

CENTRAL SECTOR SCHEME ON ASSISTANCE FOR BOOSTING SEED PRODUCTION IN PRIVATE SECTOR

1. Introduction

National Seed Policy, 2002, recognizes greater role for the private sector in the functioning of the seed industry in the country. With the growth of economic liberalization and facilitative environment for import of best germ plasm available in the world, there has been substantial progress in the development of private seed industry. However, their main domain still remains the low volume high value seeds which cater to the needs of only few selected farmers. The business of high volume low value seeds like those of cereals, gram and groundnut, etc. are still with the public sector organizations and is limited due to financial limitations of these public sector organizations. Realizing the need for increased seed production with a view to enhance seed replacement rates and particularly in the high volume low value crops it has been proposed in the Tenth Plan to provide assistance for boosting seed production in the private sector. Under this scheme, it has been proposed to provide credit linked back-ended capital subsidy at the rate of 25% of the project cost subject to a maximum limit of Rs.25.00 lakh per unit on seed infrastructure development. Private companies, individual entrepreneurs, Self Help groups, Partnership Firm and seed cooperatives will be eligible to get assistance under this scheme and the scheme will be implemented through Nationalized Banks, [Scheduled Commercial Banks](#), and National Co-operative Development Corporation (NCDC). The assistance would be limited to creation of infrastructure facility relating to seed cleaning, grading, processing, seed treating, packaging and storage units as well as for seed testing facilities. This assistance will be primarily for low value and high volume seeds and it will be clearly incorporated in the scheme guidelines. National Seeds Corporation will be the nodal agency for implementation and monitoring of this scheme.

2. Detailed guidelines

2.1 Eligible organization

The project for seed infrastructure development for seed production, namely, setting up of seed processing, seed treating, seed packaging and seed storage unit, setting up of seed testing laboratories by [Partnership firms](#), private companies, individual entrepreneurs, self help groups and seed cooperatives.

2.2 List of Seed Processing Machinery and Condition for Seed Storage Godown

- Seed Pre-cleaner
- Seed Cleaner-cum-Grader
- Indent Cylinder
- Conveyor System
- Seed Elevator
- Seed Treater
- Seed Drying Unit.
- Seed Holding Bins.
- Weighing Machine.
- Bag Closer
- Other connected equipments/accessories/different sieve sizes
- Seed Testing Laboratory Equipments.

2.3 Seed godown

The construction of seeds godown shall be as per the CPWD or State PWD specification or any other specification laid down in this behalf. The storage godown shall be properly ventilated, shall have well fitted doors, windows and ventilators and shall be waterproof (control of moisture from floor, walls and roof, etc.). (ii) The seeds godown structure shall have protection from rodents (high pucca elevated platform with pucca staircase). (iii) The seeds godown shall have protection from birds (windows/ventilators with jail). (iv) The openings of the seeds godown such as doors, windows, etc. shall be designed in such a manner that the seeds godown can be sealed for effective fumigation, etc. (v) The seeds godown complex shall have an easy approach road, pucca internal roads, proper drainage, arrangements for effective control against fire and theft and also have arrangements for easy loading and unloading of stocks.

2.4 Credit Linked Assistance

- (i) Subsidy under the scheme is linked to institutional credit and will be available to such project as are financed by Nationalized Banks, [Scheduled Commercial Banks](#) and National Cooperation Development Corporation (NCDC) and Regional Rural Banks. Loans to the beneficiary from the bank / NCDC would carry an adequate long-term re-payment period.
- (ii) Assistance under the scheme shall be available on capital investment on construction of seeds processing plants, purchase and erection / commissioning of seed processing, seed cleaning, seed grading, seed treating, seed packaging machineries and equipment, machinery and equipment for loading and unloading seed bags, construction of seed storage godown and equipment for seed testing laboratories only.

2.5 Implementing Period

The scheme shall be implemented during 2005-06, 2006-07, 2007-08 and 2008-09.

2.6 Implementation

The scheme shall be implemented by the Nationalized Banks and NCDC. The *National Seeds Corporation* will act as Nodal organization for implementation and monitoring of the scheme and for release of funds.

2.7 Insurance

It will be the responsibility of the beneficiary to have the insurance for all the infrastructure.

2.8 Subsidy

Subsidy under the scheme shall be provided on the capital investment of the project as follows :

- (i) Rate of subsidy shall be 25% of the capital investment of the project
- (ii) Capital investment of the project for the purpose of release the subsidy shall be calculated as follows:
 - a. for seed godown upto Rs. 2500 per tone storage capacity or actual cost whichever is lower;
 - b. for all the seed processing machineries and equipment the actual cost will be taken into account;
 - c. for the seed processing plant structure actual subject to a maximum of Rs.3500 per square meter will be allowed.
- (iii) Subsidy for the project under the scheme shall be released through *NSC* for project financed by Nationalized Banks, Scheduled Commercial Banks and through NCDC for cooperatives.

