



MEGA FOOD PARKS IN INDIA – harnessing growing opportunities



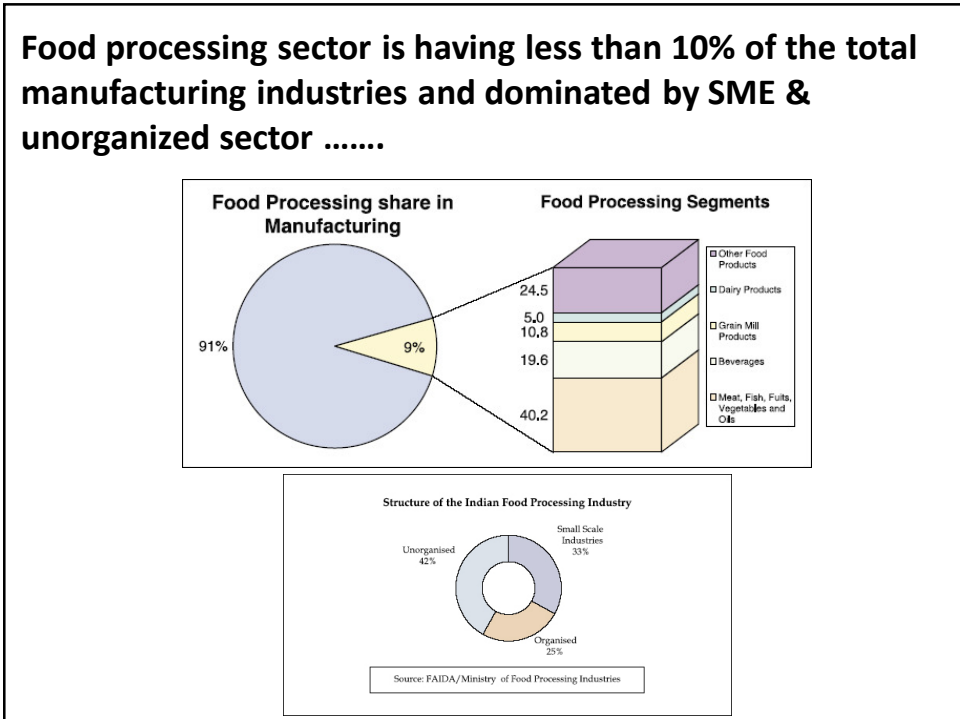
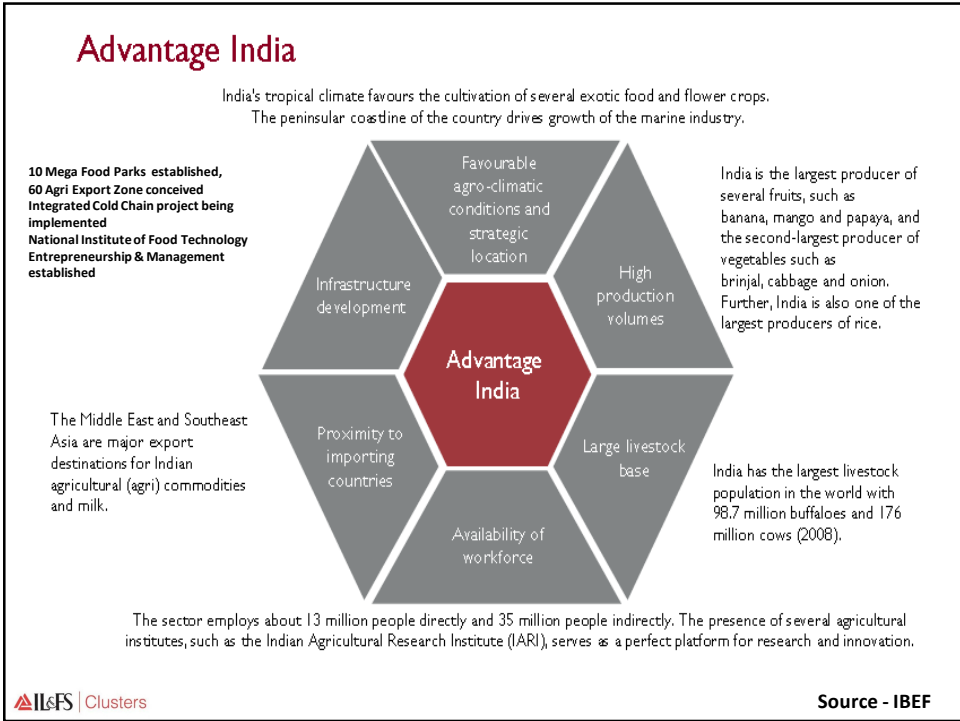
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Ahmadabad, INDIA

