



महाराष्ट्र MAHARASHTRA

2019

UY 067478



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**MEMORANDUM OF UNDERSTANDING**

NANAJI DESHMUKH KRUSHI SANJIVANI PRAKALP, MUMBAI (First part)

AND

STATE BANK OF INDIA, LOCAL HEAD OFFICE, MAHARASHTRA (Second Part)

AND

SMALL FARMERS AGRIBUSINESS CONSORTIUM, NEW DELHI (Third Part)

This Memorandum of understanding is made at Mumbai on 19th of July 2019 between the Nanaji Deshmukh Krushi Sanjivani Prakalp, Mumbai (Project on Climate Resilient Agriculture in Maharashtra), a project assisted by the World Bank with identification code P160408, (hereafter called as NDKSP which expression shall unless repugnant to the context or meaning thereof be deemed to include its executors, administrators and permitted assignees) and represented by the Project Director and where the project falls in the jurisdiction of Department of Agriculture, Government of Maharashtra (hereafter referred to as DoA) of the First Part.



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**NEEL KAMAL DARBARI, IAS**  
03) Managing Director  
Small Farmers Agri-Business Consortium  
Ministry of Agriculture & Farmers' Welfare  
Govt. of India

AND

State Bank of India, constituted under State Bank of India Act 1955, having its Corporate Office at Madame Cama Road, Nariman Point Mumbai-400 021 and represented by Agriculture Business Unit at Local Head Office at Bandra Kurla Complex, Mumbai, (hereinafter referred to as the Bank) which expression shall, unless it be repugnant to the context or meaning thereof, mean and include its successors and assigns of the **Second part**.

AND

Small Farmer Agribusiness Consortium, Society promoted by Ministry of Agriculture, Cooperation and Farmer welfare, Government of India, Registered under Society registration Act XXI of 1860, having its August Kranti Marg, Hauz Khas, New Delhi-110016 and represented by Managing Director.

1. **Background :**

1.1 Government of Maharashtra has decided to implement the World Bank aided project on climate resilient agriculture namely Nanaji Deshmukh Krushi Sanjivani Prakalp (NDKSP). The project development objective is to enhance climate-resilience and profitability of smallholder farming systems in project districts of Maharashtra. The project aims to achieve the objective through promotion of climate resilient technology and commodity value chain across 4210 drought-prone villages in 15 selected districts, viz., Aurangabad, Beed, Jalna, Jalgaon, Latur, Osmanabad, Nanded, Parbhani, Hingoli, Amravati, Akola, Buldana, Yavatmal, Washim and Wardha and 932 salinity affected villages in the basin of Purna river spread across 4 districts Akola, Amravati, Buldana and Jalgaon districts.

Project has decided to support farmer producer companies (FPCs) in project districts of Maharashtra with an objective of Climate Smart Post Harvest Management and Value Chain Promotion. This initiative would contribute to increase in farmers' participation in selected value chains through the support of FPCs, strengthen FPC linkages with other actors in the value chains and promote practices & technologies in post-harvest management and value-addition that support climate adaptation and/or mitigation. All activities under agriculture including undernoted activities that would be eligible for support by the project include:

1.2.1 **Establishment of Custom Hiring Centers (CHC):** CHCs shall be established to promote farm mechanization for coping up with climate variability in the project area. FPCs shall be encouraged to establish CHCs for the benefit of the farmers in the project area.

1.2.2 **Strengthening climate-resilient value-chains:** Project will support the value chain of prioritized commodities through viable investments in product aggregation, handling, transformation, value addition and marketing.

1.2.3 **Construction of Rural Godowns /Warehouse:** Project will encourage the FPCs for creation of scientific storage capacity for storing farm produce, processed farm produce and Agricultural inputs to increase shelf life of produce.

