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THE RUBBER BOARD



RUBBER DEVELOPMENT PROJECT

**REFINANCE LINKED
LOAN SCHEMES**

1. INTRODUCTION

The Rubber board is implementing a World Bank (IDA) Assisted Rubber Project. The objective is to expand and strengthen the rubber plantation sector in India. The entire State of Kerala, Kanyakumari District of Tamil Nadu and certain areas in Karnataka, Tripura, Assam, Nagaland and Meghalaya constitute the project area. The period of the project is from 1.4.1993 to 30.9.1999. A major portion of the assistance is proposed to be disbursed through the banking channels under the NABARD refinance scheme as also subsidies and grants distributed directly by the Board.

2. ACTIVITIES COVERED UNDER LOAN SCHEMES

- i) Newplanting and replanting of rubber
- ii) Setting up of private nurseries
- iii) Acquisition of rubber rollers
- iv) Construction of smoke houses
- v) Establishment of rubber/rubber wood processing units

3. RUBBER NEWPLANTING AND REPLANTING

i) Eligibility

Rubber growers with clear ownership title to the land intending to raise rubber in atleast 1/10 Ha (about 25 cents) duly certified by the Rubber Board as suitable for rubber cultivation are eligible to join the rubber planting programme. The Board provides technical guidance to the growers. Those desirous of availing planting grant have to insure the plantation and the premium is adjusted from the grant. Planting should be done with approved clones. Plant population per hectare should not exceed 500. Also one hectare of planted area should not have more than 40 coconut palms or 80 arecanut palms or 20 other trees as the case may be.

ii) Subsidies/grants

(a) Planting grant

Assistance at the rate of Rs. 18,000/- per hectare is limited to a maximum extent of 2 hectares in the case of small holders (owning 5 hectares and below) in traditional areas and at the rate of Rs. 22,000/- per hectare for areas upto 5 hectre and at the rate of Rs. 18,000/- for holdings above 5 hectre and upto 20 hectre in non-traditional areas. Disbursement of grant is spread over a period of 6 to 7 years.

- NB:
1. *Traditional areas - Kerala and Kanyakumari District of Tamilnadu.*
 2. *Non-traditional areas - All other areas.*

(b) Assistance for polybagged Plants

Growers (all categories) using polybagged plants are eligible for an assistance of Rs. 6/- subject to a maximum of 500 plants per hectare. (Rs. 8/- for SC/ST growers.) The amount is payable in the first year of cultivation.

iii) Intercropping

Intercropping should not interfere with the growth of rubber plants. Tapioca and paddy can be inter cropped in the first year. Banana, elephant foot yam and ginger can be inter cropped upto the third year. Rubber nursery too can be taken up in the interspace for the first 3 years.

iv) Cost of project (applicable to Kerala)

The costs furnished hereunder are indicative. If warranted, realistic costs taking into account the local conditions can be considered.

Rs. 72,000/ per hectare spread over 6 to 7 years.

year	polybag (Rs)	Bank Loan (Rs)	Budded stump (Rs)	Bank Loan (Rs)
I	34,600	34,600	29,200	29,200
II	10,700	3,500	11,100	6,600
III	8,500	6,250	8,400	6,150
IV	7,400	5,150	6,500	4,250
V	5,700	1,800	6,200	3,950
VI	5,100	-	5,500	2,750
VII	-	-	5,100	1,100
Total	72,000	51,300	72,000	54,000

4. RUBBER NURSERY

Average cost of development - Rs. 1,11,500 per acre (0.4 ha)

5. RUBBER ROLLERS

	Size	Cost (indicative)
(i)	4.5" x 24"	Rs. 12,500
(ii)	5.0" x 24"	Rs. 14,500

Rubber Board subsidy for small growers - Rs. 1,000/-

6. RUBBER SHEET SMOKE HOUSES

The approved models have capacities as follows. Capacities have been expressed as the total sheets that can be contained in smoke house expressed as weight of sheets or as number of sheets.

a) Masonary type

(i)	Capacity in Kg.	Cost
	85 Kg	Rs. 27, 000
	200 Kg	Rs. 63, 500
(ii)	Capacity in no. of sheets	Cost
	405	Rs. 30,000
	486	Rs. 33,000
	567	Rs. 36,000

b) Ready made smoke houses

Capacity in no. of sheets	Cost (Rs)
60	10,000
80	13,000
96	17,000
120	19,000
160	24,000
180	27,000
240	32, 000
320	40,000

Smoke houses with higher capacity also can be considered.

Rubber Board subsidy for small growers - Rs. 3,000/-

NB: Credit facilities for newplanting/replanting/rubber rollers/nurseries/smoke houses are provided by commercial banks, Regional Rural Banks and Co-operative Banks. The Department of Rubber production provides technical guidance on these activities.

