tertiary Processing	30	
3	Preparedness of Project		20
	a. For COD In the same Financial Year	20	
	b. For COD in the first 6 months of next Financial Year	15	
	c. For COD after 7 <sup>th</sup> month of next financial year	10	
4.	Leveraging of Investment (Project cost /Subsidy)		15
	a. For 4 times	5	
	b. For above 4 to 6 times	10	
	c. For above 6	15	
	<b>Sub Total (Objective Score)</b>		
5.	Location of Project with reference to raw material availability, Technology of the unit including employment potential, Promoter experience & Technocrat entrepreneurs (Subjective Score)		15
	<b>Total</b>		<b>100</b>

### Application for Establishment of New Food Processing Units

S.No.	Particulars	Details
<b>A. Promoters</b>		
1	Name & Address of the Promoter including telephone, fax, email etc.	
2	Type of organisation like Govt. Institution /organisation, Industry Association, University, NGO, Co-operative, others etc.	
3	Background/credentials of applicant organisation	
<b>B. Project Description</b>		
4	Name of the Project	
5	Location/Area of the project	
6	Products/By Products	
7	Capacity of the Plan/Unit	
<b>C. Project Cost (indicating proposed cost, appraised cost separately)</b>		
8	Capital Investment (Fixed Capital) i. Land Area Cost ii. Building iii. Civil Works iv. Technical Civil Works	
9	Plant & Machinery (Capacity/Specification /Cost)	
10	Pre-operative expenses	
11	Working Capital	
12	Raw Material/Packaging	
13	Labour (Quantity/Cost)	
14	Effluent Disposal (Method/Machinery/Cost)	
<b>D. Means of Finance (indicating proposed &amp; appraised means of finance, separately)</b>		
15.	Means of Financing a) Equity Promoter/Foreign/Other) b) Loan (Term/working capital) c) Assistance from other sources d) Fund requirement from APFPS  <div style="text-align: right;"><b>TOTAL</b></div>	
16	Financial Benchmarks a) Cash Flow b) Break Even Point c) Internal Rate of Return d) Debt Equity Ratio e) Debt Service Coverage Ratio	

S.No.	Particulars		Details
<b>E. Implementation Schedule</b>			
17	Item of work	Date of Starting	Date of Completion
<b>F. Personnel</b>			
18	Details of technical & Managerial personnel (Operation, Maintenance, managerial, finance, marketing etc.) required & available.		
<b>G. Employment Generation- Direct/Indirect</b>			
19	a) Direct b) Indirect		

Date:  
Place:

Signature  
Name and Designation  
Seal of the organisation



**Appendix-A**  
**SURETY BOND**

KNOW ALL MEN BY THESE PRESENTS that we, M/s \_\_\_\_\_, a \_\_\_\_\_ (Type of organization) incorporated / registered under the \_\_\_\_\_ (Name of the Act) and having its registered office at \_\_\_\_\_ (hereinafter called the "Obligors") are held fully and firmly bound to the Governor of Andhra Pradesh (hereinafter called the "Government") for the sum of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_ only) well and truly to be paid to the Government on demand and without a demur for which payment we firmly bind ourselves and our successors and assignees by these presents.

SIGNED on the \_\_\_\_\_ day of \_\_\_\_\_ in the year Two Thousand

WHEREAS on the Obliger's request, the Government as per Sanction Order No. Dated \_\_\_\_\_ (hereinafter referred to as the "Letter of Sanction") which forms an integral part of these presents, and a copy whereof is annexed hereto and marked as Annexure-I, agreed to make in favour of the Obligers grants-in-aids-in-aid of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_ only) for the purpose of (description of the project) at \_\_\_\_\_ out of which the sum of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_ only) have been paid to the Obligers (the receipt of which the Obligers do hereby admit and acknowledge) on condition of the Obligers executing a bond in the terms and manner contained hereinafter which the Obligers have agreed to do.

NOW the conditions of the above written obligation is such that if the Obligers duly fulfil and comply with all the conditions mentioned in the letter of sanction, the above written Bond or obligation shall be void and of no effect. But otherwise, it shall remain in full force and virtue. The Obligers will abide by the terms & conditions of the grants-in-aid by the target dates, if any specified therein.

THAT the Obligers shall not divert the grants-in-aids and entrust execution of the Scheme or work concerned to another institution(s) or organization(s).

THAT the Obligers shall abide by any other conditions specified in this agreement and in the event of their failing to comply with the conditions or committing breach of the bond, the Obligers individually and jointly will be liable to refund to the President of India, the entire amount of the grants-in-aid with interest of 10% per annum thereon. If a part of the grants-in-aid is left unspent after the expiry of the period within which it is required to be spent, interest @10% per annum shall be charged up to the date of its refund to the Government, unless it is agreed to be carried over.

The Obligers agree and undertake to surrender / pay the Government the monetary value of all such pecuniary or other benefits which it may receive or derive / have received or derived through / upon unauthorized use of (such as letting out the premises on adequate or less than adequate consideration or use of the premises for any purpose other than that for which the grants-in-aid was intended of the property) buildings created / acquired constructed largely from out of the grants-in-aid sanctioned by the State Government of Andhra Pradesh or the administrative Head of the Department concerned. As regards the monetary value aforementioned to be surrendered / paid to the Government, the decision of the Government will be final and binding on the Obligers.

