Equity Grant Fund (EGF)

Objectives

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

- Enhancing viability and sustainability of FPCs.
- Increasing credit worthiness of FPCs.
- Enhancing the shareholding of members to increase their ownership and participation in their FPC.

Eligibility Criteria for FPCs

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

- It is a duly registered FPC
- It has raised equity from its Members as laid down in its Articles of Association/Bye laws.
- The number of its Individual Shareholders is not lower than 50.
- Its paid up equity does not exceed Rs.30 Lakh.
- Minimum 33% of its shareholders are small, marginal and landless tenant farmers as defined by the Agriculture Census carried out periodically by the Ministry of Agriculture, GoI.
- Maximum shareholding by any one member other than an institutional member is not more than 5% of total equity of the FPC.
- Maximum shareholding of an institutional member is not more than 10% of total equity of the FPC.
- It has a duly elected Board of Directors (BoD) with a minimum of five members, with adequate representation from member farmers and minimum one woman member.
• It has a duly constituted Management Committee responsible for the business of the FPC.
• It has a business plan and budget for next 18 months that is based on a sustainable, revenue model as may be determined by the Implementing Agency.
• The FPC has an Account with a “Bank”.
• It has a Statement of Accounts audited by a Chartered Accountant (CA) for at least one full financial year.

**Equity Grant Fund (EGF)**

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

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

- The FPC shall, within 45 days of the receipt of the Equity Grant, issue additional shares to its shareholder members, equivalent in value to the amount of the Grant received by it, provided that the maximum grant per category of shareholder is as follows:
  - Individual Shareholder - Rs 1000.00
  - Group of Individual Shareholders (e.g. SHG, Farmer Interest Group, Joint Liability Groups of Farmers) – Number of Members multiplied by Rs. 1,000.00, subject to a maximum of Rs. 20,000.00
  - Institutional Shareholders (Farmer Producer Companies) – Rs. 1,00,000.00
- The criteria for calculation of Equity Grant rounded off to the Share Unit Value to each shareholder member of the FPC is as follows:
  - Allocation of shares shall be on matching/ pro-rata basis of the shareholders current shareholding, subject to the maximum specified above and ensuring that each shareholder member receives minimum one equity share.
  - If the Grant sanctioned to the FPC is not sufficient to ensure a minimum one share to all its shareholder members, allocation of grant shall be based on the
shareholders’ current landholding, starting with shareholder with the least landholding / the smallest producer in case of allied activities/ or by transparent draw of lots where such identification is not possible.

- The FPC shall be allowed to draw the Equity Grant in a maximum of two tranches (within a period of 2 years of the first application) subject to the cap of Rs 10.00 lakh per FPC, provided and to the extent that it is able to raise additional Member Equity to qualify for an additional matching grant within the overall ceiling of Rs. 10.00 lakh. The request for the second tranche shall be treated as a fresh application and the full process of due diligence shall be repeated.

- In the event that a shareholder, who receives additional shares issued by the FPC against Equity Grant sanctioned by the Implementing Agency, exits the FPC at any point after receiving the shares, the additional shares received by him/her in lieu of the Equity Grant and standing in his/her name must be transferred to another shareholder or new shareholder within 90 days of his/her exiting the FPC, through an open and transparent draw of lots. In such cases, the original shareholder cannot receive the value of the additional shares transferred to other/ new members.

- SFAC shall have the right to recall the Equity Grant amount from the FPC, which shall be legally liable to comply with the same in the case of:
  - Failure to issue additional shares to members against the Equity Grant received by the FPC within 45 days of its receipt
  - Closure/Dissolution of FPC within three years of the receipt of the Equity Grant.
  - Instances of misuse / misappropriation of the Equity Grant (viz. use of funds for activity other than mentioned in Memorandum of Association/Articles of Association/ Business plan of the FPC) of the Equity Grant
Credit Guarantee Fund (CGF)

Objectives of the Credit Guarantee Fund

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

Eligibility Criteria for FPC

An ELI can avail Credit Guarantee for the following FPC:

- It is a duly registered FPC.
- It has raised equity from its Members as laid down in its Articles of Association/ Bye laws.
- The number of its individual shareholders shall not be lower than 500
- Minimum 33% of its shareholders are small, marginal and landless tenant farmers
- Maximum shareholding by any one member other than an Institutional member is not more than 5% of total equity of the FPC.
- It has a duly elected/nominated Board with a minimum of five Members and having adequate representation from farmers and minimum one woman member.
- It has a duly elected Management Committee.
- It has a business plan and budget for 18 months.
- The Bank ELI has extended / sanctioned within six months of the date of application for the Guarantee or /in principle agreed in writing / has expressed willingness in writing to sanction Term Loan/ Working Capital/ Composite Credit Facility without any collateral security or third party guarantee including personal guarantee of Board Members.

Non-Eligibility

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

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

Credit Guarantee Cover

• ELI shall be eligible to seek Guarantee Cover for a credit facility sanctioned in respect of a single FPC borrower for a maximum 2 times over a period of 5 years.

• Maximum Guarantee Cover shall be restricted to the extent of 85% of the eligible sanctioned credit facility, or to Rs. 85 Lakh, whichever is lower.

• In case of default, claims shall be settled up to 85% of the amount in default subject to maximum cover as specified above.

• Other charges such as penal interest, commitment charge, service charge, or any other levies/ expenses, or any costs whatsoever debited to the account of FPC by the ELI other than the contracted interest shall not qualify for Guarantee Cover.

• The Cover shall only be granted after the ELI enters into an agreement with SFAC, and shall be granted or delivered in accordance with the Terms and Conditions decided upon by SFAC from time to time.