

CAB Training Cards



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Technical-Financial Appraisal of rural godown projects

Introduction

- The main objective rural godowns is to provide for scientific storage of farm produce to prevent its distress sale by the farmers.
- As per the Warehousing (Development and Regulation) Act 2007, all rural godowns have to be registered with Warehousing and Development and Regulatory Authority (WDRA).
- Hence bankers should ensure that all rural godowns financed by them should conform to the technical specifications laid down by the WDRA which also facilitates the implementation of the Negotiable Warehouse Receipt System (NWRS).

Technical aspects

- The godown should be located on an elevated well drained land easily accessible to the main road.
- The floor level or plinth shall generally be kept 80 cm to 90 cm above the finished ground level. The minimum width of platform shall be 183 cm.
- No permanent steps should be constructed for the platforms. Movable wooden steps to be provided so that they can be pulled away when not required.
- The flooring and walls in the storage structure should be damp proof, rigid, durable and free from any cracks or crevices.
- The longitudinal walls shall be at least 230 mm in thickness and shall be at least 5.6 meters high from the plinth level.
- The doors shall be of rolling shutters and fixed into suitable prepared openings. The doors shall be not less than 1830 × 2450 mm.

- In longitudinal walls, one steel ventilators of opening not less than 1494 × 594 mm shall be provided in each bay between RCC columns. They shall be provided with fixed wire-mesh shutters. These ventilators shall be protected by sunshade of at least 460 mm projection.
- Roofing materials may be of corrugated asbestos sheets or galvanized corrugated sheets, steel sheets or corrugated aluminum sheets. The sheets shall project at least 46 cm from the outer face of the longitudinal walls.

Financial aspects

- Capacity of the godown can be found out by the following calculation
Length (meters) x Width (meters)X Height (meters)x0.4
- **Project cost** includes **(A) Capital cost** i.e., land, site development, shed, dunnage material (wooden or polythene material spread on the floor for staking the produce) and **(B) Recurring Cost** (a) Salary of the caretaker (b) Fumigation and preservation charges (c) maintenance cost of civil structure (e) labour cost (f) insurance.
- Recurring cost for the first year may be capitalized for arriving at bank loan.
- The income will be by way of marketing margin / profit gained on own produce stored or rental charges for the produce stored on hiring basis.
- The cash flow may be constructed for 15 years. BCR, NPV and IRR are to be calculated on the basis of the cash flow to find out the financial viability of rural godown project.
- **Sensitivity analysis** to be carried out to see whether the project is viable if there is 10% decrease in capacity utilization or rental value.
- DSCR is to be calculated **on the basis of** net income generated to find out the bankability of the project.

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July 2018