

F.No.22-11/2015-DP
Government of India
Ministry of Fisheries, Animal Husbandry & Dairying
Department of Animal Husbandry & Dairying

Krishi Bhawan, New Delhi
Dated 4th August 2021

Subject :- Administrative Approval of Central Sector scheme "Supporting State Dairy Cooperatives and Farmer Producer organizations (SDC& FPO) engaged in dairy activities" during 2021-22 .

The undersigned is directed to convey the Administrative Approval towards implementation of Central Sector Scheme "Supporting Dairy Cooperatives and Farmer Producer organizations engaged in dairy activities" during severely adverse market conditions, natural calamities or unforeseen exigencies with an allocation of Rs 500 cr during 2021-22 to 2025-26. The scheme will be implemented through National Dairy Development Board.

2. The objective of the scheme is as follows:-

- i) To assist the Cooperative Societies and farmer producer organizations engaged in dairy activities by providing soft working capital loan to tide over the crisis on account of severely adverse market conditions or natural calamities.
- ii) To provide stable market access to the dairy farmers.
- iii) To enable Cooperative Societies and farmer producer organizations engaged in dairy activities to continue to make timely payments of dues to the farmers.
- iv) To enable the cooperatives & farmer producer organizations engaged in dairy activities to procure milk at a remunerative price from the farmers, even during the flush season.

3. The scheme have two component namely, Component A; "Working Capital Loan" and Component B: "Interest subvention on Working Capital loan". Component wise guidelines of the scheme is **enclosed** herewith. The component A will be kept under suspension during 2021-22. The committed liability under Component B of the scheme during 2020-21 shall be met during 2021-22. Proposal may be prepared and submitted as per the guidelines to National Dairy Development Board, Anand.

4 An allocation of Rs 100Cr was made during 2021-22 for providing interest subvention on working capital loan to enable Cooperative Societies and farmer producer organizations engaged in dairy activities to provide a stable market access to farmers.


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5. The scheme will be driven by a High Powered Committee chaired by Secretary (DADF). The Composition of the High Powered Committee will be as follows:-

- a) Secretary (DAHD)- Chairman
- b) AS & FA, DAHD- member
- c) Managing Director, National Dairy Development Board- member & convener.
- d) Joint Secretary (Dairy Development), DAHD- member

6. The Implementing Agencies will submit quarterly progress reports (QPR), annual report, audit reports etc along with utilization certificate in the prescribed formats. The funds released under the project will be subjected to AG Audit of the concerned State.

7. This issues with the approval of Secretary (AHD) vide Dy.No.E-2162 dated 04.08.2021.


(Deepak Sethi)

Under Secretary to the Government of India
Under Secretary
DAHD

Distribution:

1. Chairman, National Dairy Development Board, Anand, Gujarat
2. Chief Executive Officer, Niti Ayog, Yojana Bhawan, New Delhi
3. Principal Accounts Officer, Ministry of Fisheries Animal Husbandry and Dairying, Department of Animal Husbandry and Dairying, 16-A, Akbar Road Hutments, New Delhi-110011.
4. Chief Controller of Accounts, Department of Agriculture, Cooperation & Farmers Welfare, Krishi Bhawan New Delhi.
5. Accountant General, AGCR Building, New Delhi-110002
6. Principal Secretary/Secretary, Department of Animal Husbandry/Dairy Development, All States and UT's
7. Managing Director, Milk Federation, All States and UTs

Copy for kind information to:

Sr.PPS to Secretary (AHD), PPS to SS & FA, PS to JS (C&DD)/ DC (DD)/ AC (DD)/ US(Budget)/ Guard file.

