

# INDIA NON JUDICIAL

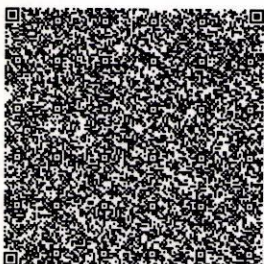
## Government of National Capital Territory of Delhi



सत्यमेव जयते

### e-Stamp

**Certificate No.** : IN-DL68075721446920N  
**Certificate Issued Date** : 13-Feb-2015 11:35 AM  
**Account Reference** : IMPACC (IV)/ di716803/ DELHI/ DL-DLH  
**Unique Doc. Reference** : SUBIN-DL71680333076736064625N  
**Purchased by** : PNB HO NEW DELHI  
**Description of Document** : Article 5 General Agreement  
**Property Description** : Not Applicable  
**Consideration Price (Rs.)** : 0  
(Zero)  
**First Party** : PNB HO NEW DELHI  
**Second Party** : SFAC NEW DELHI  
**Stamp Duty Paid By** : PNB HO NEW DELHI  
**Stamp Duty Amount(Rs.)** : 100  
(One Hundred only)



Please write or type below this line

### Agreement

This Agreement is executed at New Delhi on this 16<sup>th</sup> day of February, 2015.

### Between

Punjab National Bank, a body corporate constituted under Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970, having its Head Office at 7,



Small Farmers' Agri-Business Consortium  
(Department of Agriculture and Co-operative  
Ministry of Agriculture, Govt. of India  
NCUI Auditorium Building, 5th Floor,  
3, Siri Institutional Area, August Kranti Marg,  
Hauz Khas, New Delhi-110016

### Statutory Alert

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2. The onus of checking the legitimacy is on the users of the certificate.
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Bhikhajji Cama Place, New Delhi-110 607 and interalia its PS& LB Division at Atmaram House ,1-Tolstoy Marg,New Delhi-110001 , (hereinafter called "the Bank" which expression shall include its successors and assigns) as first party,

and

Small Farmers' Agribusiness Consortium (SFAC), a society registered under Societies Registration Act 1860, having its registered office at NCUI Auditorium Building, 5th Floor, 3, Siri Institutional Area, August Kranti Marg, Hauz Khas, New Delhi 110016 ), hereinafter called "SFAC" as second party.

Whereas SFAC is a Developmental Institution with its core aims and objectives focused on supporting small & marginal farmers 'organizations; SFAC deals with agriculture in its wider connotation, including agri-allied activities;

And Whereas "Bank" in furtherance of its desire to play an active role in promoting quality investments in the agri business sector is agreeable to provide/has provided collateral free lending to Farmer Producer Companies (FPCs) and is desirous of seeking Guarantee Cover from SFAC under ECGGFS.

In consideration of the Credit Guarantee Fund of Small Farmers Agri Business Consortium (hereinafter referred to as "SFAC" which expression shall, unless repugnant to the context, also include its successors and assigns), agreeing to guarantee under the Equity Grant and Credit Guarantee Scheme (a copy whereof is hereto annexed and which is hereinafter referred to as "the Scheme"), certain credit facilities granted by "Bank" to FPCs , which is an eligible borrower as per the Scheme.

**"Bank" viz Punjab National Bank , does hereby enter into Agreement with SFAC as follows :**

1. That the provisions of this Undertaking shall be in addition to, and not in derogation of, the provisions of the Scheme and the guidelines and instructions issued by SFAC from time to time.
2. That the provisions of the Scheme and such modifications as may be made thereto from time to time shall be deemed to be incorporated in this Undertaking and shall be binding on "Bank", in so far they relate to the credit facilities granted by "Bank" to FPCs.
3. That the provisions of the Scheme and this Agreement shall be applicable to the Credit Facility/ies for which Guarantee Cover has been sanctioned by SFAC to "Bank" under the Scheme.
4. That "Bank" shall claim the benefit of the Guarantee under the Scheme only in respect of the Credit Facility/ies specified as per clause 6 of Credit Guarantee Fund Scheme(CGFS), and to the extent provided, and that "Bank" shall for this purpose obtain and preserve affidavits or other documents from the FPCs or otherwise satisfy itself by reference to the Borrowers' books of account or other records that the Borrower in respect



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of whom the benefit of the Guarantee has been or is to be provided by SFAC is eligible for the Guarantee under the Scheme.

5. That "Bank" agrees that if the Borrower ceases to be so eligible, it shall, in accordance with and subject to the provisions of the Scheme, be excluded from the benefit of any guarantee and that for this purpose, "Bank" shall obtain from the Borrower at such intervals as may be required by SFAC, such information /declarations as may be deemed necessary.

6. That the books of accounts, ledgers and other documents relating to guaranteed Credit Facilities, covered by the Scheme shall, as far as may be practicable, be segregated and maintained in a proper manner so as to facilitate such scrutiny or inspection as may be undertaken by Small Farmers' Agri-business Consortium (SFAC) or by any other person/agency nominated by SFAC in this behalf.

7. That "Bank" shall make available to the Officers of SFAC or of any agency which may be specified by SFAC in this behalf, as the case may be, all its books and records and provide such other facilities as may be required for such scrutiny and inspection.

8. That "Bank" shall furnish to SFAC a statement in a form and manner required by the SFAC, showing the outstanding balances with breakup of principal and interest / other expenses details in respect of the guaranteed credit facility covered under the Scheme, as and when required by SFAC.

9. That "Bank" shall furnish to SFAC thereafter such statements or information as the SFAC may require about the Credit Facility/ies in such form and manner, and at such intervals, as may be required by SFAC.

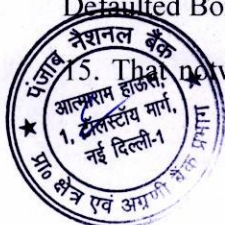
10. That in order to enable SFAC to ascertain whether a Claim made on it is on account of Credit Facility which has been so covered, "Bank" shall preserve in good order the detailed statement or statements required thereof as also the relevant documents relating to the Credit Facility.

11. That "Bank" shall, in respect of the Credit Facility, exercise due diligence in recovering the dues, and safeguarding the interest of SFAC.

12. That for invoking the guarantee, "Bank" undertakes to submit to SFAC an Application in such form as may be specified by SFAC and furnish such other information as may be required of us by SFAC

13. That "Bank" shall secure for the SFAC or its appointed agency the right to inspect the business and factory premises and books of account of the Borrower if and when considered necessary by SFAC.

14. That "Bank" shall secure for SFAC or its appointed agency the right to list the Defaulted Borrowers name and particulars on the website of SFAC.



15. That notwithstanding anything to the contrary contained in the Scheme, if any loss

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occurs in respect of the Credit Facility due to actions / decisions taken contrary to or in contravention of the guidelines issued by SFAC, or if any misrepresentation or concealment of facts is found leading to undue favour to the concerned FPC, "Bank" shall not make and shall not also be entitled to any claim on SFAC in respect of the said Credit Facility.

16. That all applications, documents, receipts, statements and other papers shall be signed on behalf of "Bank" by the Chief Executive Officer or by other persons in its employment authorised by "Bank" to sign all such applications, documents, receipts, statements and other papers and that any irregularity in the signature, or want of authority of the persons so signing shall not in any way affect or prejudice the rights of SFAC or affect "Bank" liability in respect thereof.

