



महाराष्ट्र MAHARASHTRA

● 2021 ●

BF 357644

11 OCT 2021

अनु. क्र.: 4209E दि.: 11 OCT 2021 मु.मु. रकम: 500/-  
दस्ताचा प्रकार: Agreement  
दस्त नोंदणी करणार आहेत का: होय / नाही  
मुद्रांक विकत घेणाऱ्याचे नाव: Canara Bank  
पत्ता: S. Nagar, Pune  
दुसऱ्या पक्षकाराचे नाव: The State of Maharashtra  
हस्त लेखकांचे नाव व पत्ता: 2421/2, बुधवार पेठ, पुणे



04 OCT 2021

सौ. सुचेता सुहास देशपांडे  
परवाना क्र. २२०११९८

मुद्रांक विकत घेणाऱ्याची सही ५९२/२, बुधवार पेठ, पुणे, २  
ज्या कारणासाठी ज्यांनी मुद्रांक खरेदी केला आहे त्याच कारणासाठी  
मुद्रांक खरेदी केल्यापासून ६ महिन्यांत वापरणे बंधनकारक आहे.

प्रथम मुद्रांक लिपीक  
कोषागार पुणे करिता

## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (MOU)  
made at Pune, Maharashtra, India on 12th October,  
2021



Additional Project Director  
State of Maharashtra's Agribusiness &  
Rural Transformation, SMART Society

V. D. Stoble

## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (MoU) made at Pune, Maharashtra, India on 12th October, 2021

BETWEEN

Canara Bank constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970, having its Head Office at Bengaluru and its Circle office at Shivaji Nagar Pune, (hereinafter referred to as 'Bank') which expression shall, unless it be repugnant to the context or meaning thereof, mean and include its successors and assigns) of the FIRST PART.

AND

Hon. Balasaheb Thackeray Agribusiness and Rural Transformation Project (SMART), a World Bank assisted Project implemented by the State of Maharashtra's Agribusiness and Rural Transformation (SMART) Society of Government of Maharashtra having its Project Coordination and Management Unit at Sheti Mahamandal Bhavan, 270, Bhamburda, Senapati Bapat Marg, Pune - 411016 (Maharashtra) (INDIA) (hereinafter called as SMART), which expression shall unless excluded by or repugnant to the context, be deemed, to include its successors, administrators, executors and assigns of the SECOND PART.

### 1) Brief information about SMART:

- i. Government of Maharashtra is implementing the 'Hon. Balasaheb Thackeray Agribusiness and Rural Transformation (SMART)' Project. This World Bank funded project proposes to support the development of inclusive and competitive agriculture value chains, focusing on small holder farmers and agri-entrepreneurs in Maharashtra. This would be achieved by expanding access to new and organized markets for producers and enterprises with complementary investments in technical services and risk management capabilities.
- ii. Supporting Enterprise Growth and Expanding Market Access is an important component of the project. It provides for enterprise development and technical support services to promote productive partnerships between buyers and sellers as well as implementation of market access plans for enabling production clusters to access better markets. Promotion of exports from potential clusters and improving access to finance for community organizations is also envisaged in this intervention. Building Risk Mitigation Mechanism through market intelligence and strengthening warehouse receipt systems is another important intervention under the project.
- iii. Target beneficiaries of the project are **Community Based Organizations (CBOs)**, which includes Farmer Producer Organizations (FPOs), Primary Agriculture Cooperative Societies (PACS), Cluster Level Federations (CLFs), Community Managed Resource Centers (CMRCs) and ATMA registered Farmer Groups.



