



उ.प्र. कोआपरेटिव बैंक लि.
मुख्यालय, 2-महात्मा गांधी मार्ग, लखनऊ

पीबीएक्स 0522-4151200
फैक्स 0522-2629284
ई.मेल upcb.bkg@upscb.com

पत्रांक : बैंकिंग/एफ-299/2023-24/ 399
दिनांक : 05-12-2023

शाखा प्रबन्धक/मुख्य प्रबन्धक,
उ०प्र० कोआपरेटिव बैंक लि०,
समस्त शाखायें,
उ०प्र०।

बैंक की प्रबन्ध समिति की बैठक दिनांक-30.10.2023 में पारित प्रस्ताव सं०-12 में लिये गये निर्णय के क्रम में बैंक में लागू की जाने वाली एफपीओ पालिसी का नाबार्ड से तथा बैंक के रिसोर्स पर्सन से परीक्षणोपरान्त के साथ-साथ लीगल वेटिंग के पश्चात् एफपीओ पालिसी निम्नानुसार लागू की जाती है:-

Financing Farmer Producer Organizations/ Companies (FPOs /FPCs).

FPO is a generic name, which means and includes farmer- producers' organization incorporated/ registered either under Co-operative Societies Act of the concerned States or under Part IXA of Companies Act and formed for the purpose of availing benefits of collective culture of working through economies of scale in production and marketing of agricultural and allied sector. This includes

i) **Farmer Producers Companies (FPC)** are incorporated/ registered under Part IXA of Companies Act 1956 and Chapter XXIA of Companies Act 2013.

ii) **Farmer Producers Organization (FPO)** are registered under Cooperative Societies Act of the State including Mutually Aided or Self-reliant Cooperative Societies Act

SFAC (Small Farmers Agribusiness Consortium) is the nodal agency promoted by Ministry of Agriculture, Government of India (GOI) for promotion of FPO. Banks should take a membership of SFAC and have a valid Memorandum of understanding (MOU) for availing Credit Guarantee for providing collateral free loans to FPO.

GOI has announced operational guidelines on formation and promotion of 10,000 Farmer Producer Organizations (FPOs) by 2023-24. Further GOI has identified other agencies like NABARD, NCDC and National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) as nodal agencies in addition to SFAC.

As per RBI guidelines, Loans up to Rs. 5.00 crore per borrowing entity to FPOs/FPCs undertaking farming with assured marketing of their produce at a pre-determined price will be treated as part of farm Credit and loans to FPO/FPCs of individual farmers and co-operatives of farmers directly engaged in Agriculture and Allied Activities where the land-holding share of Small and Marginal Farmers (SMFs) is not less than 75 per cent shall be considered as financing to Small and marginal farmers.

ANNEXURE I: DETAILS OF THE SCHEME:

PARAMETERS	PROPOSED GUIDELINES
DEFINITION	<p>Farmer Producer Companies: It is a company of farmer producer members incorporated / registered under part IX A of the Indian Companies Act, 1956 and chapter XXIA of Companies Act 2013 and incorporated with the Registrar of Companies (RoC).</p> <p>Farmer Producer Organizations: (FPO) Act 2013 It is a society of farmers registered under Cooperative Societies Act of the State and formed for the purpose of leveraging collectives through economies of scale in production and marketing of agricultural and allied sector.</p>
TARGET GROUP	New or existing FPO's, Federation of FPO, meeting eligibility criteria, seeking credit facility from Eligible Lending Institutions (ELIs) under the Scheme, without any collateral security and/or third party guarantee.
PURPOSE	<p>Loan facilities may be considered for Following activities by the FPO/FPC benefitting their farmer as</p> <ol style="list-style-type: none"> 1. Supply quality production inputs like seed, fertilizer, pesticides and such other inputs at reasonably lower wholesale rates. 2. Make available need-based production and post-production machinery and equipment like cultivator tiller, sprinkler set, combine harvester and such other machinery and equipment on custom hiring basis for members to reduce the per unit production cost 3. Make available value addition like cleaning, assaying, sorting, grading, packing and also farm level processing facilities at user charge basis on reasonable cheaper rate. Storage and transportation facilities may also be made available. 4. Undertake higher income generating activities like seed production, mushroom cultivation etc. 5. Undertake aggregation of smaller lots of farmer-members' produce; add value to make them more marketable. 6. Facilitate market information about the produce for judicious decision in production and marketing.

