

## ***SCHEME FOR AGRIBUSINESS DEVELOPMENT THROUGH VENTURE CAPITAL ASSISTANCE AND PROJECT DEVELOPMENT FACILITY***



### **1. Background:**

*Farming is the single largest private sector economic activity in the country. The growth potential in this key sector is immense in view of the changes taking place in food consumption and there is growing demand for high value processed products. Successes in such endeavors will require innovations and partnerships. Private agribusinesses provide first point market for the farm sector and growth depends principally on private initiatives. A significant portion of agribusiness activity is the result of small and medium enterprises. Such enterprises are necessarily widespread in location to capture opportunities that arise all along the farm to table supply chain. Key constraints that impede development of new agribusiness projects are access to information and access to credit. Agribusiness entrepreneurs are generally first generation who have business skills but their financial resources are limited. In order to facilitate agribusiness development in the country SFAC venture capital scheme will:*

- a) Assist agripreneurs to make investments in setting up agribusiness projects through equity participation, and*
- b) Provide financial support for preparation of bankable Detailed Project Reports (DPRs) through Project Development Facility (PDF).*

### **2. Objectives:**

*The main objectives of the Scheme are:*

- a) To facilitate setting up of agribusiness ventures in close association with banks.*
- b) To catalyze private investment in setting up of agribusiness projects and thereby providing assured market to producers for increasing rural income & employment.*
- c) To strengthen backward linkages of agri-business projects with producers.*

- d) *To assist farmers, producer groups, and agriculture graduates to enhance their participation in value chain through Project Development Facility.*
- e) *To arrange training and visits, etc. of agripreneurs setting up identified agribusiness projects.*

### **3. Salient features of the Scheme:**

#### **A Venture Capital Assistance**

*SFAC would provide equity to qualifying projects on the recommendations of the bank financing the project. This equity capital will be repayable back to SFAC after the project has repaid the term loan of the financing bank.*

*SFAC would provide financial assistance to agri-business projects by way of equity participation on the fulfillment of the following conditions.*

- a) *Qualifying projects under Venture Capital*
  - i) *Project should be in agriculture or allied sector namely horticulture, floriculture, medicinal and aromatic plants, minor forest produce, sericulture, organic farming, vermi compost, apiculture, plantation crops, and fisheries. However, poultry and dairy projects will not be covered under the scheme.*
  - ii) *Project should provide assured market to farmers/ producer groups*
  - iii) *Project should encourage farmers to diversify into high value crops, to increase farm incomes*
  - iv) *Project should be accepted by banks for grant of term loan*
- b) *The quantum of SFAC venture capital assistance will depend on the project cost and will be the lowest of the following -*
  - *10% of the total project cost assessed by the bank*
  - *26% of the project equity*
  - *Rs. 75.00 lakhs*
- c) *Higher venture capital assistance can be considered by SFAC to deserving projects on merit and/or to projects that are located in remote and backward areas, North-eastern and hilly States and projects recommended by State agencies.*



- d) *Beneficiary will submit the project proposal in the form of DPR to area lending bank.*
- e) *On receipt of project proposal, bank will appraise, assess and sanction requisite amount of term loan/working capital required by the beneficiary for execution of the project.*
- f) *Bank will also workout the amount of Venture Capital, as per criteria laid down at para 3 (a, b & c) and communicate it to SFAC with its recommendation.*
- g) *SFAC will make said amount available to the recommending bank on case to case basis for disbursement to the beneficiary either in lump sum or in stages, as may be considered appropriate by the bank.*
- h) *Term Loan/working capital and equity amount from SFAC as Venture Capital assistance will be extended to the beneficiary through a single-window by the project financing bank.*
- i) *Financial assistance from SFAC would be in the nature of equity, till the banks term loan is fully repaid by the beneficiary and would automatically be converted into a term loan on the last date of such repayment.*
- j) *The venture capital after it becomes loan could be repaid to SFAC in lump sum or in four quarterly installments together with the amount of interest at the same rate as was applicable on the term loan of the lending bank.*
- k) *During the pendency of loan, the bank will be having charge over the primary/ collateral securities available with the beneficiary. After repayment of bank term loan, available securities will be automatically charged to the SFAC for recovery of its Venture Capital.*
- l) *The bank will provide SFAC with full details of the terms and conditions under which the term loan is sanctioned including repayment schedule fixed for the loan.*
- m) *The bank will also keep SFAC posted of the progress in implementation of the project and repayment of its term loan from time to time and its performance on yearly basis after the project becomes operational.*

- n) *The funds received from SFAC will be kept in a separate account by the bank and released to promoters for the project implementation, as and when required.*

## **B Project Development Facility**

- a) *SFAC will provide financial support to farmers, Producer Groups, Agripreneurs, Units in Agri-Export Zones, and Agriculture graduates (called beneficiary) in the preparation of bankable Detailed Project Reports (DPR) through empanelled consultants/institutions. SFAC will provide for the cost of preparation of DPR upto a ceiling of Rs. 5.00 lakhs depending upon size, location, activity and coverage on a case to case basis.*
- b) *The beneficiary desirous of seeking assistance for preparation of DPR can approach nearest branch of the commercial bank along with the details / pre-feasibility of the proposed project for the recommendation of the bank.*
- c) *The bank on being satisfied about the feasibility of the intending project will recommend it to SFAC for providing financial assistance for the preparation of DPR. Intending projects must be over Rs.50 lakhs (Rs.25 lakhs in case of NE states and other hilly areas) in size.*
- d) *Based on the activity and location of the project, SFAC will entrust preparation of DPR to one of the consultants on its panel.*
- e) *SFAC will release cost of DPR preparation to the area Lending Bank with an intimation to the consultant.*
- f) *Bank will release 25% of cost to empanelled consultant at the first stage, 50% on receipt of DPR and 25% within fortnight of receipt of DPR after having satisfied itself about the quality of DPR. Consultant will submit three copies of DPR, one each for beneficiary, bank and SFAC.*
- g) *The DPR received from SFAC or directly from the consultant will be examined in detail by the lending bank for sanction of term loan and release of venture capital. A copy of the term loan sanction advice to the borrower will also be addressed to SFAC for its record.*
- h) *PDF will also provide financial assistance to State SFACs for undertaking promotional activities for agribusiness development. PDF will also arrange training and visits etc. of entrepreneurs setting up the identified Agri-business projects.*
- i) *SFAC's Project Development Facility will engage the services of National Institute of Agricultural Marketing (NIAM), Jaipur; National Institute of Agricultural Extension Management (MANAGE), Hyderabad; Industry Associations such as CII, FICCI, ASSOCHAM, PHD, State SFACs, SAUs and others to vigorously publicize the benefits of the Venture Capital Assistance Scheme to prospective entrepreneurs and producer organizations.*



