

F.No.02023/2/2017-CDD
Government of India
Ministry of Agriculture and Farmers Welfare
Department of Animal Husbandry, Dairying & Fisheries
Dairy Division

Krishi Bhawan, New Delhi-110001
Dated the 21st December, 2017

To

Principal Accounts Officer,
Ministry of Agriculture and Farmers Welfare,
Department of Animal Husbandry, Dairying and Fisheries
16, Akbar Road Hutments,
New Delhi-110011.


Subject: - Administrative Approval for implementation of Central Sector Scheme –
“**Dairy Processing and Infrastructure Development Fund (DIDF)**” during 2017-18.

Sir

The undersigned is directed to conveying administrative approval of Government of India for Central Sector Scheme **Dairy Processing and Infrastructure Development Fund (DIDF)** implementation during 2017-18, with a total outlay of Rs 10881 Crore, of which Rs 8004 crore shall be loan from National Bank for Agriculture and Rural Development (NABARD) to National Dairy Development Board (NDDB) and National Cooperative Development Cooperation (NCDC) for End borrowers , Rs 2001 crore shall be end borrowers contribution, Rs 12 crore would be NDDB/NCDC's share during 3 years 2017-18 to 2019-20 and Rs 864 crore shall be contributed by DADF towards interest subvention on repayment for 10 years (2017-18 to 2028-29).

2. Objectives of the DIDF:

- i. To modernize the milk processing plants and machinery and to create additional infrastructure for processing more milk.
- ii. To create additional milk processing capacity for increased value addition by producing more dairy products.
- iii. To bring efficiency in dairy processing plants/producer owned and controlled dairy institutions, thereby enabling optimum value of milk to milk producer farmers and supply of quality milk to consumers.
- iv. To help the producer owned and controlled institutions to increase their share of milk, thereby providing greater opportunities of ownership, management and market access to rural milk producers in the organized milk market.


J. C. PATRA
Under Secretary
Govt. of India
Ministry of Agriculture
Deptt. of A. H. D. & Fisheries
Krishi Bhawan, New Delhi

- v. To help the producer owned and controlled institutions to consolidate their position as dominant player in the organised liquid milk market and to make increased price realisation to milk producers.

3. Components of D IDF

The broad investment activities eligible under D IDF are:

- i. Modernization & creation of new milk processing facilities
- ii. Manufacturing facilities for Value added Products
- iii. Milk Chilling infrastructure
- iv. Setting up electronic milk testing equipment
- v. Project Management and Learning
- vi. Any other activity related to the dairy sector targeted to contribute to the objectives of D IDF and decided by Government of India in consultation with the stakeholders.

4. Eligible institutions

(i) N D D B and N C D C using the loans from the D IDF will lend to the following institutions

- Co-operative Milk Unions
- State Cooperative Dairy Federations
- Multi State Milk Cooperatives
- Milk Producer Companies
- N D D B subsidiaries

(ii) Financial assistance under D IDF will be given to the end borrowers which are financially viable and willing to avail funds and also fulfill the eligibility criteria, as per Operation guidelines of D IDF.

5. Source of fund

N A B A R D shall raise fund from the financial markets in compliance with S E B I guidelines. The instrument appropriate for borrowing shall be decided by N A B A R D depending on the demand.

6. Cost of Fund to N A B A R D

The cost of fund to N A B A R D shall be the actual cost of borrowing by N A B A R D inclusive of interest, taxes, fees, charges, etc., plus fund management cost of 0.60% per annum. The interest rate on borrowings from market by N A B A R D shall vary from time to time depending upon rates prevailing at the time of raising funds.

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7. Interest rates on loans by NABARD to NDDDB/NCDC and to End Borrower

NABARD shall extend loans to NDDDB and NCDC at fixed rate of interest of 6% per annum repayable at quarterly rests. The interest rate to end borrower shall be 6.5 % per annum to be charged by NDDDB/NCDC.