	<p>7. Facilitate logistics services such as storage, transportation, loading/un-loading etc. on shared cost basis.</p> <p>8. Market the aggregated produce with better negotiation strength to the buyers and in the marketing-channels offering better and remunerative prices.</p> <p>9. Activities eligible under Agriculture Infrastructure Fund.</p>
ELIGIBILITY	<p>All registered FPO/Farmer Producer Company with at least 3 months of operations since registration.</p> <p>Note: FPOs /FPCs applying for collateral free loan based on Credit Guarantee from SFAC under EGCGF, any other nodal agency (including CGTMSE) shall comply with the eligibility criteria as specified in the Credit Guarantee scheme document.</p> <ol style="list-style-type: none"> FPO shall be a legal entity incorporated/registered either under Part IXA of Companies Act 1956 and Chapter XXIA of Companies Act 2013 or under Co-operative Societies Act of the concerned States (including Mutually Aided or Self-reliant Cooperative Societies Act by what ever name it is called). FPO with a minimum farmer-members' size of 300 shall be eligible under the Scheme in plains, while in North-Eastern and Hilly areas which are areas at a height of 1000metre or above mean sea level (including such other areas of UTs), size of 100 shall be eligible. Existing FPOs will be allowed to avail credit guarantee In case the FPO has already availed credit guarantee earlier under any scheme of GOI or any other scheme, the connected Credit Facility should be closed or it should be different from the one for which Credit Guarantee application is being submitted by the ELI for availing credit guarantee under the Scheme. The FPOs which are already registered but have not been provided funds under any other schemes and have not yet started operation will also be covered under the Scheme. FPO must be eligible for lending as per the Lend ability Assessment Tool available in the NABARD's Guidance Note on FPO financing or any other tools developed by NABARD/IBA or ELI's approved assessment tool. Further, it should be ensured that the ELI has extended/sanctioned Term Loan/Working Capital/Composite Credit Facility to FPO without any collateral security or third-party guarantee (including personal guarantee of Board of Directors/Governing Body Members).

12

Non-Eligibility of Credit Facilities under Credit Guarantee Fund	<p>The following credit facilities shall not be eligible for Guarantee Cover under the Scheme :</p> <ol style="list-style-type: none"> 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 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. Any credit facility granted to a borrower for which any lending institution has earlier invoked the credit guarantee. Any credit facility granted to any borrower, who has himself availed of any other credit facility covered under the schemes mentioned in clause (iii) above at any point in time. Any credit facility that is overdue for repayment/NPA taken over by the ELI from any other lender or any other default converted in to a credit facility. Any credit facility which is overdue for repayment. Any credit facility which has been rescheduled or restructured on becoming overdue for repayment.
NATURE OF FACILITY	Cash Credit/ Term Loan or both (Terms and conditions will be clarify in circular)
QUANTUM OF LOAN	Minimum - Rs 3.00 Lakhs Maximum loan limit - Rs 60.00 Lakhs
MARGIN (Term Loan)	20%
RATE OF INTEREST	As fixed by Bank Time to Time Currently it will be 11 %
TENURE OF LOAN	5 Years for term loan as well as working capital for working capital CC limit terms and conditions will be applied
LOCK IN PERIOD	To get guarantee from NAB Sanrakshan lock in period for Bank (Not for customer) will be one year as per NAB Sanrakshan circular.
SECURITY	<ul style="list-style-type: none"> ➤ For Nab sanrakshan no collateral security or third party guarantee will be taken. However primary security will be taken. ➤ Hypothecation of assets like crop, livestock, equipment, machines etc., created out of bank's finance. ➤ Mortgage of assets created out of bank's finance. ➤ Mortgage/charge on land. # ➤ Personal Guarantee of Director/(s). ➤ Third party guarantee, wherever available. <p>(#) In case of lease land or occasions wherever there are genuine difficulties for creation of mortgage/ charge on the agriculture land where activity is proposed, other marketable</p>

	<p>Agricultural/residential/commercial immovable property/ies can be considered as security by the Sanctioning Authority.</p> <p>Note I: In case of availability of Credit Guarantee, wherever land is considered as primary security on which unit is established and hypothecated assets are situated, mortgage/charge on land needs to be created as per existing guidelines.</p> <p>Note I: Credit Guarantee is available for collateral free loans to FPOs/ FPCs by various agencies like SFAC/NABARD/NCDC/ CGTMSE etc. Wherever applicant is interested to avail such facility by payment of requisite premium, it is not necessary to consider immovable property as additional collateral security to the extent of credit guarantee is available and third party guarantee.</p> <p>Note II: While financing to FPO / FPC for allied activities, Mortgage/charge on land has to be done as per prevailing law of land (state).</p>										
METHOD OF ASSESSMENT	A. Facilities towards Farm Credit activities:										
	Lesser of 1 and 2 mentioned below										
	<table border="1"> <tr> <td>1</td><td>Farm Income</td><td> I. 6 times of net annual income (Farm Receipts - Expenses incurred) OR II. 3 times of total annual farm Receipts/value of crops. (Anticipated from the farm, taking into Consideration the type of crops, area under cultivation, etc.) </td></tr> <tr> <td></td><td colspan="2">Plus</td></tr> <tr> <td></td><td>Other income / income from allied activities, rental and salary income</td><td>3 times of net anticipated annual Income/profit from economic Activities / allied activities (existing and proposed to be undertaken)/salary income if any.</td></tr> </table>	1	Farm Income	I. 6 times of net annual income (Farm Receipts - Expenses incurred) OR II. 3 times of total annual farm Receipts/value of crops. (Anticipated from the farm, taking into Consideration the type of crops, area under cultivation, etc.)		Plus			Other income / income from allied activities, rental and salary income	3 times of net anticipated annual Income/profit from economic Activities / allied activities (existing and proposed to be undertaken)/salary income if any.	
1	Farm Income	I. 6 times of net annual income (Farm Receipts - Expenses incurred) OR II. 3 times of total annual farm Receipts/value of crops. (Anticipated from the farm, taking into Consideration the type of crops, area under cultivation, etc.)									
	Plus										
	Other income / income from allied activities, rental and salary income	3 times of net anticipated annual Income/profit from economic Activities / allied activities (existing and proposed to be undertaken)/salary income if any.									
	B. Other Facilities: Working capital and loan requirements are to be assessed on the methods and bench mark ratios as formulated for MSMEs										
SECURITY COVERAGE	i) For cases without credit guarantee Coverage :- 75 %of value of land/ Immovable property mortgaged /lien / charged as security and 100% of value of other securities like assignment of LIC policy (Surrender value), pledge of KVPs/ NSCs /Banks FDR / Gold Ornaments etc. ii) For cases with Credit Guarantee on collateral free Loans: No collateral security required. However, primary security on which unit is established and hypothecated assets situated, mortgaged / charge on the land to be created irrespective of their value.										