#### **4. Eligible Persons**

*Assistance under the scheme will be available to Individuals, Farmers, Producer Groups, Partnership / Proprietary firms, Self help groups, Companies, agripreneurs, units in agri-export zones, and Agriculture graduates Individually or in groups.*

*For professional management and accountability the groups have to preferably form into companies or producer companies under the relevant act.*



#### **5. Role of Central SFAC**

- a) *On receipt of Proposal from bank indicating sanction of term loan and requirement of VCA, SFAC will submit the proposal to its investment committee for approval after field visit and satisfying itself about the viability and linkages with farmers etc.*
- b) *SFAC after seeking approval of its investment committee and sanction by its Managing Director will release VCA to the bank.*
- c) *SFAC will seek approval of its Executive Committee in cases where higher Venture Capital Assistance is proposed to be considered.*
- d) *SFAC's Project Development Facility will investigate such proposals, which may include site visits, referred by bank needing clarification to determine if projects are qualifying or not and report back to Bank within 30 days of receipt of reference.*
- e) *In case SFAC receives proposals of PDF & VCA directly from intending groups, these will be directed to nodal officers of concerned bank.*
- f) *Central SFAC will strengthen the State SFACs and assist them in undertaking promotional activities, campaigns, printing of guidelines in local languages, identification of qualifying projects and in organizing producer groups.*
- g) *SFAC will have Memorandum of Understanding with all participating lending banks as per Indian Banks' Association approved model. (Annexure II)*
- h) *SFAC will have a separate agreement with the applicant for facilitating the recovery of its equity amount extended under Venture Capital assistance. (Annexure III)*



## **6. Role of State SFACs**

- a) *As extended arms, State SFACs as federal units have been established in 20 States to aggressively promote agribusiness project development in their respective States. (Annexure IV)*
- b) *State SFACs in consultation with Central SFAC will prepare a plan for agri-business project development in their respective States.*
- c) *State SFACs after due diligence and ascertaining the backward linkages as per the objectives will recommend agri-business projects to Central SFAC for equity participation.*
- d) *State SFACs with assistance under PDF facility will organize awareness and publicity campaigns, arrange training of entrepreneurs for setting up identified projects, publish guidelines of the scheme in local languages, undertake promotional activities and organize producer groups.*
- e) *Help producer groups in framing pre-feasibility reports and facilitate interaction with local banks for their recommendation.*
- f) *Function as repositories of information maintaining a data base of potential areas, producer groups and marketable surplus of various crops available.*
- g) *Provide venture capital to small projects out of interest earned on the Corpus fund and refer large projects to Central SFAC*
- h) *As a Member of SLBC, raise the issues concerning agribusiness project development in their respective States during the SLBC meetings.*
- i) *Monitor the projects through their implementation stage and developments/deficiencies will be reported to Central SFAC for initiating remedial action.*

## **7. Role of Agripreneurs**

*For the success of the Venture, the agribusiness projects should be grounded within a predetermined time schedule as fixed in the sanction of term loan.*

- a) *For the release of Venture Capital, agripreneurs will have to enter into an agreement with SFAC for the purpose of refund of equity fund and also transfer of charge on securities which would take place after the repayment of the term loan to the financing bank.*



- b) *Agripreneurs will submit implementation schedule of the Project to SFAC and participating bank which will be closely monitored by SFAC.*
- c) *Deviation, if any, in the implementation schedule should be immediately notified to the Bank and to SFAC.*
- d) *Agripreneurs will submit utilization certificate of Venture Capital assistance in GFR19 A duly certified by Chartered Accountant to SFAC and the participating bank, at the end of each financial year.(Annexure V)*
- e) *Agripreneurs will submit yearly physical progress reports, audited accounts and balance sheet to SFAC and the participating banks.*

## **8. Eligible Financing Institutions**

*Nationalized Banks, SBI & its subsidiaries and other commercial banks*

## **9. Monitoring and Reporting**

*With a view to minimize paper work and ensure that SFAC is provided with all the relevant details of individual projects financed by the bank with Venture Capital support provided by SFAC, units assisted for preparation of DPR, and also progress in project implementation from time to time, the following reporting schedule will be observed.*

### **a. Report on utilization of venture capital assistance (VCA) / project development facility (PDF)**

*The bank will report each disbursement made by them in respect of VCA out of the funds received from SFAC. A report on progress in project implementation vis a vis utilization of equity amount already given to the party through bank under VCA would also be sent to SFAC.*

### **b. Report on the working of assisted units**

*The Bank will submit a report on the working of the units financed by them under VCA to SFAC on a half yearly basis indicating whether the operations are in line with the projections and whether the borrowers are adhering to repayment commitments.*



**c. Reporting of Exceptions**

*The bank would also keep SFAC informed of any significant developments with regard to operation of the projects, its implementation and unsatisfactory features if any noticed by them. The bank will also keep SFAC informed of any recovery action initiated by them in the event of failure of the unit to perform or inability of the borrowers to meet financial commitments.*

**d. Project Specific Information**

*In addition to the above standard reporting by it bank, it would also provide SFAC with project specific information, if any, sought by it from time to time.*