17. That all data, including applications, periodical returns, funds transfer, updated or transferred to the SFAC in the electronic form, shall be deemed to be signed on behalf of "Bank" by the Chief Executive Officer or by other persons in our employment who shall be deemed to be authorised by "Bank" to sign all such applications, documents, receipts, statements and other papers and that any irregularity in the use of member-id, or want of authority of the persons so signing shall not in any way affect or prejudice the rights of SFAC or affect Bank's liability in respect thereof.

18. That "Bank" shall introduce and follow such Accounting arrangements as may be necessary or as may be required by SFAC or take such other steps as may be necessary or expedient for protecting its interests in respect of the outstanding balances on account of Credit Facilities in regard to which SFAC's guarantee is invoked by it.

#### 19. Guarantee Fee

- i. "Bank" shall pay the Fee payable to SFAC for Guarantee Cover under the Scheme as a onetime Guarantee Fee calculated @ 0.85% of the sanctioned Credit Facility, subject to a maximum of Rs. 85,000/- (Rs. Eighty Five Thousand only.)
- ii. The Fee shall be paid upfront to SFAC by "Bank". The payment shall be made within 30 days from date of approval of the Guarantee or such date as specified by SFAC, failing which the Guarantee is liable to become void unless and until its continuance is specifically approved by SFAC.
- iii. As on the date of payment of Guarantee Fee, "Bank" shall certify that :
  - a) Any dues of the FPC Borrower to the lending institution have not become overdue and/or is not an overdue/NPA credit facility taken over and/or /is not a Credit Facility which has been rescheduled or restructured on becoming overdue
  - b) The business or activity of the borrower for which the credit facility was granted has not ceased.
  - c) The credit facility has not been utilized, wholly or partly, for adjustment of any debts deemed bad or doubtful of recovery.

#### 20. Annual Service Fee

- i. In addition to onetime Guarantee Fee, an Annual Service Fee of 0.25% of the sanctioned limit per annum or such other rate or limit as may be decided from time to



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- time per loan account shall be paid by "Bank" to keep the Guarantee of SFAC live.
- ii. The decision of passing on the incidence of Guarantee Fee and Annual Service Fee to the Borrower is left to the discretion of "Bank".
  - iii. The Annual Service Fee should be paid by the 31<sup>st</sup> of May each year. The fee for the last year of the tenure of the Guarantee Cover shall be paid on pro rata basis for the period till the date of expiry of guarantee.
  - iv. In the event of non-payment of Annual Service Fee by the due date, the Guarantee under the Scheme shall not be available to "Bank" unless SFAC agrees for continuance of Guarantee and "Bank" pays penal interest on the Annual Service Fee due at a rate of 1% above the rate charged by the "Bank" on the Credit Facility, or at such rate as is specified by SFAC from time to time, for the period of delay. The Guarantee shall stand restored on receipt of such payment and shall be deemed to have been in continuance without break.
  - v. Provided further that in the event of non-payment of Annual Service Fee within the stipulated time or such extended time as may be requested by "Bank" and allowed on such terms that may be agreed to by SFAC, liability of SFAC to guarantee such credit facility shall lapse in respect of credit facility against which the Annual Service Fee is due and not paid,
  - vi. Provided further that, SFAC may consider renewal of Guarantee Cover for such credit facility, the Cover for which has ceased, upon such terms and conditions as SFAC may decide.
  - vii. In the event of any error or discrepancy being found in the computation of the amounts or in the calculation of the Guarantee Fee / Annual Service Fee, or any shortfall in payment by "Bank", if subsequently identified, such deficiency/shortfall shall be paid by "Bank" to SFAC.
  - viii. Any amount found to have been paid in excess by the "Bank" to SFAC shall be refunded by SFAC. In the event of any representation made by the lending institution in this regard, SFAC shall take a decision based on the available information with it and the clarifications received from the lending institution, and its decision shall be final and binding on the lending institution.
  - ix. The Guarantee Fee and / or Annual Service Fee once paid by the lending institution to SFAC are non-refundable.

## 21. Responsibilities of "Bank"

"Bank" shall:

- i. Certify that the Credit Facility has been sanctioned without any Collateral.
- ii. Enclose Appraisal Note with the Application for Guarantee Cover.
- iii. Carry out processing, legal work and documentation for sanction of the loan in accordance with the requirements of the "Bank" and the terms & conditions of SFAC.
- iv. Furnish such Statements and Information, documents, receipts, certificates as SFAC may require in connection with credit facility.
- v. Certify that /be deemed to have affirmed that the contents of such documents, receipts, certificates and other written Documents are true, provided that no claim shall be rejected and no liability shall attach to the lending institution or any officer thereof for anything done in good faith.
- vi. Monitor the borrower account and maintain records of periodical monitoring and actions initiated on observations, if any.

Safeguard the Primary Securities taken over by it, if any, from the Borrower



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- viii. "Bank" shall be bound to comply with such directions as SFAC may deem fit to issue from time to time, for facilitating recoveries of the guaranteed account, or safeguarding its interest as a guarantor.
- ix. "Bank" shall, in particular, refrain from any act either before or subsequent to invocation of guarantee, which may adversely affect the interest of SFAC as the guarantor.
- x. "Bank" shall intimate in advance to SFAC its intention to enter into any compromise or arrangement, which may have effect of discharge or waiver of primary security.
- xi. "Bank" shall also ensure through an Agreement with the Borrower that the borrower shall not create any charge on the assets held as primary security for the credit facilities covered by the Guarantee with itself, or in favour of any other creditor(s) without seeking prior permission of SFAC.

## 22. Invocation of Guarantee

"Bank" shall invoke the Guarantee in respect of Credit Facility within a maximum period of one year from date of NPA, if the following conditions are satisfied:

- i. The Claim must be forwarded to the SFAC/Fund through the Zonal Office / authorised office/ person of "Bank" as communicated to SFAC
- ii. Guarantee in respect of the Credit Facility is in force at the time of account turning NPA.
- iii. Dues have been classified by "Bank" as Non Performing Assets
  - i. Provided that SFAC reserves the right to refuse the Claim, if the loss in respect of the said Credit Facility in its opinion had occurred owing to Guidelines not having been strictly followed by "Bank"/ or if any misrepresentation or concealment of facts is found leading to undue favour to the concerned FPC.
  - ii. The Guarantee shall be effective
    - a) If SFAC and "Bank" are convinced that the FPC has suffered genuine business losses, which may include crop/ asset losses by the members, and the gravity and impact of such losses is assessed jointly or by independent assessment or by the "Bank" as may be mutually agreed between SFAC and "Bank" on a case by case basis and the FPC is not in a position to repay dues under any circumstances including restructuring/re-phasing/rescheduling the loan.
    - b) for such amounts as may be written off or interest waived from the credit facility by the "Bank" with intimation to SFAC as a result of the business failure of the FPC
    - c) In all other cases
      - o Only when proceedings for recovery have been initiated by "Bank".
      - o The responsibility of recovery of the dues shall rest with "Bank".

