

1. Mark-up-Subsidy

Under the scheme, the facility will carry a mark-up burden of 9% as already stipulated under the scheme; however, the borrower (end-user) will be charged only 2.75%, i.e. the remaining 6.25% will be borne by SEDF.

2. Partial Guarantee

In addition to the Markup subsidy, SEDF will also provide partial credit guarantee cover of 30% to banks against their outstanding loans under the Scheme.

3. Eligibility under the Scheme

- The loan facility under the Scheme will be available for establishment and BMR of Risk Husking Mills in Sindh Province.
- Financing Shall be available for a maximum period of 5 years including a maximum grace period of six months.
- Maximum loan size for a single borrower shall not exceed Rs 10,000,000 (Rupees Ten million only) under the Facility.

Brief procedure for receiving applications

Applications will be logged in with the Participating Financial Institution (PFI), where after initial screening and evaluation, it will be shared with SEDF for concurrence.

Application will be reviewed by SEDF for issuing letter of comfort, a pre requisite for grant of loan.

The underwriting standards, internal controls and monitoring mechanism of banks are

strong enough to cater to the issues of adverse selection.

Participating Financial Institution



National Bank of Pakistan



Sindh Bank Limited



Allied Bank Limited



Soneri Bank



Habib Bank Limited



Habib Metropolitan Bank

Anticipated Benefits

- In case of operational losses cut by 20-25%, it would lead to additional foreign exchange revenue of \$200-\$300 millions.
- Increase in export price at \$50 per ton.
- Pakistan will be recognized on the world map as supplier of quality rice.
- Potential for creation of indigenous machine tools industry in Sindh on the pattern of Punjab.
- Millers will be encouraged to upgrade for further processing (Color Sorting and Silky Polishing), producing exportable commodity shedding dependence re-processors.
- Encourage Millers to explore production of non-conventional derivatives like rice bran oil.
- Overall economic progress of the province.



BMR SCHEME FOR RICE HUSKING MILLS IN SINDH

SINDH ENTERPRISE DEVELOPMENT FUND

The Government of Sindh with a vision to encourage investment in the SME sector, inculcate entrepreneurial ability and to provide a major push to the wider Agri economy, has created Sindh Enterprise Development Fund to provide legal as well as institutional mechanism to achieve such objectives.

It aims to promote opportunities for value addition in the agriculture sector for multiple economic benefits on growth, intermediary services and productivity. It also seeks to introduce farm level interventions to improve efficiency and profitability.

OVERVIEW

Rice is quintessentially Asian crop because 90% of rice production and consumption is concentrated in this region. It is the staple food for 50% of the world and 75% of the world's poor.

In Pakistan, it is the second staple food after wheat. Pakistan is the 11th largest producer and 5th largest exporter of rice. Rice is the second largest earner of foreign exchange after cotton. Rice accounts for 4.9% of value added in agriculture and 1% of GDP of Pakistan.

Major varieties produced in Sindh are Irri-6, Irri-9, D-98 while minor varieties include Super Basmati. Lateefy variety developed in Sindh is called "Sindhi Basmati". Irri-6 and Irri-9 are long-grain varieties while D-98 and Super basmati are extra long-grain varieties.

Major rice growing areas in Sindh are Larkana, Dadu, Shikarpur, Qambar-Shahdadkot, Jacobabad, and Kashmore districts in upper Sindh while Thatta, Badin, and Tando Muhammad Khan are major areas in lower Sindh.



MARKET ANALYSIS

In Sindh, rice is grown on about 2 million acres of land with per acre yield at 45 - 50 maunds, which like all crops in Pakistan does not reflect actual potential. Rice sector employs about half a million of rural labour force. Overall, Sindh produces 35% of the country's rice with annual production at around 3.5 million tons from which 2 million tons of milled rice is produced by more than 800 rice mills. The main Irri-6 variety produced in Sindh is not consumed locally because it does not appeal to local culinary tastes. As such, rice produced in Sindh is by and large exportable surplus. Annual export earnings are about \$ 1 bn with the price of Irri-6 hovering around \$450 per metric ton on average. The major export destinations of Sindhi rice varieties are Africa, the Middle East, Eastern Europe, Russia and Ukraine.

Parboiled rice is considered nutritionally much superior to white milled rice because

of distribution of nutrients uniformly across the grain. It also offers ease of cooking as it does not stick to utensils. Parboiling also strengthens the rice grain resulting in less breaking. Parboiled rice is in high demand in Nigeria, Saudi Arabia, and Russia. Parboiled rice fetches better price in the world market. Price per ton for parboiled rice is \$470 for Irri-6, \$720 for Irri-9, and \$1170 for Super Kernel Basmati.

PROBLEMS FACED BY RICE MILLING CLUSTER IN SINDH

Initially, rice mills were installed with old iron hullers for husking. In the mid 90's, Sellers were introduced which were followed by Polisher SM 18 to achieve operational efficiencies. If compared with rice producing countries like Thailand, Vietnam, China and Japan, most of the mills have outdated technology with operational losses as high as 40%, declining revenues, high fuel and maintenance costs.

BMR SCHEME FOR RICE HUSKING MILLS IN SINDH

Sindh Enterprise Development Fund, Government of Sindh in collaboration with State Bank of Pakistan is offering subsidy on Refinance/Mark Up rate on the use of funds under the BMR Scheme for Rice Husking Mills in Sindh.

The above subsidy (reduced mark-up and guarantee cover) will be governed under the existing SBP refinancing Scheme issued through SMEFD Circular No 7 of 2010; with the following additional features: