

F.No.22-11/2015-DP  
Government of India  
Ministry of Agriculture & Farmers Welfare  
Department of Animal Husbandry & Dairying

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Krishi Bhawan, New Delhi  
Dated 1<sup>st</sup> April 2019

**Subject:- Administrative Approval of Central Sector scheme "Supporting Dairy Cooperatives and Farmer Producer organizations engaged in dairy activities" during 2019-20**

The undersigned is directed to convey the Administrative Approval towards implementation of Central Sector Scheme "Supporting Dairy Cooperatives and Farmer Producer organizations engaged in dairy activities" during severely adverse market conditions, natural calamities or unforeseen exigencies. The scheme was earlier named "Supporting State Cooperative Dairy Federations". The scheme will be implemented by National Dairy Development Board.

2. A corpus of Rs. 300 crore will be kept in perpetuity with National Dairy Development Board to be used for providing soft loans for working capital to enable Cooperative Societies and farmer producer organizations engaged in dairy activities to provide a stable market access to farmers.

3. The objective of the scheme is as follows:-

- i) To assist the Cooperative Societies and farmer producer organizations engaged in dairy activities by providing soft working capital loan to tide over the crisis on account of severely adverse market conditions or natural calamities.
- ii) To provide stable market access to the dairy farmers.
- iii) To enable Cooperative Societies and farmer producer organizations engaged in dairy activities to continue to make timely payments of dues to the farmers.
- iv) To enable the cooperatives & farmer producer organizations engaged in dairy activities to procure milk at a remunerative price from the farmers, even during the flush season.

4. A copy of the guidelines of the scheme is **enclosed** herewith. Proposal may be prepared and submitted as per the guidelines to National Dairy Development Board, Anand.

5. Participating States/State Implementing Agencies will submit quarterly progress reports (QPR), annual report, audit reports etc along with utilization certificate in the prescribed formats. The funds released under the project will be subjected to AG Audit of the concerned State.

6. This issues with the approval of Joint Secretary (C&DD) vide Dy.No.E-2162 dated 14.03.2019.



(Deepak Sethi)

Under Secretary to the Government of India

DEEPAK SETHI  
Under Secretary

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**Distribution:**

1. Chairman, National Dairy Development Board, Anand, Gujarat
2. Chief Executive Officer, Niti Ayog, Yojana Bhawan, New Delhi
3. Principal Accounts Officer, Ministry of Agriculture, Department of Animal Husbandry Dairying and Fisheries, 16-A, Akbar Road Hutments, New Delhi-110011.
4. Chief Controller of Accounts, Department of Agriculture, Cooperation & Farmers Welfare, Krishi Bhawan New Delhi.
5. Accountant General, AGCR Building, New Delhi-110002
6. Principal Secretary/Secretary, Department of Animal Husbandry/Dairy Development, All States and UT's
7. Managing Director, Milk Federation, All States and UTs

Copy for kind information to:

Sr.PPS to Secretary (AHD&F), PPS to AS &FA, PS to JS(C&DD)/ DC (DD)/ AC (DD)/ US(Budget)/ Guard file.

  
**(Deepak Sethi)**  
Under Secretary to the Government of India

**DEEPAK SETHI**  
Under Secretary  
**DADF**

## GUIDELINES OF THE SCHEME

i. The scheme will be driven by a High Powered Committee chaired by Secretary (DADF). The Composition of the High Powered Committee will be as follows:-

- a) Secretary (DADF)- Chairman
- b) AS & FA, DADF- member
- c) Managing Director, National Dairy Development Board- member & convener.
- d) Joint Secretary (Dairy Development), DADF- member

The High Powered Committee will decide on the disbursement under the scheme.

ii. A corpus of Rs. 300 crore in perpetuity with NDDDB to be used for providing soft loans for working capital to enable Cooperative Societies and farmer producer organizations engaged in dairy activities to provide a stable market access to farmers.

iii. **Eligible Organizations:** Cooperative Societies and farmer producer organizations (FPOs) engaged in dairy activities.

iv. **Eligibility Criteria:**

- Cooperative Societies and farmer producer organizations engaged in dairy activities which fulfil the following criteria will be eligible for working capital loan from the **corpus fund**; to be repaid within nine months-
  - a. Must not be a defaulter in repayment of long term loan or working capital loan to NDDDB and/or NCDC.
  - b. Past accounts, upto the previous financial year, must be attached with the loan application.
  - c. The Debt Service Coverage Ratio (DSCR) of the operations to cover the total liability towards lenders should work out to a minimum of 1.25 times.
  - d. The Cooperatives and FPOs engaged in dairy activities must post Operating Profits of the last 3 consecutive financial years. 'Other income & grant' should not be considered for calculation of Operating Profit.
  - e. Current Ratio should be a minimum of 1.00. 'Non recoverable debtors' shall be excluded from debtors and 'short term loan & interest due' to be included in current liabilities in calculation of Current Ratio.
  - f. Only those Cooperative Societies and farmer producer organizations engaged in dairy activities will be eligible which have not received any element of subsidy from the State Government for milk procurement. Those States where subsidy is paid either to the State Federations or directly to the farmers for milk procurement shall not be eligible to receive working capital loan on soft terms under this scheme.