(Deepak Sethi)

Under Secretary to the Government of India

OPERATIONAL GUIDELINES

for

Component A: "Working Capital Loan"

- i. The High Powered Committee will decide on the disbursement under the scheme.
- ii. Funds available with NDDDB to be used for providing soft loans for working capital to enable Cooperative Societies and farmer producer organizations engaged in dairy activities to provide a stable market access to farmers.
- iii. **Eligible Organizations:** Cooperative Societies and farmer producer organizations (FPOs) engaged in dairy activities.
- iv. **Eligibility Criteria:** Cooperative Societies and farmer producer organizations engaged in dairy activities which fulfil the following criteria will be eligible for working capital loan from the **corpus fund**; to be repaid within nine months-
 - a. Must not be a defaulter in repayment of long term loan or working capital loan to NDDDB and/or NCDC.
 - b. Past accounts, upto the previous financial year, must be attached with the loan application.
 - c. The Debt Service Coverage Ratio (DSCR) of the operations to cover the total liability towards lenders should work out to a minimum of 1.25 times.
 - d. The Cooperatives and FPOs engaged in dairy activities must post Operating Profits of the last 3 consecutive financial years. 'Other income & grant' should not be considered for calculation of Operating Profit.
 - e. Current Ratio should be a minimum of 1.00. 'Non recoverable debtors' shall be excluded from debtors and 'short term loan & interest due' to be included in current liabilities in calculation of Current Ratio.
 - f. Only those Cooperative Societies and farmer producer organizations engaged in dairy activities will be eligible which have not received any element of subsidy from the State Government for milk procurement. Those States where subsidy is paid either to the State Federations or directly to the farmers for milk procurement shall not be eligible to receive working capital loan on soft terms under this scheme.

Note:-

- a. The eligible borrowers must submit their application for working capital in a prescribed format to NDDDB.
- b. The details required would include month-wise details of milk procurement, liquid milk sale and milk disposed in various products for the past financial year and month-wise projected details, including projected cash flow for the financial year(s) of the working capital loan drawl and repayment.
- c. The borrower would also need to submit audited annual accounts for the last three financial years.

v. **a) Computation of maximum eligibility of Working Capital:** The maximum eligibility of working capital shall be assessed as per the following formula.

- i. Working capital requirement during flush months is equivalent to:
[(MPPD-LMPD) X MPP X 120] Where: MPPD = Milk Procurement Per Day in Kg LMPD = Liquid Milk sale Per Day in Kg MPP = Milk Procurement Price paid to DCS per Kg. (120 days flush period)
- ii. Working capital requirement during lean months milk procurement period is equivalent to:
Cost of powder & white butter requirement during lean procurement months (80% of the purchase value)
- iii. Net working capital requirement:
Working capital requirement assessed as per (i) and/or (ii)
Less: share capital / free reserves invested in Fixed Deposits/ Bank Accounts, etc.

b) Maintenance, upkeep and distribution of Corpus fund: It is proposed to create a corpus fund under NDDB through a separate designated bank account which will be audited by internal and statutory auditor of NDDB as per NDDB Act. In addition, DADF may, as and when it is deemed necessary by it, get the accounts of the corpus fund audited by CAG of India.

The High Powered Committee set under the chairmanship of Secretary (DADF) will indicate state wise allocation of working capital fund.

c) Fund Disbursement: Fund disbursement shall be decided by HPC. The withdrawal of funds shall commence after the borrower completes the execution of documents and other formalities relating to security coverage. The withdrawal of the sanctioned loan shall be allowed in a maximum of 4 installments depending upon the requirement of the borrower.

NDDB shall ascertain the projected cash flow and carry out financial appraisal to work out the Debt Service Coverage Ratio (DSCR).

NDDB shall convey the approval of working capital loan to the borrower through a sanction letter.

d) Security & documentation:

- i. Board resolution
- ii. Working Capital Loan agreement
- iii. Demand Promissory Note
- iv. Letter of Continuity
- v. Letter of Hypothecation (for first charge on stock)
- vi. Post Dated Cheques (PDCs) for repayment of principal and interest


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- vii. Escrow arrangement on the operating bank account where all sale proceeds of the borrower are deposited for securing repayment in case of default.