## 23. Claim Settlement

- i. Only such Claim as is preferred by "Bank" on the Defaulted account, which has become NPA, within a maximum period of one year from date of NPA or as specified by SFAC from time to time, shall be considered.
- ii. Fund shall honour 75 per cent of the Guaranteed Amount in Default subject to maximum of 75 per cent of the guaranteed cap amount, on preferring of claim by "Bank" where appropriate action for recovery has been initiated.
- iii. Balance 25 per cent of the defaults or guaranteed cap amount, as the case may be, shall be paid on conclusion of recovery proceedings by the "Bank".
- iv. Subject to the Claim being otherwise found in order and complete in all respects, SFAC shall pay the "Bank" eligible claim within 90 days.



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- v. The outstanding dues of the FPC to "Bank" shall be reduced to the extent of the Amount of Claim settled by SFAC.
- vi. "Bank" shall continue to make efforts to realise the balance amount due even after settlement of Guarantee
- vii. SFAC reserves right to claim from "Bank" any amount that is realised by "Bank" from the FPC even after settlement of guarantee amount:
- viii. Any amount realized by the "Bank" from FPC shall be shared in the ratio of 85%:15% between SFAC & "Bank". Such payment may be made as and when any such amount is realised subject to the relaxation that any payments below the sum of Rs.1 Lakh to SFAC may be made on a quarterly basis on or before the last day of the quarter.
- ix. Once the Claim is paid, SFAC shall be deemed to have been discharged from all its liabilities on account of the Guarantee in force in respect of the Credit Facility.
- x. "Bank" shall be liable to refund the Claim released by SFAC together with the penal interest at a Rate of Interest, which is 1% above the Rate of interest at which the Credit Facility has been sanctioned by "Bank" to FPC for the period for which the Claim has been released, if the Guarantee Amount is recalled by SFAC for any reason whatsoever.
- xi. Erroneous duplicate payment of claim by SFAC shall not be construed as recall. However, any duplicate claim by "Bank" and the settlement there against by SFAC shall be Recalled and SFAC reserves the right to recall the entire payment released to "Bank" against the Credit Facility.

#### 24. Subrogation of Rights and Recoveries On Account Of Claims Paid

- i. Details of efforts for recovery, realization and such other information as may be demanded by SFAC from time to time shall be furnished by "Bank".
- ii. On its own behalf and on behalf of SFAC, "Bank" shall hold lien on assets created out of the Credit Facility extended by the Bank to the Borrower.
- iii. The responsibility for the recovery of dues including takeover of assets, sale of assets, etc., shall rest with "Bank";
- iv. Payments made by Borrower towards any one or more of several distinct and separate debts owed by it to "Bank", shall be deemed to have been appropriated by "Bank" to the debt covered by the Guarantee and in respect of which a Claim has been preferred and paid, irrespective of the manner of appropriation indicated by such Borrower or the manner in which such payments are actually appropriated.

#### 25. Residual Recovery

SFAC shall have the first claim to Appropriation of the Amount realized by "Bank" before making the final settlement of the Claim in the ratio of 85:15 **after deducting the expenditure incurred by the Bank towards the recovery of dues from the borrower.**

#### 26. Termination of SFAC's Liability in Certain Cases

- i. The Guarantee in respect of the Credit Facility extended by "Bank" to FPC shall be deemed to be terminated, if the liabilities of the FPC to "Bank" on account of said guaranteed Credit Facility are transferred or assigned to any other borrower without the consent of SFAC which shall be sought by "Bank" or Borrower in writing



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 122006

- stating the reasons for the transfer/assignment and if the conditions as to the eligibility of the borrower and the amount of the facility and any other terms and conditions, if any, subject to which the credit facility can be guaranteed under the Scheme are not satisfied after the said transfer or assignment, from the date of the said transfer or assignment.
- ii. The liability of SFAC in respect of the Credit Facility granted to FPC by "Bank" shall be limited to the liability of FPC (Borrower) to "Bank" as on the date on which the Borrower becomes ineligible for being granted any Credit Facilities under the Scheme, by reason of cessation of his activity or his activity or his undertaking ceasing to come within the definition of a FPC unit, subject, however, to the limits on the liability of SFAC fixed under this Scheme.

## 27. Other Conditions

- i. "Bank" shall be deemed to have understood and accepted the terms & conditions of the Scheme as being legally binding on itself.
- ii. "Bank" shall ensure that the conditions of guaranteed Credit Facility are not in conflict with the provisions of the Scheme.
- iii. Notwithstanding any provision in any other document or contract entered into by "Bank" with regard to Guaranteed Credit Facility, the Provisions /Conditions of the Scheme shall override all such other provisions as if this conditionality had been written in the relevant Document/contract and "Bank" shall in relation to SFAC be bound by the conditions.
- iii. The I&CS Committee reserves the right to reject any proposal where it is of the view that Guidelines have not been strictly adhered to/ or if any misrepresentation or concealment of facts is found leading to undue favour to the concerned FPC.

## 28. Modifications and Exemptions

SFAC reserves the right to modify, cancel or replace the Scheme in any manner whatsoever that it deems necessary, however so ensuring that the rights or obligations arising out of, or accruing under the Guarantee issued to "Bank" up to the date on which such modification, cancellation or replacement comes into effect, shall not be affected.

## 29. Interpretation

The decision of SFAC shall be final in regard to the interpretation of any of the provisions of the Scheme or of any directions or instructions or clarifications given in connection therewith.

## 30. Supplementary and General Provisions

SFAC may make such supplementary or additional provisions or issue such instructions or clarifications as may be necessary for the purpose of the Scheme in respect of any matter not specifically provided for in this Scheme. "Bank" shall comply with the same.

## 31. Arbitration

- i. Disputes, if any, arising out of the Agreement shall be resolved through mutual consultation,
- ii. Failing which Arbitration by a sole Arbitrator chosen by "Bank" and SFAC in accordance with the provisions of the Arbitration and Conciliation Act, 1996 shall be resorted to.



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iii. The venue of the Arbitration shall be New Delhi.

32. This Agreement shall take effect from the 16<sup>th</sup> day of February, 2015.

33. That the Stamp Duty payable on this Agreement shall be borne by "Bank".

For and on behalf of Punjab National Bank	For and on behalf of SFAC
<p>पंजाब नेशनल बैंक / For Punjab National Bank</p> <p>डॉ. राकेश गुप्ता / Dr. RAKESH GUPTA महाप्रबन्धक / General Manager प्र.का., टालस्टॉय मार्ग, आत्मराम हाऊस H.O., 1, Tolstoy Marg, Atmaram House नई दिल्ली-110001 / New Delhi-110001</p> <p>Authorised Signatory</p> <p>Name : Dr. Rakesh Gupta</p> <p>Designation : General Manager</p> <p>Place: New Delhi</p> <p>Date : 16.02.15</p>	<p>सपना निगम / SAPNA NIGAM निदेशक (जी.सी.ए.) / Director (VCA) लघु कृषक कृषि-व्यापार संघ Small Farmers' Agri-Business Consortium भारत सरकार, कृषि मंत्रालय Govt. of India, Ministry of Agriculture</p> <p>Authorised Signatory</p> <p>Name : Sapna Nigam</p> <p>Designation : Director</p> <p>Place: New Delhi</p> <p>Date : 16.02.15</p>

In the presence of:

*Sulhask Gupta* 16/2/15  
Consultant (Gr/AE)  
New Delhi

V B Gupta  
CM PRB  
HOPSLB  
New Delhi



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# Annexure

## Equity Grant and Credit Guarantee Fund Scheme for Farmer Producer Companies (EGCGFS)

### Part A: Equity Grant Fund (EGF)

#### 1. Period of Implementation

It shall be implemented from the Financial Year (FY) 2013-14 onwards.