8. Budget for interest subvention:

There is budget provision of Rs 37 crore during the year 2017-18. The expenditure will be debited from the following Budget Heads of account:

Demand No.003-Department of Animal Husbandry, Dairying & Fisheries

Major Head-2404- Dairy Development

Minor Head 102- Dairy Development Projects

Sub Head 23-White Revolution

Detailed Head 07- Dairy processing and Infrastructure Development Fund

Object Head -230731 (Grant-in-aid-General)

9. The DIDF will be implemented as per the Operational Guidelines enclosed at **Annexure** for ready reference.

10. This administrative approval is issued with concurrence of IFD vide **Dy. No 5422-FTS AS&FA dated 20.12.2017.**

Yours Sincerely

(K.C. Patra)

Under Secretary to the Govt. of India

Ministry of Agriculture
Deptt. of A. H. D. & Fisheries
Krishi Bhawan, New Delhi

Distribution:

1. The Pay & Accounts Officer, PAO(Sectt)-I, Ministry of Agriculture and Farmers Welfare, Department of Animal Husbandry, Dairying & Fisheries, Room No.35, Krishi Bhawan, New Delhi
2. The Accountant General, Commerce, Works and Miscellaneous, AGCR Building, Near ITO, New Delhi-110002.
3. Chief Controller of Accounts, Department of Agriculture and Cooperation, Krishi Bhawan, New Delhi.
4. Advisor (Agriculture), NITI AAYOG, New Delhi.
5. Additional Secretary & Financial Advisor, Deptt. of Animal Husbandry & Dairying, Krishi Bhawan, New Delhi.
6. Joint Secretary (PF-II), Ministry of Finance, Department of Expenditure, North Block, New Delhi.
7. Joint Secretary, Ministry of Finance, Department of Economic Affairs, Banking Operation and Administration Division, Room No.6, 3rd Floor, Jeevan Deep Building, Parliament Street, New Delhi.
8. Chairman, NDDDB, P.B.No.40, Anand 388001.

9. Chiarman, NABARD, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051
10. Managing Director, NCDC, 4 Siri Institutional Area, Hauz Khas, New Delhi 110016.
11. Chief General Manager, Business Initiatives Department, NABARD, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051
12. All State Governments, Department of Animal Husbandry & Dairying.
13. All MD, Milk Federation, States/ UTs
14. Technical Director, NIC (With a request to Include the Administrative approval in website of the Department)

Copy for information to:

15. PS to Hon'ble Agriculture and Farmers Welfare Minister
16. PS to Hon'ble Minister of State for Agriculture and Farmers Welfare
17. PPS to Secretary (AHD&F)
18. PPS to AS & FA
19. PPS to AHC
20. PS to JS (C&DD)/ PS to JS(ANLM)/Ps to JS(LH)/JS(Fy)
21. Dir (DD)/Dir (Budget)/DC(DD)/US (Fin)/ AC (DD)/ AO(Budget)

Yours Sincerely

(K.C. Patra)

Under Secretary to the Govt. of India

(K.C. PATRA)
Under Secretary
Govt. of India
Ministry of Agriculture
Deptt. of A. H. D. & Fisheries
Krishi Bhawan, New Delhi

Government of India
Department of Animal Husbandry Dairying & Fisheries
(Ministry of Agriculture and Farmers Welfare)

Operational Guidelines
Of
Dairy Processing and Infrastructure Development Fund (DIDF)

December, 2017

Operational Guidelines

1. Union Budget announcement

The Union Finance Minister made the following announcement in the Union Budget for 2017-18:

“Dairy is an important source of additional income for the farmers. Availability of milk processing facility and other infrastructure will benefit the farmers through value addition. A large number of milk processing units set up under the Operation Flood Programme have since become old and obsolete. A Dairy Processing and Infrastructure Development Fund would be set up in NABARD with a corpus of Rs 8000 crores over 3 years.

The Union Cabinet on 12.09.2017 accordingly approved setting up the fund of Rs. 8004 crore titled 'DIDF' in NABARD with total financial outlay of Rs. 10881 crore for the project comprising (i) Rs. 8004 crore to be raised by NABARD from market. (ii) Rs. 2001 crore to be contributed by Eligible End Borrowers (EEBs) towards margin (iii) Rs. 12 crore to be contributed by NDDDB / NCDC on pro rata basis towards Project Management and Learning and (iv) Interest Subvention of Rs. 864 crore to be provided to NABARD by Department of Animal Husbandry Dairying and Fisheries (DADF), Ministry of Agriculture and Farmer welfare, Government of India, through budgetary support from Government of India.

These Operational Guidelines are framed to operationalize the Dairy Processing and Infrastructure Development Fund [DIDF] setup in NABARD. The five annexures appended to these Operational Guidelines shall be read as part and parcel of these Operational Guidelines.

