

Ref. No. NB.TSD.1660 / VCF-4 / 2010-11

Circular No. 186 /TSD - 03 / 2010

21 September 2010

The Chairman / Managing Director
All Scheduled Commercial Banks
All RRBs / SCARDBs/SCBs
All other institutions eligible for NABARD refinance

Dear Sir

Dairy and Poultry Venture Capital Funds - Dairy Entrepreneurship Development Scheme (DEDS)

Please refer to our Circulars No. 32/ICD-6/2004-05 dated 16 February 2005 communicating the guidelines of Venture Capital Fund for Dairy and Poultry, No.93/TSD-03/2009 dated 19 June 2009 advising segregation of dairy and poultry sectors and No.96/TSD-01/2010 dated 7 May 2010 informing about the continuation of the scheme during the year 2010-11.

2. A mid term evaluation of the scheme made certain recommendations to accelerate the pace of implementation of the scheme. Taking into account the recommendations of the evaluation study and the representations received from various quarters including the farmers, State Governments and banks it has been decided by Department of Animal Husbandry, Dairying and Fisheries, Gol to change the mode of implementation from Interest Free Loan (IFL) to capital subsidy, revise the unit costs, include some new components and also change the name to “ Dairy Entrepreneurship Development Scheme (DEDS)”.
3. The revised scheme has come into operation with effect from 1 September 2010. Budget provision for the scheme during 2010-11 is Rs 32.40 crore { including Rs 4.18 crore for NE region and releases made under erstwhile Dairy Venture Capital Fund Scheme (DVCF)}.
4. Proposals sanctioned and disbursed by the banks on or after 1 September 2010 will be covered under the revised scheme i.e. DEDS only. Proposals will be considered on first come first serve basis subject to availability of funds.
5. Claims in respect of which IFL is already sanctioned and released by NABARD under DVCF scheme will not be reopened.
6. Proposals which were sanctioned by the banks on or before 31 August 2010 but not submitted to NABARD may be submitted to concerned Regional Office of NABARD after revalidating the sanction and disbursement of first instalment of the loan.
7. All the proposals pending with our Regional offices shall be returned to the concerned banks. They may revalidate the sanction and submit to NABARD after disbursement of first instalment of the loan. Such proposals also shall be considered on first come first serve basis subject to availability of funds.
8. Banks shall continue to remit the refunds if any and repayments received under the DVCF on a proportionate basis to NABARD till the loan amount is liquidated.
9. Banks may continue to claim interest subsidy in respect of regular accounts under DVCF on an annual basis till the repayment period is over.

10. The major changes that were brought in DEDS as compared to DVCF are given below

Item	Dairy Venture Capital Fund	Dairy Entrepreneurship Development Scheme
1. Assistance extended	Interest Free Loan - 50% of the outlay	Capital subsidy - 25% of outlay (33.33 % for SC and ST entrepreneurs
2. Interest subsidy	50% of interest paid in case of regular accounts is reimbursed	No interest subsidy
3. Restriction on financing of milch animals	Milch animal financing not permitted in Operation Flood (OF) areas	No such restrictions i.e. Milch animals financed even in OF areas also are eligible.
4. New components	-	The following components are included. a. Vermicompost with milch animal unit. b. Heifer calf rearing. c. Dairy parlour
5. IFL / subsidy availment	Bank has to sanction the project and approach NABARD for sanction and release of Interest Free Loan.(IFL) Bank loan and IFL to be released simultaneously	Bank has to sanction and release the first instalment and then apply to NABARD for sanction and release of eligible subsidy.
6. Repayment	Repayments received from the borrowers are to be remitted to NABARD on prorata basis	No repayment to NABARD. Back ended capital subsidy adjusted at the end.

11. The Department of Animal Husbandry, Dairying and Fisheries (DAHD&F), Ministry of Agriculture, Government of India, is the focal department for operating the scheme. The sanction and release of subsidy is subject to availability of funds and adherence of the instructions issued by DAHD&F, Gol and NABARD from time to time.

12. A copy of the operational guidelines of the scheme is enclosed.

13. We request you to circulate the operational guidelines among your controlling offices and branches advising them to submit the proposals to the Regional Offices of NABARD.

14. You may take steps for giving wide publicity for the scheme. The Animal Husbandry Department may also be approached for popularising the scheme and mobilising applications from prospective promoters.