#### 2. Implementing Agency

The EGF shall be operated by Small Farmers Agri Business Consortium (SFAC).

#### 3. Definitions

For the purposes of this Scheme:

- (i) **Bank** means a Scheduled Commercial Bank included in the Second Schedule to the Reserve Bank of India Act, 1934, Regional Rural Banks or any other Institution(s) as may be directed by the Board of SFAC or Ministry of Agriculture, Government of India(GoI) from time to time;
- (ii) **Board** means any form of Governing Body of the FPC such as Board of Directors;
- (iii) **Equity** means the amount of share capital contributed by the Shareholder Members (farmer producers/ institutions of farmer producers) of FPC;
- (iv) **EGF** means Equity Grant Fund created at SFAC, for providing Equity Grant to FPCs;
- (v) **Farmer** means any individual engaged in Agriculture and allied activities;
- (vi) **Farmer Interest Group** means an informal group of farmers formed with the objective of improving farm and farming value added activities, working for mutual benefit of the group and governed by a common set of rules;
- (vii) **Farmer Producer Companies (FPC)** means a

company of Farmer Producer Members as defined in section IXA of the Indian Companies Act, 1956 (including any amendments thereto or re-enactment thereof) and incorporated with the Registrar of Companies (RoC). Other categories of farmer producer organizations (such as cooperatives) may be considered for inclusion at a later stage.

(viii) **Joint Liability Group** means Joint Liability Group of farmer producer members as defined by NABARD

(ix) **Self Help Group** means Self Help Group of farmer producer members as defined by NABARD

(x) **Shareholder** is a shareholder member of FPC on the date of its application for Equity Grant under the EGCGFS

#### 4. Objectives of Equity Grant Fund

The Equity Grant Fund has been set up with the primary objectives of:

- (i) Enhancing viability and sustainability of FPCs;
- (ii) Increasing credit worthiness of FPCs;
- (iii) Enhancing the shareholding of members to increase their ownership and participation in their FPC.

#### 5. Eligibility Criteria for FPCs

An FPC shall be eligible to apply for Equity Grant under the Scheme based on its fulfilling the following criteria:

- i. It is a duly registered FPC as defined in 3 (vii) above.
- ii. It has raised equity from its Members as laid down in its Articles of Association/ Bye laws.
- iii. The number of its Individual Shareholders is not lower than 50.

#### Operational Guidelines



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- iv. Its paid up equity does not exceed Rs.30 Lakh.
  - v. Minimum 33% of its shareholders are small, marginal and landless tenant farmers as defined by the Agriculture Census carried out periodically by the Ministry of Agriculture, Gol.
  - vi. Maximum shareholding by any one member other than an institutional member is not more than 5% of total equity of the FPC.
  - vii. Maximum shareholding of an institutional member is not more than 10% of total equity of the FPC.
  - viii. It has a duly elected Board of Directors (BoD) with a minimum of five members, with adequate representation from member farmers and minimum one woman member.
  - ix. It has a duly constituted Management Committee responsible for the business of the FPC.
  - x. It has a business plan and budget for next 18 months that is based on a sustainable, revenue model as may be determined by the Implementing Agency.
  - xi. The FPC has an Account with a "Bank".
  - xii. It has a Statement of Accounts audited by a Chartered Accountant (CA) for at least one full financial year.
- iii. The FPC shall, within 45 days of the receipt of the Equity Grant, issue additional shares to its shareholder members, equivalent in value to the amount of the Grant received by it, provided that the maximum grant per category of shareholder is as follows:
    - a). *Individual Shareholder - Rs 1000.00*
    - b). *Group of Individual Shareholders (e.g. SHG, Farmer Interest Group, Joint Liability Groups of Farmers) –Number of Members multiplied by Rs. 1,000.00, subject to a maximum of Rs. 20,000.00*
    - c). *Institutional Shareholders (Farmer Producer Companies) – Rs. 1, 00,000.00*
  - iv. The criteria for calculation of Equity Grant (rounded off to the Share Unit Value (subject to point (iii)) to each shareholder member of the FPC (as per authenticated copy of the Shareholders Register maintained by the Producers Company as per the applicable provisions of the relevant Act) is as follows:
    - a). *Allocation of shares shall be on matching/ pro-rata basis of the shareholders' current shareholding, subject to the maximum specified above and ensuring that each shareholder member receives minimum one equity share.*
    - b). *If the Grant sanctioned to the FPC is not sufficient to ensure a minimum one share to all its shareholder members, allocation of grant shall be based on the shareholders' current landholding, starting with shareholder with the least land holding / the smallest producer in case of allied activities/ or by transparent draw of lots where such identification is not possible.*

## 6. Equity Grant Fund

The Equity Grant Fund enables eligible FPCs to receive a grant equivalent in amount to the equity contribution of their shareholder members in the FPC, thus enhancing the overall capital base of the FPC. The Scheme shall address nascent and emerging FPCs, which have paid up capital not exceeding Rs. 30 lakh as on the date of application. The Equity Grant shall be sanctioned to eligible FPCs as follows:

- i. Equity Grant shall be a cash infusion equivalent to the amount of shareholder equity in the FPC subject to a cap of Rs. 10 lakh per FPC.
- ii. Equity Grant sanctioned shall be directly transferred to the bank account of the FPC.



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- vi. In the event that a shareholder, who receives additional shares issued by the FPC against Equity Grant sanctioned by the Implementing Agency, exits the FPC at any point after receiving the shares, the additional shares received by him/her in lieu of the Equity Grant and standing in his/her name must be transferred to another shareholder or new shareholder within 90 days of his/her exiting the FPC, through an open and transparent draw of lots. In such cases, the original shareholder cannot receive the value of the additional shares transferred to other/ new members.
- vii. SFAC shall have the right to recall the Equity Grant amount from the FPC, which shall be legally liable to comply with the same in the case of:
- Failure to issue additional shares to members against the Equity Grant received by the FPC within 45 days of its receipt, and
  - Closure/Dissolution of FPC within three years of the receipt of the Equity Grant.
  - Instances of misuse / misappropriation of the Equity Grant (viz. use of funds for activity other than mentioned in Memorandum of Association/Articles of Association/ Business plan of the FPC) of the Equity Grant

## 7. Application for Equity Grant Fund

Eligible FPCs that meet the eligibility criteria detailed in Section 5, shall apply for the Equity Grant in the prescribed Application Form only (Annexure

- Other mandatory documents required to be submitted along with the Application are listed below:
  - Shareholder List and Share Capital contribution by each member verified and certified by a Chartered Accountant (CA) prior to submission.
  - Resolution of the FPC Board/Governing Council to seek Equity Grant for members.
  - Consent of shareholders, stating name of shareholder, gender, number of shares held, face value of shares, land holding, signifying

consent for SFAC to directly transfer the equity Grant sanctioned to the FPC on their behalf, to FPC Bank account, against the consideration of additional shares of equivalent value to be issued to them by FPC and on exit- transfer of the shares as per rules.