Food Processing has emerged as one of the most important economic growth levers in the agriculture sector in India, which targets to address :

- Low farmer price realization
- Surplus production
- Significant wastage - ` 330 billion (US\$ 7.3 billion) annually

AND

**TO CAPITALIZE GROWING DOMESTIC FOOD MARKET
CURRENTLY ESTIMATED AT US\$ 182 BILLION IN
2008, EXPANDING AT A CAGR OF 4.1%**



India decides to have the Public Policy response to this issue

- Dedicated Ministry at the Union Government level formed;
- Policy on Food Processing Industries formulated to initiate shift from supply to demand driven;
- Value Chain approach considered;
- Significant Budgetary allocation;
- 100% FDI allowed except alcohol & beverage sector & items reserved for SSI;
- Emphasis n food safety, hygiene and regulations;

Effective Government schemes are in place

Focus	Schemes
INFRASTRUCTURE DEVELOPMENT	Mega Food Park
	Cold Chain infrastructure
	Modernization of Abattoirs
TECHNOLOGY UPGRADATION & MODERNIZATION	Schemes for existing FPI UNITS
QUALITY ASSURANCE, CODEX STANDARDS, R&D	R&D
	Setting up/ up-gradation of Quality Control/ Food Testing Laboratories
	HACCP, ISO 14000, ISO 22000, GHP, GMP Quality, Safety Management
HUMAN RESOURCE DEVELOPMENT	Skill Development Program
INSTITUTIONAL STRENGTHENING	Creation of State Nodal Agencies
	National Grape Processing Board
	National Meat & Poultry Processing Board
	Indian Institute of Crop Processing Technology
	National Institute of Food technology Entrepreneurship &

The impact is visibly emerging

- **Projected to grow at a CAGR of about 7.5% during 2009-13 and would touch US\$ 330 billion by 2013.**
- **Exports of agricultural products from India are expected to cross around US\$ 22 billion mark by 2014 and account for 5% of the world's agriculture exports,**
- **Exports of floriculture, fresh fruits and vegetables, processed fruits and vegetables, animal products, other processed foods and cereals rose to US\$ 7891.8 million in 2008-09 from US\$ 7877.07 million in 2007-08,**
- **Food processing sector has grown from 6% a year ago to 14.9% in 2010,**
- **The cumulative FDI received by FPI in FY 2000-2010 - US\$ 1,042 million, FDI likely to rise 27% to US\$ 264.6 million in 2010-11.**

Case MEGA FOOD PARK

Genesis of Mega Food Parks Scheme ...

- Mega Food Parks Scheme – flagship program of Ministry for 11th Five Year Plan
 - 30 Mega Food Parks being planned
 - 10 Mega Food Parks being implemented in the first phase
- Based on extensive feedback and consultations with various stakeholders on earlier Scheme of Food Parks under the 10th Five Year Plan

Aimed at facilitating achievement of the Vision 2015 of Ministry to raise

- **Processing of perishables in the country from the existing 6% to 20%**
- **Value addition from 20% to 35%**
- **Share in global food trade from 1.5% to 3% by the year 2015.**

Objective of Mega Food Parks ...

Core Objective :

- Creation of enabling infrastructure/facilities and requisite backward linkages to enable entrepreneurs to set up large number of food processing units
- Increasing the level of food processing thus reducing wastages and ensuring value addition
- Increasing returns for all stakeholders : including farmers/ producers of the region