2. Objectives of the DIDF

- i. To modernize the milk processing plants and machinery and to create additional infrastructure for processing more milk.
- ii. To create additional milk processing capacity for increased value addition by producing more dairy products.
- iii. To bring efficiency in dairy processing plants/producer owned and controlled dairy institutions, thereby enabling optimum value of milk to milk producer farmers and supply of quality milk to consumers.
- iv. To help the producer owned and controlled institutions to increase their share of milk, thereby providing greater opportunities of ownership, management and market access to rural milk producers in the organized milk market.
- v. To help the producer owned and controlled institutions to consolidate their position as dominant player in the organised liquid milk market and to make increased price realisation to milk producers.

3. Components of DIDF

The broad investment activities eligible under DIDF are:

- i. Modernization & creation of new milk processing facilities
- ii. Manufacturing facilities for Value added Products
- iii. Milk Chilling infrastructure
- iv. Setting up electronic milk testing equipment
- v. Project Management and Learning
- vi. Any other activity related to the dairy sector targeted to contribute to the objectives of DIDF and decided by Government of India in consultation with the stakeholders.

4. Eligible End Borrower (EEB)

(i) The following institutions will be eligible for loans as Eligible End Borrower under DIDF by NDDDB/NCDC:

- Co-operative Milk Unions
- State Cooperative Dairy Federations
- Multi State Milk Cooperatives
- Milk Producer Companies
- NDDDB subsidiaries

(ii) These eligible institutions will be the Eligible End Borrowers.

(iii) Financial assistance under DIDF will be given to those EEBs who are financially viable (Net worth positive and with accumulated profit etc.) and willing to avail funds as also fulfill the Eligibility Criteria at Annexure II.

5. Source of fund

NABARD shall raise fund from the financial markets in compliance with SEBI guidelines. The instrument appropriate for borrowing shall be decided by NABARD depending on the demand.

6. Cost of Fund to NABARD

The cost of fund to NABARD shall be the actual cost of borrowing by NABARD inclusive of interest, taxes, fees, charges, etc., plus fund management cost of 0.60% per annum. The interest rate on borrowings from market by NABARD shall vary from time to time depending upon rates prevailing at the time of raising funds. NABARD shall endeavor to keep the cost of borrowing to the minimum and ensure that interest subvention does not exceed 2% in order that the loan is provided to the eligible end borrower at 6.5% per annum. However, in future, in case there is any increase in the costs of funds for NABARD, the interest subvention shall be decided by DADF, Ministry of Agriculture and Farmers Welfare, Gol in consultation with the Department of Expenditure, Ministry of Finance, Gol. (Para 10 (v) of CCEA Note dated 24th August, 2017).

7. Interest rates on loans by NABARD to NDDDB/NCDC and to Eligible End Borrower

NABARD shall extend loans to NDDDB and NCDC at fixed rate of interest of 6% per annum repayable at quarterly rests. The interest rate to the Eligible End Borrower shall be 6.5 % per annum to be charged by NDDDB/NCDC.

8. Payment of Interest subvention to NABARD

- i. The GOI shall pay the interest subvention amount to NABARD till due outstanding loan and interest are fully paid off. The interest subvention shall be the difference between (a) costs of borrowing by NABARD (inclusive of interest, taxes, fees, charges, etc.) plus fund management cost of 0.6% per annum, and (b) the rate of interest charged on loans to NDDDB/NCDC by NABARD.
- ii. GOI shall make adequate annual Budget provision for interest subvention to NABARD for 12 years covering the entire repayment period of loan by the eligible end borrowers under DIDF i.e. from 2017-18 to 2028-29 based on annual plan submitted by NABARD. In case, the repayment is extended beyond 2028-29, budgetary support shall be provided for the extended period also.
- iii. NABARD will submit claim of interest subvention requirement every quarter based on drawal applications submitted by NDDDB/ NCDC. The DADF will release the interest subvention amount within 30 days of receipt of claim from NABARD.
- iv. In the event of delayed release of interest subvention by DADF, it shall suitably compensate NABARD as per the cost of borrowings by NABARD.

9. Security for NABARD

- i. All securities including state government guarantee, book debts and receivables etc., taken by NDDDB/ NCDC from eligible end borrowers under DIDF shall be held in trust by NDDDB/ NCDC on behalf of NABARD and shall be assigned to NABARD as and when demanded by NABARD. NDDDB/NCDC shall obtain consent from eligible end borrower and the state government for assigning securities in favour NABARD.
- ii. The book debts and receivables of NDDDB/NCDC under DIDF shall be held in trust by NDDDB/NCDC on behalf of NABARD and shall be assigned to NABARD as and when demanded by NABARD.
- iii. NDDDB/NCDC may maintain Debt Service reserve Account (DSRA) with minimum balance equal to two quarters dues towards interest and principal installments. NDDDB/NCDC may maintain minimum balance in DSRA in the form of fixed deposits or bank guarantee.

