

Guidelines for Scheme

‘Term Loan to Producers’ Owned Institutions (POIs) for purchase of dairy equipment/machinery’

April 2022

National Dairy Development Board

Guidelines for Scheme ‘Providing Term Loan to POIs for urgent purchase of dairy equipment/machinery’

1. Purpose of the scheme:

To make available term loan to Producers’ Owned Institutions (POIs) to meet their urgent need to purchase equipment and machineries of the dairy, cattle feed or feed supplement plants, including civil works, required for their efficient operation, refurbishment, modernization and upgradation, etc.

2. Eligible institutions

Producers’ Owned Institutions (POIs) such as State Milk Federations, Milk Unions, Multi-State Cooperatives and Milk Producer Companies.

3. Eligibility Criteria for POIs:

- a. POI should have positive net worth at the time of assessment for loan.
- b. POIs should not be in default in repayments of loans to NDDB/ Bank/ any other Financial Institution at the time of application under the scheme.

4. Scheme Period:

Scheme period is 5 years (i.e. 2021-22 to 2025-26).

5. Quantum of Finance

Maximum loan upto Rs. 10 Crore per eligible POI for a project. POI can avail loan upto 80% of the project cost.

6. Terms and conditions of the scheme:

i. Rate of Interest

The rate of interest will be floating rate and will be communicated from time to time. The floating rate of interest under the scheme is proposed to be linked with the interest rate of existing term loan scheme of NDDB.

Interest shall be payable monthly. The first payment of interest shall be calculated from the date of release at the prevailing rates and shall be payable on 1st day of the subsequent month.

The monthly interest shall be calculated on daily product basis without compounding. The interest amount so calculated shall be payable on the 1st day of the subsequent month.

ii. Repayment period for POI:

Maximum 5 years, including moratorium of maximum 1 year on repayment of principal only. Moratorium period shall be calculated from the date of the first disbursement of loan.

Repayment of the installment of Principal shall be due on the 1st day of the following month after the expiry of moratorium period. The subsequent equal monthly installments of principal repayment shall

continue thereafter on 1st day of every month till the end of loan tenure.

In the event of failure to repay the loan instalments on the due date, the unpaid amount shall attract additional interest @ 3% per annum over and above the normal rate of interest from the scheduled date of repayment till the actual date of repayment.

There is no provision for lock-in period/ pre-payment penalty for early repayment of loan.

iii. Security:

To avail term loan under the scheme, POI may opt for one of the following security options:

- Option I: All loans will be secured by way of Post-Dated Cheque (PDC) and hypothecation of assets acquired out of the sanctioned loan.
- Option II:
 - Bank guarantee equivalent to the amount of loan and Post-Dated Cheque (PDC) or Loan against fixed deposit (FD) equivalent to 80% of the loan amount.
 - Negative lien on the assets acquired out of the loan availed i.e. Borrower will undertake not to create any charge on the assets financed by NDDB under the scheme, to any other bank or financial institutions.

7. Release of loan

- The borrower shall submit quarterly Fund Utilisation Report (FUR) in a prescribed format within one month of the completion of the quarter. The FUR should be duly audited by an independent firm of Chartered Accountants.
- On receipt of the FUR, NDDB will disburse funds as per recommendation of the concerned technical groups, wherever applicable.

8. Availability of sanction

If disbursement of funds does not start within one year from the date of the sanction, the sanction will lapse automatically.

9. Imprest advance

- In case of non-availability of funds with the borrower to carry out planned activities, the borrower may avail Imprest Advance from NDDB equivalent to 75% of loan amount for the proposed activities during a reference quarter as per the approved plan. The release of Imprest Advance will be at sole discretion of NDDB.
- Imprest Advance shall be provided as Interest Bearing Imprest Advance having similar rate of interest as applicable to Interest Bearing Loan.

- The Imprest Advance shall be entirely utilised by the borrower within the reference quarter and submit audited Fund Utilisation Report (FUR) within one month of the end of the reference quarter.
- The un-utilised Imprest Advance will have to be refunded to NDDB immediately at the end of the reference quarter. Otherwise, the borrower will be required to pay additional interest @ 3% p.a. over and above the normal rate of interest on the unutilised amount from the date of release to the actual date of adjustment/refund. 90% utilisation of Imprest Advance will be considered for not attracting this provision.
- The borrower shall utilise the Imprest Advance only for the activities under the approved plan. In case of utilisation of the Imprest Advance for the activities other than included in the approved plan, interest @ 16% p.a. will be charged, on the amount so diverted, from the date of release to the date of settlement and subsequent funding to the borrower will be stopped.
- In the case of partial/ total non-utilisation of Imprest Advance during the reference quarter, the eligibility of the borrower for further advance will be at the discretion of NDDB.

10. Implementation arrangement

- The scheme will be implemented by NDDB through eligible POIs.
- POIs intending to avail assistance under the scheme will submit a proposal to NDDB for consideration and sanction of loan under the scheme.
- Based on the information provided in the proposal and the eligibility criteria, NDDB will carry out appraisal of the project. In case the proposal for equipment / machinery as a standalone project is not found viable or it is not possible to calculate the financial benefits for a standalone project, NDDB may seek details of financial projections for POI as a single entity to appraise the proposal submitted by the POI.
- After the approval of the project, NDDB will issue sanction letter to the POI along with the terms & conditions of the scheme. An agreement will be executed with the POI before release of the assistance under the scheme.

11. Transparency in Purchase procedure to be followed by POIs

- Purchase process for the approved project should be conducted in a transparent manner. Roles and responsibilities of officers involved in the purchase process must be clearly defined through official notification/ orders.
- Confidentiality must be observed in the purchase process. No information should be shared with any person who is not involved in the decision making process relating to any purchase.
- Process of bid evaluation shall be confidential until the contract award. Post tender opening, all correspondence (including any clarifications)

with bidders should be in writing only. Complete records of all discussions/ correspondence with the bidders must be maintained.

- All equipment/ machinery of the project should be new and from Original Equipment Manufacturers (OEM)/ Authorised Dealers.
- In case of import of equipment/ plant & machinery, the Borrower shall furnish duly self-attested copy of the Bill of Entry.

12. Monitoring of the project

NDDDB will monitor the physical and financial performance of the scheme as per the approved targets. POIs will have to submit the reports as per the format provided by NDDDB on monthly, quarterly and / or yearly basis or as & when required by NDDDB.

The revisions/ changes in operational guidelines, if any, will be informed from time to time by NDDDB to the POIs.

13. Insurance of equipment/machinery:

The borrower shall keep insured upto the replacement value thereof the assets acquired out of the loan availed under the scheme.

14. Physical verification:

NDDDB reserves the right to physically verify the assets as and when felt necessary. The borrower shall permit the officers of NDDDB in the premises where such assets are installed. Where the premises are leased/hired, necessary approval to the effect from the lessor for this purpose, if required, shall be obtained by the borrower.

15. Loan from other lenders:

The borrower shall not avail loan/credit facility from any bank/other financial institution for the same equipment/machinery/civil work without prior approval of NDDDB during the tenure of Loan.

16. Right to Call:

All the terms of this Scheme given above are without prejudice to the NDDDB's right to call upon the borrower to repay forthwith the outstanding loan under any head and to suspend further release of funds to the borrower.