CREDIT GUARANTEE COVER AND ITS PERIOD	<p>i. The maximum credit guarantee cover per FPO at any point of time under the scheme will be limited to Rs. 1.50 Crore. In case of credit facility up to Rs. 1 crore, credit guarantee cover will be 85% of sanctioned credit facility with ceiling of Rs. 85 lakh; while in case of credit facility above Rs. 1 crore, credit guarantee cover will be 75% of the sanctioned credit facility with a maximum ceiling of Rs. 1.50 crore.</p> <p>ii. The guarantee cover will commence from the guarantee start date and shall run through the agreed tenure of the term credit, and where working capital facilities or Term loan alone are extended and/or continuing working capital arrangements granted along with the Term Loan, for a total period of 5 years and/or loan/working capital credit or composite credit facilities' termination date, whichever is earlier or such period as may be specified by the Trust.</p> <p>iii. In case of default, eligible claim shall be 85% or 75% (as applicable) of the Amount in default subject to maximum cover as specified above.</p> <p>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 FPO by the ELI other than the contracted interest shall not qualify for Credit Guarantee Cover.</p> <p>v. The Cover shall only be granted after the ELI enters into an Agreement with the Trust (NAB sanrakshan)/Trustee (on behalf of Trust) and shall be granted or delivered in accordance with the Terms and Conditions decided upon by the Trust, from time to time.</p>
Maximum Loan Limit	Rs. 60.00 Lac.
Maximum term loan limit	05 years
PROCEDURE TO AVAIL GUARANTEE COVER	The ELI shall be required to apply for Guarantee Cover to the Trust (NAB sanrakshan) in the specified format for credit proposals sanctioned by them during any quarter prior to expiry of the following quarter viz., application with respect to credit facility sanctioned in April-June Quarter must be submitted by the ensuing quarter end i.e., September 30 th to qualify for consideration under the Scheme.
GUARANTEE FEE	I. For credit facility upto Rs. 1.0 crore. Annual Guarantee Fee (AGF) shall be charged @ 0.75%. For credit facility above Rs. 1 crore, AGF shall be charged @ 0.85% subject to a maximum AGF ceiling of Rs. 1,70,000 (Rupees one lakh seventy thousand only).

12

- II. AGF shall be charged on the sanctioned amount of credit facility for the first year and on the outstanding amount for the remaining tenure of the guarantee. In case of term loans, guarantee fee (from second year onwards) shall be calculated on outstanding amount as on 31st March. For working capital limits, it shall be calculated on maximum (peak) working capital limit availed by the borrower/enterprise during the previous financial year. However, if the loan is not fully disbursed/limit is not fully availed, AGF shall continue to be charged on the Sanctioned amount, till full disbursement of the credit facility. It is clarified that in case of credit facility above Rs. 2 crore, the AGF of Rs. 1,70,000 shall be charged till the account is fully disbursed and/or the outstanding is more than/equal to Rs. 2 crore and AGF shall be charged @ 0.85% on the outstanding amount subsequently. It is further clarified that the Annual Guarantee Fee is to be paid for the full year notwithstanding the date of final disbursement of loan. In no circumstances there would a refund of such Annual Guarantee Fee paid.
- III. ✓ Annual Guarantee Fee (first time fee) shall be paid to the Trust (NAB sanrakshan) by the ELI availing of the guarantee within 30 days from the date of issue of sanction letter for CGC or such date as is specified by the Trust, failing with the Guarantee is liable to become void unless and until its continuance is specifically approved by the Trust.
- IV. The acceptance of Annual Guarantee Fee (First time fee) would be subject to the ELI certifying that :
- a. Any dues of the FPO Borrower to the ELI 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.
- v. The Annual Guarantee Fee (subsequent to first time fee) at specified rate (as specified above) on pro-rata basis for the second and last year of guarantee and in full for the intervening years would be paid by ELI to the Trust by the 31st May each year. It is clarified here

that while levying the annual guarantee fee for the first time, the fee is collected for the full 365 days from the guarantee start date (i.e. fee payment date) and the second and subsequent year onwards in respect of already issued guarantees, the fee is collected till the end on financial year excepting for the terminal year of guarantee where the fee is collected for the proportionate period.