- iv. NDDDB/NCDC shall execute a Demand Promissory Note in favour of NABARD for each loan disbursement separately.

10. Repayment of principal and interest by NDDDB/NCDC to NABARD

- i. Each loan drawal will be treated as separate loan with fixed tenure of 10 years including two year moratorium period on repayment of principal. Interest accrued on outstanding loan amount will be serviced during the moratorium period also.
- ii. Interest /principal instalment shall be paid to NABARD at quarterly rest.
- iii. Other terms and conditions of repayment have been specified in Annexure III.

11. Default in repayment by NDDDB/NCDC to NABARD

- i. If NDDDB/NCDC fails to pay interest /instalment of principal on the respective due date(s), it shall be liable to pay 1 % penal interest on the amount due in addition to applicable rate of interest for the period of delay. Period of delay shall be counted from the due date. Interest shall accrue and will be payable until the actual receipt of the amount by NABARD.
- ii. Other terms and conditions governing penalty in case of default have been specified in Annexure III.

12. Prepayment Charges

NDDDB/NCDC shall be liable to pay pre-payment charges to NABARD in the event of advance repayment of loan i.e. before due date in a manner as specified in Annexure III.

13. Monitoring of Projects

- i. The projects under the scheme will be approved and monitored by the Committees at various levels as detailed in Annexure I.
- ii. NABARD, at its own discretion, shall have the right to undertake/ cause to undertake monitoring of projects.

14. NABARD shall undertake independent appraisal and

- i. NABARD shall have the right to seek any project related information from NDDDB/ NCDC.
- ii. NABARD may demand NDDDB/NCDC to make a presentation of project proposal before the appropriate committee.
- iii. NABARD may advise NDDDB/ NCDC to arrange for additional security from eligible end borrower.

15. These operational guidelines and Annexures form part of the Memorandum of Agreement.

End of Operational Guidelines

Implementation and Monitoring Mechanism

Projects under the scheme will be approved and monitored by the committees, to be set up as indicated below:

1. **Central Project Steering Committee (CPSC):** CPSC will be headed by Secretary, DADF, Government of India and will provide policy and strategic support.

1.1 Constitution of CPSC

Members of CPSC will be:

- i. Secretary, DADF, GoI - Chairperson of the Committee
- ii. Chairperson, NABARD or his nominee not below the rank of Deputy Managing Director
- iii. Chairperson, NDDDB or his nominee not below the rank of Executive Director
- iv. Managing Director/Deputy Managing Director, NCDC
- v. Additional Secretary & Financial Advisor, DADF, GoI
- vi. Joint Secretary (Dairy Development), DADF, Government of India
- vii. Managing Director/ Executive Director, NDDDB
- viii. Executive Director, NCDC
- ix. Group Head (FPS), NDDDB/ Financial Advisor, NCDC
- x. Director, DADF, GoI – Member Convener

1.2 Functions of CPSC:

- i. CPSC will be responsible for approval / modification of operational guidelines of the DADF scheme.
- ii. Annual Action Plans, as finalized by NDDDB and NCDC will be approved by CPSC. Final annual fund drawal plan shall be approved by CPSC.
- iii. CPSC shall be empowered to decide the composition of CPSC & Project Sanctioning Committee (PSC) of NDDDB/NCDC.
- iv. CPSC will be empowered to invite external experts from the field of animal husbandry and dairy sector as a member of CPSC.
- v. The CPSC will be fully empowered to make any changes and delegate powers that may be necessary for smooth implementation of the scheme and its sub-projects.

- vi. CPSC would meet twice a year, or as frequently as may be required, and provide policy and strategic support to the project.
- vii. Overall monitoring of the scheme will be done by DADF at central level whereas at individual project level NDDDB and NCDC will implement & monitor their respective projects centrally.

2. State Project Screening and Review Committee (SPSRC):

State Government will constitute a SPSRC headed by Chief Secretary or an Officer not below the rank of Principal Secretary / Secretary (Department of Animal Husbandry) to the State Government nominated by the State Government for screening of the projects.