Approach of Mega Food Parks

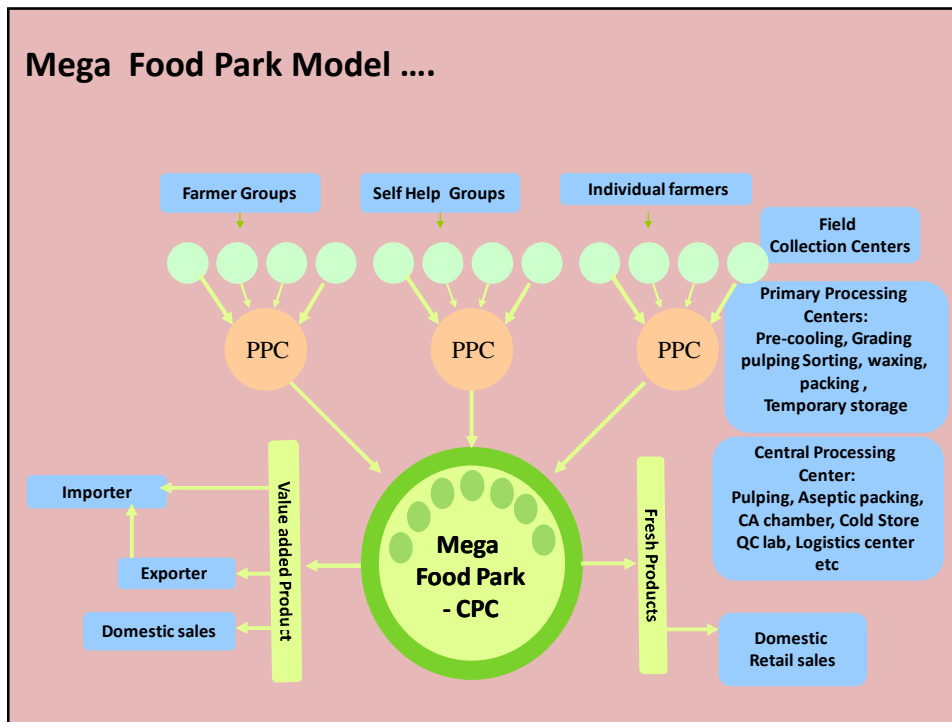
- Cluster driven Industrial Park/Zone with “Hub and Spoke” model
- Owned and managed by Private sector promoters (SPV) creating common infrastructure and facilities
- Demand driven and customized to regional needs
- Creation of modern infrastructure and developed plots for medium and large units/standard factory sheds for MSEs
- Plots/factory sheds to be offered on long term lease by SPV

Major Features of Mega Food Parks Scheme

- **Centralized facilities for key activities which are technology and capital intensive**
- **Specific focus on setting up backward linkages for establishing viable supply chains**
- **Provision for farm proximate infrastructure**
- **Stakeholder participation with private-led initiative through Special Purpose Vehicle (SPV)**
- **A Program Management Agency (PMA) appointed for implementation of the Scheme**

Contd

- **Infrastructure and Common facilities in a viable Mega Food Park estimated to cost about ` 1200 million (US \$26 million) including farm proximate primary processing facilities**
- **Each Mega Food Park expected to leverage an investment of ` 2500-3000 million in terms of 20-30 food processing units proposed to be set up in the Park**
- **Emphasis on economic viability**



Components of MFP ...

■ Primary Processing Centers

- Cleaning, grading, sorting and packing facilities (including equipments) dry warehouses, specialized cold stores including pre-cooling chambers, ripening chambers reefer vans, mobile pre-coolers, mobile collection vans etc.

■ Central Processing Center

- Developed plots for food processing units
- Standard factory sheds for Micro and Small enterprises
- Common facilities like Testing laboratory (including equipments), Dry warehouses, Specialized storage facilities including Controlled Atmosphere Chambers, Pressure Ventilators, Cold chain infrastructure including reefer vans, packaging unit, irradiation facilities, steam sterilization units, steam generating units, Food incubation cum development centers etc.

Contd ...

- **Enabling Basic Infrastructure**

- Roads, drainage, water supply, electricity supply including captive power plant, effluent treatment, telecommunication lines, parking bay including traffic management system, weighbridges etc. at the PPC and CPC level. Enabling infrastructure should be commensurate / proportionate to support core activities

- **Non –core Infrastructure**

- Admin building, training centers, canteen, workers hostel, trade/display center etc. (limited to 10% of project cost for grant eligibility)

Institutional arrangement - Special Purpose Vehicle (SPV)...