1.2.4 **Grading Sorting and Primary Processing Activities:** Project will support to establish infrastructure for Primary processing in value chain, Functional infrastructure for collection/assembling/, drying, cleaning, grading, standardization, quality certification, labeling, packaging, ripening chambers, waxing, value addition (without changing the product form)

1.2.5 **Dairy/Poultry/Fishing/Bee Keeping/Sericulture Activities:** Project will encourage the FPCs for establishment and development of Agri and Agri allied activities such as Dairy/Poultry/Fishing/Bee Keeping, Sericulture activities.

1.2.6 **Seed Production, Processing and Supply Chain:** Adequate supply of seeds with features such as short duration, tolerance to drought, salinity and heat, is a key priority for the project in

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its strategy. The project will work with FPCs and the public sector institutions to promote production of such seeds and creation of seed hubs.

## 2. Loan facilities and purpose :

### **Loan Facility: Agri Term Loan**

- a) All investment needs for creation of production /primary processing facilities.
- b) Loans for creation of infrastructure, shed, acquisition of machines for grading, sorting, packaging viz farm machineries, transport vehicles/equipments, construction of farm houses, infrastructure for dairy / poultry, fishing, bee keeping, sericulture (all agricultural and allied agri activities classified under agriculture).
- c) Acquisition of necessary equipments and machines for farming and allied activities including chilling machines reefer vans, pack houses, warehouses, cold storages, ginning machines, ice factories for primary preservation etc.
- d) Acquiring assets for testing and certification.

The aforesaid list is indicative only and may include all investment needs associated with bonafide needs of the producer company.

3. **Small Farmers Agribusiness Consortium (SFAC):** SFAC is an autonomous society promoted by Ministry of Agriculture, Cooperation and Farmers welfare (Govt. of India). SFAC is implanting the central scheme of Govt. of India namely Venture Capital assistance (VCA), Equity grant and Credit guarantee fund Scheme (EGCGS) for economic inclusion of small and marginal farmers in agribusiness activities. It provides a platform for increasing accessibility and cheaper availability of agriculture inputs to small and marginal farmers and in establishing forward and backward linkages in supply chain management.

4. **Proposed Term and Condition of the Tie-up:** The specific responsibilities of NDKSP, State Bank of India and SFAC shall be as follows:

4.1 **Responsibilities of NDKSP:** The scheme of financing i.e. matching grants to FPCs under the Memorandum of Understanding will be implemented in the selected districts in the state of Maharashtra. The NDKSP will give preferred bankers status to the State Bank of India.

- a) NDKSP will help in selection of potential FPCs, Capacity building and Technical assistance.
- b) NDKSP shall assist in arranging for a joint meeting of financing branches of the SBI with the members of identified FPCs.
- c) NDKSP will provide assistance to the identified FPCs in preparing their growth and business plan.
- d) NDKSP will help the FPCs by providing technical assistance for their business plan.
- e) NDKSP will issue letter of intent (LoI) for back ended matching grants for FPCs which are eligible for assistance according to its policy. One copy of LOI would be given to Bank as soon as the same is issued to FPCs.
- f) NDKSP will assist the bank in post disbursement verification of assets created out of bank finance from time to time and this joint verification will be a prerequisite where disbursements will be happen in various stages
- g) NDKSP through district co-ordination committee will help the SBI in its efforts of recovery, repossession of the assets etc. However, NDKSP shall not be a legal party in the event of any dispute in relation to the loan given to borrower and / or recovery thereof.



- h) NDKSP will provide back ended matching grants (50% of project cost with maximum capping of Rs. 50.00 lakh) to the eligible FPC. Subsidy will be released after completion of project set up and joint inspection report from bank and agri officer of state department. Subsidy will be provided directly to the Bank as back ended subsidy.