**e. Field visits**

*As part of due diligence, before sanction of Venture Capital Assistance, SFAC will undertake field visits to ascertain backward linkages with the farmers, feasibility of the site, availability of raw material, etc.*

*SFAC's Officers will undertake field visits independently or in association with the lending bank or State Government/State SFAC to monitor the implementation of the project.*

**10. Implementation period**

*The scheme will be implemented during 2005-06 and 2006-07 in the tenth plan with a central assistance of Rs. 48.00 crores.*

**11. Implementing Agency**

*The scheme will be implemented by Small Farmers Agribusiness Consortium (SFAC), a registered society under Department of Agriculture & Cooperation, Ministry of Agriculture.*

**12. General awareness, publicity and training programme.**

*Services of National Institute of Agricultural Marketing, (NIAM), Jaipur; National Institute of Agricultural Extension Management (MANAGE), Hyderabad; Industry Associations such as CII, FICCI, ASSOCHAM, PHD, State SFAC's, SAU's and others will be engaged under PDF to vigorously publicize the benefits of the Venture Capital Assistance Scheme to prospective entrepreneurs and producer organizations.*

*Services of banking institutions will also be engaged for sensitizing the Branch Managers and other functionaries about the scheme.*

## LIST OF EMPANELLED CONSULTANTS UNDER PROJECT DEVELOPMENT FACILITY OF SFAC

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3	Bihar	Institute of Entrepreneurship Development	BSFC Building, 5th Floor, Fraser Road, Post Box No. 114, PATNA ñ 800 001, Bihar Phone : 0612-2230153 0612-2212423 Fax : 0612-2230154 E-mail : iedbihar@vsnl.net	Shri Anirudh Singh Executive Director/ Nodal Officer Mobile: 9431433549  Shri A.K. Shahi Manager (F&A)/Nodal Officer
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8.	Jharkhand	Society for Rural Industrialization	Society for Rural Industrialization Bariatu, Ranchi - 834009, Jharkhand Telefax : 0651-2540668 E-mail : rupcon@inranchi.com	Shri Ravi Sinha Nodal Officer  Mr. Samrat Sengupta Traning Convener
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**(Model Format)**  
**Memorandum of Understanding**  
**Between**  
**Small Farmersí Agri-business Consortium, New Delhi**  
**(Department of Agriculture & Cooperation, Ministry of Agriculture)**  
**and**  
**The Bank\_\_\_\_\_**

*This MOU is signed on the \_\_\_ day of \_\_\_\_\_ month \_\_\_ year at \_\_\_\_\_ by Small Farmersí Agri-business Consortium (a Society Registered under Registration of Societies Act 1860) registered office at NCUI Auditorium Building, August Kranti Marg, Hauz Khas, New Delhi, which includes its successors / assigns etc, hereinafter called SFAC on the first part and \_\_\_\_\_ Bank (hereinafter referred to as ñThe Bankí which expression that unless repugnant to the context herein shall mean and include its assigns and successors) with registered office at \_\_\_\_\_ on the other part.*

- 1. SFACís focus is to attract private investment for setting up of projects that will link farmers & producer groups to markets, thereby substantially enhancing the opportunities for growth through commercial business activity.*
- 2. The objective sought to be achieved by SFAC in discharging its duties are \_\_\_\_\_ Venture Capital Assistance and Project Development Assistance to Qualifying Projects through participating Bank.*
- 3. This agreement for SFAC Venture Capital Assistance operations with participating Lending Bank will synergize their functions, competencies and projected sector development plans.*

4. *Whereas The Bank, in furtherance of its desire to play an active role in participation and promotion of investments in Qualifying Agri-business Projects and to coordinate the related activities with SFAC, is prepared to make available term loans/working Capital to Qualifying Agri-business Projects and also facilitate extension of SFAC's Venture Capital Assistance (VCA) and Project Development Assistance (PDA) through a single window approach.*
5. *For the purpose of synergizing the efforts of SFAC for promoting Agri-business Project Development in the country with The Banks' expertise in extending loans to viable agri-projects, SFAC and The Bank do hereby agree to cooperate with each other, for the development of Agri-business sector and related areas and enter into this Memorandum of Understanding (MOU).*
6. *Whereas SFAC and The Bank are desirous of establishing a formal operational framework to achieve the objectives of agri-business.*
7. *Whereas SFAC, in order to achieve its objective desired to associate with The Bank for disbursement of VCA and PDA (for preparation of DPR by SFAC empanelled consultants) to Agri-Business projects and to attract private investment for setting up of projects that will link farmers and producers groups to markets, thereby substantially enhancing the opportunities for growth through commercial business activity which in turn will generate ample employment opportunities for rural unemployed and The Bank agreed to disburse the same and to provide term loans/working capital to such Qualified Agri-Business Projects and serve as a single window facility on the following terms and conditions.*

***The abbreviations and terms used in MoU :***

***Qualifying Project for VCA*** ñ *Project qualifying for Venture Capital Assistance (VCA) provided by SFAC would be one which (a) is dependent upon agricultural or allied produce (b) provides direct access to producers as assured markets (c) encourages farmers to diversify into high value crops aimed to increase farm incomes and (d) is accepted by The Bank for grant of project term loans after satisfactory techno-commercial feasibility.*

***Qualifying Project for PDF*** ñ *A project qualifying for assistance from the PDF will be qualifying project for VCA set up by producer groups / agri-business groups with minimum project cost of Rs.50 lakhs (Rs.25 lakhs in case of NE states and other hilly areas) and which has been accepted in principle for considering sanction of term loan by a bank on the basis of Pre-feasibility Report.*



**Project Development Facility (PDF)** of SFAC maintains a pool of qualified/ skilled consultants to render services at low cost to producer groups/agri-business groups.

**Project Development Assistance (PDA)** is a scheme under which financial support is provided to producer groups/agri-business groups for preparation of DPR by SFAC.

