SUPPORT TO VALUE ADDITION-ASSISTANCE TO MICRO, SMALL AND MEDIUM AGRO PROCESSING UNITS THROUGH SFAC KERALA

Outlay proposed for 2022-23 : Rs 400.00 Lakhs

Head of Account : 2435-01-800-94 (P)

1. BACKGROUND OF THE SCHEME

Post harvest loss and quality deterioration of agricultural products after harvest is alarmingly high in Kerala. A strong and effective agro processing sector can play a key role in reducing post harvest losses and quality deterioration of agricultural products by converting excess agricultural produce in to value added products. The growth potential in this sector is immense in view of the changing food consumption habits, which demands better quality and variety.

In order to meet this market need, new approaches are being developed in agricultural sector including farm to fork supply chain network. Success in such endeavors requires innovations and partnership. Under these circumstances entrepreneurs and farm sector need to work in partnership so that their needs are met in a sustainable and cost effective manner. The role of SFAC Kerala is to facilitate this process by aggressively promoting agri business MSME ventures through various schemes by promoting value addition of agricultural crops in the state.

2. SCOPE OF THE SCHEME

The scheme is intended for promoting value addition and primary processing ventures in agriculture sector with a purpose of providing necessary forward and backward linkages along with handholding of entrepreneurs.

Value addition refers to the techniques applied to agricultural produce after harvest for its preservation, protection, conservation, processing, packaging, distribution, branding, marketing, and utilization to meet the food and nutritional requirements of the people in relation to their needs. The purpose of value addition is to maintain or enhance quality of the products and make it readily marketable. Proper methods of processing, storage, packaging, transport and marketing are required for export of various horticultural crops.

Primary processing: Fruits and vegetables can be consumed in its raw form without undergoing processing or conversion. Fresh-cut fruits and vegetables (FFV) are products that have been cleaned, peeled, sliced, cubed or prepared for convenience or ready-to-eat consumption but remains in a living and respiring physiological condition. Freshly Cut Fruit and Vegetable Products face the challenge of quality retention and shelf life preservation mostly during transportation and handling. Loss of vitamins and other nutrients has been reported during processing and storage of FFV, hence the need for appropriate processing techniques to retain their nutritional and organoleptic properties. Units engaged in primary processing, sorting, washing, grading, packing, minimal processing, modified atmospheric packaging etc using modern innovative scientific technologies and branded packaging using modern machinery will be supported under this scheme. As a part of this scheme enriching the nutritional mix for health and wellness by encouraging ready to cook and ready to eat farm to fork supply chain of agricultural and horticultural commodities -high value vegetables, sprouts, micro greens/nutri greens ,processed fruits and vegetables to be encouraged. For Kerala brand of food products visibility and acceptance in national and international markets to be ensured which will increase employment opportunity by creating off farm jobs and ensure remunerative prices for farm produce and generate higher income for farmers. Creation of Integrated Post Harvest Management infrastructure for primary processing and value addition is to be encouraged with appropriate technology adoption to ensure final products and nutritional security.

3. OBJECTIVES OF THE SCHEME

- Promotion of value addition of produce of the state including primary processing.
- Promotion of agro industrialization
- Commercialization of value added products.
- To organize trainings, seminars, workshops promotions and consultancies for developing the agripreneur eco system in Kerala
- Enabling small and marginal farmers to obtain better price for their produce.
- Generating employment opportunities especially in the rural sector.

- Providing crucial farm-industry linkage which helps accelerated economic progress.
- Better inflow of credit to the farm processing sector.
- Avoiding wastage of agricultural produce and ensuring its optimum utilization.
- Improvement of socio economic status.

4. BENEFICIARIES

Individuals, Self Help Groups, Co-operative or Charitable societies, Companies, Farmer Producer Organisation/ Companies or Institution engaged in Value addition or primary processing are the beneficiaries of the project.

5. SCHEME COMPONENTS - SUPPORT TO VALUE ADDITION- ASSISTANCE TO MICRO, SMALL AND MEDIUM AGRO PROCESSING UNITS THROUGH SFAC KERALA

SFAC Kerala supports MSME units with capital investment up to Rs 5 crores under the following three categories. For the purpose of this scheme units are classified as follows

i) Micro Enterprises : Capital Investment from 10 Lakhs to 25 Lakhs
ii) Small Enterprises : Capital Investment from 25 Lakhs to 1Crore
iii) Medium Enterprises : Capital Investment from 1 Crore to 5 Crore

6. PATTERN OF ASSISTANCE

The assistance will be provided as credit linked back ended subsidy as per the following details:

Category of Units as per Scheme Classification	Definition of unit	Pattern of assistance
Micro Enterprises	Units with capital investment Rs 10 lakhs to Rs 25 lakhs	50% of investment in building and machinery including effluent treatment plant, office equipment etc limited to Rs. 10.00 lakhs

Small Enterprises	Units with capital investment from Rs 25 lakhs to Rs 1 crore	40% of investment in building and machinery including effluent treatment plant, office equipment etc limited to Rs. 25.00 lakhs
Medium Enterprises	Units with capital investment from Rs 1 crore to Rs 5 crores	30% of capital investment subject to a maximum of Rs. 50 lakhs

* Capital investment refers to investment in plant (Building) and machinery/equipment including effluent treatment plant, office equipment etc.

** Transportation and erection charges of plant and machinery shall not be considered for computing assistance.

The pattern of assistance for different components is prescribed below:

component	**eligibility**	**pattern of assistance**
Cost of investment in building	Building essentially required by the unit including improvements in the existing structure and situated in free hold land in the name of the unit or in the name of the proprietor, partner/partners, Director/Directors of the unit, if it is capitalized in the books and accounts of the unit or in land on lease to the unit for at least 10 years shall be eligible	subject to a maximum of **Rs. 5 lakhs** for Micro , **Rs. 10 lakhs** for Small and **Rs. 20** lakhs for Medium Enterprises at the rate of 50 percent of the cost certified in the valuation certificate issued by Government/ Chartered engineer/Approved Valuer
Cost of Electrification	cost of industrial wiring and transformer costs which is essential for the functioning of the unit	Actual cost subject to a maximum of Rs. 50,000/-

Cost of Office equipment	cost of one computer, one printer, fax machine, projector and essential minimal furniture	Actual cost subject to a maximum of Rs. 1,00,000/-
Cost of Plant and machinery	• All brand new identifiable items of plant and machinery including tools, moulds, utensils, pipelines, boilers, pasteurizing units as well as material handling equipment • Generator sets, other energy generating equipments and transformers • All essential Quality Control/ Testing Equipments for food safety & quality requirements • All pollution control devices and Effluent Treatment Plant (ETP) and Biogas plant • Reverse Osmosis/ water treatment plant • Machinery required for automation in Primary Processing –Integrated Post Harvest Management Infrastructure Creation –Subsidy as per Mission for Integrated Development of Horticulture—Operational Guidelines-Pack houses/On farm collection and storage unit, Integrated pack house with facilities for conveyor belt, sorting ,grading units, washing ,	Actual cost subject to a maximum of **Rs. 5 lakhs** for Micro , **Rs. 10 lakhs** for Small and **Rs. 25** lakhs for Medium Category Enterprises.

	drying and weighing-General Area, Pre Cooling Unit, Cold room, Cold Storage Units, Refer vans/containers/ripening chamber/primary/mobile/minimal processing units/Protected Structure if essential as per MIDH Norms.	
Cost of post harvest technology	Technology from Government approved Research Institutes CTCRI, CFTRI, Research Institution under ICAR, AICTE, Kerala Agriculture University, and other universities etc.	50% of actual fees subject to a maximum of Rs. 5 lakhs
Packaging	Cost of packaging machinery	Actual cost of the machineries or Rs. 5 lakhs whichever is less
Trainings and exposure visits	Trainings and Capacity building on Primary Processing, Post Harvest Handling ,Value Addition and Entrepreneurship Development. Exposure visit to Incubation centres, Training & Research institutes and Bioparks	Actual cost of training or Rs 10,000/- per person /unit which ever is less

Exclusion List of Ventures that are not supported under the scheme

1. Bakery units
2. Coir retting and defibering units
3. Biofertilizer, organic manure units
4. Composting units
5. Units manufacturing medicines and soaps

List of components excluded from assistance under the scheme

1. Cost of Land
2. Cost of Land development
3. Construction of approach roads/ internal roads
4. Compound Wall
5. Canteen
6. Labour Rest Room and quarters
7. Septic tank, drainage etc
8. Security/ Guard room or enclosure
9. Consultancy fee, taxes etc
10. Cost of various licenses like GST, FSSAI, Pollution Control Board, Factories and Boilers, Udyog Aadhar, LSGD etc.
11. Any other non technical civil works which are not related to direct requirement of the unit
12. Cost of power connection and security/ Caution deposit.
13. Pump house, Generator room etc.
14. Office expenses including cost of racks, almirah/ cupboards
15. Commercial or private vehicles, second hand machinery, crates, consumables, stores and items not directly involved in production process. How ever Reefer vans and containers as per MIDH Norms is permitted if required as a part of process flow of operation of the unit.
16. Transportation and erection charges of machineries