- Audited Financial Statements of FPC for a minimum 1 year /for all years of existence of the FPC if formed less than three years prior to application/ for the last 3 years for FPCs in existence for 3 years or more, verified and certified by a Chartered Accountant (CA) prior to submission.
- Photocopy of Bank Account Statement for last six months authenticated by the Branch Manager of the "Bank".
- Business Plan of FPC and budget for next 18 months.
- Names, photographs, and identity proof (any one from among ration card, Aadhaar card, election identification card, passport) of Representatives/ Directors authorised by the Board for executing and signing all documents under the Scheme.
- Each page of the Application Form and accompanying documents shall be signed by a minimum of two Board Member /Authorised Representatives of the FPC.

## 8. Institutional Due Diligence

The Implementing Agency shall undertake a due diligence process to establish the credibility, sustainability and viability of the FPC, before taking a decision on its application for Equity Grant. The Due diligence shall cover the following aspects:

- Governance;
- Business and Business Plan Viability;
- Management Capability;
- Financials.

Due diligence shall be conducted through Desk Appraisal on the basis of documents received and a Field Visit to the FPC and its Promoter Organisation if applicable.

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## 9. Sanction

- i. An Equity Grant Sanction Committee (EGSC) with four members, the Managing Director SFAC as Chairman, two officers of the organisation nominated by MD, SFAC and an external sector expert, also nominated by MD, SFAC, shall be constituted for the purpose of evaluating applications received under this Scheme. The EGSC, meeting under the Chairmanship of MD, SFAC, shall have full authority to decide on the applications and its decision in this regard shall be final.
- ii. Sanction of Equity Grant by EGSC shall be conveyed to the FPC through a Sanction Letter issued within 7 working days of the decision of the EGSC, which shall include, inter alia, the following conditions:
  - a). *On receipt of the sanctioned Equity Grant amount, the FPC shall allot additional shares to its shareholder members on the basis specified in the Scheme within the 45 day time-line.*
  - b). *The FPC shall communicate to SFAC the details of additional share certificates issued by it to members against the Equity Grant received.*
  - c). *SFAC shall be authorised to examine the accounts of the recipient and supporting documents at any time during the period of its Agreement with FPC. The recipient agrees to provide all relevant information or explanations that SFAC may reasonably request.*
  - d). *In support of the above commitments, the FPC shall enter into an Agreement with SFAC before the Equity Grant can be disbursed.*
  - e). *In case of any transgression or noncompliance by the FPC of the Terms and Conditions of the Agreement, SFAC shall recall the Equity Grant and the FPC shall be bound to comply with the same, failing which SFAC shall take recourse to legal action within the purview of the Scheme.*

## 10. Disbursement

- i. After accepting the terms of sanction, the FPC shall enter into Agreement with SFAC.

- ii. SFAC shall transfer sanctioned funds to the FPC Account.

## 11. Compliance and Verification

The FPC shall submit the following documents to SFAC:

- i. List of additional shares issued by it to its shareholder members under the Scheme, along with the respective Folio Numbers, verified and certified by a Chartered Accountant (CA), within 45 days of the funds having been received by it.
- ii. If the FPC does not honour its commitment in any manner whatsoever, either in the matter of issuing shares or in notifying SFAC within the specified time limit, the Equity Grant amount sanctioned and released by SFAC to the FPC is liable to be cancelled and recalled by SFAC, as detailed in the Agreement between SFAC and FPC.

## 12. Arbitration

In the event of violation of any of the terms and conditions herein contained or contained in the rules or any of the instructions issued by SFAC from time to time or instances of misuse/misappropriation of the Equity Grant sanctioned and released to FPC by SFAC, SFAC shall have the right to demand and enforce forthwith repayment of the entire amount of Equity Grant sanctioned by SFAC.

The Agreement between SFAC and the FPC is governed and construed according to the laws of India. Controversies and claims arising out of relating to this Agreement, or the breach thereof, shall be settled through Legal process or Arbitration at Delhi. However, before taking any legal action, the parties shall endeavour to mobilise all efforts and to enter into discussions in order to find a mutually acceptable settlement by direct negotiation.



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## PART B: CREDIT GUARANTEE FUND (CGF)

### 1. Period of Implementation

The CGF shall be implemented from Financial Year (FY) 2013-14 onwards.

### 2. Implementing Agency

The CGF shall be operated by Small Farmers Agri Business Consortium (SFAC) through lending institutions.

### 3. Definitions

- i. **Amount in Default** means the principal and interest amount outstanding in the account(s) of the Farmer Producer Company (FPC) Borrower in respect of term loan and working capital facilities (including interest), as on the date of the account becoming Non Performing Asset (NPA), or the date of lodging claim application/recall of advance, whichever is earlier or such of the date as may be specified by SFAC for preferring any claim against the guarantee cover, subject to a maximum of amount Guaranteed and shall not include penal interest, other charges and any other costs debited to the FPC by the Eligible Lending Institution (ELI);
- ii. **Annual Service Fee** means the annual fee payable to SFAC at a specified rate on the amount outstanding in the Bank's Books on the specified date;
- iii. **Collateral security** means the security provided in addition to the primary security, in connection with the credit facility extended by an Eligible Lending Institution to a borrower;
- iv. **Credit Facility** means any financial assistance (fund based and/or non-fund based) extended by an Eligible Lending Institution (ELI) to an Eligible Borrower without any Collateral Security or Third Party Guarantee ;
- v. **Credit Guarantee Fund:** means the Credit Guarantee Fund for FPCs created by GOI with SFAC for the purpose of extending guarantee

to the eligible lending institution(s) against their collateral free lending to eligible FPCs;

- vi. **Eligible Borrower:** means a new or existing FPC, meeting Eligibility Criteria laid down under the Scheme, seeking credit facility from Eligible Lending Institutions under the Scheme, without any Collateral Security or Third Party Guarantee;
- vii. **Eligible Lending Institution (ELI):** means a Scheduled Commercial Bank for the time being included in the second Schedule to the Reserve Bank of India Act, 1934, and Regional Rural Banks, NCDC, NABARD and its subsidiaries, NEDFi, or any other institution (s) as may be decided by the SFAC Board or as directed by the Government of India from time to time ;
- viii. **Farmer Producer Company (FPC):** means a Company of Farmer Producer Members as defined in section IXA of the Indian Companies Act, 1956 (including any amendments thereto or re-enactment thereof) and incorporated with the Registrar of Companies (RoC). Other categories of farmer producer organizations (such as cooperatives) may be considered for inclusion at a later stage.
- ix. **Guarantee Cover** means maximum cover available per eligible FPC borrower;
- x. **Guarantee Fee** means the onetime fee at a specified rate of the eligible Credit facility sanctioned by the ELI, payable by the ELI to SFAC;
- xi. **Non Performing Asset** means an asset classified as non-performing based on the instructions and guidelines issued by the Reserve Bank of India, from time to time;
- xii. **Primary security** in respect of a credit facility means the assets created out of the credit facility so extended;
- xiii. **Tenure of Guarantee Cover** means the agreed tenure of the Term loan/ composite credit i.e. the maximum period of Guarantee Cover from the Guarantee start up which shall run through

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the agreed tenure of the term credit, and where working capital facilities alone are extended and/or continuing working capital arrangements granted along with the Term Loan, for a period of 5 years or block of 5 years and/or loan / working capital credit or other facilities' termination date, whichever is earlier or such period as may be specified by the SFAC;

xiv. **Year** means Financial Year, beginning April 1 and ending March 31;

xv. **Quarter / Quarterly** basis shall mean April 01 to June 30, July 01 to September 30, October 1 to December 31 and January 01 to March 31 wherever relevant.