In order to ensure that PDCs get paid on presentation, undertaking will be required from the borrower confirming that (i) the borrower will not request NDDB to withhold presentation of PDC citing any reason and (ii) the borrower will ensure adequate funds on the due date of PDC and (iii) in the eventuality of any cheque getting dishonored, the borrower will not request NDDB to abstain from taking action under section 138 of Negotiable Instruments Act.

e) Rate of Interest: The rate of interest proposed to be simple interest of 5 % per annum (floating rate), which will be calculated on a monthly rest basis from the date of disbursement of loan.

The penal rate of interest in case of default in repayment will be @ 2.00% per annum over & above the normal interest to be compounded monthly or any such rate as may be specified by High Powered Committee set under the chairmanship of Secretary (DADF).

f) Repayment period: The principal along with interest shall be repaid within a maximum period of nine months from the date of release of each installment.

g) Other terms and conditions:

The eligible organization availing subsidy shall keep NDDB informed on the following in the prescribed format:

a) Monthly Audited Fund Utilization Statement.

b) Monthly Stock Statement. NDDB shall physically verify the stock of commodities purchased/ converted by the borrower by availing working capital loan from NDDB. The fund utilization, stock position of commodities purchased and cash-flow will be assessed/reviewed monthly by NDDB and installments after the first shall be released only after ensuring that the borrower has utilized the previous amount as per the scheme and physical verification of stock.

c) Interest or profit earned by NDDB on the corpus or from working capital loans will be ploughed back to the corpus. NDDB will furnish statement of account of the corpus to Govt. of India on a periodic basis.

OPERATIONAL GUIDELINES

for

Component B; 'Interest Subvention on Working Capital Loan'

1. Introduction:

The "Interest subvention on working capital loan" with a total outlay of Rs. 203 crore for supporting the milk cooperatives and milk producer companies institutions to overcome problems being faced due to COVID 19 has been approved by Government of India (GoI) for FY 2020-21. This component will continue during 2021-22 to 2025-26. This will be implemented by Department of Animal Husbandry and Dairying (DAHD), GoI through NDDB.

Under this provision, 2% per annum interest subvention on secured/unsecured working capital loan shall be provided. This is subject to the condition that such loans meet other criteria of the scheme and also any risk of default lies with the financing institutions. For prompt and timely repayment additional 2% interest subvention will be payable at the end of the loan repayment period.

Eligible Organisations:

Producers' Owned Institutions such as Milk Federations, Milk unions, Farmer owned/ Milk Producer Companies will be considered for providing financial assistance under the proposed scheme. They will be termed as Participating Agencies (PA).

2. Purpose of the Scheme:

The scheme would have the following benefits:

- a) It will help in providing stable market access to milk producers.
- b) Enable the Producer Owned Institutions to make timely payment of milk bill to milk producers.
- c) Improvement in farmers' income from dairying even during flush season making the dairy operations viable for milk producers.
- d) It will help Producer Owned Institutions in supplying quality milk and milk products to consumers at a reasonable price.
- e) It will help in stabilizing the domestic market price of conserved dairy commodities.
- f) It will help in converting surplus liquid milk into conserved commodities with higher shelf life.
- g) It will lead to reduced dependency on imported commodities during the period of shortage, thereby helping in stabilising the domestic prices of milk and milk products.

3. Eligibility Criteria for the PA:

Participating Agencies fulfilling following criteria will be eligible to avail interest subvention under the scheme:



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- a) The beneficiary (i.e. PA) should have a sanctioned loan/facility for working capital borrowing (including cash credit facility) from any Scheduled Commercial Banks/ RRBs/ Cooperative Banks/financial institutions (Hereafter called FI- Financing Institution) for meeting the working capital requirement during the operational period of the Scheme.
- b) Participating Agency must be regular in repayment of loans and interest servicing to FI and has to first repay the loan installments, to avail the benefits under the scheme.
- c) Interest Subvention shall be provided for the outstanding Working Capital loan during the current financial year (1st April 2021 and 31st March 2022).
- d) Interest Subvention shall be provided on back ended basis every month by National Dairy Development Board (NDDDB) to Participating Agency bank account with FI after verifying the claim.
- e) Participating agency should pay back the procurement price to farmers on a regular basis and should be able to submit proof of that.
- f) The Participating Agency should agree to provide monthly reports with day-wise details on opening, addition, reduction and closing balance of Conserved Commodities and such milk processing /operations reports as required by NDDDB.