**Detailed Project Report (DPR)** is the document providing all necessary details and projections relating to the project, which would enable banks to evaluate viability of the project.

**Venture Capital Assistance (VCA)** is the financial support provided by SFAC for qualifying projects to meet shortfall in the capital required for implementation of the project. VCA will be treated as part of equity during the currency of the bank loan and thereafter converted to a loan based on an agreement to be executed between SFAC and borrower.

## 8. Responsibilities of The Bank

### Project Development

- a. The Bank has branches and operations in different parts of the country and they are closely linked and accessible to producers and entrepreneurs in the areas covered by their branch network. The producer groups / entrepreneurs / trained agri-business graduates / units in agricultural export zone (AEZ) (called applicant) desirous of seeking PDA can approach nearest branch of the bank along with pre-feasibility report or such other documents giving details of the proposed project for the consideration of The Bank. Such persons may also directly approach SFAC seeking assistance for preparation of DPR under PDA scheme.
- b. The Bank will examine the pre-feasibility report and on being satisfied about the background of the promoters and prima facie acceptability of the project, will record their observations and direct the proposal to SFAC for assistance in

*preparation of DPR by one of the consultants in their panel. The Bank may also directly forward the case to SFAC empanelled consultant for taking up the study on the terms and conditions stipulated by SFAC under advice to SFAC.*

- c. In respect of cases referred to a consultant directly by the Bank, payment will be made from the funds received from SFAC for preparation of DPR as per the terms and conditions specified by SFAC.*
- d. The Bank will release the cost of preparation of DPR to those projects found viable depending on the size, location, and linkage issues on a case-to-case basis from the SFAC fund. Intending projects must be over Rs.50 lakhs (Rs.25 lakhs in case of NE states and other hilly areas) in size.*
- e. Thereafter, the Bank will release 25% PDA at the time of forwarding the proposal for preparation of DPR to empanelled consultant, 50% on receipt of DPR and 25% within fortnight of receipt of DPR.*
- f. Agri-business projects will need to be directly linked to The Bank to avail project term loans. The Bank will have the flexibility to syndicate any part of the project term loan to other Banks.*
- g. The DPR received from SFAC or directly from the consultant will be examined in detail by The Bank for sanction of term loan and release of venture capital. A copy of the term loan sanction advice to the borrower will also be forwarded to SFAC for their record.*
- h. The Bank will maintain separate account for SFAC funds.*

## **9. Venture Capital Assistance**

*9.1 As part of term loan appraisal in respect of proposals received from the entrepreneurs or agriculture producer groups for sanction of agricultural term loans, The Bank will indicate the amount of venture capital support from SFAC while working out the funding pattern for qualifying projects. Projects qualifying for venture capital assistance from SFAC should meet the following criteria:*

- Are dependant upon agricultural or allied produce*
- Provide direct access to producers as assured markets*
- Encourage farmers to diversify into high value crops aimed to increase farm income.*
- Are accepted by The Bank for grant of project term loans after satisfactory techno-commercial feasibility*



- 9.2 *The quantum of SFAC venture capital assistance will depend on the project cost and will be the lowest of the following ñ*
- *10% of the total project cost assessed by The Bank*
  - *26% of the project equity*
  - *Rs.75.00 lakhs*
- 9.3 *Higher venture capital assistance can be considered by SFAC to deserving projects on merit and/or to projects that are located in remote and backward areas, North-eastern and hilly States and projects promoted by States/State SFACs.*
- 9.4 *For qualifying projects conforming to the criteria mentioned under para 9.1 above, Bank while considering sanction of term loan for project implementation and tying up the means of finance to meet the total project. The Bank will evaluate the quantum of VCA required keeping in view the stipulations contained in para 9.2 and 9.3. Since, sanction and release of term loan would be subject to availability of VCA from SFAC, The Bank will write to SFAC giving details of the project, its cost and indicating the quantum of VCA recommended for tying up means of financing. The Bank will also indicate when the venture capital funds will be required for project implementation. SFAC will place the proposal before its investment committee and communicate to The Bank the quantum of VCA approved for the project. Upon receipt of confirmation regarding sanction of VCA, The Bank will communicate sanction of term loan to the borrower. In the event, the VCA sanctioned is less than the amount suggested by The Bank, The Bank will discuss with the borrower about tying up the gap in means of finance before disposing off the loan application.*
- 9.5 *In case any clarification is needed to determine if projects are qualifying projects or not, The Bank can refer them to SFAC's Project Development Facility, Division of SFAC & PDF Division, who will investigate such proposals which may include site visits and respond to The Bank within 30 days.*
- 9.6 *The Bank will provide SFAC with full details of the terms and conditions under which the term loan is sanctioned including repayment schedule fixed for the*

*loan. The Bank will also keep SFAC posted of the progress in implementation of the project from time to time after the project become operational. The Bank will keep SFAC posted of the performance of the unit on an yearly basis and keep SFAC informed of any unsatisfactory features noticed in the working of the project as and when it occurs. SFAC will have no charge during the currency of the term loan. Once the term loan is fully repaid, The Bank will advise SFAC of the position to enable them to convert their venture capital funding into a loan repayable as per the agreement entered by SFAC with the promoters.*

- 9.7 The Bank will release the term loan in one go or as per the progress in the project implementation after completion of documentation formalities. The funds received from SFAC will be retained in a separate account and released for the project implementation as and when requested by the applicant.*
- 9.8 In case of the failure of the project, the Bank may opt for a compromise settlement or resort to legal recourse for recovery of their dues as per the policy of The Bank. While, the Bank will be free to take any such decisions without seeking the concurrence of SFAC, SFAC will be informed of any such decision taken to safeguard its interest.*
- 9.9 The Bank will appoint a Nodal Officer for corresponding with SFAC in all matters relating to sanction and release of assistance under Venture Capital or for the preparation of DPR. The Bank may also provide SFAC with a list of its Regional / Zonal Offices for forwarding proposals received by SFAC and its State functionaries / State Level SFACs for their consideration.*

