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Quassi Capital Scheme by Government Of India To Flourish Agri-business

Introduction

Ministry of Agriculture (MOA) has a financing scheme in the form of Venture Capital (VC) to flourish Agri-business in India. It's a way to catalyze private investment in setting up of agri-business projects for increasing rural income and employment. The VC is given on Zero interest rate. Also no collaterals are insisted by the Ministry. Normally door-to-door tenure is of 6-7 years.

This Scheme for agri-business development provides Capital in the form of VC to set up agri-business project. Also it provides Project Development Facility (FDF) to assist producer groups/organizations in preparation of economically viable detailed project reports. The scheme envisages a single-window approach for extending Capital Support along-with bank term loan/working capital. However VC is provided to the persons who borrow from Public Sector Banks only i.e. in this scheme private bank, multinational banks, and all FI's (except IDBI) are excluded.

At the time of release of funds the Ministry will sign an undertaking with the concerned bank "that the charge on the security mortgaged/pledged/hypothecated will not be cleared until and unless the borrower returns back the full amount of Capital".

Objective of the Scheme

The main objectives of the scheme are:

- a) To facilitate setting up agri-business ventures in close association with Public Sector banks.
- b) To catalyze private investment in setting up of agri-business projects and thereby providing assured market to increasing rural income and employment.
- c) To strengthen backward linkages of agri-business projects with producers.
- d) To assist farmers, producer groups, and Agriculture graduates to enhance their participation in value chain through Project Development Facility.
- e) To arrange training and visits etc. of agripreneurs setting up indentified agri-business projects.

Eligible Person

Assistance under the scheme will be available to Individual, Farmers, Producer Groups, Partnership/Proprietary Firms, Self-help Groups, Companies, Agripreneurs, Units in Agri-export Zones, and Agriculture Graduates individually or in groups. For professional management and

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accountability the groups have to preferably form into companies or producer companies under the relevant Act.

Qualifying Projects

- a) Project should be in agriculture or allied sector basically perishables viz., horticulture, floriculture, medicinal and aromatic plants, minor forest produce, apiculture and fisheries. However, poultry and dairy projects will not be covered under the scheme.
- b) Project should provide assured market to farmers/producer groups.
- c) Project should encourage farmers to diversify into high value crops to increase farm incomes.
- d) Project should be accepted by banks for grant of facilities.

Maximum Amount of Assistance

MOA would provide financial assistance in the form of venture capital to qualified projects. However the party needs to take a recommendations letter from its bank from where they are raising facilities to fund the project.

VC in general is the lowest of the following:

- 10% of the total project cost assessed by the bank;
- 26% of the project equity i.e. promoters contribution;
- Rs. 75.00 lakh.

However for agri-business projects proposed to be set up in North-Eastern and Hilly (Himachal Pradesh, Jammu & Kashmir and Uttrakhand) States, venture capital will be the lowest of the following:

- 25% of the total project cost assessed by the bank;
- 40% of the project equity i.e. promoters contribution;
- Rs. 75.00 lakh.

Higher Venture Capital Assistance can be considered to deserving project on merit and /or to projects that are located in remote and backward areas, North-Eastern and Hilly States and projects recommended by State agencies.

The beneficiary will return back the Capital, without paying any interest, after full repayment of the bank's term loan as per the original schedule.

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Project Development Facility (PDF)

PDF provides financial support to farmers, producer groups, agripreneurs, unit in agri-export zones, organizations and Agriculture graduates for preparing bankable detailed project reports (DPRs). Our firm is also authorized to prepare the Detailed Project Report under this Scheme.

The beneficiary will be required to obtain an in-principle recommendation from the area lending banks, evincing their interest in funding such projects.

The Cost of proposed agri-business project would have to be above Rs. 50.00 lakh. However, projects valuing Rs. 25 lakh and above, proposed to be located in backward districts as Notified by Planning Commission, Hilly and North-Eastern States could also be considered for PDF and Venture Capital Assistance.

For any assistance kindly call or mail us