2.1 Constitution of SPSRC:

Members of SPSRC would be:

- i. Chief Secretary or an Officer not below the rank of Principal Secretary / Secretary (Department of Animal Husbandry) to State Government nominated by the State Government – Chairperson of the Committee
- ii. The CGM/ Officer In charge of the State Regional office of NABARD or his nominee
- iii. Representative from Department of Finance of the State Government
- iv. Managing Director, State Dairy Federation
- v. Representative from NDDDB / NCDC – Member Convener
- vi. Representative from DADF, GoI
- vii. Representative from Animal husbandry / Dairy Development Department of the State Government

2.2 Functions of SPSRC

Functions of SPSRC shall be as under:

- i. SPSRC shall screen the proposals presented before itself by NDDDB/NCDC and recommend to NDDDB/NCDC for sanction. NDDDB/NCDC shall apprise SPSRC of every project proposal which they have received along with the findings.
- ii. If NDDDB/NCDC in order to secure its loan recommends guarantee from state government on behalf of eligible end borrower, SPSRC shall arrange commitment letter from state government for providing the guarantee on behalf of eligible end borrower. SPSRC shall ensure that state government waives the guarantee fee, if any.

- iii. If NDDDB/ NCDC recommends margin contribution by state government on behalf of eligible end borrowers who do not possess adequate capacity to contribute towards the margin, SPSRC shall ensure issuance of commitment letter from state government for offering necessary grant components to cover the eligible end borrowers contribution.
 - iv. SPSRC shall facilitate the statutory clearance from state government, if any.
 - v. SPSRC shall ensure that there is no duplication of activities, efforts and resources.
 - vi. SPSRC will review the progress of the DIDF supported projects at the state level and monitor as well as review repayment of loans, etc., taken by eligible end borrowers in a timely manner. Necessary guidance and directions shall also be issued by CPSC from time to time in this regard.
 - vii. SPSRC shall ensure that sufficient budgetary allocation is made under the State Plan Budget annually and at the time of formulation of sub-project proposals, in order to meet margin contribution and exigencies in case of default by eligible end borrower for repayment of outstanding loan amount to NDDDB/NCDC.
- 3. Project Sanctioning Committee (PSC):**
Two PSCs will be set up. One by NDDDB and another by NCDC.
- 3.1. PSC of NDDDB:** PSC of NDDDB will be headed by Managing Director/Executive Director of the implementing agencies NDDDB with the following members:
- i. Managing Director / Executive Director, NDDDB -Chairperson of the Committee
 - ii. Representative from DADF, Gol
 - iii. Group Head (FPS), NDDDB– Member Convener
 - iv. Representative from the concerned State Government and the State Dairy Federation would be an invitee while discussing the proposals pertaining to that particular state.
- 3.2. PSC of NCDC:** PSC of NCDC will be headed by Managing Director/Deputy Managing Director of the implementing agency (NCDC) with the following members:
- i. Managing Director /Deputy Managing Director, NCDC –Chairperson of the Committee
 - ii. Representative from DADF, Gol
 - iii. Executive Director, NCDC

- iv. Financial Advisor, NCDC– Member Convener
- v. Representative from the concerned State Government and the State Dairy Federation would be an invitee while discussing the proposals pertaining to that particular state.

3.3 Functions of Project Sanctioning Committee (PSC):

- i. The PSCs will have the authority to firstly approve and then recommend to NABARD projects recommended by respective State Project Screening and Review Committee (SPSRC).
- ii. PSC will be responsible for consideration of proposals received from eligible end borrowers and recommended by SPSRC.
- iii. The PSC will meet quarterly or as frequently as necessary to ensure that proposals received from eligible end borrowers are considered expeditiously.
- iv. PSC will have the power to authorize re-appropriation of funds within project components for the same eligible end borrower; and to change norms/unit cost of component/items of the project as per guidelines issued by Government from time to time.
- v. PSC shall approve projects and recommend them to NABARD for consideration of sanction by NABARD. NDDDB/ NCDC shall issue sanction letters only to those projects which have been cleared by NABARD. In case of non approval by NABARD, PSC shall be apprised of the decision along with reasons thereof, in the next meeting.
- vi. In case of project being rejected by PSC, NDDDB/NCDC shall apprise SPSRC about it along with the reasons.