## **10. Responsibilities of SFAC**

- a. SFAC's Project Development Facility (PDF) will maintain a pool of pre-qualified skilled consulting firms and individuals with specific skills to render services at low cost to entrepreneurs and to Lending Banks. SFAC's PDF will address gaps if any in agri-business enterprise skills in an active handholding manner. SFAC will also look to take assistance of specialized Agri-business Groups if some Banks have the capability to undertake PDF role in line with the PDF and Venture Capital Scheme.*
- b. SFAC's PDF is a generator of potential agri-business projects which can attract investment that will benefit the rural community through increased employment and incomes which can be referred to the Bank.*
- c. SFAC may assign the services of agri-business specialists from SFAC's PDF from time to time to associate with periodic progress evaluation of SFAC's VCA projects.*



- d. *SFAC will forward proposals received from State Level functionaries / State Level SFACs to the Nodal Officer of the Bank or Regional/ Zonal offices of The Bank for their consideration.*
- e. *The PDF of SFAC will arrange to have DPR prepared by a consultant in its panel promptly on receipt of request from the Bank after satisfying about pre-feasibility report.*
- f. *SFAC will arrange to remit funds required for preparation of DPR under PDA immediately on receipt of request from the Bank in respect of cases directly referred to a consultant by them.*
- g. *On receipt of communication from banks giving details of the qualifying project for VCA, SFAC will place the proposal for VCA before its Investment Committee and communicate sanction to the Bank and the borrower. SFAC will make VCA funds available for the project implementation through the Bank immediately on receipt of communication from the Bank giving details of term loan/ working capital proposed to be sanctioned by them.*

## **11. Reporting and Exchange of Information**

*With a view to minimize paper work and ensure that SFAC is provided with all relevant details of individual projects financed by the Bank with Venture Capital support provided by SFAC and also units assisted for preparation of DPR, and also progress in project implementation from time to time, the following reporting schedule will be observed.*

### **a. Report on utilization of venture capital assistance (VCA) / project development assistance (PDA)**

*The Bank will report disbursement made by them in respect of VCA/PDA against funds received from SFAC every time a payment is made. In respect of VCA along with the report on utilization of funds, a report on progress in project implementation would also be sent to SFAC. Such periodical reporting will be sent to SFAC until the project is fully implemented and commercial operations are started. In respect*

*of PDA, the Bank will report if after examining the DPR, a decision is taken by the Bank not to sanction term loan on assessment that the project is not viable.*

**b. *Report on the working of assisted units***

*The Bank will submit a report on the working of the units financed by them under VCA to SFAC on a half yearly basis indicating whether the operations are in line with the projections and whether the borrowers are adhering to repayment commitments.*

**c. *Reporting of Exceptions***

*The Bank would also keep SFAC informed of any significant developments with regard to operation of the projects, its implementation and unsatisfactory features if any noticed by them. The Bank will also keep SFAC informed of any recovery action initiated by them in the event of failure of the unit to perform or inability of the borrowers to meet financial commitments.*

**d. *Project Specific Information***

*In addition to the above standard reporting by the Bank, the Bank would also provide SFAC with project specific information, if any, sought by it from time to time.*

## **12. *Parties Notification***

*Each of the parties hereto shall promptly inform the other of any of the following events:*

- a. Any event of which such party becomes aware which, in the opinion of the party, is likely to interfere materially with, or seriously hinder or impair; the implementation of the project, or to interfere adversely and materially with the performance by:
  - i. The borrower of its obligation under the Facility Agreement with such party; and/or*
  - ii. The guarantor of its obligation under the guarantee given in favour of such party;**
- b. Any notice given by the borrower to prepay the whole or any part of the loan disbursed pursuant to the Agreement with such party and any amount thereof actually prepaid.*
- c. In certain circumstances it might become necessary for the Bank to call up the loan and initiate recovery proceedings against the borrower and guarantors if any. The Bank would take all such measures required to protect its interest*

as well as that of SFAC. While, it may not be considered prudent to consult SFAC before taking such actions, SFAC will be informed of the actions taken by The Bank at the earliest.



### **13. Written Consent Prior to Amendment**

SFAC and The Bank shall not agree to any amendment that will affect the rights or responsibilities of the other with regard to disbursement or procurement or that may affect the right to recover the money advanced as per the original authorization schedule without obtaining the prior written consent of the other.

### **14. Parties Independent Decisions**

Except as otherwise provided in this MOU, each party agrees that all its decisions, including decisions to take or refrain from taking action concerning the project or a loan agreement to which it is a party, shall be based exclusively on its own judgment, independently of the information provided by, or expected from, the other party or the views expressed by such other party.



### **15. Arbitration**

In case of dispute, if any, arising out of this MoU may be resolved through mutual consultation failing which it may be done by way of arbitration by a sole arbitrator chosen by the Bank and SFAC as per Arbitration and conciliation Act, 1996 and venue of the Arbitration will be New Delhi.

### **16. Channel of communication and notices**

a. For the purpose of this MOU, the representatives of the parties shall be:

- i. For SFAC : Managing Director
- ii. For The Bank : Chief General Manager / General Manager  
Agri-Business Group / Priority Sector  
(To be indicated by The Bank)



- b. *Either party may, by notice in writing to the other party, designate additional representative/s or substitute other representative/s for those designated in this Article.*
- c. *Any notice or other communication under MOU shall be in writing and shall be deemed to have been duly given or made when it has been delivered by hand, mail, e-mail, cable, or telefax, as the case may be, by either party to the other at the appropriate address specified below or such other address as either party may hereafter notify in writing to the other party:*

*For SFAC : Mailing Address: NCUI Auditorium, V Floor, August Kranti Marg,  
Hauz Khas, New Delhi.*