- vi. Guarantee fee with respect to NPA accounts would continue to be paid till lodgment of claim for such accounts. It is clarified that the Annual Guarantee Fee is to be paid for the full year notwithstanding the date of lodgment of claim. In no circumstances there would a refund of such Annual Guarantee Fee paid.
- vii. The decision of passing of the incidence of Annual Guarantee Fee to the Borrower is left to the discretion of the lending institution.
- viii. In the event of non-payment of Annual Guarantee Fee (subsequent to first time fee) by the due date, the Guarantee under the Scheme shall cease to be available to the lending institution unless the Trust agrees for continuance of Guarantee and the lending institution pays penal interest on the annual Guarantee Fee due at a rate of interest of 10% p.a. or as specified by the Trust(NAB sanrakshan), from time of 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.
- ix. Provided further that in the event of non-payment of Annual Guarantee Fee within the stipulated time or such extended time as may be requested for by the lending institution and allowed on such terms that may be agreed to by the Trust, liability of the Trust to guarantee such credit facility shall lapse in respect of the credit facility against which the Annual Guarantee Fee is due and not paid.
- x. Provided further that the Trust may consider renewal of Guarantee Cover for such credit facility upon such terms and conditions as it may decide.
- xi. In the event of any error or discrepancy being found in the computation of the amount or in the calculation of the Guarantee Fee, or any shortfall in payment by the lending institution, if subsequently identified, such

	<p>deficiency/shortfall shall be paid by the lending institution to the Trust. Any amount found to have been paid in excess by the lending institution to the Trust shall be refunded by the Trust. In the event of any representation made by the lending institution in this regard, the Trust (NAB sanrakshan) 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.</p> <p>xii. The guarantee fee once paid by the lending institution is non-refundable, except under certain circumstances like</p> <ol style="list-style-type: none"> Excess remittance Remittance made more than once against the same credit facility, and Annual Guarantee Fee not due. Guarantee fee paid in advance but application not approved for Guarantee cover under the Scheme, ect. <p>xiii. Guarantee fee will be charged from loanee. Per year or will be fixed by NAB Sanrakshan. Guarantee fee will be charged from FPO (Customer) as per rate will be fixed by NAB Sanrakshan</p>
RESPONSIBILITIES OF LENDING INSTITUTIONS/ BRANCHES UNDER THE SCHEME	<ol style="list-style-type: none"> Appraise each loan proposal for selecting commercially viable projects and submit the Guarantee Application in form and manner desired by the Trust. 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 the Scheme. monitor the Borrower account and maintain records of periodical monitoring and actions initiated on observations, if any. Safeguard the primary securities taken from the borrower in respect of the credit facility in good and enforceable condition. Ensure that there shall not be any delay on its part to notify the Trust of the default in the Borrower's Account, as a result of which delay, Trust, shall face higher Guarantee Claims. Ensure that the Guarantee Claim in respect of the credit facility to the FPO Borrower is lodged, in the form and manner and within such time as may be specified by the Scheme. Not be absolved of any of the responsibility of recovering the entire outstanding amount of the credit from the borrower post payment of Guarantee claim by the Trust. The lending institution shall exercise all

	<p>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 the Trust as it shall exercise in the normal course if no guarantee had been furnished by the Trust.</p> <p>viii. Be bound to comply with such directions as the Trust may deem fit to issue from time to time, for facilitating recoveries of the guaranteed account, or safeguarding its interest as a guarantor.</p> <p>ix. In particular, refrain from any act either before or subsequent to invocation of guarantee, which may adversely affect the interest of the Trust as the guarantor.</p> <p>x. Be bound under the Scheme to intimate in advance to the Trust, its intention to enter into any compromise or arrangement, which may have effect of discharge or waiver of primary security.</p> <p>xi. Secure for Trust 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 Trust of NAB Sanrakshan or any other designated portal.</p>
INVOCATION OF GUARANTEE	<p>The ELI may invoke the guarantee in respect of credit facility within a maximum period of 12 months from the date of NPA, if NPA is after lock-in period. If NPA is within lock-in period, the guarantee can be invoked within one year of the end of lock-in period. The Guarantee could be invoked after the following conditions are satisfied :</p> <p>i. The amount due and payable to the ELI in respect of the credit facility has not been paid by the Borrower and the loan account has been classified by ELI as NPA. Provided that the lending institution shall not make or be entitled to make any claim on the Trust in respect of the said credit facility if the loss in respect of the said credit facility had occurred owing to actions/decisions taken contrary to or in contravention of the guidelines issued by the Trust.</p> <p>ii. The account should not have been classified as fraud/wilful defaulter by the ELI.</p> <p>iii. The Guarantee in respect of the concerned credit facility is in force at the time of account turning NPA.</p> <p>iv. Lock in period of 12 months have lapsed .</p> <p>v. The claim is forwarded to the Trust through ELIs. Controlling Office.</p> <p>vi. The ELI shall exercise all necessary precaution and take recourse to all measures to recover the entire amount of</p>

	<p>credit facility from the borrower as per its Board approved policy before submitting the claim.</p> <p>vii. Credit facility has been recalled and the recovery proceedings have been initiated under due process of law against the borrower (DRT, Civil Court, LokAdalat, RRA, SARFAESI etc.)</p> <p>viii. Legal proceedings as a pre-condition for invoking of guarantees shall be waived for credit facilities where claim is up to Rs. 1,00,000/-, subject to the condition that for all such cases, where the filing of legal proceedings is waived, a Committee of the ELI headed by an officer not below the rank of General Manager should examine all such accounts and take a decision for not initiating legal action, and for filing claim under the Scheme.</p>
CLAIM SETTLEMENT	<p>i. The Trust reserves the right to reject any claim 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 FPO.</p> <p>ii. In cases where eligible claim amount is upto Rs. 1,00,000/-, claim shall be settled in one shot after taking a certificate from ELI that no further recoveries are expected in the case and that it is not worth pursuing legal course in the case. In all other cases, claim settlement shall be in two phases. In the first phase of claim settlement, the Trust shall pay 75 per cent of the eligible claim of submission of eligible claim by the ELI, subject to the claim being otherwise found in order and complete in all respects. The balance 25 percent of the eligible claim amount will be paid on conclusion of recovery proceedings by the ELI or on receipt of a Certificate/Declaration from ELI to the effect that no further recoveries are expected in the case and that it is not worth pursuing further legal course in the case. Such Certificate/declaration could be submitted by ELI only after three years from the date of settlement of first claim.</p> <p>iii. The Trust shall pay claims found in order and complete in all respects, within 90 days from the date of lodgement of claim.</p> <p>iv. In cases of quick mortality, the Trust reserves the right to undertake audit/inspection before releasing any claim</p>



