

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 2024-25 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 Organizations:

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).

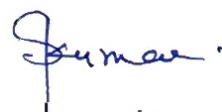
2. Purpose of the Scheme:

The scheme would have the following benefits:

- It will help in providing stable market access to milk producers.
- Enable the Producer Owned Institutions to make timely payment of milk bill to milk producers.
- Improvement in farmers' income from dairying even during flush season making the dairy operations viable for milk producers.
- It will help Producer Owned Institutions in supplying quality milk and milk products to consumers at a reasonable price.
- It will help in stabilizing the domestic market price of conserved dairy commodities.
- It will help in converting surplus liquid milk into conserved commodities with higher shelf life.
- 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 2024 and 31st March 2025).
- d) Interest Subvention shall be provided on back ended basis every month by National Dairy Development Board (NDDB) 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 NDDB.

4. Role of stakeholders

DAHD, NDDB, 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 NDDB 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.
NDDB 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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<p>Bank/Working Capital financing institution(FI) (All Scheduled Commercial Banks / Regional Rural banks/ Cooperative banks/ Financial institutions as per RBI notification)</p>	<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
<p>Participating Agencies (State Dairy Federations/ Milk unions/ Milk Producer Companies/ Multi-State Cooperative Society)</p>	<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 actual disbursement of the working capital loan and should include the copy of sanction letter and disbursement letter of Bank/FI for working capital loan/ cash credit from financial institutions.
- 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, disbursement letter and 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



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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. In turn, 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.

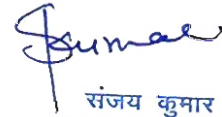
9. Project monitoring and Coordination:

- Participating Agencies will submit progress report to the IA as per prescribed monitoring format (as per Annex 2).



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- 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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