*Telephone : Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_*

*For The Bank : Mailing Address: \_\_\_\_\_*

*Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_*

## **17. Final Provisions**

1. *The Memorandum of Understanding (MOU) shall come into force upon its signature by the authorized representatives of the parties hereto and for a term of 10 years.*
2. *The parties to this MOU shall before expiry of its term review the results achieved under this MOU and consult with each other with a view to deciding whether to extend the term of this MOU. Any extension of the term of this MOU, as aforesaid, may be effected through a simple exchange of letters between the parties.*
3. *The parties to this MOU may amend any of the provisions of this MOU or enter into supplementary arrangements designed to extend the scope of the present MOU.*
4. *Either party may terminate this MOU by giving not less than six (6) months advance notice, in writing, to the other party; provided that such termination shall become effective only on the date specified in the termination notice, and provided further that termination as aforesaid shall not, unless that parties otherwise agree, effect any non-cancelable commitments entered into under this MOU with a third party prior to the date of the termination notice. In the event of termination by either party, both parties shall co-operate to ensure that all arrangements made hereunder are settled in*



*an orderly manner. In the event of the agreement being terminated the amount already sanctioned and released to The Bank will continue to be operated by the Bank as if this agreement was still operative.*

*The focal points/contact persons under this MOU will be\_\_\_\_\_*

*In witness of the above arrangement, both parties have affixed their signatures hereto on the  
óó in New Delhi*

*For BANK  
CEO of The Bank  
Address*

*For Small Farmers' Agri Business Consortium  
Managing Director  
Address*



*Witness :  
(Name & Address)*



**Agreement to be entered in to between SFAC and the Borrower**

This agreement is executed on this *ÖÖÖÖ* day of *ÖÖÖÖ* two thousand *Ö.Ö.* ( *ÖÖÖÖ.Ö.* 200 )

between

*M/s ÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖ. Ö. Ö. ÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖ an association of farmers/Company incorporated under the Indians Companies Act 1956, ÖÖÖÖÖÖÖÖÖÖ having its place of business/Registered Office ÖÖÖÖÖÖÖÖÖÖÖÖ. Ö. Ö. hereinafter called the iBORROWERi (which includes his/her/its heirs, executors, administrators, successors and assigns etc.) as first party & Small Farmersí Agri Business Consortium (SFAC), a Society registered under Societies Registration Act 1860, having its Registered Office at NCU Auditorium Building, 5<sup>th</sup> Floor, 3, Siri Institutional Area, August Kranti Marg, Hauz Khas, New Dellhi-110016 hereinafter called iSFACi(which include their assigns, attorneys and successors in title) as Second Party.*

*WHEREAS the first party is in need of Venture Capital Assistance which will be deemed to be a loan after recovery of term loan of Lending Bank ÖÖÖÖÖ ÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖÖ hereinafter called the Bank (which includes its successor banks) prior to due date or on the scheduled end date of their term loan whichever is earlier. At the request of first party, SFAC has considered & sanctioned Venture Capital Assistance of Rs. .... vide their application dated Ö.ÖÖ. received through lending bank. The first party will refund the amount of Venture Capital granted by SFAC on liquidation of bankís term loan in lump sum.*

AND

*WHEREAS in consideration of the above promises the First Party ÖÖÖÖÖ offered as security by way of equitable/ registered mortgage/creation of charge on agricultural land and appurtenants/building thereto as required by SFAC as per details given in Annexure-I and will also hypothecate movable assets like plant & machinery/vehicles/equipment/ raw materials etc. as per details given in Annexure-II. SFAC has accepted the same. The other terms and conditions as agreed upon between first party and SFAC are as follows:*



1. *The CEO of the Borrowing unit must be a professionally qualified person.*
2. *That the lending bank will hold charge on the assets of the unit till full repayment of their term loan as per original prescribed schedule.*
3. *That Venture Capital Assistance will automatically deem to be a loan from the date the Lending Bank has actually recovered its term loan or the scheduled end date of the term loan whichever is earlier.*
4. *That Borrower has the option to refund the equity amount granted by SFAC even prior to the due date of repayment of Term Loan.*
5. *That the deemed loan of SFAC as referred to above will remain secured by creation of charge (mortgage & hypothecation) in favour of SFAC on the project assets previously held by the Lending Bank and till such time as the deemed loan and interest accrued thereon is entirely refunded to SFAC.*
6. *That the Borrower hereby undertakes to utilize the Venture Capital Assistance granted by SFAC for the purpose for which it was granted. In the event of diversion/misutilization, SFAC reserves the right to recall the entire amount of VCA in lump sum.*
7. *That in case the Borrower is unable to repay the Venture Capital amount in lump sum immediately after repayment of Banks term loan, it will have option to repay the entire amount of loan together with accrued amount of interest in 4 quarterly instalments within a year. The rate of interest in this regard will be the same as charged by the lending bank on its term loan.*
8. *That the Borrower will also authorize the Lending Bank at the time of executing this agreement to debit their account ÖÖÖÖÖ. after the repayment of bank's term loan equivalent to the refundable amount or any other incidental expenses. The Borrower also*

*undertakes to ensure substantial balance in their account in order to facilitate the refund of SFAC's loan and other incidental expenses. Alternatively, the Borrower can directly refund the equity amount and other incidental expenses by means of demand draft in favour of iSmall Farmers' Agri-Business Consortium payable at New Delhi.*