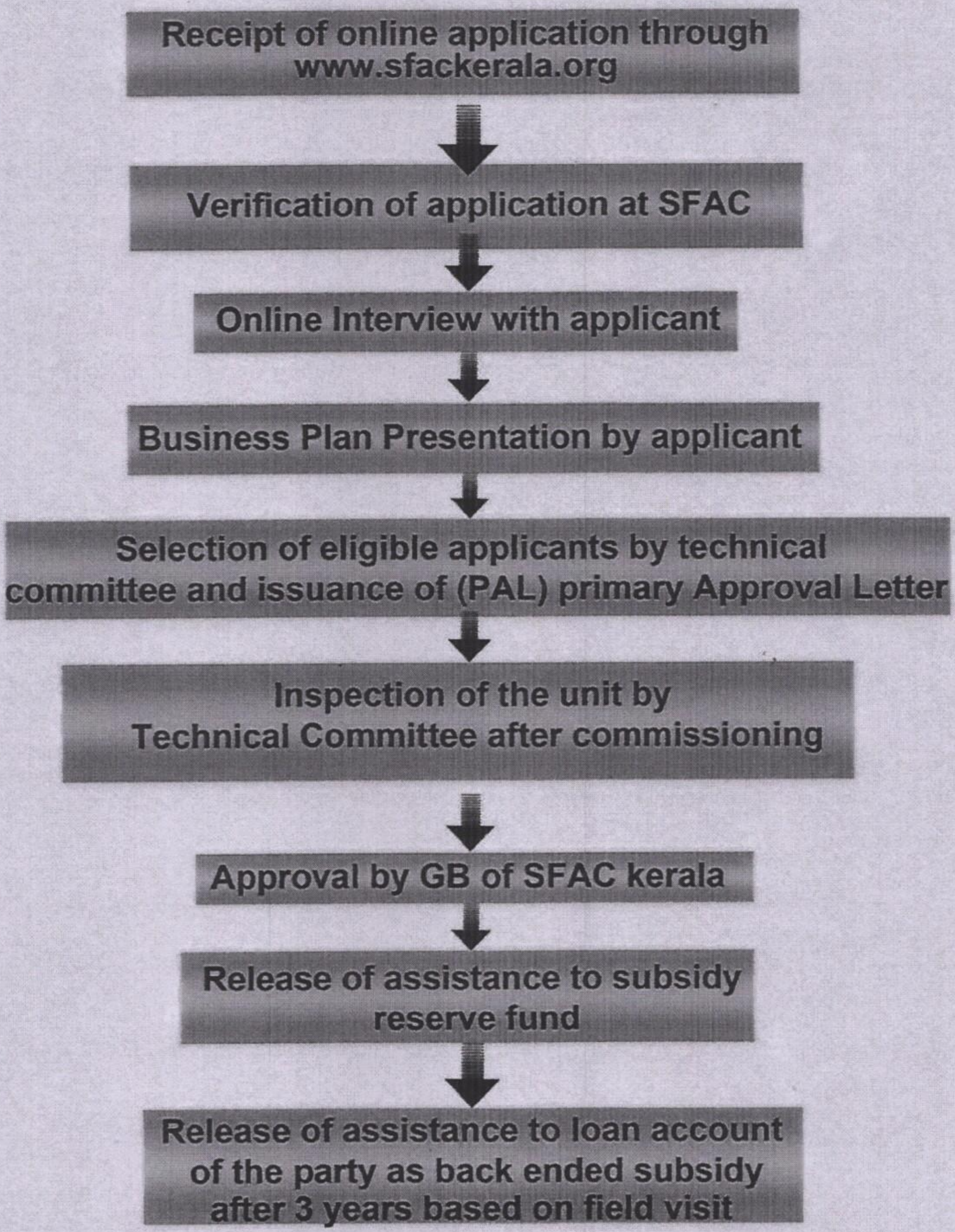
7. STEPS IN PROCESSING APPLICATION FOR FINANCIAL ASSISTANCE

1. Receipt of Online application at SFAC Kerala
2. Verification of application at SFAC Kerala
3. Online Interview with applicant
4. Business Plan Presentation by applicant before Technical Committee
5. Selection of eligible applicants by technical committee and issuance of Primary Approval Letter
6. Inspection of the unit by Technical Committee after commissioning
7. Approval of subsidy by the Governing Body of SFAC Kerala
8. Release of assistance to Subsidy Reserve Fund Account