4. Role of stakeholders

DAHD, NDDDB, Financial Institutions (FI), and Participating Agencies (PA) will be major stakeholders of the project and the roles of these major stakeholders are given below:

| Stakeholder | Roles |
|--------------------------------------|--|
| DAHD, GoI/SC | <ul style="list-style-type: none"> • Approve the scheme, finalize and issue operational guidelines of the scheme. • Budget support for grant assistance for interest subvention on working capital loan. • Release of fund to NDDDB for onward release to eligible Participating Agencies through respective commercial banks. • Function of HPC: <ol style="list-style-type: none"> a) Approve changes in the Scheme guidelines, as and when needed. b) Approve the criteria of funding. |
| NDDDB Implementing Agency (IA) | <ul style="list-style-type: none"> • Identify and screen project proposals seeking interest subvention submitted by PA. • Facilitate implementation and monitoring of the scheme. • Release of subsidy (interest subvention) assistance in phases aligned with working capital loan repayment schedule to FI. • Submission of Fund Utilisation Report (FUR). |


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| Bank/Working Capital financing institution(FI) (All Scheduled Commercial Banks / Regional Rural banks/ Cooperative banks/ Financial institutions as per RBI notification) | <ul style="list-style-type: none"> • To verify proposals of PAs received from NDDDB seeking interest subvention assistance. • To ensure release of interest subvention to the respective working loan accounts of the PAs in adherence to the loan repayment schedule. • To furnish the progress report on periodic basis to NDDDB as per Operational Guidelines. • To report non-compliant cases of PAs defaulted in repayment of working capital loan |
| Participating Agencies (State Dairy Federations/ Milk unions/ Milk Producer Companies/ Multi-State Cooperative Society) | <ul style="list-style-type: none"> • Submit application to NDDDB as per Operational Guidelines of the scheme. • Follow all required procedures to avail interest subvention assistance under the scheme • Share information as and when sought by DAHD/ NDDDB/FI. |

5. Products covered

Four conserved commodities SMP, White Butter, WMP, Ghee are covered under the scheme.

6. Application, Appraisal and Approval process

6.1 Receipt of applications

- The eligible Participating Agency (PA) shall submit application to NDDDB in a prescribed format (**attached as Annex 1**) for availing interest subvention on the working Capital loan sanctioned by the FI.
- Applications shall be submitted within 45 days from the date of sanction of the working capital loan and should include the copy of sanction letter of Bank/FI for working capital loan/ cash credit from financial institutions.
- However, in case of loan sanctioned prior to date of launch of the scheme, un-repaid part may be calculated from 1st April 2021 for the purpose of interest subvention. The requirement of the sanction letter would be same as above.
- Following documents need to be submitted to the NDDDB along with the application form.
 - Sanction letter of the Working Capital Loan along with terms and conditions, copy of loan agreement.

6.2 Application assessment methods

- NDDDB will screen the application submitted by PA based on the eligibility criteria prescribed in the operational guideline.
- Only eligible PAs having sanctioned secured/unsecured Working capital loan will be considered for processing under the scheme.

- **Eligible interest subvention amount:** Interest subvention shall be provided maximum for 12 months in the year @ 2% per annum. Penal interest & other charges like prepayment or commitment charges, taxes or levies, if any, charged by the Bank/FI shall not be considered while calculating the eligible interest subvention amount.
- For prompt and timely repayment additional 2% interest subvention will be payable at the end of the loan repayment period.
- The working capital loan account where all of the interest payments and/or instalments of principal were paid (through customer induced payments only) within 30 days of the due date during the tenure of the loan, would be considered as an account having prompt payment.
- The additional interest subvention may be processed immediately based on certificate from the Bank that the loan has been repaid / serviced promptly by the PA during the tenure of the loan or till 31st March, of current financial year whichever is earlier.

