

## LOW INTEREST BANK LOAN FROM NABARD – Cold-chain Sector

### Warehousing Infrastructure Fund

In July 2014, in presenting the Union Budget, the Finance Minister announced the Warehousing Infrastructure Fund (WIF) with a corpus of ₹ 5000 crore for 2014-15. When announcing this fund, Shri Jaitely said, *“Increasing warehousing capacity for increasing the shelf life of agriculture produces and thereby the earning capacity of the farmers is of utmost importance. Keeping in view the urgent need for availability of scientific warehousing infrastructure in the country, I propose an allocation of ₹ 5,000 crore for the fund for the year 2014-15.”*

This fund is made available as a low interest funding window to cold-chain stakeholders and is now operationalised through the National Bank for Agriculture and Rural Development (NABARD). The scheme was developed with inputs from Ministry of Agriculture, WDRA, NCCD and other stakeholders. The scheme was launched and details presented to private industry stakeholders at a gathering on 29 October 2014 in Mumbai.

A unique feature of this window is that it is also made available to all non-State private business entities – individual entrepreneurs, companies, corporates, etc. The National Bank for Agriculture and Rural Development (NABARD), is known to normally fund only State Governments, entities owned or sponsored by State Governments, Panchayat Raj Institutions, agencies owned or sponsored by the Government of India, Cooperatives or federation of cooperatives.

The WIF 2014-15 window will be accessible to all organisations (private and government owned) for creating cold-chain infrastructure, provided that the project complies with the standards and guidelines as laid by NCCD. The rate of interest to be paid by the borrowers will be based on NABARD's Prime Lending Rate (PLR) which at present is around 9.25% per annum. To the PLR, a risk premium will be added based on the credit rating of the borrower. A borrower rated AAA+ (the highest rating by NABARD) will be able to avail the loan at PLR (9.25%) with zero risk premium. Other ratings will have an incremental 0.25% as risk premium added to the PLR. Loans from commercial banks to cold-chain sector have interest rates that range upto 14% per annum.

These loans can also be linked to credit linked back-ended subsidy from the Government, where and if applicable. The loans will be generally offered for a term of seven years with a two year moratorium. An extended tenor will also be available with an associated tenor linked premium.

All components under cold chain infrastructure like pack-houses, cold stores, refrigerated (reefer) transport, bulk milk coolers, etc., are eligible for loans. Cold-chain developers and business entities will be pleased to learn that another ₹ 2000 crores is being developed as a lending window for food processing units, under similar terms. In all, during 2014-15 a total of ₹ 7000 crores will be available for private business entities to access, at low interest rates, covering all aspects of cold-chain infrastructure.

To apply for a NABARD loan for any warehousing infrastructure, the earlier schemes required the borrower to give an undertaking to undergo accreditation and registration from WDRA. Under this scheme for WIF, this requirement has been amended for cold-chain infrastructure and WDRA accreditation is not mandatory to avail this fund. The term will be 7 years (table below).

It may be expected that scientifically developed cold-chain infrastructure will be capable of safely handling multiple commodities, designed for multi-temperature zones. Such designs also add to the

usability by allowing to service many types of product types and will improve the viability of the business. The types of perishable goods that are regularly handled in the cold-chain are expected to change as more development happens in this sector and new cold stores would be future ready designs. Besides stores, this loan is also made available to the cold-chain transport sector (railways, roadways, waterways) and to set-up the all-important horticulture pack-houses that feed the cold-chain. Similarly, the start points in the dairy supply chain – projects to set up milk chillers - will be able to apply for loans under this fund.

(For queries/ clarifications – email to [dsm@nabard.org](mailto:dsm@nabard.org) / [nabardwarehouse@gmail.com](mailto:nabardwarehouse@gmail.com) - or telephone: +91-22 26539670). See [Information on NABARD Website](#)

#### Salient Features:

Activities Covered	Loans will be provided for proposals of projects involving creation of infrastructure for agricultural and allied produce including construction of: <ul style="list-style-type: none"> <li>a. Warehouses / Silos</li> <li>b. Cold storages</li> <li>c. other cold-chain infrastructure like pack houses, reefer vehicles, bulk coolers, individually quick frozen units, chilling/ freezing infrastructure, etc.</li> </ul> Modernization/improvement of the existing storage infrastructure projects will be considered on merit
Conformation to Norms of WDRA / NCCD	Dry and wet storage projects must conform to the norms / standards prescribed by Warehousing Development and Regulatory Authority (WDRA) / National Centre for Cold-chain Development (NCCD).  Borrowers to give an undertaking to obtain accreditation/registration from WDRA in case of dry storage infrastructure; follow the standards as guided by NCCD in case of cold-chain infrastructure.
Loans to Private Sector	Direct loans to private sector and to the State Govt. owned/sponsored entities not covered by govt guarantee, would be covered by the terms of lending as follows- <ul style="list-style-type: none"> <li>• Max Quantum of Loan: 75% of Total Financial Outlay (TFO)</li> <li>• Interest rate: PLR + risk premium (if loan tenure 7 years)</li> <li>• Interest rate: PLR + risk + tenor premium (if loan tenure &gt; 7 years)</li> <li>• Interest rate will be fixed for term loan on date of sanction</li> </ul> <p style="text-align: right;"><i>NABARD PLR (Prime Lending Rate) is currently 9.25%</i></p>

Bank Loans to fund cold-chain projects are also available from various commercial Banks. Contact your closest commercial bank for their specific process and interest rates offered.

#### Various benefits to cold-chain private sector by the Indian Government

- Low cost loan (9.25% to 10.0%) under WIF (NABARD) -
- Investment Linked Tax Deduction (150%) - Section 35-AD of IT Act -
- Credit linked Subsidy to projects 35% to 50% (MoA, MIDH), 25% (APEDA) -
- One time Grant-in-Aid for integrated projects 50% to 75% (MoFPI) -
- Service Tax exemption for storing, handling, transporting agricultural produce -
- Service Tax exemption for 'Erection, Commissioning or Installation' of Cold Storage and transport -
- Various Customs and Excise duty exemptions / rebates on cold-chain equipments -
- 100% FDI, automatic approval route, ECB route open -