9. Release of assistance to loan account of the party as back ended subsidy after 3 years from date of sanction.

PROCESS FLOW CHART

Flow chart of processing of application for assistance from SFAC kerala



8. TERMS AND CONDITIONS

i. In case of rented buildings the rent is not eligible for assistance.

ii. The plan, estimate and valuation shall be certified by a Civil Engineer not below the rank of a Assistant Executive Engineer of Government Department (Industries, PWD, LSGD, Irrigation etc), or a Chartered Engineer, Institution of Engineers India/ Approved Valuer of Institution of Valuers, India. Any civil structure not essentially related to production process shall not be eligible for assistance.

iii. In case of rented building cost of electrification and other modifications made in the building for establishing the unit will not be considered for assistance.

iv. The claim for assistance for building should be supported by certificate of valuation from an electrical engineer not below the rank of a Assistant Executive Engineer, Electrical Inspectorate/ KSEB or Chartered Engineer, Institution of Engineers India/ Approved Valuer of Institution of Valuers, India

v. Cost of Office equipment should be evidenced by invoices.

vi. The claim for cost of Plant and machinery should be supported by original or attested copies of invoices (if originals are submitted in bank).

vii. No commercial or private vehicles, second hand machinery, crates, and consumables, stores and items not directly involved in production process will be eligible for assistance.

viii. A Tripartite Agreement is to be signed by Applicant , SFAC Kerala and Bank of the Applicant providing Term Loan.

9. BENEFICIARIES

- All Micro, Small and Medium level agricultural based food processing ventures for primay processing, value addition and branding of all fruits, vegetables, spices, nutmeg, millets, natural fibres, mushroom, cocoa, coffee, tuber, coconut, arecanut, flowers, jaggery etc. manufacturing food grade edible products will be considered for assistance.
- Individuals/ partnership firms/ registered companies/ SHGs and FPOs can be considered under the scheme. The applicant should be the Managing Partner/ Director/ person authorized by the firm.

10. PROCEDURE FOR SUBMISSION OF APPLICATION AND DOCUMENT REQUIREMENTS

i. It is mandatory for the applicant to submit the application in the prescribed application form online given on SFAC Kerala website www.sfackerala.org for seeking financial assistance. All documents required as mentioned in the website should be attached with the printed application form.

ii. Detailed Business plan containing company/ individual profile, nature of the project, existing infrastructure, proposed infrastructure, benefit from the proposed facility in terms of capacity increase/ quality up gradation, existing and proposed process flow chart, intended market viability etc. should be submitted along with the application. The cost of project should be duly supported by Quotations (for equipment), Bills of quantity (for civil work) etc. It should also include profit loss statement, projected balance sheet, debt service coverage ratio, Internal Rate of Returns etc.

iii. Loan sanction letter from Government approved banks like Nationalised Banks, Co operative banks, RRBs, Scheduled Banks and banking institutions approved by Reserve Bank of India , Institutions of Government of Kerala promoting banking and industrial development etc should be submitted along with the application.

iv. Partnership deed in case of Joint Venture Companies and Memorandum/ Articles of association in case of societies, co - operatives and groups, Articles of Association(AOA) and Memorandum of Association (MOA) in case of FPCs should be submitted along with the application.

v. Copy of title deed/ Land tax receipt of the land if the property is owned by the applicant or a member of the Board of Directors or a copy of the lease agreement (more than 10 years) or rental agreement should be submitted along with the application.

11. PROCEDURE FOR APPROVAL

i. The proposals complete in all respect shall be processed by SFAC Kerala within one month from the date of receipt.

ii. An interview with the applicant will be conducted to reveal the innovative techniques involved in the ventures.

iii. The selected applicants will present their project before SFAC officials for assessing the eligibility of the venture. Eligible ventures will be issued Primary Approval Letter (PAL) from SFAC after approval by Technical committee.

iv. After the commencement of commercial production, a Technical Committee consisting of SFAC officials, technical experts in the relevant field from the concerned region will inspect the unit and submit its recommendation to Governing Body of SFAC Kerala.

v. The technical Committee meeting shall be conducted regularly whenever required.

vi. Based on the recommendation of the technical committee the selected projects will be submitted for approval of the Governing Body of SFAC Kerala.

vii. Subsequent to the approval of Governing Body, the letter containing In Principle Approval (IPA) shall be issued to the applicant. The eligible assistance from SFAC will be released to the subsidy reserve fund of the bank and kept in the suspense account. Interest relief will be provided to the entrepreneur and amount kept in the reserve fund will be adjusted to the loan account of the entrepreneur after a minimum of three years. The unit should function for at least five years and the annual audit statements must be submitted to SFAC regularly.

