Credit Guarantee Scheme for
<u>Farmer Producer Organizations (FPOs) Financing</u>
(Under the Central Sector Scheme for
Formation and Promotion of 10,000 FPOs)

CHAPTER I
INTRODUCTION

In order to ensure access of FPOs to credit from mainstream Banks and Financial Institutions, there is a need to create a dedicated Credit Guarantee Fund (CGF). This CGF will provide adequate credit guarantee cover to accelerate flow of institutional credit to FPOs by minimizing the risk of financial institutions for granting loans and also enable to FPOs to undertake profitable agri-business activities leading to their increased viability.

1. Objective

The primary objective of CGF is to provide a Credit Guarantee Cover for loans to FPOs by Eligible Lending Institutions (ELIs) thereby minimizing their lending risks in respect of Credit Facilities so as to encourage them to provide collateral free credit to FPOs.

2. Corpus of CGF

A dedicated Fund of Rs. 1,000.00 crore will be maintained and managed by NABARD through its subsidiary NABSanrakshan Trustee Private Limited, a Trustee Company.

3. Definitions

i. **“Scheme"** means the ‘Credit Guarantee Scheme for FPO financing’

ii. **“Credit Guarantee Fund”/” Fund”** means the “Credit Guarantee Fund for FPOs” created for the purpose of extending guarantees to the eligible lending institution(s) against their collateral free lending to eligible FPOs under Credit Guarantee Scheme for FPO financing;

iii. **“Credit Guarantee Fund Trust for FPOs” / “Trust”** means the

Trust which will house the Credit Guarantee Fund for FPOs.

iv. **"NABSanrakshan"/ "Trustee"** means NABSanrakshan Trustee Private Limited, a Company set up on November 13, 2020 by NABARD under the Companies Act 2013 to act as the Trustee and operate the various credit guarantee funds set up / being set up/ to be set up by Government of India, other national bodies etc. from time to time. Accordingly, all matters pertaining to the operations of Credit Guarantee Scheme for FPO financing would be undertaken by NABSanrakshan on behalf of the said Trust.

v. **"Credit Facility"** means any fund-based credit facility extended by an Eligible Lending Institution (ELI) to an Eligible Borrower without any Collateral Security or Third-Party Guarantee;

vi. **"Eligible Borrower"** means a new or existing FPOs, Federation of FPO, meeting eligibility criteria laid down under the Scheme, seeking credit facility from ELIs under the Scheme, without any collateral security and/or third-party guarantee;

vii. **"Farmer Producer Organization (FPO)"** means and includes farmer- producers' organization incorporated/ registered either under Part IXA of Companies Act or under Co-operative Societies Act (including Mutually Aided or Self-reliant Cooperative Societies Act by whatever name it is called) of the concerned State and formed for the purpose of leveraging collectives through economies of scale in production and marketing of agricultural and allied sector.

viii. "**Eligible Lending Institution (ELI)**" means a Scheduled Commercial Bank, RRB and SFB for the time being included in the second Schedule to the Reserve Bank of India Act, 1934, Co-operative Banks, National Cooperative Development Corporation (NCDC), subsidiaries of NABARD, other BBB and above rated NBFCs, North Eastern Development Finance Corporation Ltd (NEDFI), or any other institution (s) as may be decided by the Trust or as directed by the Government of India from time to time. The eligibility criteria based on track record in FPO financing and/or net worth and/or credit rating for different categories of ELI, if required, shall be fixed by the Trust from time to time;

ix. **"Guarantee Cover"** means maximum cover available per eligible FPO borrower;

x. **“Guarantee Fee/ Annual Guarantee Fee”** means the annual guarantee fee payable by the ELI at a specified rate under the Credit Guarantee Scheme.

xi. **“Tenure of Guarantee Cover”** means the agreed tenure of the Term loan/ composite credit i.e. the maximum period of Guarantee Cover from the Guarantee start date which shall run through the agreed tenure of the term credit. Where working capital facilities or Term loan alone are extended and/or continuing working capital arrangements granted along with the Term Loan, for a period of 5 years or block 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.

xii. **“Amount in Default”** means the principal and interest amount outstanding in the account(s) of the FPO borrower in respect of the credit facilities (term loan and/or working capital/composite credit facilities), as on the date of the account becoming Non-Performing Asset (NPA) or the date of lodging claim application, whichever is lower. It shall not include penal interest, other charges and any other costs debited to the FPO A/c by the ELI.

xiii. “**Primary security”** in respect of a credit facility means the assets created out of the credit facility so extended by the ELI to the eligible FPO borrower.