AND THESE PRESENTS ALSO WITNESS THAT the decision of the Chief Secretary to the State Govt. of Andhra Pradesh on the question whether there has been breach or violation of any of the terms or conditions mentioned in the sanction letter shall be final and binding upon the Obligers and

IN WITNESS WHEREOF these presents have been executed as under on behalf of the Obligers the day hereinabove written in pursuance of the Resolution No. \_\_\_\_\_ Dated \_\_\_\_\_ passed by the governing Body of the Obligers, a copy whereof is annexed hereto as Annexure-II and by \_\_\_\_\_ for and on behalf of the Governor of Andhra Pradesh on the date appearing below:

**Signature of the AUTHORISED SIGNATORY**

**Signed for and on behalf of  
(Name of the Obliger in block letters) (Seal  
/ Stamp of Organization)**

1. Signature of witness  
Name & Address

2. Signature of witness  
Name & Address

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

TO BE FILLED UP BY THE A.P. Food Processing Society  
(ACCEPTED)

For and on behalf of the Governor of Andhra Pradesh

Name: \_\_\_\_\_ Designation: \_\_\_\_\_ Dated: \_\_\_\_\_

Notary Seal & Signature

**Appendix-B**  
**(On non-judicial stamp paper of Rs. 100/- Affidavit)**

I ..... S/o ..... Resident of ..... director /proprietor of M/s  
..... do here by solemnly affirms and state as follows:

(a) That organization's sister concern (s)/ inter connected company/Group company as well as the applicant company itself has not obtained any financial assistance for a food processing project in the past from any Central/State Government organisations.

(b) That the organization has not obtained/applied for or will not obtain any grant/subsidy from any Ministry/Department of Central Govt./GOI organization/agencies and State Govt for the same purpose/activity /same components.

Deponent

**Verification :**

Verified that the content of this affidavit are true and correct to the best of the knowledge and belief of the deponent and no part of this affidavit is kept concealed therein, If anything is found false in this Affidavit subsequently deponent and organisation shall be liable jointly and severally for action under the laws, hence verified at  (Place)  on  (Date) .

**Deponent**

**Notary Seal& Signature**

**Appendix – C**  
**(Letter Head of the Bank)**

**Certificate**

1. Certified that this bank has appraised the project of M/s ..... (Name and address of the organisation) for APFPS grant as per guidelines of the Scheme and also sanctioned term loan of Rs. ....lakh (if applicable).
  
2. It is further certified that we have released Rs..... lakh (----% of sanctioned term loan) to M/s..... (Name and address of the organization) .
  
3. We have no objection in releasing 1st installment of grant if sanctioned by the State Govt.

**(Signature) (Name)**  
**(Branch Manager)**

**Chairman**  
**A.P. Food Processing Industries**

**Appendix-D**  
**(Letter Head of the CA)**

**CA certificate (With membership No. of CA) in the following format**

**(i) Project Cost:**

**(Rs. in lakh)**

<b>Name of the Component/Item</b>	<b>Project Cost</b>	<b>Cost as appraised by the Bank</b>	<b>Actual Cost</b>
Land			
Building / Civil Works			
Plant & Machinery			
Misc. Fixed Assets			
Other's			
<b>Total</b>			

**(ii) Means of Finance:**

**(Rs. in lakh)**

<b>S.No.</b>	<b>Item</b>	<b>Project Cost</b>	<b>As per appraisal</b>	<b>Actual Cost</b>
	Promoter's Equity			
	Term Loan			
	Unsecured Loan			
	Grant from APFPS			
	Other's			
	<b>Total</b>			

Details of un secured loans, if any, duly certified by CA.

**Signature and Seal of C.A.**

**Appendix – E**  
**Format for Utilization Certificate GFR 19-A**

Letter No. & Date	Amount
<b>TOTAL</b>	

1. Certified that out of Rs..... of grants-in-aid sanctioned during the year..... in favour of ..... Under APFPS Letter No. given in the margin and Rs..... on account of unspent balance of the previous year, a sum of Rs..... has been utilised for the purpose of ..... for which it was sanctioned, that the balance of Rs.\_\_\_\_\_ remaining un-utilized at the end of the year \_\_ has been surrendered to Government (Vide No:\_\_\_\_\_ dated\_\_\_\_\_) will be adjusted towards the grants-in-aid payable during the next year.

2. Certified that I have satisfied myself that the conditions on which the grants-in-aid was sanctioned have been duly fulfilled/are being fulfilled and that I have exercised the following checks to see that the money was actually utilised for the purpose for which it was sanctioned.

Kinds of checks exercised

- 1.
- 2.
- 3.

Signature..... Designation..... Date.....

**Appendix – F**  
**(Letter Head of the Bank)**

**Certificate**

1. Certified that this bank has released \_\_\_(100%) of term loan sanctioned i.e.,Rs.\_\_\_\_\_ lakh and also 1<sup>st</sup> instalment of grant of Rs.\_\_\_\_\_ lakhs released by the APFPS vide sanction order No.\_\_\_\_\_ Date\_\_\_\_\_ to M/s..... (Name and address of the organization), which has been credited in account number .....of the firm.
  
2. We have no objection in releasing 2<sup>nd</sup> instalment of grant if sanctioned by the State Govt.

**(Signature) (Name)**  
**(Branch Manager)**

**Chairman**  
**A.P. Food Processing Society**