- SPV to be promoted by private sector entrepreneurs and registered under the Companies Act, 1956
- Each SPV to have
 - ✓ at least three entrepreneurs / business units independent of each other with no common directors
 - ✓ at least one should be from the food processing sector with at least 26% equity in the SPV
 - ✓ Combined net worth of the shareholders of the SPV should not be less than ` 500 Million with food processor(s) having at least net worth of ` 100 Million
 - ✓ Government agencies can also become shareholders in SPV, if they so desire, holding up to a maximum of 26% of share capital so as to ensure private sector character of the SPV.

What SPECIAL PURPOSE VEHICLE would do

- Responsible for development, ownership & management of Mega Food Park
- Procure land (at least 50 Acres for CPC) and ensure external infrastructure linkages for the project
- Prepare Detailed Project Report
- Obtain key statutory approvals/clearances including environmental clearances, pre-requisite for commencement & operation of the Project
- Achieve financial closure & ensure completion of project in a transparent, efficient & timely manner

Project Management Agency (PMA)

- Assist the Ministry in disseminating information about MFP Scheme & sensitizing the potential stakeholders
- Assist the Ministry in selection of Projects
 - Inviting Expression of Interest for projects under the Scheme
 - Evaluation/appraisal of techno-feasibility reports and DPRs
 - Appraisal of the DPRs
- Assist the SPVs in financial closure
- Monitor & report the progress of the Mega Food Park projects to the Ministry's Web-based MIS & Monitoring mechanism

Institutional arrangement - Project Management Consultant (PMC)

- Scheme provides for PMC to be appointed by SPV
- Cost of PMC considered eligible component of project cost for grant
 - Not to exceed 2 % (inclusive of taxes) of eligible grant amount
- May be selected from list of empanelled agencies on Ministry's website
- SPV may also appoint any other agency meeting the eligibility criteria given in MFPS Guidelines
- PMC to assist SPV in preparation of DPR, Bid Process Management, Construction supervision, MIS, documentation for release of grant etc.

Assistance from the MOFPI ...

- Grant assistance from Ministry
 - ✓ 50% of project cost limited to ` 500 Million in general areas
 - ✓ 75% of project cost limited to ` 500 Million in difficult & hilly areas and ITDP notified areas
 - ✓ Assistance limited to non-land component of the project
- Land – not eligible for funding out of GoI grant
- Scheme stipulates that at least 50% of the project cost (excluding land) towards creation of core processing facility at CPC & PPCs

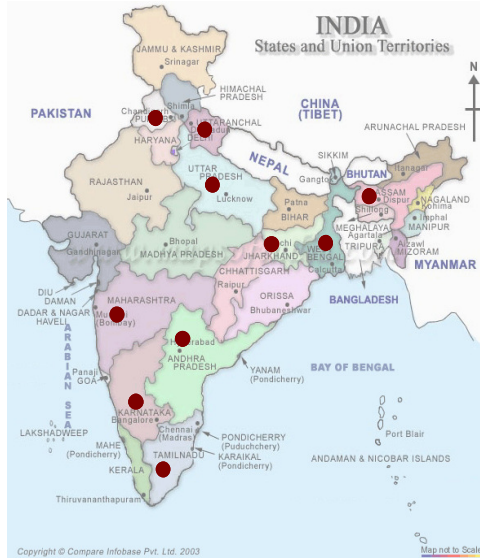
Process of Selection of Project/SPV

- Submission of Expression of Interest (EoI) by Applicants
- Evaluation of EoI
- In-principle Approval to selected Applicants
- Incorporation of SPV by selected Applicants
- Submission of DPR by selected SPV
- Appraisal of DPR
- Final Approval of Proposal – by IMAC
- Release of approved grant as per MoFPI guidelines
 - Through Trust and Retention Account

Current Status of Mega Food Parks Scheme

- Of 30 planned during 11th FYP, 10 Mega Food Parks have been taken in first phase
- Of 10 Parks, six have been approved by the Ministry and are currently under implementation
- Combined project cost of approved six parks are about ` 6300 Million
- Includes Govt. assistance of ` 3000 Million
- Final Approval to three more Projects under Process
- In addition, five new Projects have been announced

Spread of MFPs



State	Location
Andhra Pradesh	Chittoor
Assam	Nalbari
Jharkhand	Ranchi
Maharashtra	YTB
Karnataka	YTB
Punjab	YTB
Uttaranchal	Hardwar
Tamil Nadu	Dharmapuri
Uttar Pradesh	YTB
West Bengal	Jangipur
Total	10

Patanjali Food & Herbal Park Ltd.