	<p>pay-out. Accordingly, the abovementioned deadline for release of claim shall not be applicable for such cases.</p> <p>v. The ELI shall continue to make efforts to realize the balance amount due from the defaulting FPO even after settlement of the Guarantee.</p> <p>vi. The Trust has the right to claim from the ELI any amount that is realized by the ELI from the defaulting FPO even after settlement of the guarantee amount.</p> <p>vii. Once the Claim is paid, the Trust 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.</p>
REFUND OF CLAIM	<p>The ELI shall be liable to refund the Claim released by the Trust together with the penal interest at a rate of 10% p.a. or as specified by the Trust, from time to time, for the period for which the Claim has been released, if recalled by the Trust in the event of</p> <ol style="list-style-type: none"> Serious deficiencies having existed in the matter of appraisal/follow up/ conduct of credit facility or Where the account is declared fraud/wilful defaulter or Where lodgement of claim was more than once or where there existed suppression of any material information on part of lending Institution for settlement of claim or Where the claim settlement is subsequently rejected by I & CSC. the lending institution shall pay such penal interest, when demanded by the Trust, from the date of initial release of the claim by the Trust to the date of refund of the claim. <p>Erroneous/duplicate payment of claim by the Trust shall not be construed as recall.</p>
SUBROGATION OF RIGHTS AND RECOVERIES ON ACCOUNT OF CLAIMS PAID	<ol style="list-style-type: none"> Details of efforts for recovery, realization and such other information as may be demanded by the Trust from time to time shall be furnished to the Trust by the ELI. On its own behalf and on behalf of the Trust, the ELI shall hold lien on assets created out of the Credit Facility extended by the ELI to the Borrower. The responsibility of the recovery of dues, including takeover of assets, sale of assets, etc. shall rest with the ELI. Payments made by a borrower towards any one or more of several distinct and separate debts owed to the ELI shall be deemed to have been appropriated by the ELI 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 by the ELI.

APPROPRIATION OF AMOUNT RECEIVED FROM THE LENDING INSTITUTIONS	The amount received from the lending institutions shall be appropriated in the order in which the Annual Guarantee Fee, penal interest and other charges have fallen due, If the Annual Guarantee Fee and the penal interest have fallen due on the same date, then the appropriation shall be made first towards Annual Guarantee Fee and then towards the penal interest and finally towards any other charges payable in respect of the eligible credit facility.
RESIDUAL RECOVERY/ APPROPRIATION OF AMOUNT REALIZED BY THE LENDING INSTITUTION IN RESPECT OF A CREDIT FACILITY AFTER THE GUARANTEE HAS BEEN INVOKED	<p>i. Any amount realized by the ELI from the FPO borrower subsequent to release of any amount towards claim by the Trust, shall be passed on to the Trust, after adjusting towards the legal costs incurred by ELI for recovery of the amount. Such payment shall be made as and when any such amount is realized subject to the relaxation that any such payments may be made to the Trust within 90 days of receipt of the payment by the ELI. If any amount due to the Trust remains unpaid beyond a period of 90 days from the date on which it was first recovered, penal interest shall be payable to the Trust by the lending institution at the rate of 10% p.a. or as specified by the Trust, from time to time, for the period for which payment remains outstanding after the expiry of the said period of 90 days.</p> <p>ii. The Trust shall appropriate such receipts first towards the pending penal interest and other charges due to the Trust, if any, in respect of the credit facility towards which the amount has been recovered by the lending institution and the balance, if any, shall be shared between the Trust & ELI in the ratio of :</p> <p>a) 85:15 (for credit facility upto Rs. 1 crore) or</p> <p>b) 75:25 (for credit facility above Rs. 1 crore and upto Rs. 2 crore).</p> <p>c) Sharing of the amount in Default (for credit facility above Rs. 2 crore).</p>
TERMINATION OF TRUST'S LIABILITY IN CERTAIN CASES	I. The Guarantee in respect of the credit facility extended by an ELI to an FPO 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 the Trust 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.