6.3 Process for approval

- NDDDB will process the interest subvention proposals received from PAs once a month.
- NDDDB will consider the recommendations for each of the proposals and accord its approval.
- NDDDB shall intimate the commitment to provide interest subvention on the accepted rate to the FI and the PA.

7. Fund flow

The Department of Animal Husbandry and Dairying, Government of India, will release funds to the NDDDB. Inturn, NDDDB will transfer fund to FI for onward release of eligible interest subvention amount to the respective working capital account of the Participating Agency.

8. Release of Interest subvention to PA

- PA has to submit its request for release of interest subvention in prescribed format to NDDDB (**as per Annex 2**).
- The outstanding loan will be reconciled by FI with the stock of conserved commodities available with the Participating Agency.
- NDDDB shall release the eligible interest subvention amount online to FI on back ended basis every month in the working capital loan account of PA after assessing the repayment of loans and interest servicing by PA . For this it may ask for interest certificate, relevant bank statement & stock statement of the conserved commodities.

9. Project monitoring and Coordination:


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- Participating Agencies will submit progress report to the IA as per prescribed monitoring format (**as per Annex 2**).
- FI will also monitor stock of commodities like, SMP, White butter, WMP, Ghee etc. with eligible PAs
- The Implementing Agency (IA) will facilitate implementation, coordination, initial screening and desk monitoring of the scheme.
- IA will submit quarterly Fund Utilisation Report (FUR) to DAHD based on monthly progress report received from the respective FI/PA and will also provide such information on the progress of the scheme.


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| Application Format | | |
|--|--|--|
| Central Sector Scheme - "Interest Subvention on Working Capital Loans for Dairy Industry" | | |
| Date:-___/___/___ | | |
| 1 Participating Agency (PA) basic details | | |
| Name of Participating Agency (PA) | | |
| CEO/MD/GM (Name with designation): | | |
| Address | | |
| Contact details (Telephone no./email id) | | |
| 2 Financial Institution (FI) basic details | | |
| Name of FI | | |
| Branch name and address | | |
| Name of Branch Manager | | |
| Contact details (Telephone no./ email id) | | |
| 3 Participating Agency (PA) eligibility for availing interest subvention under the scheme | | |
| | Criteria | |
| | Declaration | |
| a | Loan/facility for working capital borrowing (including cash credit facility) has been sanctioned by Scheduled Commercial Banks RRBs/ Cooperative banks/financial institutions (Hereafter called FI- Financing Institution) for meeting the working capital requirement of PA during current financial year(2021-22). <i>(please mention yes or no, also mention loan sanction period)</i> | |
| b | PA must be regular in repayment of loans and interest servicing to FI. PA has to first repay the loan instalments/interest servicing, to avail the benefits under the scheme. <i>(whether PA is regular in repayment or not, PA to attach certified account statement)</i> | |
| c | Participating agency should pay back the procurement price to farmers on a regular basis, and should be able to submit proof of that as and when asked for by FI/IA/DAHD. <i>(please mention Agreed or not agreed)</i> | |
| d | PA is agreeable to provide monthly reports with day-wise details on opening, addition, reduction and closing balance of Conserved Commodities and such milk processing /operations reports as required by NDDDB <i>(please mention Agreed or not agreed)</i> | |
| 4 Milk bill payment details | | |
| Milk bill payment outstanding to societies/farmer (Rs. crore) as on dd/mm/yyyy. | | |
| Last milk bill payment date (dd/mm/yyyy): | | |
| Milk bill payment cycle (no. of days): | | |
| 5 Details of Working capital loan sanction | | |
| Date of sanction (dd/mm/yyyy) | | |