*[Signature]*  
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iv. **Main interventions of the Project are for market access support.** The objective is to increase the integration of smallholder producers in value chains, by developing and implementing productive partnerships between CBO and the private sector aiming at improving market linkages. The project will finance competitive matching grants and needed support to business plans prepared by the CBO for implementing sustainable and competitive business investments.

a) **Productive Partnerships (PP) Subproject.** The project will support developing and partially financing Productive Partnerships (PP), between CBOs and buyers. The aim is to develop a long-term, voluntary and commercial relationship that will help the participating partners to improve their competitiveness in terms of price, cost, productivity, quality, and sales volume.

b) **Market Access Plans (MAP) Subproject.** The project will support development and partially financing Market Access Plans between CBOs (and their federations) and markets.

c) **Warehouse based sub projects.** The project will support up gradation of existing warehouses owned by CBOs or construction of new warehouses to facilitate availability of storage, warehousing finance and direct marketing of farm produce.

v. SMART aims to support access to finance interventions to enable the project beneficiaries to access a broader range of financial products. The CBOs are relatively young institutions with limited capital, physical collaterals, and operational experience. Majority of these CBOs are 2-3-year-old. Similarly, financial institutions have limited expertise and inadequate products. Given this scenario, SMART will facilitate financial education and counselling of CBOs, development of new agriculture value chain financing products, and risk mitigation solutions including partial credit guarantee facility. An independent credit rating system of FPOs is also proposed to be supported to facilitate bank linkages. The expected results from this sub-component are (a) enhanced capacity of CBOs for better financial management; (b) availability of customized financial products to enable composite / project based financing for CBOs; (c) increase in number of CBOs accessing credit and volume of credit accessed by CBOs from financial institutions and (d) establishment of an independent third party credit rating system for FPOs.

**WHEREAS,**

i. The Government of Maharashtra, through various externally aided projects and State and Central Schemes has promoted over 3000 CBOs which includes FPCs, CLFs, CMRCs and PACS in the state with an objective of aggregation of produce for achieving economies of scale as well as for increasing farm productivity, providing alternate market and advance technology.

  
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- ii. CBOs require loans for investment and working capital for building their business collectively, purchase of inputs, aggregation, primary processing and marketing of farm produce and other activities to increase income of member farmers.
- iii. The SMART Project intends to provide business development services, partially fund their business proposals Viability Gap Fund as a grant (VGF up to 60%) and provide handholding in their collective business.
- iv. In this regard, SMART will first approach Canara Bank for extending loans to the beneficiary CBOs to raise part of finance required for their business proposal (apart from VGF and equity of their own).
- v. The Canara Bank will examine the proposal and may consider financing the project based on its merit and as per the terms and conditions stipulated by the Bank from time to time

**NOW THIS DEED WITNESSETH AS FOLLOWS:**

- i. SMART Project shall assist CBOs in collection of required document as specified by the bank, preparation of business plan for investment and working capital of the CBOs which require finance and further perform duties more clearly set out in this MoU. This will also include preparation of Full Project Proposals (FPP) by SMART with clear indication of cost of project, VGF offered by SMART and expected share of beneficiary to be raised.
- ii. That the Canara Bank shall finance at its sole discretion, the genuine requirements of the CBOs for the business plan.
- iii. The Canara Bank may extend project based composite finance on merit on its terms and conditions to the CBOs based on the FPP sanctioned by the project.
- iv. However, SMART shall not have any liability towards loan given by the Canara Bank and thereof between the Canara Bank & the borrower CBOs. In the event of any dispute in relation to the loan given to the CBO and/or recovery thereof, between the Canara Bank and Borrower (CBOs), SMART will not be legal party for that matter.
- v. Both SMART and the Canara Bank agree that they shall not use the logo, trademark and copyrights or other proprietary rights; of the other party in any advertisements or publicity material or any other written communication with any other party, without the prior written consent of such opposite party.

**2) ROLE OF SMART PROJECT WITH RESPECT TO CBOs:**

SMART to support productive partnerships and market access plans to connect CBOs to the buyers /markets will be implemented in the State of Maharashtra. The SMART Project will give preferred bankers status to the Bank.