15. Please acknowledge receipt.

Yours faithfully

Sd/-

(Dr.P.Renganathan)
Chief General Manager

Encl: A/a

OPERATIONAL GUIDELINES ON DAIRY ENTREPRENEURSHIP DEVELOPMENT SCHEME

1. Background

1.1. Department of Animal Husbandry, Dairying and Fisheries, (DAHD&F) GoI during the year 2005-06 launched a pilot scheme titled “Venture Capital Scheme for Dairy and Poultry”. The main objective of the scheme was to extend assistance for setting up small dairy farms and other components to bring structural changes in the dairy sector. Assistance under the scheme is extended in the form of Interest Free Loan (IFL) to individuals, SHGs, NGOs, Cooperatives, companies for selected components. As on 31 March 2010, 15368 units were extended IFL assistance of Rs 146.91 crore through out the country.

1.2. An evaluation of the scheme revealed that the scheme had created a major impact in the area of financing of milch animals in some States and the farmers at ground level derived benefit from the scheme. The study has recommended to remove the restrictive clause on financing of milch animals in Operation Flood areas. Further, there are requests from many quarters including farmers, State Animal Husbandry Departments and banks to convert the mode of implementation of the scheme from IFL to capital subsidy mode.

1.3. After detailed discussions with all the stakeholders, it has been decided by DAHD&F, the nodal department to change the mode of implementation, revise the existing unit costs and bring some more components for assistance under the purview of the scheme. As the scheme aims at promoting entrepreneurial qualities, the revised scheme has been named as “**Dairy Entrepreneurship Development Scheme**”(DEDS.)

2. Objectives of the scheme

- To promote setting up of modern dairy farms for production of clean milk
- To encourage heifer calf rearing thereby conserve good breeding stock
- To bring structural changes in the unorganized sector so that initial processing of milk can be taken up at the village level itself.
- To bring about upgradation of quality and traditional technology to handle milk on a commercial scale
- To generate self employment and provide infrastructure mainly for unorganized sector.

3. Implementing period and Area of operation

The scheme will be implemented during the remaining XI plan period through out the country with out restrictions applicable to Operation Flood areas for financing of milch

animals. The scheme will come into effect from 1 September 2010 i.e proposals sanctioned and disbursed by the banks on or after 1 September 2010 shall be covered under the revised scheme i.e DEDS and sanctions under the old scheme (DVCF) will not be entertained thereafter.

4 .Eligibility

4.1. Farmers, individual entrepreneurs, NGOs, companies , groups of unorganised and organized sector etc. Groups of organized sector include self help groups, dairy cooperative societies, milk unions , milk federations etc.

4.2. An individual will be eligible to avail assistance for all the components under the scheme but only once for each component

4.3. More than one member of a family can be assisted under the scheme provided they set up separate units with separate infrastructure at different locations. The distance between the boundaries of two such farms should be at least 500m.

5 Subsidy.

5.1. Components that can be financed, indicative unit cost and pattern of assistance are given below

S.No	Component	Unit Cost	Pattern of Assistance
i	Establishment of small dairy units with crossbred cows/ indigenous descript milch cows like Sahiwal, Red Sindhi, Gir, Rathi etc / graded buffaloes upto 10 animals	Rs 5.00 lakh for 10 animal unit – minimum unit size is 2 animals with an upper limit of 10 animals.	25% of the outlay (33.33 % for SC / ST farmers,) as back ended capital subsidy subject to a ceiling of Rs 1.25 lakh for a unit of 10 animals (Rs 1.67 lakh for SC/ST farmers,). Maximum permissible capital subsidy is Rs 25000 (Rs 33,300 for SC/ST farmers)for a 2 animal unit. Subsidy shall be restricted on a prorata basis depending on the unit size
ii	Rearing of heifer calves – cross bred, indigenous descript milch breeds of cattle and of graded buffaloes – upto 20 calves	Rs 4.80 lakh for 20 calf unit – minimum unit size of 5 calves with an upper limit of 20 calves	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 1.20 lakh for a unit of 20 calves (Rs 1.60 lakh for SC/ST farmers). Maximum permissible capital subsidy is Rs 30,000 (Rs 40,000 for SC/ST farmers) for a 5 calf unit. Subsidy shall be restricted on a prorata basis depending on the unit size
iii	Vericompost (with milch animal unit .To be considered with milch animals and not separately)	Rs 20,000/-	25% of the outlay (33.33 % for SC / ST farmers)as back ended capital subsidy subject to a ceiling of Rs 5,000/- (Rs 6700/- for SC/ST farmers,).