9. *That the Borrower hereby declares and confirms that the status of the securities and their possession, maintenance, coverage of insurance etc. will remain in force as was the case with the lending bank.*
10. *That the Borrower will ensure to submit annual audited accounts to SFAC without fail.*
11. *That as per objectives of SFAC, small farmers are to be the ultimate beneficiaries of the venture capital scheme. Therefore, it will be obligatory on the part of the first party to ensure establishment of backward linkages with the farmers and in the event of failure to have such linkages with the farmers, SFAC may cancel the loan arrangement and ask first party to refund the entire amount of venture capital in lump sum within a period of one month after receipt of such decision from SFAC.*
12. *That the borrower agrees and undertakes that a suitable provision equivalent to proportionate refundable amount will be made every year and invest the same in liquid assets in order to facilitate refund of amount of venture capital to SFAC in lump sum.*
13. *Further, the Borrower also undertakes to follow the undernoted terms and conditions:-*
  - (i) *To pay all taxes, rents etc. regularly and in time in order to keep the hypothecated assets and mortgaged assets free from distress, attachment, sale, etc.*
  - (ii) *Not to create any charge by way of mortgage, pledge, hypothecation, sell or dispose off in any manner the movable/immovable properties referred to in the Annexures.*
  - (iii) *To keep SFAC indemnified at all times for the losses caused to it on account of negligence of Borrower.*
  - (iv) *To execute any other document or furnish information as and when required by SFAC.*



(v) *In the event of any incident, the Borrower shall file the claim with the respective insurance company and keep SFAC posted about the receipt of claim amount and damages etc.*

(vi) *The Borrower undertakes to ensure that the permits, licenses are renewed timely and kept intact.*

14. *That in the event of the Borrower failing to pay the balance or any other money due to the SFAC by virtue of this agreement or if for any reason the SFAC thinks that its interest is in jeopardy, the SFAC reserves the right to dispose off all the securities either hypothecated or mortgaged in order to recover its dues without intervention of Court.*



15. *That the Officers or nominees of the SFAC shall have free access to business premises in order to ascertain the actual status of securities hypothecated/ mortgaged assets to the lending bank/SFAC and to take possession if warranted for the purpose of acquiring/selling of any of the hypothecated/mortgaged assets by public auction without intervention of Court and apply the net proceeds towards liquidation of all sums due from the Borrower. The Borrower hereby agrees to accept that on account of any such sale realization and in case of shortfall undertakes to pay such further balance as may be due from the Borrower forthwith. Any cost incurred by SFAC for realization of its money by sale of hypothecated assets and mortgaged assets will be added to the outstanding liability of loan amount of SFAC and recoverable from Borrower.*



16. *That the Borrower hereby declares that the contents of this agreement have been read and understood by him and he will abide by the terms and conditions of this agreement.*

17. *That the Borrower shall not remove or dismantle any of the goods, assets as mentioned in Annexures without the written consent of the SFAC.*

*In case of any dispute concerning this agreement the same shall be referred for adjudication to Indian Council of Arbitration, Federation House, Tansen Marg, New Delhi, and provisions of Arbitration & Conciliation Act 1996 will apply. The Venue of such Arbitration will be Delhi.*

*In Witness of above both parties have executed this agreement on ÖÖÖÖday of ÖÖÖÖTwo ThousandÖÖ*

*Borrower*

*For and on behalf of  
SFAC*

*(Name & Designation)*

*(Name & Designation)*

*Witness signature*

*Witness signature*

*(Name & Designation)*





## List of State Level SFACs

S. No.	State SFAC	Address	Contact Person	Phone No.
1.	Arunachal Pradesh Small Farmers Agri-Business Consortium	C/o Directorate of Horticulture, Nagarlagon, Chimpu Itanagar ñ 791 111	Managing Director	0360-2244477 0360-2244056 (F)
2.	Assam Small Farmers' Agri-Business Consortium	Agriculture Campus, Khanapara, Guwahatiñ781 022 www.assamagribusiness.nic.in	Chief Executive Officer / Managing Director	0361-2333560 0361-2334240 0361-2333560 (F)
3.	Bihar Small Farmers' Agri-Business Consortium	Director of Agriculture Government of Bihar Room No. 237, Deptt. of Agriculture, New Secretariat Patna - 800 001	Chief Executive Officer	0612-2226921 0612-2204245 (F)
4.	Himachal Pradesh Small Farmers' Agri-Business Consortium	C/o. H.P. Agro Industries Corporation Ltd., Ground Floor, Nigam Vihar, Shimla ñ 171 002	Managing Director	0177-2623811 0177-2623811(F)
5.	Govt. Jharkhand Deptt. of Agriculture & Cane Development (Jharkhand SFAC)	Krishi Bhawan, Kanke Road Ranchi - 834 008	Commissioner & Secretary	0651-2790940 0651-2490940 (F)
6.	Karnataka Small Farmers' Agri-Business Consortium	Directorate of Horticulture Lal Bagh, Bangalore	Director Horticulture & MD	080-26573391
7.	Kerala Small Farmers' Agri-Business Consortium	TC-25/2149, Ushus, Thyvila Lane, Thampansoor Thiruvananthapuram-695 001 (Kerala) E-mail :sfackerala@asianetindia.com	Managing Director	0471-2322109 0471-2322110 (F)
8.	Maharashtra State Small Farmers' Agri-Business Consortium	C/o Director of Horticulture, K.B. Joshi Marg, Shivajinagar, Pune ñ 411005 E-mail: Agridhrt.mah@nic.in Website: www.agri.mah.nic.in	Member Secretary & Director Horticulture	020-25538095 020-25534349 020-25537565(F) 9822008772 (M)