Total subsidy not exceeding 25% of the project cost with a maximum subsidy of Rs.25.00 lakh per unit. Financial Institutions will ascertain the viability of the individual proposals.

2.9 Subsidy will be released in two instalments

- (i) The subsidy amount will be released to *NSC* by DAC in advance. Accordingly, *NSC* would release the subsidy to the participating bank/NCDC in advance for keeping the same in subsidy reserve fund account of the concerned

borrowers, to be adjusted finally against the loan amount of the bank/NCDC on completion of the project. An amount of 50% advance subsidy would be released by **NSC** to the participating bank/NCDC on submission of a project profile cum claim form within 15 days from the receipt of such form.

(ii) The remaining 50% of the subsidy amount would be disbursed to the participating bank(s)/NCDC by **NSC** after conduct of an inspection by the inspection committee consisting of officials from **NSC**, participating bank(s)/NCDC.

2.10 Adjustment of subsidy in borrower's account

The subsidy released to the bank/NCDC for an individual project will be kept in a separate borrower-wise account. The adjustment of subsidy will be back ended. Accordingly, the full project cost including the subsidy amount, but excluding the margin money contribution from the beneficiary, would be disbursed as a loan by the banks. The repayment schedule will be drawn on the loan amount in such a way that the total subsidy amount is adjusted after the full bank loan component with interest is liquidated.

2.11 No interest chargeable on subsidy portion

The subsidy admissible to the beneficiary under the scheme will be kept in the subsidy reserve fund account (borrower –wise) in the books of the financing banks. No interest should be charged on this by the bank. In view of this, for purposes of charging interest on the loan component, the subsidy amount should be excluded. The balance lying to the credit of the subsidy reserve fund account will not form part of demand and time liabilities for the purpose of SLR/CRR.

2.12 Pattern of Assistance

For projects financed through banks / NCDC.

(i) Owner's contribution*	10%
(ii) Subsidy from the Government	25%
(iii) Institutional loan from nationalized bank/NCDC	65%

*Cost of land can form part of the owner's contribution.

2.13 Institutional Lending

(i) 65% of the project cost can be raised as term loan from the financing bank. As the subsidy is back ended, eligible amount of subsidy 25% would be initially allowed as term loan to the beneficiary. The repayment schedule will be drawn on

total amount (including subsidy) in such a way that the subsidy amount is adjusted after liquidation of net bank loan (excluding subsidy).

(ii) Repayment period will depend upon the cash flow and will be upto 11 years including a grace period of one year. The first annual instalment will fall due 23 months from the date of first disbursement. Early payment could be allowed without penalty.

(iii) Rate of interest to borrower's on term loan shall be as per RBI guidelines. This is applicable from the date of first disbursement of loan.

(iv) The financial institution may also provide working capital separately for undertaking business by beneficiary.

2.14 Time Limit for Completion

A time limit of 15 months is prescribed for completion of the project from the date of sanction of loan by bank. However, if reasons for delay are justified, a further grace period of 3 months may be allowed by the participating bank/NCDC. If the project is not completed within the stipulated period, the benefit of subsidy shall not be available and advance subsidy has to be refunded forthwith.

2.15 Refinance Assistance from NABARD

NABARD would provide re-finance to the Nationalized Banks to the extent of 90% of the amount financed as term loan as per their norms and guidelines.

2.16 Other Conditions

- (i) The participating banks/NCDC will adhere to their own norms for appraisal of projects;
- (ii) It will be the responsibility of the beneficiaries to have the insurance for the infrastructure being created under the project;
- (iii) Government's interpretation of various terms will be final;
- (iv) Any other pre and post inspection may be undertaken to verify physical and financial progress as and when required;
- (v) Government reserves the right to modify, add and delete any term and condition without assigning any reason.
- (vi) Subsidy for private sector should be provided primarily for low value/high volume seeds such as wheat, paddy, oilseeds, pulses and other coarse cereals.

2.17 Procedure to be followed for sanctioning of Project and release of subsidy

2.17.1 Projects financed through banks

- i. An interested beneficiary will submit the project proposal for term loan and subsidy to the bank on an application form as prescribed by the concerned bank along with project report and other documents for appraisal and sanction of loan. Financial Institutions will ascertain the viability of the individual
- ii. Bank after appraisal and sanctioning and disbursement of the first instalment of loan will furnish a brief project profile-cum-claim form for advance subsidy in the prescribed format given at Annexure-I along with copy of bank's sanction letter to the Managing Director, *National Seeds Corporation*, Beej Bhavan, PUSA Complex, New Delhi.
- iii. *NSC* on receipt of project profile cum claim form from the participating bank, will sanction and release 50% advance subsidy to participating bank for keeping the same in the Subsidy Reserve Fund Account (borrower-wise).
- iv. When the project is nearing completion, the beneficiary will inform the bank who will initiate action for an inspection by the Committee consisting of officials from the bank and *NSC* to ensure that the seed infrastructures conforms to technical and financial parameters. Such inspection will be completed within one month of the submission of information by the beneficiary. After inspection is conducted, the bank will submit the claim form for final subsidy in the prescribed format given in Annexure-II to *NSC* in duplicate. The inspection report of the Committee and completion certificate be enclosed with the claim form for final subsidy. *NSC* shall release the final subsidy to banks which will be replenished by Seed Division, DAC or adjusted against subsidy amount provided to *NSC* in advance.