#### 4. Objectives of the Credit Guarantee Fund

The Fund has been set up with the primary objective of providing a Credit Guarantee Cover to ELI to enable them to provide collateral free credit to FPCs by minimising their lending risks in respect of loans not exceeding Rs. 100.00 lakhs.

#### 5. Eligibility Criteria for FPC

An ELI can avail Credit Guarantee for the following FPC:

- It is a duly registered FPC as defined in Section 3. Definition viii.
- It has raised equity from its Members as laid down in its Articles of Association/ Bye laws.
- The number of its individual shareholders shall not be lower than 500
- Minimum 33% of its shareholders are small, marginal and landless tenant farmers
- Maximum shareholding by any one member other than an Institutional member is not more than 5% of total equity of the FPC.
- It has a duly elected/nominated Board with a minimum of five Members and having adequate representation from farmers and minimum one woman member.
- It has a duly elected Management Committee.



viii. It has a business plan and budget for 18 months.

ix. The Bank ELI has extended / sanctioned within six months of the date of application for the Guarantee or /in principle agreed in writing / has expressed willingness in writing to sanction Term Loan/ Working Capital/ Composite Credit Facility without any collateral security or third party guarantee including personal guarantee of Board Members.

#### 6. Credit Facilities Eligible under CGF SFAC shall cover:

- Credit facilities (Fund based and/or Non fund based) already sanctioned / extended within six months from the date of the application for the Guarantee Cover or intended to be extended singly or jointly by one or more than one Eligible Lending Institution(s) to a single eligible FPC borrower by way of term loan and/or working capital/composite credit facilities without any collateral security and/or third party guarantees.
- The ELI can extend credit without any limit; however, the Guarantee Cover shall be limited to the maximum guarantee cover specified under the Scheme. Provided that the Credit Facility is extended without any collateral security and/or third party guarantees.

#### 7. Non-Eligibility

The following credit facilities shall not be eligible for Guarantee Cover under the Scheme: -

- Any credit facility which has been sanctioned by the ELI against collateral security and/ or third party guarantee.
- Any credit facility in respect of which risks are additionally covered under any scheme operated/administered by Reserve Bank of India/or by the Government/or by any general insurer or any other person or association of persons carrying on the business of insurance, guarantee or indemnity.
- Any credit facility, which does not conform to, or is in any way inconsistent with, the provisions

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of any law, or with any directives or instructions issued by the Central Government or the Reserve Bank of India, which is, for the time being, in force.

- iv. Any credit facility granted to any borrower, who has himself availed of any other credit facility covered under this scheme or under the schemes mentioned in clause (i), (ii) and (iii) above at any point in time.
- v. Any credit facility that is overdue for repayment/ NPA taken over by the ELI from any other lender or any other default converted into a credit facility.
- vi. Any credit facility which is overdue for repayment.
- vii. Any credit facility which has been rescheduled or restructured on becoming overdue for repayment.

#### 8. Credit Guarantee Cover

- i. ELI shall be eligible to seek Guarantee Cover for a credit facility sanctioned in respect of a single FPC borrower for a maximum 2 times over a period of 5 years.
- ii. Maximum Guarantee Cover shall be restricted to the extent of 85% of the eligible sanctioned credit facility, or to Rs. 85 Lakh, whichever is lower.
- iii. In case of default, claims shall be settled up to 85% of the amount in default subject to maximum cover as specified above.
- iv. Other charges such as penal interest, commitment charge, service charge, or any other levies/ expenses, or any costs whatsoever debited to the account of FPC by the ELI other than the contracted interest shall not qualify for Guarantee Cover.
- v. The Cover shall only be granted after the ELI enters into an agreement with SFAC, and shall be granted or delivered in accordance with the Terms

and Conditions decided upon by SFAC from time to time.

#### 9. Application for Guarantee Cover

The ELI shall be required to apply to SFAC for Guarantee Cover in the specified form only (Annexure 3) for credit proposals sanctioned by them during any quarter prior to expiry of the following quarter viz., application w.r.t. credit facility sanctioned in April-June Quarter must be submitted in the ensuing quarter, i.e. July-September to qualify for consideration under the Scheme.

#### 10. Sanction

SFAC shall

- i. Scrutinize the proposal before sanctioning the Guarantee Cover to the ELI under the Scheme in accordance with the Terms and Conditions of the Scheme.
- ii. Insofar as it may be considered necessary, for the purposes of the Scheme, inspect or call for copies of the Books of Account and other records (including any Book of Instructions or Manual or Circulars covering general instructions regarding Conduct of Advances) of the Lending Institution or of the Borrower from the Lending Institution.
- iii. Such Inspection shall be carried out either through the officers of SFAC or any other agency appointed by SFAC for the purpose of Inspection.
- iv. The Investment and Claims Settlement Committee (I&CSC) shall sanction the Guarantee Cover to the concerned Bank based on the findings of the above.
- v. The ELI shall enter into an Agreement with SFAC at the level of the Bank Branch Manager (Annexure 4).

#### 11. Guarantee Fees

- i. The Fee payable to SFAC by the ELI for Guarantee Cover in respect of an Eligible Credit Facility granted by it to an FPC Borrower under the Scheme is a onetime Guarantee Fee calculated @ 0.85% of the sanctioned Credit Facility, subject to a maximum of Rs. 85,000/- (Rs. Eighty Five Thousand only).

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ii. The Fee shall be paid upfront to SFAC by the Lending Institution availing of the Guarantee for each loan account. The payment is to be made within 30 days from date of approval of the Guarantee or such date as is specified by SFAC, failing which the Guarantee is liable to become void unless and until its continuance is specifically approved by SFAC.

iii. As on the date of acceptance of Guarantee Fee from the ELI, SFAC shall ensure that :

- a). Any dues of the FPC Borrower to the lending institution have not become overdue and/or is not an overdue/NPA credit facility taken over by the ELI and/or /is not a Credit Facility which has been rescheduled or restructured on becoming overdue
- b). The business or activity of the borrower for which the Credit Facility was granted has not ceased.
- c). The credit facility has not been utilized, wholly or partly, for adjustment of any debts deemed bad or doubtful of recovery.

## 12. Annual Service Fee

- i. In addition to onetime Guarantee Fee, an Annual Service Fee of 0.25% per annum or such other rate or limit as may be decided from time to time per loan account shall be charged from ELIs to keep the Guarantee of SFAC live.
- ii. The decision of passing on the incidence of Guarantee Fee and Annual Service Fee to the Borrower is left to the discretion of the ELI.
- iii. The Annual Service Fee shall be paid by ELI to SFAC by the 31 May each year. The fee for the last year shall be paid on pro rata basis for the period till the date of expiry of guarantee.
- iv. In the event of non-payment of Annual Service Fee by the due date, the Guarantee under the Scheme shall cease to be available to the ELI unless SFAC agrees for continuance of Guarantee and the ELI pays penal interest on the Annual Service Fee due at a rate of Interest of 1% higher than the Rate of Interest at which the Credit Facility has been sanctioned by the

ELI to the Borrower or as specified by SFAC from time to time, for the period of delay. The Guarantee shall stand restored on receipt of such payment and shall be deemed to have been in continuance without break.