| | |
|---|--|
| Loan amount (Rs. Lakh) | |
| Purpose of Loan | |
| Details of Security offered (please mention details) | |
| Rate of interest charged excluding penal interest charges (% per annum) | |
| Period of Loan | |
| Date of availing Working Capital Loan | |
| Repayment Cycle (monthly/quarterly/Annual) | |
| No. of instalment repaid | |
| Working capital loan provided against the stock of SMP/WMP/White Butter/Ghee - Rs lakh | |
| Working capital loan is secured by mean of hypothication of stocks or any other means, please specify. | |
| 6 Interest Subvention Scheme Assistance | |
| Loan amount considered for Interest subvention Scheme | |
| Period for Interest subvention required (latest upto 31st March of each financial year), whichever is earlier. | |
| Proposed interest subvention amount sought under the Scheme (Rs.Lakh) | |
| 7 Details of bank account to which interest subvention amount will be credited | |
| Bank Account No. | |
| IFSC Code | |
| <p>It is requested to kindly consider our application under the Central Sector Scheme - "Interest Subvention on Working Capital Loans for Dairy Industry" and approve eligible interest subvention for the approved working capital loan. We shall abide by rules, terms and conditions as described in the scheme guideline and any revision thereof.</p> <p>Enclosure: 1) Working Capital Loan sanction letter along with terms and conditions and loan agreement copy.</p> <p>Declaration: We certify that the information submitted in this application is true and correct to the best of our knowledge. We further understand that any false/incorrect statements may result in denial/ revocation/refund of ineligible/total subvention amount of the interest subvention amount under the scheme and may invite punitive legal action.</p> <p style="text-align: right;">Date: Place:</p> | |
| Applied by: | |
| MD/CEO/GM Name of PA | |


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| Request for Release of Interest Subvention | |
|---|--|
| Central Sector Scheme - "Interest Subvention on Working Capital Loans for Dairy Industry" | |
| Quarter: ___ to ___ | |
| Date: / ___ / ___ | |
| 1 | Reference interest subvention Sanction letter no. and date |
| 2 | Name of Participating Agency (PA) |
| 3 | Financial Institution (FI) Branch name |
| 4 | Milk bill payment details of PA |
| | Milk bill payment outstanding to societies/farmer (Rs. crore) as on dd/mm/yyyy. |
| | Last milk bill payment date (dd/mm/yyyy): |
| | Milk bill payment cycle (no. of days): |
| 5 | Monthly Conserved commodity stock statement (Rs. Lakh) |
| | Stock valuation date (dd/mm/yyyy) |
| | Conserved commodity |
| | Month |
| SMP | Opening stock (MT) |
| | Rate (Rs. per Kg) |
| | Value (Rs. Lakh) |
| WMP | Opening stock (MT) |
| | Rate (Rs. per Kg) |
| | Value (Rs. Lakh) |
| WB | Opening stock (MT) |
| | Rate (Rs. per Kg) |
| | Value (Rs. Lakh) |
| Ghee | Opening stock (MT) |
| | Rate (Rs. per Kg) |
| | Value (Rs. Lakh) |
| | Total value (Rs. Lakh) |
| 6 | Loan repayment details |
| | Drawing power limit given to PA against stock value (Rs lakh) |
| | Limit availed by PA (Rs. Lakh) - Opening |
| | Withdrawal during the month (Rs lakh) |
| | Interest amount due for the month |
| | Repayment during month (Rs. Lakh) |
| | Principal Interest (excluding penal interest & other charges) Total |
| | Interest repaid during the month |
| | Loan outstanding (Rs. Lakh)-closing |
| | Eligible loan outstanding amount under the scheme (Rs. lakh) |
| | Eligible Interest subvention (Rs lakh) |
| 7 | Proposed interest subvention amount sought under the Scheme (Rs. Lakh) |
| | 0.00 |


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It is requested to kindly release the eligible interest subvention amount for the month (_____ to _____) under the Central Sector Scheme - "Interest Subvention on Working Capital Loans for Dairy Industry". It is certified that the repayment of interest due till the month has already been done.

Declaration:

We certify that the information submitted in this application is true and correct to the best of my knowledge. We further understand that any false/incorrect statements may result in denial/ revocation/refund of ineligible amount of the interest subvention amount under the scheme and may invite punitive legal action.

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| Applied by: MD/CEO/G M Name of PA | Recommend ed by: Branch Manager Bank Name & address |
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