iv	Purchase of milking machines /milktesters/bulk milk cooling units (upto 2000 lit capacity)	Rs 18 lakh	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 4.50 lakh (Rs 6.00 lakh for SC/ST farmers).
v	Purchase of dairy processing equipment for manufacture of indigenous milk products	Rs 12 lakh	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 3.00 lakh (Rs 4.00 lakh for SC/ST farmers).
vi	Establishment of dairy product transportation facilities and cold chain	Rs 24 lakh	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 6.00 lakh (Rs 8.00 lakh for SC/ST farmers).
vii	Cold storage facilities for milk and milk products	Rs 30 lakh	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 7.50 lakh (Rs 10.00 lakh for SC/ST farmers).
viii	Establishment of private veterinary clinics	Rs 2.40 lakh for mobile clinic and Rs 1.80 lakh for stationary clinic	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 60,000/- and Rs 45,000/- (Rs 80,000/- and Rs 60,000/- for SC/ST farmers) respectively for mobile and stationary clinics
ix	Dairy marketing outlet / Dairy parlour	Rs 56,000/-	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 14,000/- (Rs 18600/- for SC/ST farmers).

6. Funding pattern

- Entrepreneur contribution (margin) - 10 % of the outlay (minimum)
- Back ended capital subsidy - as indicated above at 5.1.
- Effective Bank Loan - Balance portion, Minimum of 40% of the outlay

7. Linkage with credit

Assistance under the scheme would be purely credit linked and subject to sanction of the project by eligible financial institutions

8. Eligible financial institutions

- a. Commercial Banks
- b. Regional Rural Banks
- c. State Cooperative Banks
- d. State Cooperative Agriculture and Rural Development Banks: and
- e. Such other institutions, which are eligible for refinance from **NABARD**.

9. Sanction by banks

9.1 The entrepreneurs shall apply to their banks for sanction of the project. The bank shall appraise the project as per their norms and if found eligible, sanction the total outlay excluding the margin, as the bank loan. The loan amount is then disbursed in suitable instalments depending on the progress of the unit. After the disbursement of first instalment of the loan, the bank shall apply to the concerned Regional Office of NABARD for sanction and release of subsidy in the format given in **Annexure I**.

10. Project Sanctioning Committee(PSC)

10.1. As in the earlier Dairy Venture Capital Fund Scheme, the existing PSC of NABARD Regional Office shall examine the proposals placed before it and sanction the subsidy in case of eligible proposals

11. Release of subsidy

11.1. After sanction of the subsidy by the PSC, the Regional Office of NABARD shall release the subsidy amount after confirming the availability of funds from NABARD Head Office. The subsidy shall be released on first come first serve basis subject to availability of funds.

11.2. Immediately after receipt of subsidy amount from NABARD, the implementing bank branch should credit the subsidy to the reserve fund of the borrower. A Utilization Certificate in the prescribed format (**Annexure II**) shall be submitted by the participating bank to NABARD to the effect that the amount of subsidy received by them has been fully utilized and adjusted in the books of account within the overall guidelines of the scheme.

12. Repayment

12.1. Repayment Period will depend on the nature of activity and cash flow and will vary between 3- 7 years. Grace period may range from 3 to 6 months in case of dairy farms to 3 years for calf rearing units (to be decided by the financing bank as per needs of individual projects).

12.2. The recovery of loan will be based on net loan amount only. i.e. not including subsidy, which will be adjusted by the concerned bank after effective bank loan and interest thereon has been repaid .i.e. The repayment schedules will be drawn on the total amount of the loan (including subsidy) in such a way that the subsidy amount is adjusted after liquidation of net bank loan (excluding subsidy).

13. Rate of Interest

Rate of interest on the loans shall be as per RBI guidelines and declared policy of the bank in this regard. The bank may charge interest on the entire loan amount till the subsidy is

received and from the date of receipt of subsidy by the implementing branch, interest has to be charged only on the effective bank loan portion i.e. outlay excluding the margin and subsidy

14. Security

The security for availing the loan will be as per guidelines issued by RBI from time to time.

15. Time limit for Completion of the project.

- (a) Time limit for completion of the project (except for calf rearing units where disbursements are expected to continue till two years) would be as envisaged under the project, subject to maximum of 9 months period from the date of disbursement of the first instalment of loan which may be extended by a further period of 3 months, if reasons for delay are considered justified by the financial institution concerned.
- (b) If the project is not completed within the stipulated period, benefit of subsidy shall not be available and advance subsidy placed with the participating bank, if any, will have to be refunded forthwith to NABARD

16. Refinance Assistance from NABARD

NABARD would provide refinance assistance to commercial banks, RRBs, SCBs SCARDBs and other such eligible institutions. Quantum and rate of interest on refinance will be as decided by NABARD from time to time.