7. PROCESSING ACTIVITIES

A. The project covers the following activities:

- New crumb rubber factories with a minimum capacity of 10 t/per day.
- Expansion of crumb rubber factories with a minimum capacity of 10 kg/day.

- iii) Sheet rubber processing factories with a minimum installed capacity of 500 Kg/day.
- iv) Sheet reprocessing factories.
- v) Rubber wood treatment plant (new/expansion) with an installed capacity of about 3000 cu. m/year of treated and seasoned timber. Expansion can include manufacture of down stream products from treated wood.

NB. For procurement of machinery and execution of work, World Bank guidelines have to be followed. International competitive bidding is necessary for package of machinery equipment costing US\$ 2,00,000 and above. For package costing less, established commercial practice is applicable.

Appraisal of processing projects will be done jointly by Rubber Board, participating bank and NABARD.

B. How to go about

- i) The Department of Processing and Product Development, Rubber Board, provides technical guidance for processing.
- ii) The project report should contain essential details on the promoter, objective, product mix, availability of inputs, technology/process, quality control, marketing, project cost etc.
- iii) The promoter has to obtain a license from Rubber Board for rubber processing units and abide by the guide lines of the Board.
- iv) The project should maintain a debt equity ratio of 3:1.
- v) Credit facilities are available from commercial banks.

8. BANK FINANCE

A. Term Loans

i) Margin

The loan component will be the project cost less margin (down payment or promoter's stake).

(a) <u>Category of grower</u>	Margin
Upto 2.5 acres of irrigated land or 5 acres of rainfed land	5%
Above 2.5 acres upto 4.5 acres of irrigated land or above 5 acres upto 9 acres of rainfed land	10%
Above 4.5 acres of irrigated land or above 9 acres of rainfed land	15%
(b) <u>Processing Industries</u>	25%

- NB: (i) *Planting grant/subsidies can be reckoned towards margin*
(ii) *There will be no margin for loans upto Rs. 10,000.*

(ii) Interest rates

Loan limit	CBs	RRBs/SCB/SLDB
Upto Rs. 25,000	12%	As determined by the banks subject to a minimum of 12% Per Annum.
Over Rs. 25,000 & upto Rs. 2 lakhs	13.5%	-do-
Over Rs. 2 lakhs	As determined by the banks.	-do-

- NB: (a) *CB = Commercial Bank*
RRB = Regional Rural Bank
SCB = State co-operative Bank
SLDB = State Land Development Bank

(b) *For loans above Rs. 2 lakhs banks are expected to charge interest at their Prime Lending Rates (PLR).*

iii) Security (Collateral)

- (a) Upto Rs. 10,000 . No collateral

NB: *No collateral even if movable assets are not created.*

- (b) Over Rs. 10,000/- upto Rs. 25,000

Where movable assets are created

(Eg. rubber roller, ready made type smoke houses, pumpsets for irrigation)

. No collateral.

Where movable assets are not created
(E.g. newplanting/replanting of rubber,
rubber nurseries, masonry type smoke house,
well for irrigation)

- Mortgage of land.

(c) Over Rs. 25,000

- Mortgage of land

NB: *Normally collaterals should have a market value of not less than the loan liability.*

iv) Repayment

(a) Plantation

Maximum 15 years with a grace period of 6 to 7 years. Simple interest will be charged during the gestation period and the accumulated interest will be recovered after the grace period along with the loan instalments.

(b) Nursery 7 years with 1 year grace period.

(c) Rubber Roller 7 to 10 years

(d) Rubber smoke house 8 to 11 years.

(e) Processing units As laid down in the project report or as agreed to with the financing institution.

NB: *Broadly speaking, repayment programme and instalments are fixed based on the cash flow of individual projects*

B. Working Capital Finance (per Hectare)

Purpose	- Maintenance of existing yielding plantation.	
Quantum	- Manuring etc	- Rs. 14,000
	- Rainguard	- Rs. 3,500
	- Total	- Rs. 17,500
	- period	- 12 months
Collateral Security	- Upto Rs. 25,000	- Nil

NB: (i) Working capital finance is not eligible for refinance under NABARD scheme.

(ii) Other terms and conditions same as for Term Loans (Para 8 A).

9. REFINANCE TO LENDING BANKS FROM NABARD

- i) extent - 90% of bank loan
- ii) Spread - Minimum 4 %
Maximum 6.5%
- iii) Interest Rates

	Limit	CBs	RRBs/SCB/SLDB
Upto	Rs. 25,000	8%	6.50%
Over	Rs. 25,000 &		
Upto	Rs. 2 lakhs	9.50%	9.50%
Over	Rs. 2 lakhs	12.0%	12.00%

NB NABARD extends refinance at such rates that the lending bank gets a spread of not less than 4%.

For more details please contact Rubber Board/
NABARD/any participating banks

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