xiv. **“Collateral security”** means the security provided in addition to the primary security, in connection with the credit facility extended by an Eligible Lending Institution to a borrower;

xv. **“Non-Performing Asset”** means an asset classified as non-performing based on the instructions and guidelines issued by the Reserve Bank of India from time to time.

xvi. **“Year”** means Financial Year, beginning April 1 and ending March 31.

xvii. **“Quarter / Quarterly basis”** shall mean April 01 to June 30, July 01 to September 30, October 01 to December 31 and January 01 to March 31, whichever is relevant.

xviii. **“Lock-in-period”** means the period during which no invocation of guarantee can be made. A lock-in-period of 12 months has been stipulated from the date of commencement of guarantee cover or end of period of moratorium of interest or, end of period of moratorium of principal, whichever is later.

xix. **Guarantee Cover Start Date:** means the date on which the first time annual guarantee fee is received by the Trust from the eligible lending institution.

CHAPTER II
MANAGEMENT

4. Governance

(i) The CGF shall be housed in a Trust namely "Credit Guarantee Fund Trust for FPOs". Govt of India would be the settlor of this Trust and the Trust shall be managed by NABSanrakshan Trustee Private Limited. NABSanrakshan Trustee Private Limited will be appointed as Trustee by the Settlor of the trust.

(ii) There shall be an Investment and Claims Settlement Committee (I&CSC) appointed by the Settlor of the Trust. The I&CSC will have following members:

a) DMD, NABARD as Chairperson
b) Representative of MoA&FW,GoI
c) State representative in rotation
d) CGM, FSDD,NABARD or his representative
e) Banking representative
f) Representative of SFAC (*to be co-opted*)
g) Subject Matter Specialist
h) CEO, NABSanrakshan – Member Convener

(iii) A member appointed as above in his/her ex-officio capacity shall remain as a member only as long as he/she holds that office and upon his/her vacating that office, his/her successor shall become a member without any further act or deed. The Settlor may, if required, change the constitution of the I&CSC. All members of the Committee shall be residents of India. The office of the member shall be vacated if he/she shall permanently leave India or if for reasons of illness of infirmity or mental incapacity, he/she, in the opinion of the Government, becomes incompetent or incapable to act, as Member. A co-opted member may retire at any time after giving seven days' notice in writing to the Government and unless he/she is the Chairperson of the Investment & Claim Settlement Committee, a copy of the notice shall also be sent to Chairperson.

iv. **Role/Functions of Investment and Claims Settlement Committee**

a. I&CSC shall deliberate upon policy issues, strategy planning and arrive at suitable decisions. The committee shall also carry out supervisory and overall administrative roles.
b. I&CSC shall delegate credit guarantee operations to NABSanrakshan Trustee Private Limited through a rule based engine/system or otherwise, with respect to lending institution registration, issuance of credit guarantee, claim settlement of credit guarantee and other investment and administrative related day-to-day operations.
c. Trustee company will report all its operations to I&CSC on a periodic basis.
d. I&CSC will be reporting progress of credit guarantee to National level Project Management Advisory and Fund Sanctioning Committee (N-PMAFSC) in appropriate formats and interval as scheme announced by GoI.
e. National level Project Management Advisory and Fund Sanctioning Committee (N-PMAFSC) will delegate powers to I&CSC to further delegate day-to-day operations to Trustee company.

CHAPTER III

ELIGIBILITY, NON- ELIGIBILITY, SCOPE AND EXTENT OF THE SCHEME

5. Eligibility criteria for FPO

i. FPO shall be a legal entity incorporated/ registered either under Part IXA of Companies Act or under Co-operative Societies Act of the concerned States (including Mutually Aided or Self-reliant Cooperative Societies Act by whatever name it is called).
ii. 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 1000 metre or above mean sea level (including such other areas of UTs), size of 100 shall be eligible.
iii. 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.

iv. FPO must be eligible for lending as per the Lendability 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.

v. 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).

6. Eligible Credit Facilities under the Scheme

i. Fund based Credit facilities already sanctioned / extended by the ELI to a single eligible FPO borrower by way of term loan and/or working capital/composite credit facilities without any collateral security and/or third-party guarantees.

ii. The ELI can extend credit without limit; however, the Guarantee Cover shall be limited to the maximum guarantee cover specified under the Scheme.

7. Non-Eligibility of Credit Facilities under Credit Guarantee Fund

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

i. Any credit facility which has been sanctioned by the ELI against collateral security and/ or third-party guarantee.

ii. 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.

iii. 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.

iv. Any credit facility granted to a borrower for which any lending institution has earlier invoked the credit guarantee.

v. 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.

vi. 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.

vii. Any credit facility which is overdue for repayment.

viii. Any credit facility which has been rescheduled or restructured on becoming overdue for repayment.