17. Adjustment of subsidy

- 17.1. The capital subsidy will be back ended with minimum **lock-in period of 3 years**.
- 17.2. The capital subsidy should be refunded one year after the account becoming NPA and remaining NPA as on date..
- 17.3. The capital subsidy will be adjusted against the last few installments of repayment of bank loan.
- 17.4. The capital subsidy admissible under the scheme will be kept in the “Subsidy Reserve Fund Account (Borrower-wise) in the books of the financing bank. No interest will be paid on this amount by the bank. In view of this, for the 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 calculation of CRR and SLR.

18. Monitoring

- 18.1. Joint Monitoring Committee (JMC) consisting of representatives of NABARD, concerned banks and State Secretaries-in-charge of Animal Husbandry and Dairying under

chairmanship of Joint Secretary (DD) will review implementation of the scheme at regular intervals.

18.2. The PSC will review the progress on quarterly basis.

18.3. The participating banks should conduct periodic inspections of the units and give a feedback to the PSC on a consolidated basis.

18.4. The units set up under the scheme will be field monitored on a sample basis by NABARD and major observations will be put up to JMC for discussion.

19. The discretion to modify the unit cost is vested with an Empowered Committee under the Chairmanship of Secretary (ADF).

20. Other Conditions

- The participating banks will adhere to the norms of appraising the projects regarding technical feasibility and commercial/financial viability.
- All possible care will be taken to avoid duplication of projects under the scheme with similar projects implemented by Directorate of Agricultural Marketing, Ministry of Agriculture in the same areas.
- The participating banks should ensure insurance of the assets created under the project, wherever required.
- A signboard displaying “**Assisted by Department of Animal Husbandry Dairying and Fisheries, Ministry of Agriculture, Government of India through NABARD**” will be exhibited at the unit.
- Pre and post completion inspection of the project shall be undertaken by the participating bank to verify physical, financial and operational progress as and when required.
- DAHD&F reserves the right to modify, add and delete any terms / conditions without assigning any reason.
- DAHD&F’s interpretation of various terms will be final.
- DAHD&F reserves the right to recall any amount given under the scheme without assigning any reason thereof.
- Pre and post inspection would be undertaken by DAHD&F/NABARD to find out the physical and financial progress as and when required.
- Other operational instructions issued by DAHD&F / NABARD from time to time will be strictly followed

अनुबंध I
ANNEXURE I

डेरी उद्यमिता विकास योजना के संबंध में पूँजी सब्सिडी जारी करने के लिए बैंक के नियंत्रक कार्यालय से दावा फार्म

(नाबार्ड के संबंधित क्षेत्रीय कार्यालय को प्रस्तुत किया जाए)

CLAIM FORM FROM THE CONTROLLING OFFICE OF THE BANK FOR RELEASE OF **CAPITAL SUBSIDY** IN RESPECT OF DAIRY ENTEPRENEURSHIP DEVELOPMENT SCHEME
(To be submitted to the concerned Regional Office of NABARD)

बैंक का नाम : दिनांक
NAME OF THE BANK : Date
कुल वर्तमान दावे की राशि :
TOTAL AMOUNT OF CURRENT CLAIM :
वर्तमान दावे के विवरण :
DETAILS OF CURRENT CLAIM :

(₹.)/[Rs]

विवरण Particulars	
उद्यमकर्ता का नाम और पता (कृपया जिला का नाम इंगित करें) Name and address of the Entrepreneur (Pl indicate district also)	
प्रोजेक्ट का स्थान (जिला इंगित करें) (Location of the Project (indicate the district)	
क्या अजा/अजजा/महिला है Whether SC/ST/Women	
बीएसआर कोड के साथ बैंक/ शाखा का पता (जिला भी इंगित करें) Bank/Branch address (indicate district also) with BSR code	
ऋण खाता सं. Loan A/c No.	
मंजूरी की तारीख Date of sanction	
ऋण का प्रयोजन Purpose of Loan	
यूनिट आकार Unit size	
कुल वित्तीय परिव्यय Total Financial Outlay	
मार्जिन Margin	
बैंक ऋण Bank Loan	
निर्धारित चुकौती Repayment prescribed	
ब्याज दर Rate of Interest	
ऋण की पहली किश्त जारी करने की तारीख	

Date of release of 1st installment of loan	
जारी किया गया राशि Amount released	
पूँजी सब्सिडी दावा Capital Subsidy claimed	
परियोजना से संबंधित कोई अन्य जानकारी Any other information relevant to the project	

1. हम वचन देते हैं कि उपर्युक्त प्रस्ताव को मंजूरी प्रदान करते समय हमने योजना के परिचालनात्मक दिशानिर्देशों के संबंध में नाबार्ड के दिनांक ----- के परिपत्र सं. ----- में दिए गए सभी अनुदेशों का अनुपालन किया है।

We undertake having complied with all the instructions contained in NABARD circular No. ----- regarding operational guidelines of the scheme while sanctioning above proposals.