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- i. The SMART Project will publish a call for proposal for inviting agribusiness proposals for Productive Partnerships and Market Access Plans for value chain development of agricultural commodities. (PPs to be submitted jointly by CBOs and the buyers while MAPs to be submitted by CBOs and their Federations).
- ii. SMART shall assist eligible CBOs and buyers in preparation of bankable full project proposals (FPPs) through dedicated Technical Support Group (TSG) of consultants.
- iii. SMART shall approve FPP with defined VGF from SMART.
- iv. SMART shall assist beneficiary CBOs for preparation of loan proposal.
- v. SMART will provide Viability Gap Fund upto 60% of project cost as grant to the eligible CBOs participating in approved projects.
- vi. SMART shall provide capacity building and handholding services for implementation of FPP through its own staff and TSG.
- vii. VGF in the form of grants will be released to loan account of CBOs in tranches linked to the progress of the project as specified in the Project Implementation Plan.
- viii. The grant agreement between the Beneficiary CBO, SMART Project and Buyer/Technical Partner (as applicable) will govern the funding ratio and release of tranches for execution of the sub-project.
- ix. The fund flow to beneficiary CBO will be in 3 tranches by respective PIU.
  - a) First Tranche - Up to 50% of project grants against upto 50% of beneficiary contribution.
  - b) Second Tranche - Up to 80% of project grants against upto 80% of beneficiary contribution.
  - c) Final Tranche - Balance Project Grants (in no case it will exceed 30% of total Project Grants as per grant agreement) against Balance Beneficiary Contribution as per grant agreement.
- x. Banking arrangement at CBO level - For SMART Project purposes, each CBO would open a separate Current Bank account operated under the joint signatures. The Bank A/c of the CBO would be linked with PFMS by PIU in co-ordination with DIU official.

### 3.) ROLE OF THE CANARA BANK WITH RESPECT TO ACCESS TO FINANCE FOR CBOs:

The Bank has a mandate to support investments in agriculture sector, individually and collectively, to improve the income of the farmers. To fulfill this mandate, bank will provide its products and services to FPOs through its network branches in the Project area. SMART will submit sanctioned sub projects of FPOs to AFPS section of Circle Office, Pune for perusal and forwarding it to appropriate sanctioning authority for processing as per project area. Gist of banks extant guidelines of the FPOs financing are as per Annexure II. On issuance of approval to the FPP by SMART, the Canara Bank will initiate following steps:



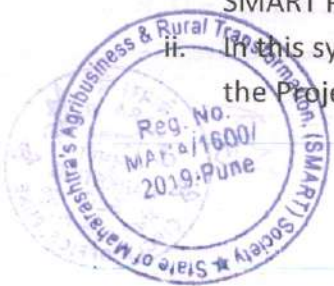
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- i. The Canara Bank will receive approved value chain development sub-project proposals from the project after a thorough scrutiny of its technical viability and economic feasibility by an internal mechanism of the project as well as an Independent Assessment Panel. Bank will assess the same as per the Bank's policy. It will be the Bank's sole discretion to sanction any proposal based on merit and complying with the laid down systems, procedures and guidelines issued from time to time or reject any proposal at its own discretion.
- ii. The project or proposal once sanctioned by the Bank for financing the CBOs for economic activity will be implemented through designated branches / offices of the Bank. On final selection of CBOs, the Bank will initiate following steps:
  - a) Bank will finance all eligible CBOs after completion of all necessary procedure.
  - b) The Bank may cover the farmers / groups for financing other agriculture products and developing CBOs as Business Correspondents for the Canara Bank.
  - c) The Bank has the right but not the obligation to insure the assets purchased out of the Bank finance namely investment, machinery, agriculture stock, purchased materials etc.
  - d) **No dues from the other Banks:** To avoid multiple financing, the branches of the Canara Bank will take necessary steps as per the Canara Bank's laid down instructions.
  - e) **Margin Money:** Margin will be fixed as per RBI / Bank guidelines.
  - f) **Interest rate:** Interest rates as applicable to the particular scheme of advances will be charged as per Bank guidelines
  - g) **Security norms:** The Bank's security norms as applicable to the facility will be applicable.
- a. Bank will undertake a joint verification of assets created under the project for which bank finance is availed along with the officials of the SMART / PIU and the joint verification will be a prerequisite before release of next instalment where the disbursement will happen in various stages. In case of diversion or siphoning off funds by the financed entity, Bank will further stop disbursement and proceed for recovery measures as per laid down guidelines of the Bank.