4. Appraisal by NDDDB/ NCDC

- i. Eligible end borrower shall approach NDDDB/NCDC with project proposal. NDDDB/NCDC shall assist eligible end borrower in preparation of detailed project report (DPR) if required.
- ii. NDDDB/NCDC shall undertake the detailed appraisal including the financial analysis of the borrower.
- iii. During appraisal process NDDDB/NCDC shall examine the security/collaterals offered by eligible end borrower.
- iv. NDDDB/ NCDC shall lend against state government guarantee.
- v. During appraisal NDDDB/ NCDC shall also look into margin contribution to be provided by eligible end borrower, as stipulated in Annexure II.

vi. After the appraisal process is complete, NDDDB/ NCDC shall convene SPSRC.

5. NDDDB and NCDC being implementing agencies shall constitute Implementation and Monitoring Cell (IMC) for the purpose of implementation of dairy projects sanctioned by the respective agencies. IMC will be supported by various Technical Groups within NDDDB/NCDC during implementation of the project. IMC will do financial appraisal of the eligible end borrowers' proposals received through State Government based on technical feasibility carried out by respective technical groups of NDDDB / NCDC.

NDDDB/NCDC shall consult eligible end borrowers to generate Detailed Project Report (DPRs), to appraise and to get it recommended by State Project Steering and Review Committee.

End of Annexure I

Terms and conditions for Lending by NDDB/NCDC and repayment by Eligible End Borrower

1 Lending Terms by NDDB/NCDC to Eligible End Borrower

The terms of lending to Eligible End Borrowers based on the following broad terms:

- i. The selection of projects shall be decided by the NDDB/NCDC keeping in overall objectives, eligible activities and eligible beneficiaries approved under the fund.
- ii. NDDB/NCDC shall lend against state government guarantee. SPSRC shall secure the commitment letter from state government for providing guarantee on behalf of eligible end borrower.
- iii. NDDB/NCDC shall lend against margin contribution from eligible end borrower. Eligible end borrower shall contribute minimum 20% of project cost. In case eligible end borrower does not possess adequate capacity to contribute towards the margin, SPSRC shall secure commitment letter from state government for providing margin contribution on behalf of eligible end borrower.
- iv. The interest rate to eligible end borrower shall be 6.5% per annum to be charged by NDDB/NCDC. Interest/Principal shall be payable monthly by eligible end borrower to NDDB/NCDC.
- v. NDDB/NCDC shall ensure DSRA is created immediately after the fund is disbursed from NDDB/NCDC to eligible end borrower. Eligible end borrower shall maintain Debt Service Reserve Account (DSRA) covering minimum of 2 quarter interest and principal installment.
- vi. The implementing agency, i.e. NDDB/NCDC will prescribe the targets in efficiency and output parameters, to each of the borrower, which they have to achieve with the loan provided.
- vii. The tenor of the loan to the eligible end borrower under the fund shall be maximum 10 years including two years moratorium. However, NDDB/NCDC may decide upon the actual repayment based on the type of investment and projected cash flows and securities thereof.
- viii. A bilateral agreement shall be signed between NDDB/NCDC, and Eligible End Borrower.

- ix. NDDDB/ NCDC shall have a clause in its loan agreement with eligible end borrower that "Eligible end Borrower gives consent /causes to give consent for assigning the securities, which were offered by it to NDDDB/NCDC under DIDF, in favour of NABARD."
 - x. NDDDB/ NCDC shall ensure incorporation of a provision in the State Government guarantee to the effect that the state government shall have no objection for assignment of the guarantee to third party by NDDDB/NCDC.
 - xi. NDDDB/NCDC shall ensure that borrower compulsorily signs transparency covenant for all suppliers/contractors.
- 2. Repayment of principal and interest by Eligible End Borrower to NDDDB/NCDC**

- i. The tenor of the loan to the eligible end borrower under the fund shall be maximum 10 years including two years moratorium. However, NDDDB/NCDC may decide upon the actual repayment period/ revision of previously approved repayment period based on the type of investment and projected cash flows and securities thereof. The total repayment period including extension if any shall not exceed 10 years inclusive of moratorium.
- ii. Interest shall be payable at monthly intervals. Interest shall be calculated on daily product basis without compounding and interest amount so calculated shall be payable on 1st day of the subsequent month.
- iii. Principal is to be repaid in monthly installments after completion of moratorium period, if any, within the loan tenure. Moratorium period shall be calculated from the date of the first disbursement of loan.
- iv. In case of delay in the repayment of principal/interest, additional interest at the rate of 3% over and above normal interest shall be payable.