12

	<p>II. The liability of the Trust in respect of any credit facilities granted to a borrower by an ELI under the Scheme shall be limited to the liability of the Borrower to the ELI as on the date on which the Borrower becomes ineligible for being granted any credit facilities under the Scheme, by reason of cessation of its activity or its activity/its undertaking ceasing to come within the definition of a FPO unit, subject, however, to the limits on the liability of the Trust fixed under this Scheme.</p>
RETURNS AND INSPECTIONS	<p>i. The lending institution shall submit such statements and furnish such information as the Trust may require in connection with any credit facility under this Scheme. The lending institution shall also furnish to the Trust all such documents, receipts certificates and other writings as the latter may require and shall be deemed to have affirmed that the contents of such documents, receipts, certificates and other writings 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.</p> <p>ii. The Trust shall, insofar as it may be necessary for the purposes of the Scheme, have the right to 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, and of any borrower from the lending institution. Such inspection may be carried out either through the officers of the Trust or any other person/agency appointed by the Trust for the purpose of inspection. Every officer or other employee of the lending institution or the borrower, who is in a position to do so, shall make available to the officers of the Trust or the person/agency appointed for the inspection as the case may be, the books of account and other records and information which are in this possession.</p>
GENERAL	<p>I. The Terms & Conditions of the Scheme shall be binding of the lending institutions.</p> <p>II. Any Guarantee given by the Trust shall be circumscribed by & governed by the provisions of the Scheme and terms and conditions laid down by the Trust as if the same had been written in the documents evidencing such Guarantee.</p> <p>III. An ELI that seeks and is granted Guarantee Cover for an eligible Credit Facility to an FPO borrower under the Scheme shall be deemed to have understood and accepted the T & C of the Scheme and other T & C of the Trust in this regard as being legally binding on itself.</p>

	<p>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.</p> <p>V. Notwithstanding any provision in any other document or contract entered into by the ELI, 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 the Trust be, bound by the conditions imposed under the Scheme.</p>
MODIFICATIONS AND EXEMPTIONS	<p>I. The Trust reserves the right to modify, cancel or replace the Scheme in any manner whatsoever that it deems necessary, in consultation with Department of Agriculture Cooperation & Farmers Welfare (DAC & FW) (if needed), 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.</p> <p>II. Notwithstanding anything contained here in, the Trust shall have the right to alter the Terms and Conditions of the Scheme or otherwise in regard to an Account in respect of which Guarantee has not been invoked as on the date of such alteration.</p> <p>III. In the event of the Scheme being cancelled, no claim shall lie against the Trust in respect of facilities covered by the Scheme, unless the provisions contained in the Scheme are complied with by the lending institution prior to the date on which the cancellation comes into force.</p>
INTERPRETATION	The decision of the Trust 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.
SUPPLEMENTARY AND GENERAL PROVISIONS	In respect of any matter not specifically provided for in this Scheme, the Trust may make such supplementary or additional provisions or issue such instructions or clarifications as may be necessary for the purpose of the Scheme.
ARBITRATION	Disputes, if any, arising out of the Agreement shall be resolved through mutual consultation, failing which the Arbitration by a sole Arbitrator chosen by the concerned ELI and the Trust in accordance with the provisions of the Arbitration and Conciliation Act, 1996 and its up-to-date amendments shall be resorted to. The seat of Arbitration shall be in Lucknow.
MAXIMUM PERMISSIBLE LOAN AMOUNT	The maximum loan amount to be financed will be lower of the limits arrived as per "method of assessment" and the "security coverage" (for cases without credit guarantee coverage).
CREDIT RATING	<p>Facilities towards Farm Credit activities: No Rating</p> <p>Other facilities: As applicable in MSME advances.</p>

PERIOD OF LOAN AND REPAYMENT	<p>CASH CREDIT: For 12 months subject to renewal thereafter.</p> <p>➤ TERM LOAN:</p> <ul style="list-style-type: none"> • Repayable in 5 years period including moratorium of 3 to 12 months depending upon the purpose of loan , economic life of asset and cash flow of the activity. • Repayment of the Term Loan can be fixed at monthly/ quarterly/ half yearly/ yearly rests based on the proposed activity/ cash flow of the project considered for financing.
DISBURSEMENT	<ul style="list-style-type: none"> • The Term Loan disbursement can be made in multiple tranches/ installments based on the requirement of the project and progress of work. • Payment may be made directly to the suppliers/seller.
PROCESSING, DOCUMENTATION & OTHER CHARGES	As per Bank's extant guidelines
CERSAI	Operating units to be guided for registration for CERSAI as per guidelines
REGISTRATION OF CHARGE	<ul style="list-style-type: none"> • Branches need to register Bank's charge with the concerned authorities, for securities offered/ stipulated for availing the credit facilities from the Bank. • Branches to ensure filling of bank's charge with ROC against the credit facilities extended to FPCs within the stipulated time.
INSURANCE	Assets created out of Bank's finance and securities charged to the Bank to secure the credit facilities to be adequately insured with Banks clause. Copy of the Insurance Policy to be kept on Branch record.
PREPAYMENT CHARGES	Nil
IRAC NORMS	As per purpose of advance and as per NABARD circular no. 68/DOS-10/2008-09, Dated. 12.05.2008
CBS SCHEME CODE	The activity code for opening of accounts for Term Loan and Cash credit should be unique in CBS.
OTHER TERMS & CONDITIONS	<p>➤ Technical feasibility of the project to be verified by the branch before sanction of any credit facility to the FPO/FPC.</p> <p>➤ Branch to obtain the KYC documents of all the members of board of directors along office bearers executing and operating the loan accounts .Digital location of FPO should also be obtained.</p> <p>➤ Branch has to carry out the Pre-sanction and Post-disbursement Inspection and reports be kept on branch record.</p> <p>➤ Branch to ensure that the Guarantee Claim in respect of the credit facility to the FPO / FPC is lodged with the respective agency in the form, manner and within such time as may be specified by them.</p>

