

<b>Farmer Producer Companies / Organizations-Common Advisory Note for Bank Finance.</b>	
<b>1 Objectives</b>	<p>1. To meet the credit requirements of the Farmer Producer Companies / Organizations in the form of Term loans to create an assets and working capital loan to meet the recurring expenditure.</p> <p>2. Improve the income level of the farmers specially SF/MF through collectives of farmers.</p> <p>3. Enhance the bargaining powers of SF/MF in the market to receive good price for their commodities through aggregation.</p>
<b>2 Purpose</b>	<p>1. To meet the working capital and block capital (term loan requirements of the FPO.</p> <p>2. Loans for purchase of farm machinery, any other implements taking up of any type of Agril and allied activities</p> <p>3. Construction of storage godown or any other structure useful for common use of FPO Members.</p>
<b>3 Nature of limit</b>	<p>1. Term loans for investment purpose</p> <p>2. Short term loans for meeting the working capital requirements.</p> <p>3. Composite loan comprising of both working capital and term loan requirements.</p> <p>4. Demand loan to finance against warehouse receipts of FPOs</p> <p>5. Working capital to meet capital needs of FPOs in the value addition process of farm produce</p>
<b>4 Eligibility Criteria</b>	<p>1. Farmer Producer organizations /Company should registered under legal provisions &amp; in case of company should be duly incorporated as a farmers producer company registered with R.O.C.</p> <p>2. Members and stake holder of the FPOs/FPCs shall be farmers, milk producers, fishermen, weavers, rural artisans, Nursery etc.</p> <p>3. It is desirable to have a FPO with farmers having their lands in contiguous areas/ one or two contiguous Gram Panchayats /Revenue villages to address the issues relating to sustainability.</p> <p>4. It should have a full time CEO to conduct affairs of the FPO.</p> <p>5. The minimum number of farmer/members/producers in FPO is 50. ( It should be minimum 500 if loan is covered under SFAC)</p> <p>6. The FPOs should have the minimum capital of Rs 5.00 lacs</p> <p>7. They shall have six months of active operations from the date of registration as FPO</p> <p>8. They shall have one audited balance sheet for availing loan.</p> <p>9. FPOs shall have positive net worth.</p> <p>10. FPOs promoted by NGOs linked with reputed corporate house and duly handled by them till maturity of the company, shall be preferred.</p> <p>11. Minimum 33% of FPO should be of Small I ,Marginal, landless or tenant farmers</p>
<b>5 Assessment of limits</b>	<p><b>1. Short term finance for crop production purpose:</b> In case of the crop production purpose, working capital limits can be arrived duly considering the combined requirements of farmers, according to KCC guidelines based on scale of finance duly considering the farmer wise acreage &amp; crops details. Care to be taken to avoid double finance on same piece of land.</p>





	<p><b>2. Working capital finance for input stocking/purchase:</b> To place bulk orders in advance directly from manufacturer/bulk suppliers at lower price for the benefit of members , FPO shall assess the requirements and stocking of inputs for the farmers to buy. Working Capital limits shall be assessed based on seasonal combined requirements of the members but not on the sales turn over</p>
	<p><b>3. Working capital to finance for aggregation of produce from members.</b> FPOs can hold stock of the produce and negotiate for better prices or hold stocks in godowns for better prices at a later date. FPOs can also hold stocks for semi-processing/ processing of the produce for the market based on the buyers needs. A working capital limits can be assessed based on the average yield of the crop grown by the farmer and multiplied by Minimum Support Price (MSP) to arrive the combined limit of all the farmers at FPO level. But it should be ensured to close the existing short term crop production loans of their members after availing the aggregation of produce limit by FPOs.</p>
	<p><b>4. Finance against warehouse receipt / Negotiable warehouse receipts.</b> According to the individual Bank's extant guidelines</p>
	<p><b>5. Finance to Agri Value Chain:</b> The term 'agri-commodity value chain refers to the entire chain of activities pertaining to crop produce /product ,starting from selection of crop/activity to final production ,marketing ,right up to the final produce reaching to consumers. Loans can be given to FPOs for quality improvements along the value chains of the produce. Assessment as per the individual banks MSME guidelines.</p>
	<p><b>6. Term loans for Investment credit /Infrastructure:</b> According to individual Bank's extant guidelines.</p>
<b>6 Maximum Loan amount</b>	Maximum loan amount under financing to FPO/FPC is Rs 1.00 Crore.
<b>7. Coobligation/ Third party guarantee</b>	<p>1.In case of loans covered under Credit Guarantee Scheme of SFAC, No collateral and No personal guarantee of the share holder directors shall be obtained.</p> <p>2.In other cases, Personal guarantee of the shareholder directors, if any shall be taken as per existing guidelines of bank.</p>
<b>8.Credit rating</b>	Internal rating has to be obtained as per the existing loan policy of the Individual Bank
<b>9 Margin</b>	<p><b>Term loan :</b>15 % of the project cost is to be obtained as margin</p> <p><b>Cash credit:</b> 15 % of margin has to be ensured.</p> <p><b>Negotiable warehouse receipt / Ware house Receipts:</b> 35% of the value of the produce.</p>
<b>10.Rate of Interest</b>	At the discretion of individual Bank.
<b>11. Security</b>	<p><b>Primary Security:</b> Hypothecation of assets /Assets created out of bank finance / Stock in trade / pledge of warehouse receipts / credit guarantee from SFAC. In case of FPO is registered as company, charge on the assets has to be created with Registrar of companies as per the prescribed format.</p> <p><b>Collateral Security:</b> No collateral security shall be obtained incase the loans are covered under credit guarantee scheme implemented by SFAC. In all Other cases, banks to follow their the extant guidelines on Activity specific collateral security norms .</p>