3. Eligibility Criteria for eligible end borrower to avail funds under DIDF

Technical, Institutional/ Governance Criteria for eligible end borrower is as follows:

3.1 Technical Criteria:

- i. The borrower should have required environmental/ statutory clearances for setting up of plants.
- ii. The borrower should have its own land/ long term lease, free from encumbrances, in case of setting up of new plant or expansion of existing

plant. In case of lease, requisite No Objection Certificate from the concerned authority for mortgage to NDDDB/NCDC would have to be obtained.

3.2 Financial Criteria:

- i. Audit of accounts should be up-to-date and the auditor's observations should not contain any adverse opinion or disclaimer.
- ii. The borrower should not be in a default to any bank/financial institution on the date of applying for loan.
- iii. All outstanding dues to producer members should not exceed four payment periods.
- iv. The borrower should have positive net worth.
- v. The borrower shall provide its consent for assignment, in favour of NABARD, of all securities taken by NDDDB/NCDC for securing its loan. In case of reassignment, cost involved shall be recovered from eligible end borrower.
- vi. The financial returns of the project should meet the requirements decided by NDDDB/NCDC from time-to-time.
- vii. The borrower should not have any receivable over one year from the state government.

3.3 Institutional/ Governance Criteria:

- i. Should have a duly constituted Governing Body such as Board of Directors/Management Committee as applicable to the legal form of the eligible end borrower.
- ii. Should have a full time Chief Executive/Managing Director (or equivalent) and adequate number of qualified technical and managerial personnel at key positions.
- iii. Should not have any Director on the board who has defaulted to any bank/ financial institution.

3.4 Loan Swapping:

Loan available from other financial institutions for the projects under execution may be considered for loan swapping under DIDF scheme subject to fulfilling the following pre-conditions:

- i. Eligible end borrower should obtain no objection certificate (NOC) from concerned financial institution/ funding agencies.

- ii. Eligible end borrower will have to qualify for all eligibility criteria defined under the DIDF scheme.
- iii. No cases / disputes should be pending in the court of law in relation to the project under consideration.
- iv. Reassessment of project cost estimated, procurement (purchase) procedures and viability as per the terms and conditions of the DIDF scheme.
- v. Assessment of capability of eligible end borrower to provide adequate security including State Government guarantee.

End of Annexure II

Terms and Conditions for lending by NABARD to NDDDB/NCDC

1. Release of Loan

- i. NDDDB/ NCDC shall communicate its own sanction to eligible end borrower only after the project is sanctioned by NABARD.
- ii. NDDDB/NCDC shall approach NABARD for drawals, only after NDDDB/NCDC executes all the loan documents with the eligible end borrower.
- iii. NABARD shall allow one drawal during the quarter with minimum size of Rs. 500 crore for one or more number of projects. NABARD at its own discretion may relax this condition. NABARD shall release funds within 30 days from the date of receipt of drawal application completed in all respects.
- iv. In the event NDDDB/NCDC, after giving notice, does not avail funds so raised by NABARD for some reason, it shall be liable to pay commitment charges to NABARD to compensate for financial loss suffered in the process. This charge will be the difference between cost of borrowings of NABARD and the prevailing reverse repo rate for the period such borrowings remain unutilized under this scheme.
- v. NDDDB/NCDC along with the drawal application shall also submit the utilization certificate for previous disbursement. NABARD shall have the right to withhold further disbursements to NDDDB/NCDC in case the previous disbursement is not utilized to the extent of 90%. Utilization Certificate format shall be given by NABARD.
- vi. The default risk from the eligible end borrower shall be with NDDDB/ NCDC and NDDDB/NCDC shall repay the principal installment and interest to NABARD on due date(s), irrespective of the actual recovery from its borrowers.
- vii. Format for drawal application, Demand Promissory Note (DPN), Debt Service Reserve Account (DSRA) and assignment of securities shall be provided by NABARD.

2. Interest rates on loans by NABARD to NDDDB/NCDC

NABARD shall extend loans to NDDDB and NCDC at fixed rate of interest of 6% per annum payable at quarterly rests.