JURISDICTION	<p>➤ Further, Branches should promptly notify the concerned agencies any default in repayment of the loan by the FPO/FPC.</p> <p>➤ Branch to obtain an undertaking from the FPO / FPC to the effect that they shall not create any charge on the assets charged to the bank as security for the credit facilities sanctioned to them without prior permission of the Branch/ Bank.</p> <p>➤ Branches to comply with all other terms and conditions with regard to appraisal, follow up, due diligence, monitoring and recovery of loans as per extant guidelines of the bank.</p> <p>All disputes between the parties shall be subject to jurisdiction of the Courts at Lucknow.</p>
CGTMSE DETAILS FOR COLLATERAL FREE LOANS	
Operating units to be guided by provisions for consideration of eligibility, activities guarantee cover and claim process under CGTMSE Guarantee covers. Modifications /changes, if any, under the scheme are also to be taken care while considering proposals under this scheme.	
SFAC /CGTSME/NABSANRAKSHAN-CREDIT GUARANTEE DETAILS FOR COLLATERAL FREE LOANS	
SFAC /CGTSME/ NABSANRAKSHAN-ELIGIBILITY CONDITIONS FOR CREDIT GUARANTEE	<p>Credit Guarantee for collateral free loans for FPCs is available from SFAC /CGTSME/NABSANRAKSHAN with the following eligibility conditions:</p> <ul style="list-style-type: none"> ▪ It is a duly registered FPC as defined in part IX A and Chapter XXIA of the Companies Act, 2013 (including any amendments thereto or re-enactment thereof) and incorporated with the Registrar of Companies (Roe). ▪ 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 less than 300. (As per NAB Sanrakshan Circular) ▪ Minimum 50% of its shareholders are small, marginal and landless tenant farmers. (As per NAB Sanrakshan Circular) ▪ Maximum shareholding by any one member other than an Institutional member is not more than 10% of total equity of the FPC. (As per NAB Sanrakshan Circular) ▪ 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. ▪ It has a business plan and budget for 18 months. ▪ The Bank 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

12

	to sanction Term Loan/ Working Capital/ Composite Credit Facility without any collateral security or third party guarantee including personal guarantee of Board Members.
SFAC- CREDIT GUARANTEE FEES	<ul style="list-style-type: none"> • In case of FPC seeking collateral free lending under Credit Guarantee Schemes available from SFAC, they need to pay the guarantee fee applicable as per their stipulated norms. • Loan Guarantee Fee will be paid by the borrower as per the rates prescribed in the specific scheme viz. Loan Guarantee Fee for Credit Guarantee from SFAC on collateral free loans is 0.85% of loan amount sanctioned by bank. • The Guarantee 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.
SFAC- ANNUAL SERVICE FEE	<p>FPCs availing Credit Guarantee from any of the agencies, need to pay Annual Service Fee for subsequent years of availing Credit Guarantee from the concerned agency viz. Annual Service Fee for continuing Credit Guarantee for collateral free loans from SFAC is 0.25% per annum or such other rate or limit as may be decided from time to time per loan account.</p> <p>Non payment of the annual service fee within due date will lead to the Discontinuation of the Credit Guarantee coverage.</p> <p>Annual Service Fee once paid by the lending institution to SFAC: are Non-refundable.</p>
INVOCATION OF GUARANTEE	<p>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:</p> <ul style="list-style-type: none"> ▪ The Claim must be forwarded to the SFAC/Fund through Head Office// Authorized office/ person of Bank as communicated to SFAC. ▪ Guarantee in respect of the Credit Facility is in force at the time of Account turning NPA. ▪ Dues have been classified by Bank as Non-Performing Assets. ▪ 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 favor to the concerned FPC. ▪ The Guarantee shall be effective: <ul style="list-style-type: none"> 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

	<p>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.</p> <p>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.</p> <p>c) In all other cases: Only when proceedings for recovery have been initiated by Bank. The responsibility of recovery of the dues shall rest with Bank.</p>
CLAIM SETTLEMENT	<ul style="list-style-type: none"> ➤ Claim should be submitted immediately after account becomes NPA. However SFAC is allowing a maximum period of "One Year" from the date of NPA for submission of claim application. But this grace period of one year is subject to change by SFAC without giving any information to Banks. Hence branches should not wait for one year period to submit the claim to SFAC instead they should submit the claim immediately once account becomes NPA. ➤ SFAC allows a maximum guarantee amount (Guarantee cap amount) of 85% of total Project Cost. ➤ SFAC shall honor 75 percent of the Guaranteed Amount subject to maximum amount not exceeding 75% of guarantee cap amount at the time of initiation of claim settlement process and remaining 25% amount will be released at the time of conclusion of recovery proceedings by bank. ➤ Subject to the claim being in order and complete in all respects, SFAC shall pay the Bank, eligible claim within 90 days. ➤ The outstanding dues of the FPC to Bank shall be reduced to the extent of the amount of claim settled by SFAC. ➤ Bank shall continue to make efforts to realize the balance amount due even after settlement of Guarantee. ➤ SFAC reserves right to claim from Bank any amount that is realized by Bank from the FPC even after settlement of guarantee amount. ➤ Any amount realized by the Bank from FPC shall be shared in the ratio of 85%:15% between SFAC and the Bank. Such payment may be made as and when any such amount is realized subject to the relaxation that any payment 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. ➤ 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. ➤ If the guarantee amount is recalled by SFAC for any reason, bank shall be liable to refund the claim released by SFAC together with the penal interest at a rate, which shall be 1% above the Rate of interest at