**4.2 Responsibilities of State Bank of India:** The State Bank of India has a mandate to support investments in the agriculture sector, individually and collectively, to improve the income of the farmers. To fulfill this mandate, the SBI will provide various financial products and services to the farmer producer companies through its network of branches in the project area. On issuance of Lol to an FPC by NDKSP, the SBI will initiate following steps:

- a) Branch will carry out a thorough scrutiny of FPCs proposal and assess its technical viability and economic feasibility as per Bank's policy. All the technically viable and economically feasible proposals shall be considered by the Bank. It will be the Bank's sole discretion to accept or reject any proposal.
- b) The Bank shall finance the requirements of the FPC as per sanctioned terms and conditions.
- c) Disbursement amount will be made directly to the vendor after completion of necessary procedure as per bank's guideline and progress of the work.
- d) The Bank may cover the eligible member farmers of FPCs for financing bank's other agriculture products.
- e) The Bank may direct the FPC to get the assets purchased out of Banks finance namely investment, machinery, agriculture stock, purchased materials etc insured. In case FPC fails to insure the asset purchased out of bank finance then bank may get the assets insured as per its policy at their cost.
- f) Borrowers may be covered under Bank's Kisan Credit Card Scheme and or Personal Accidental Insurance Scheme of the Bank wherever possible as per guidelines of the Bank.
- g) The Bank may take appropriate measures to avoid multiple financing to an FPC.
- h) Margin money for the loan proposal will be fixed as per Bank guidelines.
- i) Interest rates will be decided as per Bank policy for agriculture advances.
- j) Security norms (Primary and Collateral Security): As per bank guideline
- k) The Bank will apply to SFAC for availing Credit Guarantee Cover for Bank finance. Bank will debit applicable fee from FPC A/c, payable to SFAC for guarantee coverage.
- l) The Bank will not responsible for rejection of equity grant and credit guarantee cover from SFAC, in case rejection of guarantee cover from SFAC borrower (FPC) have to provide adequate collateral security as per bank's guideline.
- m) The Bank will also not responsible for rejection of subsidy.
- n) Maximum loan amount to be sanctioned to FPC will be Rs. 1.00 Cr under the project.
- o) Maximum repayment period of any loan under this project is 5 Years which Includes Moratorium period also.
- p) Bank will ensure for joint verification of assets created out of bank finance and the joint verification will be a prerequisite before release of next instalment where the disbursement will happen in various stages.



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**NEEB KAMAL DARBARI, IAS**  
Managing Director  
Small Farmers Agri-Business Consortium  
Ministry of Agriculture & Farmers' Welfare  
Govt. of India

- q) Bank to ensure obtention of letter of intent (LoI) from NDKSP for back ended matching grants, before sanctioning the loan proposal.

**4.3 Responsibilities of Small Farmer Agribusiness Consortium (SFAC):** SFAC will provide equity grant to eligible farmer producer companies within existing scheme in order to enhance the viability & sustainability of PFCs and increasing their credit worthiness.

- 1) SFAC will also provide credit guarantee to cover lending risk of bank and enable FPC to get collateral free loan.
- 2) SFAC will also provide handholding support to farmer producer companies.

**4.3.1 Equity Grant Scheme:**

- A) FPC that meets the eligibility criteria will apply to SFAC for the equity grant and submit the required documents along with the application.
- B) SFAC shall undertake a due diligence process to establish the credibility, sustainability and viability of the FPC.
- C) SFAC will be evaluating the application and sanction the equity grant as per their terms and conditions.
- D) Sanction of equity grant by SFAC shall be conveyed to the FPC through the sanction letter.

**4.3.2 Credit guarantees Fund Scheme:**

- A) Bank will apply to SFAC for Guarantee Coverage under credit guarantee fund scheme for proposals sanctioned by the Bank.
- B) SFAC will scrutinize the proposals and sanction the credit guarantee cover to the bank in accordance with the terms and condition of the scheme.
- C) SFAC will provide credit guarantee cover under this project to minimize the lending risk and enable the bank to provide collateral free credit to FPCs
- D) Maximum Guarantee Cover per borrower shall be restricted to the extent of 85% of the eligible sanctioned credit facility or up to 85.00 Lakh, whichever is lower.