3. Repayment of principal and interest by NDDB/NCDC to NABARD

- i. Each loan drawal will be treated as separate loan with fixed tenor of 10 years including two year moratorium period on repayment of principal. Interest accrued on outstanding loan amount will be serviced during the moratorium period also.
- ii. Interest shall be paid to NABARD on quarterly basis. Interest for the quarter shall be payable on 1st day of subsequent quarter.
- iii. Principal shall be repaid to NABARD in quarterly instalments. Principal instalment shall be payable on last day of the same quarter.
- iv. If due date for payment of principal installment falls on Saturday, Sunday and Holiday(s) at NABARD Head Office, the due date shall be deemed to be the preceding business day.
- v. If due date for payment of interest falls on Saturday, Sunday and Holiday(s) at NABARD Head Office, the due date shall be deemed to be the next business day.
- vi. NDDB/NCDC shall be free to pay interest/principal relating to quarter anytime during the quarter before the due date. However, if NDDB/ NCDC pays interest/ principal instalments for subsequent quarter(s), it shall be liable to pay pre-payment charges as specified below at Para 6.
- vii. NABARD shall not issue any notice to NDDB/NCDC for repayment of principal or payment of interest. NDDB/NCDC themselves, on a continuous basis, shall maintain the schedule of interest payment/ principal repayment to NABARD.

4. Prepayment Charges

NABARD may accept advance repayment of loan subject to the condition that NDDB/NCDC gives three days clear notice (excluding Saturdays, Sundays and Bank Holidays) to NABARD for such advance payment, provided that if NDDB/NCDC fails to give aforesaid advance notice of three days, the repayment shall be deemed to have been made after three days (excluding Saturdays, Sundays and Bank Holidays) from the actual date of realization of payment and interest will be levied accordingly. However, irrespective of three days' notice given to NABARD by NDDB/NCDC, it shall be liable to pay pre-payment charge on the prepaid amount. Prepayment charge shall be equivalent to difference between cost of borrowing of NABARD inclusive of interest, fee, charges, taxes if any and the prevailing yield on

10 year G-Sec for the period for which amount was prepaid. NABARD at its discretion may waive the prepayment charges in following circumstances:

- i. Where eligible end borrower prepays entire outstanding to NDDDB/NCDC out of its genuine business revenue and in turn NDDDB/ NCDC prepays to NABARD.
- ii. Where eligible end borrower defaults to NDDDB/NCDC and the latter makes the prepayment to NABARD for closure of loan account out of the proceeds received by invoking state government guarantee and/or out of proceeds received by liquidating the secured assets of the eligible end borrower.

5. Default in repayment by NDDDB/NCDC to NABARD

- i. If NDDDB/NCDC fails to pay interest on due date, it shall be liable to pay 1 % penal interest in addition to applicable rate of interest on interest due for the period of delay.
- ii. If NDDDB/NCDC fails to pay the principal instalment on due date, it shall be liable to pay additional interest (over and above the lending rate) at the rate of 1% per annum on the defaulted amount for the period of default.
- iii. If any principal instalment/interest remains unpaid on due date, NABARD shall have the right to issue notice to NDDDB/NCDC for the payment of the same. If it is still not paid to NABARD within 15 days, NABARD shall be entitled to approach concerned State Government/ Gol for recovery of the dues.
- iv. In the event of NDDDB/NCDC receiving any amount through invocation of state government guarantee and if NDDDB/NCDC is in default to NABARD then NDDDB/NCDC shall pass on such proceeds to NABARD till all its dues are cleared.

6. Stoppage of further disbursements

- i. Without prejudice to NABARD's rights and any other legal remedies as may be available to it upon breach of any or all of the terms and conditions herein, NABARD at its sole discretion shall stop further disbursement of the loans and advances to NDDDB/NCDC.
- ii. Notwithstanding what is contained in para (i) above, on the occurrence of default in repayment of any installment of the principal or payment of any installment of the interest, it shall be open to NABARD to stop further disbursement of loans until such amounts in default are paid in full by

- NDDB/NCDC. In such an event, NABARD shall not be liable for any loss, damage or expenses that may be caused in the completion of the projects.
- iii. NABARD shall also have the right to withhold further disbursements to NDDB/NCDC in case the previous disbursement is not utilized to the extent of 90% at the time of submitting the drawal application to NABARD. This is without any prejudice to NABARD's right to recall the unutilized portion.

7. Appropriation of Payments

- i. All amounts paid by NDDB/NCDC to NABARD shall be appropriated towards interest accrued on the overdue interest, overdue interest, overdue loan amount if any in that order. Regular repayments will be first adjusted towards interest due followed by principal.
- ii. If the amount repaid by NDDB/NCDC is in excess of instalment of principal /interest, such excess amount shall be paid back to NDDB/NCDC by NABARD within 10 days.

End of Annexure III