2.17.2 Project financed through NCDC

- i. NCDC shall provide assistance to the Cooperatives for seed infrastructure facilities.
- ii. The Cooperatives shall formulate proposals in the format prescribed by NCDC and submit directly to NCDC.
- iii. NCDC shall examine the proposal for consideration and appraise it as per their guidelines.
- iv. NCDC shall communicate its sanction to the Cooperatives with a copy to *NSC*.
- v. The pattern of funding, interest rate, mode of release of sanctioned assistance shall be as per NCDC's norms and policies as circulated

from time to time subject to overall guidelines of the scheme being observed.

- vi. The sanctioned assistance shall be released to the Cooperatives within 15 days of the communication of sanction.
- vii. NCDC shall periodically furnish progress report to *NSC* .
- viii. *NSC* shall release 50% advance subsidy as per requirement in NCDC's account. The project-wise subsidy shall be adjusted/replenished by *NSC* .
- ix. NCDC shall furnish utilization certificate to *NSC* .
- x. NCDC and *NSC* will undertake inspection of seed infrastructure facilities to verify the utilization as provided in Para 2.17.1. (iv).

2.18 Monitoring

- i. The monitoring of this component shall be done by *NSC* and review will be done on a quarterly basis by the Seeds Division of DAC.
- ii. After crediting the final instalment of subsidy in the Reserve Fund of the borrower, a utilization certificate as per Annexure-III is required to be submitted by the participating bank/NCDC to *NSC* to the effect that the amount of subsidy received by them has been fully utilized/adjusted in the books of accounts under the sanctioned terms & conditions of the project, within overall guidelines of the scheme. The *NSC* shall submit the utilization certificates to Seeds Division of DAC.
- iii. The progress report of the scheme shall be sent by *NSC* directly to the Seed Division, DAC on a monthly basis.

ANNEXURE-I

Format for project profile cum claim form for claiming 50% advance subsidy/refinance
(To be submitted by bank in triplicate to NSC with a copy to Seed Division, DAC)

To

- (i) The Managing Director
National Seeds Corporation Limited
Beej Bhavan, PUSA Complex,
New Delhi-110012.
- (ii) The Deputy Commissioner (Seeds)
Department of Agriculture and Cooperation
Krishi Bhavan, New Delhi.

Capital Investment Scheme for Seed Infrastructure Facilities

PART-I

For use by Bank / NCDC

1. Name & address of the project
2. Name & address of the beneficiary
3. Name & address of financing bank/NCDC
4. Date of receipt of proposal/application
5. (a) date of sanction of term loan by bank/NCDC
(b) date of disbursement of first instalment
6. Means of finance
 - total outlay
 - beneficiary contribution
 - bank/NCDC loan
 - govt. subsidy
7. Item-wise financial projection.
8. Capacity in MT to be created
 - (i) List of machineries & equipment
 - (ii) Capacity of Seed Processing in MT
 - (iii) Capacity of Seed Storage godown
 - (iv) Others
9. Rate of interest (to be charged)
 - (a) In the case of CBS %
 - (b) In the case of others %
10. Brief coverage on technical feasibility and financial viability (enclosed separate sheet along with project report)
11. Other relevant information such as different crop seeds to be produced.

12. The project has been appraised and found to be technically feasible and financially viable. The project intend/does not intend to avail of re-finance from NABARD. The re-finance amount is Rs._____ (if to be availed).
13. An amount of Rs._____ (Rupees_____) being 50% of the eligible amount of subsidy may please be released in respect of the project for crediting to the "Subsidy Reserve Fund Account-Borrower-wise".
14. We note that a time limit of 15 months is stipulated for completion of the project from the date of sanction of the project. If reasons for delay in completion of the project are justified, a maximum grace period of 3 months may be allowed for completion of the project. We also note that the advance subsidy has to be refunded forthwith if the project is not completed within the above stipulated period and as per the broad parameters of the scheme. It is further noted that in case of any delay in refund of subsidy, the participating bank/beneficiary will be liable for payment of penal interest.