#### 4.) Implementation Mechanism and general banking arrangements of SMART Project:

- i. SMART has a Project Coordination and Management Unit at Pune and the project activities are being implemented through 11 Project Implementation Units (PIUs) located in the offices of line departments / agencies, 8 Regional Implementation Units (RIUs) and 34 District Implementation Units (DIUs). Which can be collectively referred to as "Child Accounts". Annexure-1 shows the Accounting Centers in the SMART Project along with their constitutions.
- ii. In this system, PCMU will open a 'Central Pool Bank Account' in a bank approved by the Project. This bank account will be attached with PFMS system. Each accounting



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- center will open a zero-balance account in the same bank (attached with PFMS) in which PCMU has the Central Pool Bank Account.
- iii. Based on learning of other World-Bank funded Projects, a 'Central Pool Account (CPA) Banking System' has been adopted, wherein Central pool Bank account will allocate certain limits of withdrawal to Zero Balance Bank accounts. This will avoid blocking of funds at the accounting center levels and will enable better control, flexibility in fund management and timely availability of funds.
  - iv. The Project has adopted the Public Financial Management System (PFMS), wherein transfer and payment of funds will be tracked till the lowest level of implementation. For each expenditure incurred by the Accounting Centers, funds will be swiped directly on a real time basis, from the PCMU- Central Pool account limited to the fund limit allocated to that accounting center.
  - v. Payment to beneficiary group/contractor/or any third party will be made by each accounting centre only through PFMS system. Each beneficiary/ contractor/ service provider or any another recipient of funds from the Project will have to be registered on PFMS system.
  - vi. In exceptional circumstances, like remittance of taxes, where third party cannot be registered as a vendor in PFMS, payments will be made through usual banking system like cheques/RTGS/NEFT.
  - vii. The bank account of each accounting centre of the Project will be tracked in this system.
  - viii. All Bank Accounts under the Project will be under joint signatures i.e. to be signed jointly by more than one officer not below the rank of class II officer.
  - ix. The PCMU will have viewing right of transactions of all the bank accounts of all accounting centers under the Project. Continuous monitoring of this bank account is required at the level of PCMU. In case if it is found that the fund limit at a particular accounting centre is not being utilized within the stipulated time frame, Project Director SMART shall have full powers to withdraw/decrease the fund limit allocated to a particular accounting centre and reallocate it to the another accounting centre with a better potential of spending.
  - x. Since, this MoU shall be implemented through a coordinated effort of the branches of the Canara Bank and Accounting Centers spread across the State of Maharashtra, coordinated actions from both the bank side and the Project side are necessary to make the proposed Banking arrangements successful.

**5) Steps that will be taken by SMART Project to execute the expected banking arrangements within SMART Project**

- i. The Project Co-ordination & Management Unit (PCMU) of SMART will open its main/parent account with Canara Bank Nodal Branch Pune MSFC Branch – D. P Code 2829. The funds will be available in this SMART parent account only. The

  
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Project Director of SMART will be custodian of this account and this account will be operated by joint signatories designated by the Project Director.

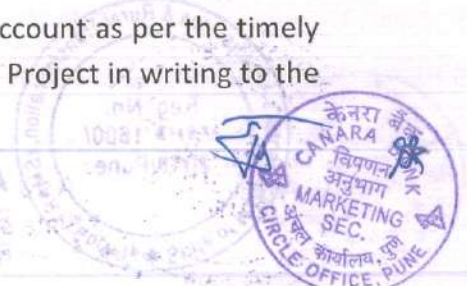
- ii. The Child accounts will be zero balance accounts. As per Banking Rules and Regulations, each child account will provide an authority or a no-objection for PCMU to view their account information, controlling the financial transaction, stop payment rights, etc., as per format provided by the Bank.
- iii. The Project will set the timely limits as per the requirements of the Project for withdrawal for the Child accounts. This will be communicated in writing to the Nodal Branch.