- **Project Location: Haridwar , Uttarakhand**
- **Project Cost: : ` 950 Million**
- **Central Processing Facility : Being developed in 85 acres of Land**
- **5 PPCs**
- **Proposed Common Facilities at Primary Processing Centers : Multi Commodity Sorting, Grading, Washing & Packing Lines, Dry Warehouse as per need, Packing & Labeling Units , Cold Storage as per need , Technical Buildings to house plant & equipments**
- **27 developed plots for food processing units**

Snapshots



Srini Food Park Pvt. Ltd.

- **Project Location: Chittoor, Andhra Pradesh**
- **Project Cost: : ` 1260 Million**
- **Central Processing Facility : Being developed in 110 acres of Land**
- **Five PPCs**
- **Proposed facilities at Central Processing Centre: Integrated Multi crop Aseptic Lines, Sorting, Grading, Washing & Packing Lines, Bottling Line, IQF, Cold Storage, Warehouse, Grading, Washing & Packing Lines for Egg, Factory Sheds for 15 Micro & Small Enterprises**
- **26 Developed plots for food processing units**

Snapshot



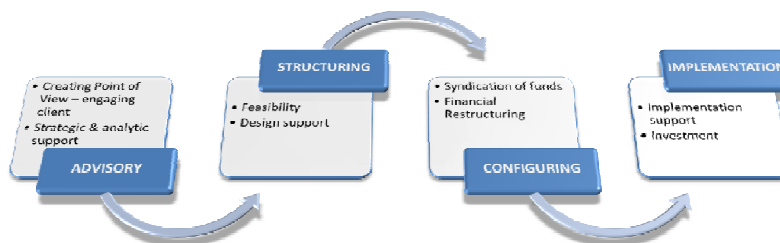


Mega Food Parks creates unique Investment Opportunities in the value chain ...

- **Investment through Special Purpose Vehicle (SPV) in the Mega Food parks**
 - **Opportunities to join project specific SPV as co-promoter(s) in the form of equity participation**
 - **In addition to 10 projects in first phase, 20 more Mega Food Park Projects expected to come in phases in next two to three years**
- **100 percent FDI under automatic route is permitted**

IL&FS has been active with MoFPI in designing and implementing various schemes

IL&FS is a leading edge Indian company engaged in infrastructure solutions spanning across the sectors (transport, energy, education, cluster development, agriculture, tourism & finance etc.) having net worth of US\$ 2.5 billion with current portfolio of US\$ 40 billion. IL&FS has pioneered in configuring PPP in the Country.



IL&FS Business Value Chain

IL&FS actively involved in designing and implementing Value Chain intervention in India

- Association with MoFPI is long-standing : providing advisory support in designing Meg Food Park Scheme to act as Program Management Agency,
- Conceptualize “Strategic Distribution Center” as efficient supply chain mechanism,
- Assisting a number of Provincial Government in designing and implementing Food Processing Policies,
- Implemented Asian Development Bank (ADB) project in designing value chains in two large provinces (Bihar & Maharashtra) in India

THANK YOU

Release of Grant ...

To be released in 4 installment

- **1st installment of 30% of grant amount in two phases**
 - ̄ **1st phase – 10% as advance within 15 days of Final Approval subject to fulfillment of the following criteria:**
 - Incorporation of SPV.
 - Possession of land with SPV as per DPR requirements, and its conversion into industrial use, if needed.
 - Execution of shareholders' agreement.
 - Establishment of Trust and Retention Account (Escrow) in a Schedule A Commercial Bank
 - Appointment of a nominee from the Ministry on the Board of the SPV. Tenure of the Ministry nominee will be co-terminus with the operationalization of the project.
 - Final approval of the project by Approval Committee.
 - Recommendation of PMA confirming the above points

- **2nd phase – 20% of grant amount will be released to the SPV subject to fulfillment of the following criteria:**
 - Submission of Utilization Certificate for the grant released in the 1st phase of First installment
 - Details of the contribution of the SPV towards its share of the project cost.
 - Sanction Letter for loan Component, in case SPV is taking term loans.
 - Award of contracts worth at least equivalent to 30% of the total project cost, excluding the land cost.

The release to be made within 30 days of the SPV requesting the same, upon completion of aforesaid conditions