**5. Implementation Mechanism:** NDKSP has a project management unit (PMU) at Mumbai and the project activities are being implemented through its field level officials, including the District Superintending Agriculture Officer, Project Director, Agriculture Technology Management Agency, and Sub-divisional Agriculture Officers. This MoU shall be implemented through a coordinated effort of the branches of the State Bank of India, Small Farmer Agribusiness Consortium and the corresponding field level officials of NDKSP.

**6. Duration:** The MoU shall be reviewed after one year from the date of signing and may be renewed from time to time by mutual consent of parties.

In the normal course, this MOU shall not be terminated by either of the parties, however, due to any serious reasons, either party if decided to terminate then, it shall give 3 months notice to the other party.

The provisions of this MoU shall be governed by and interpreted in accordance with the laws of India. Any controversy, dispute or claim arising out of or relating to this agreement or breach hereof shall be endeavored to be settled by mutual discussions, failing which, the same shall be settled by arbitration, in accordance with the provisions of the Arbitration and Conciliation Act, 1996 and any enactments, re-enactments or amendments to the same. The arbitration shall be presided over by a sole arbitrator, who shall be mutually decided by the Parties, failing which, each party shall appoint one arbitrator each and the said arbitrators will then appoint a third neutral arbitrator. The arbitration proceedings shall be conducted in English language. The

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Managing Director  
Small Farmers Agri-Business Consortium  
Ministry of Agriculture & Farmers' Welfare  
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arbitration hearing and all proceedings in connection therewith shall take place in Mumbai. The award shall be binding on the Parties, enforceable in a Court of law or equity. Each party shall bear its own costs for the arbitration and any attorneys' fees.

**This MoU shall be subject to the exclusive jurisdiction of Mumbai Court.**

**IN THE WITNESS WHEREOF** parties hereto have set and subscribe their respective hands and seal on the day in the year first hereinabove written.

**SIGNED, SEALED AND DELIVERED**

For and on behalf of

**(1) STATE BANK OF INDIA**

Represented by Chief General Manager,  
SBI, Maharashtra Circle  
Name: Shri G Ravindranath

  
मुख्य महाप्रबंधक  
Chief General Manager  
महाराष्ट्र - स्था. प्र. का. / MAHARASHTRA - L.H.O.

In the Presence of:

**Witness 1:**

Name: Shri Devendra Kumar  
Designation: General Manager, SBI  
NW-III, Maharashtra Circle

महाप्रबंधक (नेटवर्क - III)  
General Manager (NW-III)  
महाराष्ट्र मंडल / Maharashtra Circle



**Witness 2:**

Name: Santosh Kumar Mahapatra  
Designation: Deputy General Manager (Agri)  
Date: 19/07/2019



**(2) NANAJI DESHMUKH KRUSHI SANJIVANI PRAKALP**

Represented by Project Director, NDKSP  
Name: Vikas Chandra Rastogi

  
Project Director  
Project on Climate Resilient Agriculture  
Cuffe Parade, Mumbai 400 005

In the Presence of:

**Witness 1:**

Name: Shri Sharad Bhaskar Gite  
Designation: Assistant Project Director & Technical Officer



**Witness 2:**

Name: Shri Rafik Naikwadi  
Designation: Agri Business Specialist  
Date: 19/07/2019



**(3) SMALL FARMER AGRIBUSINESS CONSORTIUM**

Represented by Managing Director, SFAC  
Name: Ms. Neelkamal Darbari

  
NEEL KAMAL DARBARI, IAS  
Managing Director  
Small Farmers Agri-Business Consortium  
Ministry of Agriculture & Farmers' Welfare  
Govt. of India

In the Presence of:

**Witness 1:**

Name: P. N. Dogra  
Designation: Senior Consultant, SFAC