6) The Accounting Centers will be permitted to execute the payments through PFMS from the child accounts upto to the timely limits set for them by the Project. The Accounting Centers will initiate PPA (Payment Process Advice) payment files through PFMS Services required to be provided by Bank in accordance with the general banking arrangements

- i) No bank charges will be levied by Canara bank with respect to zero balance child accounts opened across the State of Maharashtra. In case such charges have been levied, they will be reversed by the Bank after the Project brings this to the notice of the Bank.
- ii) Whenever bank receives the payments through PFMS, the payments will be executed as per the defined timelines. While making the payments, the limits will be validated as set by the PCMU.
- iii) Bank will designate a Nodal branch co-located with the PCMU office. The Level-1 (Parent Account) will be opened in the designated focal point branch. The nodal branch will be a one point contact for any query related to transactions across the State of Maharashtra. This branch will address banking related issues pertaining to SMART projects PIU (Child Accounts) opened at any Canara Bank branch throughout the State of Maharashtra. In order to facilitate this, the contact number of the person designated by the focal point branch shall be shared throughout the state of Maharashtra.
- iv) The Bank will facilitate for opening of child accounts across the State as per the requirements of PCMU.
- v) Cheque books will be issued for each Child Accounts for payments which cannot be done through PFMS e.g. remittance of taxes etc. as per written request from PIUs authorised signatories.
- vi) Nodal Branch will assign limits as per letter submitted by PCMU periodically to all the child accounts irrespective of their base branch where the child accounts are opened.

Bank will permit sweeping facility from the parent account as per the timely limits set by the PCMU and as communicated by the Project in writing to the

  
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- Nodal Branch. Upon processing the payments, system will reduce the limit of the account to the extent upto which payment is made
- viii) The transactions done by child account after the assigned period will be rejected by the Bank, if fresh limit and period is not allotted to child accounts. Bank will not be held responsible for such rejection / dishonored transactions occurred due to not assigning limits and period to child account.
- ix) After completion of the payment process, system will update the responses of transactions to PFMS system of the Bank. Canara Bank will send the response (success/failure status) back to the Govt. PFMS server through automated system.
- x) PCMU is hereby undertake to maintain sufficient balance in the parent account at all times which should not be less than the total limits set for all the child accounts put together. Bank reserves the right to reject such transactions where limit is exhausted in such child accounts.
- xi) A simple MIS along with a dedicated dash board for SMART will be provided for the Project by the Bank by taking into consideration the requirement submitted by the Project in a time period of six months. Providing reports in MIS will be an on-going process as per the requirement of the Project. Likewise training related to MIS developed by the Bank will be imparted to SMART Project.
- xii) Charges for Demand Draft, NEFT/RTGS, SMS alert, cheque book will be waived by the Bank.

#### 7) Duration of the MoU:

- i) The MoU shall be reviewed after two years from the date of signing and may be renewed by mutual consent of parties. This MoU shall be terminated by either of the parties, by giving three months' notice to the other party.
- ii) The provisions of the MoU shall be governed by and interpreted in accordance with the laws of India. Any controversy, dispute or claim arising out of or relating to this agreement or breach thereof shall be endeavored to be settled by mutual discussions, as far as possible, failing which, the same shall be settled by arbitration following appropriate procedure under the Arbitration and Conciliation Act.



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

**SIGNED, SEALED AND DELIIVERED**

For and on behalf of

**1) THE STATE OF MAHARASHTRA'S AGRIBUSINESS AND RURAL TRANSFORMATION PROJECT (SMART)**

Represented by the;

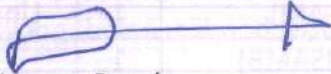
**Name:** Dasharath Tambhale

**Designation:** Additional Project Director



In the presence of:

**Witness 1:**



**Name:** Shri. Jeevan Bunde

**Designation:** Coordinator, SMART

**Witness 2:**



**Name:** Shri. Ajax Patil

**Designation:** Technical Officer

**2) THE CANARA BANK**

Represented by the -

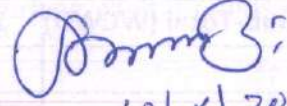
**Name:** J D Shobha



**Designation:** Deputy General Manager  
Circle Office Pune

In the presence of:

**Witness 1:**



**Name:** Shri. S N Mohanty

12/11/2024

**Designation:** Assistant General Manager

Circle Office Pune

**Witness 2:**

**Name:** Shri. Shantanu Bhargave

**Designation:** Sr Manager

Circle Office Pune



**Annexure-I**  
**List of Accounting Centers**

Department	No.	Constitution
<b>AGRICULTURE DEPARTMENT</b>		
Project Co-Ordination And Monitoring Unit (PCMU)	1	Society
Project Implementing Unit- Agriculture (PIU-Agri)	1	Line Department
Regional Joint Director of Agriculture (RIUs)	8	Line Department
District Implementing Units - (DIU-ATMA)	34	Society
Vasantao Naik Sate Agricultural Extension Management Training Institute (VANAMATI)	1	Society
<b>Sub-Total (AGRI)</b>	<b>45</b>	
<b>AGRI MARKETING DEPARTMENT</b>		
Project Implementing Unit- Agricultural Marketing (PIU-AM)	1	Line Department
Maharashtra State Agricultural Marketing Board (PIU-MSAMB)	1	Board
Maharashtra Co-Operative Development Corporation (PIU-MCDC)	1	Corporation
Maharashtra State Warehousing Corporation (PIU-MSWC)	1	Corporation
Maharashtra Cotton Federation (MAHACOT)	1	Federation
<b>Sub-Total (AM)</b>	<b>5</b>	
<b>ANIMAL HUSBANDRY DEPARTMENT (AHD)</b>		
Project Implementing Unit-Animal Husbandry PIU-AHD	1	Line Department
<b>Sub-Total (AHD)</b>	<b>1</b>	
<b>RURAL DEVELOPMENT DEPARTMENT</b>		
Maharashtra State Rural Livelihoods Mission (PIU-MSRLM)	1	Society
Village Social Transformation Foundation (PIU-VSTF)	1	Section-8 Company
<b>Sub-Total (RDD)</b>	<b>2</b>	
<b>WOMEN AND CHILD WELFARE DEPARTMENT (WCWD)</b>		
Mahila Arthik Vikas Mahamandal (PIU-MAVIM)	1	Section-8 Company
<b>Sub-Total (WCWD)</b>	<b>1</b>	
<b>URBAN DEVELOPMENT DEPARTMENT (UDD)</b>		
Pune Municipal Corporation (PIU-PMC)	1	Corporation
<b>Sub-Total (UDD)</b>	<b>1</b>	
<b>TOTAL</b>	<b>55</b>	



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## Annexure II

### Gist of Financing to Farmer's Producer Organization guidelines

**PREAMBLE:** The Bank has come out with a new credit product for meeting the needs of Farmer's Producer Organizations (FPOs) in tune with its resolve to orient its strategies and product innovations towards the growing expectations from the farmer clientele.

#### **II. PURPOSE:**

Finance under the scheme is extended for the following purposes:

- To meet the financial needs of the Farmers Producers Organization by way of Term Loan or Working Capital as per the requirement.
- To improve the income and reduce the poverty of the small and marginal farmers and making their livelihood sustainable through agribusiness ventures.

#### **a). Term loan:**

- Acquiring farm machinery, equipment's, refrigerated vehicles, transport vehicles and any other implements, machinery required for cultivation, production, post-harvest processing etc
- Construction of storage godown or any structure useful for the common use of the Farmers Society for productive purpose which will be of long term use.

#### **b). Working Capital:**

- To meet cultivation expense of member farmers based on the scale of finance for cultivable area.
- To procure the farm produce from the farmer members and storage wherever necessary
- To finance against the Warehouse receipts issued by FPOs after ensuring that there is no double finance and adhering to all existing scheme guidelines.
- To meet the storage/Warehousing expenses and transportation expenses.
- To meet the working capital needs of FPOs in the value addition process of farm produces.

#### **III. TARGET GROUP:**

Small and Marginal Farmers engaged in cultivation and other allied activities

#### **IV. ELIGIBILITY:**

1. Economically viable, democratic and self-governing Farmer Producers Organizations.
2. Members and stake holder of the FPOs are to be only Farmers and the company should be owned by them.
3. FPOs to be a registered company.

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Board of the company should be from Farmer members. In exceptional cases they may engage professional Directors/Nomine Directors for smooth functioning till the farmer members are acquainted and self-sufficient to run the company.