9.	<i>Manipur Small Farmers' Agri-Business Consortium</i>	<i>C/o Directorate of Agriculture, Sanjengthong, Imphal-795 001 E-mail : mansfac1@man.nic.in Website : mansfac.nic.in</i>	<i>Managing Director</i>	<i>0385-2220515 0385-2220616 0385-2220515 (F)</i>
10.	<i>Madhya Pradesh í Small Farmers Agri-Business Consortium</i>	<i>C/o M.P. Agro Industries Development Corporation, Panchanan, 3rd Floor, Malviya Nagar, Bhopal - 462 003, Madhya Pradesh</i>	<i>Managing Director</i>	<i>0755-2551807 0755-2555074 0755-2557305 (F)</i>
11.	<i>Meghalaya Small Farmers' Agri-Business Consortium</i>	<i>Director of Horticulture, Cleve Colony, Shillong - 793 003 (Meghalaya) E-mail : hkmarak@yahoo.co.in</i>	<i>Director of Horticulture &amp; Managing Director</i>	<i>0364-2227434 0364-2227434 (F)</i>
12.	<i>Mizoram Small Farmers' Agri-Business Consortium</i>	<i>C/o Directorate of Horticulture, Govt. of Mizoram, Aizwal - 796 001, Mizoram E-mail : rampuia@rediffmail.com</i>	<i>Managing Director</i>	<i>0389-2326378 (O) 0389-2315356(F)</i>
13.	<i>Nagaland Small Farmers' Agri-Business Consortium</i>	<i>New Secretariat Complex, Govt. of Nagaland, Kohima - 797 001 Nagaland</i>	<i>Managing Director</i>	<i>0370- 2270242 0370-2244151 (F)</i>
14.	<i>Punjab Small Farmers' Agri Business Consortium</i>	<i>C/o Punjab Agro-Industries Corporation, Plot. 2-A, Sector 28-A, Madhya Marg, Chandigarh-160002, Punjab E-mail : mdpaic@glide.net.in</i>	<i>Managing Director</i>	<i>0172-2657472 0172-2657037 0172-2656270 (F) 0172-2657398 (F)</i>
15.	<i>Rajasthan Small Farmers' Agri-Business Consortium</i>	<i>Rajasthan State Agricultural Marketing Board Pant Krishi Bhawan , Ground Floor, Janpath, Jaipur - 302 005 E-mail : rajsfac@rediffmail.com</i>	<i>Administrator / Managing Director</i>	<i>0141-2227914 0141-2227824 0141-2227096(F)</i>
16.	<i>Sikkim Small Farmers' Agri-Business Consortium</i>	<i>Krishi Bhawan, East Sikkim, Tadong - 737 102, Sikkim</i>	<i>Managing Director &amp; Director, (Hort.)</i>	<i>03592-231865 03592-231954 (F)</i>
17.	<i>Tamil Nadu Small Farmers' Agri-Business Consortium</i>	<i>II Floor, Tamil Nadu State Agricultural Marketing Board Complex, CIPET Road Thiru Vi. Ka Industrial Estate Guindy, Chennai - 600032, T.N. E-mail : tnsfac@yahoo.co.in</i>	<i>Managing Director</i>	<i>044-22347484 044-22347422 044-22327454 (F)</i>



18.	<i>Tripura Small Farmers Agri-Business Consortium</i>	<i>C/o Directorate of Horticulture &amp; Soil Consortium, Paradise Chowmuhani, Agartala, Tripura</i>	<i>Managing Director</i>	<i>0381- 2224739</i>
19	<i>Uttaranchal Small Farmers Agri Business Consortium</i>	<i>Govt of Uttaranchal Department of Forest &amp; Rural Development, Secretariat, 4-B, Subhash Road, Dehradun 248 001, Uttaranchal E-mail: omprakash@ua.nic.in</i>	<i>Principal Secretary &amp; Commissioner,</i>	<i>0135-2712001 0135-2712066 0135-2712021(F) 0135-2714106(F)</i>
20.	<i>Uttar Pradesh Small Farmers Agri Business Consortium</i>	<i>Krishi Bhawan, Lucknow 226 001, Uttar Pradesh</i>	<i>Managing Director</i>	<i>0522-2236441 0522-2205868 0522-2310606 (F)</i>
21.	<i>Gujarat Agro Industries Corporation Ltd. (Nodal Agency)</i>	<i>Khet-Udyog Bhawan Nr. Old High Court, Railway Crossing, Navrangpura Ahmedabad - 380014 E-mail : gaiclted1@sancharnet.in Website : gujagro.org</i>	<i>Managing Director</i>	<i>079-27543481, 27541691, 27544741/42 27540254 (PBX) 079-27540624 (D) 27542518 (Gen.)</i>
22.	<i>J&amp;K State Agro Industries Development Corpn. Ltd. (Nodal Agency)</i>	<i>Agro Complex, Lal Mandi, Sri nagar</i>	<i>Managing Director</i>	<i>0194-2312226, 2311732 0194-2310404 (F)</i>
23.	<i>The Agriculture Promotion and Investment Corporation of Orissa Ltd. (Nodal Agency)</i>	<i>326, Baramunda, Bhubaneswar - 751 003 E-mail : apicol96@sancharnet.in</i>	<i>Managing Director</i>	<i>0674-2561203, 2561525 2561874 (PABX) 0674-2563306 (F)</i>
24.	<i>Department of Horticulture Government of Andhra Pradesh (Nodal Agency)</i>	<i>Public Gardens Hyderabad</i>	<i>Additional Director</i>	<i>23240124 23234091 23240181 (F)</i>

**FORM GFR 19-A**

**(See Government of India's Decision (1) below Rule 15)**

**Form of Utilization Certificate**

Sl.	Letter No. and date	Amount	<p><i>Certified that out of the sum of Rs. _____ of Venture Capital assistance sanctioned during the year _____. In favour of _____ under this Ministry/ Department letter No. . _____. given in the margin and Rs. ____ on account of unspent balance of the previous year, a sum of Rs_____ has been utilized for the purpose of _____..for which it was sanctioned and that the balance of Rs_____ remaining unutilized at the end of the year has been surrendered to the Government (Vide No. _____dated _____.)/ will be adjusted towards the Venture Capital assistance payable during the next year or utilized in the next financial year.</i></p>
1.			
2.			
	<i>Total</i>		

*Certified that I have satisfied myself that the conditions on which the Venture Capital assistance was sanctioned have been duly fulfilled/ are being fulfilled and, that I have exercised the following checks to see that the money was actually utilized for the purpose for which it was sanctioned*

*Kinds of checks exercised.*

- 1.
- 2.
- 3.

*Signature\_\_\_\_\_*  
*(Name) \_\_\_\_\_.*  
*Designation\_\_\_\_\_.*  
*(Office seal)*

*Verified and certified by*

*Chartered Accountant*  
*(with address and seal )*