- v. Provided further that in the event of non-payment of Annual Service Fee within the stipulated time or such extended time as may be requested for by the ELI and allowed on such terms that may be agreed to by SFAC, liability of SFAC to guarantee such credit facility shall lapse in respect of the credit facility against which the annual sample fee is due and not paid.
- vi. Provided further that, SFAC may consider renewal of Guarantee Cover for such credit facility upon such terms and conditions as it may decide.
- vii. In the event of any error or discrepancy being found in the computation of the amounts or in the calculation of the Guarantee Fee / Annual Service Fee, or any shortfall in payment by the ELI, if subsequently identified, such deficiency/ shortfall shall be paid by the Eligible Lending Institution to SFAC. Any amount found to have been paid in excess by the ELI to SFAC shall be refunded by SFAC. In the event of any representation made by the lending institution in this regard, SFAC shall take a decision based on the available information with it and the clarifications received from the lending institution, and its decision shall be final and binding on the lending institution.
- viii. The Guarantee Fee and/or Annual Service Fee once paid by the lending institution to SFAC are non-refundable except where Guarantee Cover for which Guarantee Fee is paid has not been approved.

## 13. Responsibilities of Lending Institutions under the Scheme

Prior to recommending proposals for the consideration of SFAC, the ELI shall:

- i. Appraise each loan proposal for selecting commercially viable projects. ELI's Appraisal



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- iii. The MD, SFAC shall be the Chairman of I&CSC, which shall have representatives of 3 "Bank"s as approved by the Board and an Expert Member nominated by the Board.
- iv. The I&CSC shall have discretion to take decisions in all matters as delegated by the Board concerning the Fund and its administration, set standards for risk exposure, design the financial structure of the Fund and profit targets, including special consideration for FPC with good track record of recovery.
- v. The I & CSC shall deliberate upon Policy Issues and Strategy for overall development of the Fund and make recommendations to the Board for its approval.
- vi. The I & CSC shall regularly keep the Board informed about all major decisions and actions taken by it in regard to, and shall work under its overall control and guidance with regard to, the Fund and the Scheme.
- vii. Decisions regarding Guarantee Pay-Outs shall be the primary responsibility of I&CSC which shall meet at least once every quarter or as often as necessary.

**16. Invocation of Guarantee**

The ELI may invoke the Guarantee in respect of Credit Facility within a maximum period of one year from the date of NPA, if the following conditions are satisfied:

- i. The Claim is forwarded to SFAC through the Zonal Office / authorised office/ person of the ELI as communicated to SFAC.
- ii. The Guarantee in respect of the concerned Credit Facility is in force at the time of account turning NPA.
- iii. The amount due and payable to the ELI in respect of the Credit Facility has not been paid by the Borrower and the dues have been classified by the lending institution as NPA.
- iv. The Guarantee shall be effective
  - a). If the SFAC and ELI are convinced that the FPC

*has suffered genuine business losses, which may include crop/ asset losses by the members, and the gravity and impact of such losses is assessed jointly or by independent assessment or by the ELI as may be mutually agreed between SFAC and ELI on a case by case basis, and the FPC is not in a position to repay dues under any circumstances including restructuring/re-phasing/rescheduling the loan.*

- b). For such amounts as may be written off or interest waived from the credit facility by the ELI with intimation to SFAC as a result of the business failure of the FPC in all other cases
- c). Only when proceedings for recovery have been initiated by the ELI. The responsibility of recovery of the dues, including takeover of assets, sale of assets etc. shall rest with the ELI.

**17. Claim Settlement**

- i. Only such Claim as is submitted by the ELI within a maximum period of one year from date of NPA or as specified by SFAC from time to time, shall be considered by SFAC.
- ii. On receiving a claim, the I&CSC shall review in detail the reasons for the Default. The Committee reserves the right to reject any proposal where the Guidelines have not been strictly followed or if any misrepresentation or concealment of facts is found leading to undue favour to the concerned FPC.
- iii. SFAC shall honour 75 per cent of the Guaranteed Amount in Default subject to a maximum of 75 per cent of the guaranteed cap amount , on submission of claim by the ELI where appropriate action for recovery has been initiated. The balance 25 per cent of the default or guaranteed cap amount, as the case may be, shall be paid on conclusion of recovery proceedings by ELI.
- iv. SFAC shall pay claims found in order and complete in all respects, within 90 days.
- v. The outstanding dues of the FPC to ELI shall be reduced to the extent of the claim amount settled by SFAC.



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Note shall accompany the Application for Guarantee Cover under the Scheme.

- ii. Carry out processing, legal work and documentation for sanction of the loan in accordance with the requirements of the ELI and the terms and conditions of SFAC.
- iii. Furnish such statements, information, documents, receipts, certificates etc. as SFAC may require in connection with any credit facility under this Scheme.
- iv. Certify that /be deemed to have affirmed that the contents of such documents, receipts, certificates and other written documents are true, provided that no claim shall be rejected and no liability shall attach to the lending institution or any officer thereof for anything done in good faith.
- v. Monitor the Borrower account and maintain records of periodical monitoring and actions initiated on observations, if any.
- vi. Safeguard the Primary Securities taken over by it, if any, from the Borrower in respect of the credit facility in good and enforceable condition.
- vii. Ensure that the Guarantee Claim in respect of the credit facility to the FPC Borrower is lodged with SFAC in the form and manner and within such time as may be specified by SFAC in this behalf. Further, there shall not be any delay on its part to notify SFAC of the default in the Borrower's Account, as a result of which delay, SFAC shall face higher Guarantee Claims.
- viii. The payment of Guarantee Claim by SFAC to the lending institution does not in any way absolve the lending institution of the responsibility of recovering the entire outstanding amount of the credit from the borrower. The lending institution shall exercise all necessary precaution and take recourse to all measures to recover from the borrower the entire amount of credit facility that is owed to it by the borrower and safeguarding the interest of SFAC as it shall exercise in the normal course if no guarantee had been furnished by SFAC.

- ix. The lending institution shall be bound to comply with such directions as SFAC may deem fit to issue from time to time, for facilitating recoveries of the guaranteed account, or safeguarding its interest as a guarantor.
- x. The lending institution shall, in particular, refrain from any act either before or subsequent to invocation of guarantee, which may adversely affect the interest of SFAC as the guarantor.
- xi. The lending institution shall be bound under the Scheme to intimate in advance to SFAC its intention to enter into any compromise or arrangement, which may have effect of discharge or waiver of primary security.
- xii. The lending institution shall also ensure through an Agreement with the Borrower that the borrower shall not create any charge on the assets held as primary security for the credit facilities covered by the Guarantee with itself, or in favour of any other creditor(s) without seeking prior permission of SFAC.
- xiii. Further, the lending institution shall secure for SFAC or its appointed agency, through a stipulation in an Agreement with the Borrower or otherwise, the right to list the defaulted Borrowers' names and particulars on the Website of SFAC.

#### 14. SFAC Monitoring

- i. The ELI shall undertake regular desk and /or field monitoring of the borrowing FPOs.
- ii. SFAC shall be authorised to call for any reports of such monitoring, if it deems fit.