Place:

Date:

Seal and Signature of the Authorised
Signatory of the Bank/NCDC

PART-II
For use of *NSC*

(A) Advance subsidy

The claim of advance subsidy of Rs._____ is sanctioned herewith for release of the same.

Authorised Signatory of *NSC*

Date:_____

(B) For use by *NSC*

An amount of Rs._____ is released as advance subsidy on _____ (name of the bank) vide subsidy disbursement Advice No._____ (copy enclosed). This amount may please be replenished/adjusted by Seeds Division, DAC.

Authosired signatory of *NSC*

ANNEXURE-II

Format for claiming final instalment of subsidy

(To be submitted by bank / NCDC in triplicate to **NSC** with a copy of Seed Division, DAC)

To

- (i) The Managing Director
National Seeds Corporation Limited
Beej Bhavan, PUSA Complex,
New Delhi-110012.
- (ii) The Deputy Commissioner (Seeds)
Department of Agriculture and Cooperation
Krishi Bhavan, New Delhi.

Capital Investment Scheme for Seed Infrastructure Facilities

PART-I

For use by Bank / NCDC

1. Name & address/location of the project
2. Name & address of the beneficiary
3. Name & address of financing bank/NCDC
4. Date of sanction of term loan by bank/NCDC
5. Date of last inspection of the project by the Bank/NCDC (enclosed copy of inspection report)
6. (i) Total cost of Project Rs. _____
(ii) Beneficiary contribution Rs. _____
(ii) Bank/NCDC loan Rs. _____
7. Capacity in MT to be created
 - (v) List of machineries & equipment
 - (vi) Capacity of Seed Processing in MT
 - (vii) Capacity of Seed Storage godown
 - (viii) Others
8. Advance subsidy:
 - (i) Date of Receipt
 - (ii) Amount Rs. _____
9. Rate of interest being charged by the financing bank/NCDC
 - (a) In the case of CBS PLR % per annum
 - (b) In the case of other PLR of convener bank of SLBC % per annum.
 - (c) For this project % per annum.
10. Whether the creation/construction of seed infrastructure facility has been carried out as per technical parameters envisaged under the project

11. Total amount of expenditure incurred in the project - item-wise details, duly certified by a Chartered Accountant (along with certificates from the Chartered Accountant are to be enclosed).
12. Various permission/approval, if any, obtained by the beneficiary for establishment and commissioning of the project (copy of each such approval is to be enclosed)
13. The completion/commissioning certificate is required to be signed by the beneficiary and verified by a qualified /approved engineer/architect. Such certificate is required to be countersigned by the Branch Manager of the financing bank/NCDC.

Since the above project is complete as per terms and conditions stipulated under the scheme, final inspection of the seed infrastructure facilities has been arranged as per their report enclosed and an amount of Rs. _____ (Rupees _____) being the final instalment of subsidy may please be released for crediting to the Subsidy Reserve Fund Account Borrower-wise. Copy of the inspection report of I.C. is enclosed.

14. This is to certify that the remarks given by I.C. have been complied with.

Place:

Date:

Seal and Signature of Branch Manager (Bank)/NCDC

Encl.: Completion certificate inspection report of Committee.

PART-II
For use of *NSC*

- (A) An amount of Rs. _____ as final instalment of subsidy towards the above claim _____ (Name of the bank) in respect of _____ (Name of the project) may be released.

Authorised Signatory of *NSC*

Date: _____

- (B) For use by *NSC*

An amount of Rs. _____ is released as final subsidy on _____ (name of the bank) vide subsidy disbursement Advice No. _____ (copy enclosed).

Authosired signatory of *NSC*

Date: _____

Format for Utilisation Certificate

For the use of Financing Bank/NCDC to be submitted in triplicate to **NSC** / Seed
Division, DAC
Capital Investment Subsidy Scheme for creation of Seed Infrastructure Facilities

Utilisation Certificate

1. Name, address and location of the beneficiary and project
2. Name of the financing bank
3. Name & address of financing branch
4. Date of sanction of loan by bank
5. Date of inspection by Monitoring Committee
6. Date of commissioning of the unit
7.
 - i) Total financial outlay Rs. _____
 - ii) Margin money Rs. _____
 - iii) Bank loan Rs. _____
 - iv) Subsidy received

Date of receipt from NSC	Amount (Rs.)	Date of Credit to Subsidy Reserve Fund A/c of the Borrower
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- a) 50% advance subsidy
 - b) Final instalment of subsidy
 - c) Total
8. Capacity created
 - (i) List of machineries & equipment
 - (ii) Capacity of Seed Processing in MT
 - (iii) Capacity of Seed Storage godown
 - (iv) Others.

Certificate

Certified that the project has been completed as per the guidelines of the scheme and subsidy amount has been utilized for the project in accordance and in observance of relevant guidelines of the scheme.

(Authorised signatory of Bank/NCDC)