**Note:-**

- a. The eligible borrowers must submit their application for working capital in a prescribed format to NDDDB.

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Under Secretary  
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- b. The details required would include month-wise details of milk procurement, liquid milk sale and milk disposed in various products for the past financial year and month-wise projected details, including projected cash flow for the financial year(s) of the working capital loan drawl and repayment.
  - c. The borrower would also need to submit audited annual accounts for the last three financial years.
- v. **a) Computation of maximum eligibility of Working Capital:** The maximum eligibility of working capital shall be assessed as per the following formula.
- i. Working capital requirement during flush months is equivalent to:  $[(MPPD-LMPD) \times MPP \times 120]$  Where: MPPD = Milk Procurement Per Day in Kg LMPD = Liquid Milk sale Per Day in Kg MPP = Milk Procurement Price paid to DCS per Kg. (120 days flush period)
  - ii. Working capital requirement during lean months milk procurement period is equivalent to:  
Cost of powder & white butter requirement during lean procurement months (80% of the purchase value)
  - iii. Net working capital requirement:  
Working capital requirement assessed as per (i) and/or (ii)  
Less: share capital / free reserves invested in Fixed Deposits/ Bank Accounts, etc.

- b) Maintenance, upkeep and distribution of Corpus fund:** It is proposed to create a corpus of Rs 300 crore under NDDB through a separate designated bank account which will be audited by internal and statutory auditor of NDDB as per NDDB Act. In addition, DADF may, as and when it is deemed necessary by it, get the accounts of the corpus fund audited by CAG of India.

The High Powered Committee set under the chairmanship of Secretary (DADF) will indicate state wise allocation of working capital fund.

- c) Fund Disbursement:** Fund disbursement shall be decided by HPC. The withdrawal of funds shall commence after the borrower completes the execution of documents and other formalities relating to security coverage. The withdrawal of the sanctioned loan shall be allowed in a maximum of 4 installments depending upon the requirement of the borrower.

NDDB shall ascertain the projected cash flow and carry out financial appraisal to work out the Debt Service Coverage Ratio (DSCR). NDDB shall convey the approval of working capital loan to the borrower through a sanction letter.

- d) Security & documentation:**
- i. Board resolution
  - ii. Working Capital Loan agreement
  - iii. Demand Promissory Note

- iv. Letter of Continuity
- v. Letter of Hypothecation (for first charge on stock)
- vi. Post Dated Cheques (PDCs) for repayment of principal and interest
- vii. Escrow arrangement on the operating bank account where all sale proceeds of the borrower are deposited for securing repayment in case of default.

In order to ensure that PDCs get paid on presentation, undertaking will be required from the borrower confirming that (i) the borrower will not request NDDDB to withhold presentation of PDC citing any reason and (ii) the borrower will ensure adequate funds on the due date of PDC and (iii) in the eventuality of any cheque getting dishonored, the borrower will not request NDDDB to abstain from taking action under section 138 of Negotiable Instruments Act.

- e) Rate of Interest:** The rate of interest proposed to be simple interest of 5 % per annum (floating rate), which will be calculated on a monthly rest basis from the date of disbursement of loan.

The penal rate of interest in case of default in repayment will be @ 2.00% per annum over & above the normal interest to be compounded monthly or any such rate as may be specified by High Powered Committee set under the chairmanship of Secretary (DADF).

- f) Repayment period:** The principal along with interest shall be repaid within a maximum period of nine months from the date of release of each installment.

**g) Other terms and conditions**

The eligible organization availing subsidy shall keep NDDDB informed on the following in the prescribed format:

a) Monthly Audited Fund Utilization Statement.

b) Monthly Stock Statement. NDDDB shall physically verify the stock of commodities purchased/ converted by the borrower by availing working capital loan from NDDDB. The fund utilization, stock position of commodities purchased and cash-flow will be assessed/reviewed monthly by NDDDB and installments after the first shall be released only after ensuring that the borrower has utilized the previous amount as per the scheme and physical verification of stock.

c) Interest or profit earned by NDDDB on the corpus or from working capital loans will be ploughed back to the corpus. NDDDB will furnish statement of account of the corpus to Govt. of India on a periodic basis.

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DEEPAK SETHI  
Under Secretary  
DADF