12. SUBMISSION OF FINAL CLAIM DOCUMENTS

i. It is the responsibility of the beneficiary to file final claim documents compete in all respects well before the expiry of the original or extended validity, if any, of the In Principle Approval letter.

ii. The applicant is required to submit the following documents as applicable for release of financial assistance from SFAC Kerala

a. Original bills of machineries, office equipments, etc. If originals are kept in the bank for the purpose of availing loan, photocopies attested by the Bank Manager should be submitted.

b. The detailed valuation report of the building/ plant by a Civil Engineer not below the rank of a Assistant Executive Engineer of Government Department (Industries, PWD, LSGD, Irrigation etc), or a Chartered Engineer, Institution of Engineers India/ Approved Valuer of Institution of Valuers, India – along with the application.

c. Documents regarding transfer of technology.

d. Self attested copies of licenses like FSSAI registration, GST registration , Pollution Control Board, Factories and Boilers, Udyog Aadhaar, LSGD etc

e. In case of individual applicant, Aadhaar number shall be provided by the beneficiary which is mandatory.

f. Statement of loan account at the time of inspection by Technical Team.

13. DISBURSEMENT OF FINANCIAL ASSISTANCE

i. The documents submitted shall be scrutinized in SFAC Kerala

ii. In case of any discrepancy /clarification, required documents shall be sought from the applicant.

iii. The final claim documents complete in all respects, shall be processed for approval.

iv. The eligible assistance from SFAC Kerala will be released to the subsidy reserve fund of the bank and kept in the suspense account.

v. The Bank should ensure that interest relief is provided to the entrepreneur for the amount deposited in the suspense account.

vi. The amount kept in the reserve fund shall be adjusted to the loan account of the entrepreneur after a minimum period of three years.

vii. The unit should function for at least five years and the annual audit statements must be submitted to SFAC Kerala regularly.

viii. The entrepreneur should keep and operate the plant and machinery under full hygienic conditions using the latest quality standards. The staff operating the machinery should use prescribed uniforms and other equipments for safety and follow hygienic practices.

14. GENERAL REQUIREMENTS

- Feasibility analysis should be conducted before preparing the DPR and business plan and pricing of products should be realistic.
- The applicant should ensure availability of raw materials and marketability of the products before submitting the application and preparing the detailed Business plan. At least fifty percent of the raw materials should be procured locally or from farmers or groups within the State of Kerala.

- The Name board and package should display the wordings "Established under assistance from SFAC Kerala".
- Facilities available at Techno – incubation Centres and research institutions may be availed and training facility should be utilized before launching the ventures.
- Latest and cost effective technology and machinery should be utilized optimally and economically for the project.
- Enterprises selected for subsidy should inform SFAC Kerala about latest products and allow SFAC Kerala to conduct studies on their operations.
- The unit should function for at least three years. If the unit stops functioning earlier the subsidy kept in the reserve fund will be resumed and procedure for revenue recovery will be initiated.

15. <u>Financial Outlay</u>

The total financial outlay of this component is Rs. 400.00 Lakhs. The amount will be given to Subsidy Reserve Fund Account of beneficiaries through e- payment.

Abstract of Financial Components

Component	Outlay (Rs. in lakhs)
Scheme for providing assistance to Micro, Small and Medium Agro processing units	400.00
Total	400.00

Sanction may kindly be granted for the following

i) administrative sanction for incurring an expense of Rs. 400.00 Lakhs (Rupees Four Hundred Lakhs only) under the Head of Account 2435-01-800-94 (P) from budget provisions for the year 2022-23.

ii) to include the following items in the scheme subsidy list for optimum growth of FPOs and agribusiness sector in Kerala which were excluded in previous years for subsidy

1. Oils mills
2. Flour Mills
3. Units Manufacturing spice powders, curry mix etc

4. Idaly, dosa, appam batter making units

5. Rice mills/ sortex units

6. Cashew deshelling units

iii) to accept GST bills up to one year prior to year of application and up to and including current year for subsidy calculation.

iv) In case of enterprises and activities supported by Department of Agriculture Development and Farmers Welfare and agencies coming under it permission is needed to arrive at final subsidy amount by deducting subsidy amounts already availed for value addition activities from eligible subsidy amount.

v) In case of enterprises supported by agencies outside Department of Agriculture Development and Farmers Welfare for value addition activities permission is needed to arrive at final subsidy amount by considering the components not supported by other agencies within the maximum eligible subsidy limit of the scheme.

Managing Director i/c

SFAC Kerala

Small Farmers Agribusiness Consortium

Thiruvananthapuram