8. Credit Guarantee Cover and its period

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.

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.

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.

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.

v. The Cover shall only be granted after the ELI enters into an Agreement with the Trust/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.

9. Procedure to avail Guarantee Cover

The ELI shall be required to apply for Guarantee Cover to the Trust 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 30th to qualify for consideration under the Scheme.

CHAPTER IV

GUARANTEE FEE STRUCTURE

10. 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).

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 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 which 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 of 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 lodgement 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 lodgement of claim. In no circumstances there would a refund of such Annual Guarantee Fee paid.

vii. The decision of passing on 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, from time to 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 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 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.

xii. The guarantee fee once paid by the lending institution is non-refundable, except under certain circumstances like:

a) Excess remittance

b) Remittance made more than once against the same credit facility, and

c) Annual Guarantee Fee not due.

d) Guarantee fee paid in advance but application not approved for Guarantee cover under the Scheme, etc.

11. Responsibilities of Lending Institutions under the Scheme

ELI shall:

i. appraise each loan proposal for selecting commercially viable projects and submit the Guarantee Application in form and manner desired by the Trust.

ii. 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.

iii. monitor the Borrower -account and maintain records of periodical monitoring and actions initiated on observations, if any.
iv. safeguard the primary securities taken from the borrower in respect of the credit facility in good and enforceable condition.
v. 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.
vi. 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.
vii. 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 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.
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.
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.
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.
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 or NABSanrakshan or any other designated portal.

12. Monitoring by NABSanrakshan

i. The ELI shall undertake regular desk and /or field monitoring of the borrowing FPOs.
ii. NABSanrakshan shall be authorized to call for any reports/information of

such monitoring, if it deems fit.

CHAPTER V
CLAIMS

13. Invocation of Guarantee

The ELI may invoke the guarantee in respect of credit facility within a maximum period of 24 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 24 months of the end of lock-in-period. The Guarantee could be invoked after the following conditions are satisfied:

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.

ii. The account should not have been classified as fraud/wilful defaulter by the ELI.

iii. The Guarantee in respect of the concerned credit facility is in force at the time of account turning NPA

iv. Lock in period of 12 months have lapsed

v. The claim is forwarded to the Trust through ELIs' Controlling Office.

vi. The ELI shall exercise all necessary precaution and take recourse to all measures to recover the entire amount of credit facility from the borrower as per its Board approved policy before submitting the claim.

vii. Credit facility has been recalled and the recovery proceedings have been initiated under due process of law against the borrower (DRT, Civil Court, Lok Adalat, RRA, SARFAESI etc.)

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.

14. Claim Settlement

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.

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 on submission of eligible claim by the ELI, subject to the claim being otherwise found in order and complete in all respects. The balance 25 per cent 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.

iii. The Trust shall pay claims found in order and complete in all respects, within 90 days from the date of lodgement of claim.

iv. In cases of quick mortality, the Trust reserves the right to undertake audit/inspection before releasing any claim pay-out. Accordingly, the abovementioned deadline for release of claim shall not be applicable for such cases.

v. The ELI shall continue to make efforts to realize the balance amount due from the defaulting FPO even after settlement of the Guarantee.

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.

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.

15. Refund of Claim

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

i. serious deficiencies having existed in the matter of appraisal/follow up/conduct of credit facility or
ii. where the account is declared fraud/wilful defaulter or
iii. 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
iv. 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.

Erroneous/duplicate payment of claim by the Trust shall not be construed as recall.

16. Subrogation of Rights and Recoveries on Account of Claims Paid

i. 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.
ii. 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.
iii. The responsibility of the recovery of dues, including takeover of assets, sale of assets, etc., shall rest with the ELI.
iv. 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.

CHAPTER VI

MISCELLANEOUS

17. 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.

18. Residual Recovery /Appropriation of amount realized by the lending institution in respect of a credit facility after the guarantee has been invoked

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.

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:

a) 85:15 (for credit facility upto Rs. 1 crore) or
b) 75:25 (for credit facility above Rs. 1 crore and upto Rs. 2 crore) or
c) sharing of the Amount in Default (for credit facility above Rs. 2 crore) .

19. 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.

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.

20. Returns and Inspections

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.

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 his possession.

21. General

i. The Terms & Conditions of the Scheme shall be binding on the lending institutions.

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.

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.

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.

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.

22. Modifications and Exemptions

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.

ii. Notwithstanding anything contained herein, 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.

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.

23. 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.

24. 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.

25. 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 venue of the Arbitration shall be at Mumbai.

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