<b>12.Disbursements</b>	<p>In case of the term loans, loans shall be disbursed as per the quotation to the vendors/ estimation for stage wise release.</p> <p>Similarly, Cash credit limits are utilized as per the needs of the company to procure the stock /inputs / purpose of sanction and ensure end use of funds duly obtaining the stock statement.</p> <p>In case of working capital limits for crop production, KCC limits may be disbursed as per KCC norms.</p>
<b>13. Insurance</b>	Shall insure the assets created out of bank funds / stock for full value.
<b>14.Repayment</b>	<p><b>Cash Credit / NWR:</b> One year from the date of sanction.</p> <p><b>Term Loans:</b> Banks may fix the activity based repayment duly considering cash flows generated out of activity.</p>
<b>15.Other terms and conditions</b>	<ol style="list-style-type: none"> <li>1. To obtain the appropriate resolution from FPOs for availing the loans from bank and should have borrowing powers / borrowing clause in the legal provision.</li> <li>2. FPOs should not be defaulter in filing the statutory returns.</li> <li>3. To ensure that project is technically feasible and economically viable.</li> <li>4. An undertaking shall be taken from FPO/FPC that the borrower shall not create any charge on the securities held with the bank ie Primary and Collateral securities.</li> <li>5. FPO/FPC shall maintain the sole banking arrangements with our bank.</li> <li>6. They shall file the all the statutory returns as per the Act and submit to the bank a copy of the same for records.</li> </ol>
<b>16.Documentation :</b>	According to the Individual Bank policy guidelines depending upon nature of loan.
<b>17.Service Charges</b>	33% and above members in FPO are in SF/MF category, all the service charges are to be exempted except processing charges/upfront fee.
<b>18.Check List</b>	<ol style="list-style-type: none"> <li>1. Agricultural application form.</li> <li>2. Bank prescribed Process note.</li> <li>3. Request of the FPO for sanctioning the limit on firm's / FPO letter head</li> <li>4. Bio Data of all directors/guarantors.</li> <li>5. Copies of ITAO of the FPO company for the last three years.(In applicable cases)</li> <li>6. Certificate of Registration</li> <li>7. Copies of Article of Association and Memorandum of Association.</li> <li>8. Copy of the PAN card of FPO and Directors and Guarantors</li> <li>9. Copy of the KYC documents of CEO /Directors / Directors of the company.</li> <li>10. Rent / Lease agreement in case of leased units.</li> <li>11. Project report for the loans</li> <li>12. Copies of licenses / permission granted.</li> <li>13. Audited financial statements for the existing accounts and projections for new FPOs</li> <li>14. Board resolution for availing the loan / borrowing powers / borrowing authority.</li> <li>15. List of directors</li> <li>16. Copies of CIBIL – Commercial, CRILIC statements, MCA site for company details and delisted companies.</li> </ol>