#### 15. Governance

- i. The CGF shall have a two tier Governance Structure with the Board of the SFAC as the final authority in all policy and strategic decision making.
- ii. The Board shall delegate executive decision making, to an Investment and Claims Settlement Committee (I&CSC) of five Members, set up for this purpose.

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vi. The ELI shall continue to make efforts to realise the balance amount due from the defaulting FPC even after settlement of the Guarantee.

vii. SFAC has the right to claim from the ELI any amount that is realised by the ELI from the defaulting FPC even after settlement of the guarantee amount.

viii. Any amount realized by the ELI from the FPC shall be shared in the ratio of 85%:15% between SFAC & ELI. Such payment shall be made as and when any such amount is realised subject to the relaxation that any payments below the sum of Rs.1 Lakh may be made on a quarterly basis on or before the last day of the quarter.

ix. Once the Claim is paid, SFAC shall be deemed to have been discharged from all its liabilities on account of the Guarantee in force in respect of the Credit Facility concerned.

x. The ELI shall be liable to refund the Claim released by SFAC together with the penal interest at a rate which shall be 1% higher than the rate of interest at which the Credit Facility was sanctioned by it, for the period for which the Claim has been released, if recalled by SFAC for any reason whatsoever. Erroneous/duplicate payment of claim by SFAC shall not be construed as recall. However, any duplicate claim by the ELI and the settlement there against by SFAC shall be recalled and SFAC reserves the right to recall the entire payment released to the ELI against the Credit Facility under reference.

#### 18. Subrogation of Rights and Recoveries On Account Of Claims Paid

i. Details of efforts for recovery, realization and such other information as may be demanded by SFAC from time to time shall be furnished to SFAC by the ELI.

ii. On its own behalf and on behalf of SFAC, the lending institution shall hold lien on assets created out of the Credit Facility extended by the ELI to the Borrower.

iii. The responsibility for the recovery of dues including takeover of assets, sale of assets, etc., shall rest with the lending institution.

iv. Payments made by a borrower towards any one or more of several distinct and separate debts owed to the lending institution, shall be deemed to have been appropriated by the lending institution to the debt covered by the guarantee and in respect of which a claim has been preferred and paid, irrespective of the manner of appropriation indicated by such borrower or the manner in which such payments are actually appropriated.

#### 19. Residual Recovery

SFAC shall have the first claim to Appropriation of the Amount realized by the ELI before making the final settlement of the claim in the ratio of 85:15.

#### 20. Termination of SFAC's Liability in Certain Cases

i. The Guarantee in respect of the Credit Facility extended by an ELI to an FPC under the Scheme shall be deemed to be terminated, if the liabilities of a borrower to the lending institution on account of any eligible Credit Facility guaranteed under this Scheme are transferred or assigned to any other borrower without the consent of SFAC which shall be sought by the ELI or the Borrower in writing stating the reasons for the transfer/assignment and if the conditions as to the eligibility of the borrower and the amount of the facility and any other terms and conditions, if any, subject to which the credit facility can be guaranteed under the Scheme are not satisfied after the said transfer or assignment, from the date of the said transfer or assignment.

ii. The liability of SFAC in respect of any Credit Facilities granted to a Borrower by a lending institution under the Scheme shall be limited to the liability of the Borrower to the lending institution as on the date on which the Borrower becomes ineligible for being granted any Credit Facilities under the Scheme, by reason of cessation of his activity or his activity / his undertaking ceasing to come within the definition of a FPC

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Hauz Khas, New Delhi-110016

unit, subject, however, to the limits on the liability of SFAC fixed under this Scheme.

## 21. General

- i. The terms & conditions of the scheme shall be binding on the lending institutions.
- ii. Any Guarantee given by SFAC shall be circumscribed by & governed by the provisions of the Scheme as if the same had been written in the documents evidencing such Guarantee.
- iii. An ELI that seeks and is granted Guarantee Cover for an eligible Credit Facility to an FPC Borrower under the Scheme shall be deemed to have understood and accepted the T&C of the Scheme as being legally binding on itself.
- iv. The ELI shall as far as possible ensure that the conditions of any contract relating to an account guaranteed under the Scheme are not in conflict with the provisions of the Scheme.
- v. Notwithstanding any provision in any other document or contract entered into by the li, the provisions / conditions of the scheme shall override all such other provisions as if this conditionally had been written in the relevant document/contract and shall in relation to sfac be bound by the conditions imposed under the scheme.

## 22. Modifications and Exemptions

- i. SFAC reserves the right to modify, cancel or replace the scheme in any manner whatsoever that it deems necessary, however so ensuring that the rights or obligations arising out of, or accruing under a guarantee issued under the scheme up to the date on which such modification, cancellation or replacement comes into effect, shall not be affected.
- ii. Notwithstanding anything contained herein, SFAC shall have the right to alter the Terms and Conditions of the Scheme in regard to an Account in respect of which Guarantee has not been invoked as on the date of such alteration.



- iii. In the event of the Scheme being cancelled, no claim shall lie against SFAC in respect of Credit

## 23. Interpretation

The decision of SFAC shall be final in regard to the interpretation of any of the provisions of the Scheme or of any directions or instructions or clarifications given in connection therewith.

## 24. Supplementary and General Provisions

SFAC may make such supplementary or additional provisions or issue such instructions or clarifications as may be necessary for the purpose of the Scheme in respect of any matter not specifically provided for in this Scheme.

## 25. General Awareness/Publicity/Training Programme

- i. Institutions shall be selected and involved/engaged to generate awareness about the benefits of the Credit Guarantee Fund to Financial Institutions, PSU, Scheduled Commercial Banks, RRB, and last but not the least FPC.
- ii. Services of Banking Institutions/NABARD and its subsidiaries shall also be engaged for sensitizing Branch Managers & other functionaries about the Scheme.

## 26. Arbitration

- i. Disputes, if any, arising out of the Agreement shall be resolved through mutual consultation, failing which Arbitration by a sole Arbitrator chosen by the concerned LI and SFAC in accordance with the provisions of the Arbitration and Conciliation Act, 1996 shall be resorted to.
- ii. The venue of the Arbitration shall be at New Delhi.

Equity Grant & Credit Guarantee Fund Scheme for Farmer Producer Companies

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**For and on behalf of Punjab National Bank**

कृते पंजाब नेशनल बैंक / For Punjab National Bank

डॉ. राकेश गुप्ता / Dr. RAKESH GUPTA  
महाप्रबन्धक / General Manager  
प्र.का., टॉलस्टॉय मार्ग, आत्माराम हाऊस  
H.O., 1, Tolstoy Marg, Atmaram House  
New Delhi-110001 / New Delhi-110001

Authorized Signatory

Name : Dr. Rakesh Gupta

Designation : General Manager

Place: New Delhi

Date : 16.02.15

**For and on behalf of SFAC**

सपना निगम / SAPNA NIGAM  
निदेशक / Director (VCA)  
लघु कृषक अग्र-बिजनेस संघ  
Small Farmers' Agri-Business Consortium  
भारत सरकार, कृषि मंत्रालय  
Govt. of India, Ministry of Agriculture

Authorized Signatory

Name : Sapna Nigam

Designation :

Place: New Delhi

Date : 16.02.15

In the presence of:

N. B. Gupta  
Chief Manager  
PNB HO/SLB  
N. Delhi

Sukhesh Gupta  
Sukhesh Gupta, 16/2/15  
Consultant (SFAC)  
New Delhi



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