2. हम अनुरोध करते हैं कि उपर्युक्त उद्यमकर्ता के संबंध में पूँजी सब्सिडी के रूप में रु. _____ (रुपए) जारी करे।

We request you to release an amount of Rs. _____ (Rupees) as Capital Subsidy in respect of the above entrepreneurs.

स्थान/Place :

शाखा प्रबंधक के सील और हस्ताक्षर (वित्तपोषक बैंक)
Seal and signature of the Branch Manager(financing bank)

दिनांक / Date :

बैंक के नियंत्रक के प्राधिकृत हस्ताक्षरकर्ता
Authorised signatory Controlling office of the bank

उपयोगिता प्रमाणपत्र का फॉर्मेट - पूँजी सब्सिडी
Format for Utilization Certificate - Capital Subsidy

(वित्तपोषक बैंक द्वारा नाबार्ड के क्षेत्रीय कार्यालय को प्रस्तुत किये जाने के लिए)
(FOR THE USE OF FINANCING BANK TO BE SUBMITTED
TO THE REGIONAL OFFICE OF NABARD)

“डेरी उद्यमिता विकास योजना

DAIRY ENTEPRENEURSHIP DEVELOPMENT SCHEME

- 1 लाभार्थी का नाम व पता और प्रोजेक्ट का स्थान
Name, address of the beneficiary and location of the project
- 2 वित्तपोषक बैंक का नाम
Name of the financing bank :
- 3 वित्तपोषक शाखा का नाम व पता
Name & address of the financing branch:
- 4 बैंक द्वारा ऋण मंजूरी की तारीख :
Date of sanction of loan by bank :
- 5 बैंक द्वारा क्षेत्र अनुप्रवर्तन की तारीख
Date of field monitoring of the unit by the bank
- 6 यूनिट पूरा होने की तारीख
Date of completion of the unit:
- 7
 - (i) कुल वित्तीय परिव्यय रु.
Total financial outlay Rs.
 - (ii) मार्जिन राशि रु.
Margin Money Rs.
 - (iii) बैंक ऋण रु.
Bank loan Rs.
 - (iv) नाबार्ड से प्राप्त सब्सिडी प्राप्ति की तारीख राशि (रु.) उधारकर्ता के 'सब्सिडी रिजर्व फंड खाता' में जमा की तारीख
Subsidy received * Date of receipt Amount Date of credit to the
from NABARD (Rs.) "Subsidy Reserve
Fund A/C" of the Borrower

- 8 सृजित आस्तियों का संक्षिप्त ब्यौरा
Brief description of assets created
- 9 वित्तपोषक बैंक द्वारा प्रभारित ब्याज दर
Rate of interest charged by the financial bank : % प्रति वर्ष/ p.a.
- 10 बैंक ने नाबार्ड से पुनर्वित्त प्राप्त किया/ नहीं किया है
The bank has / has not availed refinance from NABARD
- 11 यह प्रमाणित किया जाता है कि उक्त प्रोजेक्ट के संबंध में प्राप्त पूँजी सब्सिडी की पूरी राशि का उपयोग किया गया है (सब्सिडी रिजर्व फंड खाता - उधारकर्ता वार में जमा द्वारा) और खाता बहियों में योजना की समग्र मार्गनिर्देशों के भीतर प्रोजेक्ट की स्वीकृत नियम व शर्तों के तहत समायोजित किया गया.
This is to certify that the full amount of capital subsidy received in respect of the above project has been fully utilized (by way of crediting to the "Subsidy Reserve Fund Account - borrower - wise) and adjusted in the books of account under the sanctioned terms and conditions of the project within the overall guidelines of the scheme.

स्थान :

Place :

तारीख :

Date :

(_____)

सील व हस्ताक्षर

शाखा प्रबन्धक (वित्तपोषक बैंक)

Seal & Signature of the

Branch Manager (Financing bank)