#### V. ASSESSMENT & QUANTUM OF FINANCE:

##### a). Term Loan:

As per prevailing guidelines based on the purpose, bank finance will be restricted to 20% - 30% of the project cost subject to compliance of other lending norms/guidelines of the Bank. The borrower's margin is stipulated at 10% - 20% and amount of grant / gap fund to be provided by SMART stipulated at 50% - 60% of project cost.

##### b). Working Capital:

1. As per Scale of Finance (SoF) for cultivable area, if working capital is extended for meeting cultivation expenses of member farmers.
2. 50% of value of farm produce stored if finance is extended for procurement of agricultural produce of member farmers or finance is made against NWR as per the extant guidelines of the Bank.
3. Two months projected operative expense of the FPO, if working capital is extended to meet storage/warehousing expenses/ transportation expense/other routine expenses.
4. As applicable to SME loans, if working capital is requested for value addition/processing.
5. Maximum loan quantum to the FPO (excluding TL for creation of immovable assets) should not exceed 10 times of its NOF/TNW for the working capital limit beyond Rs 3 Crores.

**VII. NATURE OF LIMIT:** The limit can be extended either a single transaction limit or as a revolving limit.

#### VIII. REPAYMENT:

- a) Term Loan: To be repaid within a period of maximum 5 to 7 years based on the income generation.
- b) Short Term Loan: Repayable within period of maximum 36 months.
- c) Loans sanctioned against NWR or for procurement of produce of member farmers shall be cleared with 12 months or on sale of the produce whichever is earlier.
- d) Working Capital: Running limit tenable for a period of 12 months.

#### X. SECURITY:

##### a). Prime Security:

- Assets created out of the finance made by Bank.
- In case of Working Capital limit wherever finance is for crop cultivation, hypothecation of Crop of all the farmer members of the FPO for which all the farmer members to authorize the Company to execute document on their behalf. The detailed / disaggregated data of those farmers should be available at FPO.



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- In case of post-harvest finance where the FPO will procure the produce of the farmer members and store at the godown or market yard till it fetches good price and FPO makes the payment as per the prevailing market price on the day of procurement, in such cases hypothecation of such produce to be taken as prime security. In no case the limit should be clean. The Working capital financed to the FPO for the benefit of the Farmer Members should be having DP every time either by standing crop value or by the value of farm produce collected by the FPO and stored /kept for marketing.

b). Collateral Security:

- No collateral security shall be obtained except in case of the following.
- If the FPO creates collaterals from their operations, the same shall be offered as collateral security to the loans availed.
- Where the working capital limit exceeds Rs 3 Crores, 10 times NOF will be applicable for eligible quantum or as per assessment, whichever is less. Wherever the FPO cannot satisfy 10 times NOF norm, collateral security by way of mortgage of land and building to be obtained for loans over and above 10 times of NOF.

c). Third Party Guarantee: Personal Guarantee of shareholder directors, if any shall be obtained.

If activities are carried out on leased land then registered lease deed should be available and the minimum lease period should be for loan tenor plus 3 years, lease deed should permit the LESSEE to mortgage the lease hold rights & lease hold rights are to be mortgaged.

FPC will be covered under any Credit Guarantee Fund scheme like SFAC if eligible.

**XII. DISBURSEMENT:** Term loan disbursement to be made as applicable to Agricultural advances.

**XIII. RATE OF INTEREST FOR TERM LOAN & WORKING CAPITAL:** The Rate of Interest shall be as per Banks extant guidelines. Applicable Penal Interest is to be charged in case of irregularity/ies is/are observed in conduct of the account.

**XIV. INSURANCE:** Assets created out of Bank finance are to be insured

**XV. OTHER CONDITIONS:**

- All other charges like folio charges, processing charges and cheque book issue charges shall be applicable as per extant guidelines for agricultural loans.
- All other conditions and guidelines applicable for agricultural loans are to be made applicable.

-----End of Annexure II-----



**Additional Project Director**  
State of Maharashtra Agribusiness &  
Rural Transformation, SMART Society