	<p>which the Credit Facility has been sanctioned by Bank for the period for which the claim has been released.</p> <p>➤ 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 <u>recall the entire payment released to Bank against the credit facility.</u></p>
--	--

ANNEXURE II: STEP BY STEP FLOW FOR LENDING TO FPO / FPC

- Identification of applicants by branches.
- Collection of necessary documents as per the bank needs. **Bank may arrange for wide publicity of scheme through Banners in the branch premises / location and utilizing social media platform.**
- Carryout due diligence of the FPO/FPC with key stakeholders.
- For FPCs - verify MOA, AOA and cross check with ROC / MoCA website.
- For FPOs - verify Bye-Laws, Society / Cooperative registration document.
- Verification of the activities of the members as well as the FPO / FPC,
- Verification of suppliers / dealers and market linkage players associated with the FPO/FPC.
- Carryout of appraisal by the concerned authority regarding eligibility criteria, credit worthiness, security / guarantee coverage, business cash flow, profitability of the project etc.
- Sanctioning of loan application by concerned authority.
- Acceptance of sanction letter and Terms and Conditions by applicant.
- Carryout the documentation and creation of loan account as per correct activity code and scheme code.
- Create mortgage / charge on the security.
- Credit Guarantee applications to be made online/offline available mode as per the guidelines of the agency providing Credit guarantee coverage for collateral free loans.

12

- After receipt of the sanction from the respective agency, remit the Credit guarantee premium within due date.
- CERSAI registration to be done
- Disbursement of credit facilities.
- ROC charge to be created within 30 days.
- End use verification and post sanction monitoring.
- Regular follow up and monitoring of accounts.
- Timely intimation for submission of documents for renewal / review of facilities.
- Collection of Annual Service Fee towards Credit Guarantee continuation and remittance of premium prior to the cut-off date as per specific agency.

ANNEXURE III: IMPORTANT ASPECTS TO BE SATISFIED WHILE FINANCING FPO /FPC

GOVERNANCE AND MANAGEMENT

- Are there sufficient members representing the Board
- Do they have relevant experience
- Whether minutes of meetings are kept in record
- Whether there is an experienced CEO
- Whether they engage other professional staffs with requisite skills
- What is the total number of farmers associated
- What is the %age of small and marginal farmers
- What is the %age of the active members
- Is there involvement of any promoting organization or development agency

BUSINESS AND OPERATIONS

- How many business activities are carried by the FPO / FPC like input sale, output sale, value addition, food processing, creation of common infrastructure etc.
- Any other loans availed in the past or ongoing
- Whether dealing with price volatile commodities

PROCESS & SYSTEMS

- Maintenance of accounts and records
- Insurance of stocks
- Credit record of loans availed in the past
- Statutory fillings
- Books of accounts and records maintained properly
- Stock statements and reconciliations
- %age of cash dealings

12

FINANCIAL PERFORMANCE

- Total revenue
- Other financial benchmark ratios
- Trends of profit making

FUTURE POSSIBILITIES

- Any change of business plan
- Change of governance and management
- New areas of business
- Scope to enhance member base
- Creation of common assets

अग्रेतर योजना के सम्बन्ध में परिपत्र एवं आवेदन फार्म शीघ्र ही निर्गत किये जायेंगे।


(आर०के० कुलश्रेष्ठ)
प्रबन्ध निदेशक

प्रतिलिपि : निम्नलिखित को सूचनार्थ एवं आवश्यक कार्यवाही हेतु प्रेषित :-

1. सचिव/मुख्य कार्यपालक अधिकारी, समस्त जिला सहकारी बैंक लि०, उ०प्र०।
2. समस्त क्षेत्रीय प्रबन्धक, उ०प्र० कोआपरेटिव बैंक लि०, उत्तर प्रदेश।
3. महाप्रबन्धक (आईटी सेल), उ०प्र० कोआपरेटिव बैंक लि०, मुख्यालय को बैंक की वेब साईट पर एफपीओ नीति अपलोड कराने हेतु।
4. निदेशक, कृषि सहकारी स्टाफ प्रशिक्षण संस्थान, 472 रिंग रोड, इन्दिरा नगर, लखनऊ।
5. समस्त महाप्रबन्धक/उप महाप्रबन्धक, उ०प्र० कोआपरेटिव बैंक लि०, मुख्यालय, लखनऊ।
6. मुख्य महाप्रबन्धक, उ०प्र० कोआपरेटिव बैंक लि०, मुख्यालय, लखनऊ।
7. मुख्य महाप्रबन्धक, राष्ट्रीय कृषि एवं ग्रामीण विकास बैंक, विपिन खण्ड, गोमती नगर, लखनऊ।
8. आयुक्त एवं निबन्धक, सहकारिता, उ०प्र०, लखनऊ।
9. स्टाफ आफिसर-अध्यक्ष प्रकोष्ठ, उ०प्र० कोआपरेटिव बैंक लि० मुख्यालय, लखनऊ को अध्यक्ष महोदय के अवलोकनार्थ।


प्रबन्ध निदेशक