

असम ASSAM

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**AGREEMENT**

**between Small Farmers' Agribusiness Consortium (SFAC), New Delhi  
(Department of Agriculture & Cooperation Ministry of Agriculture)  
and Assam Gramin Vikash Bank**

This Agreement is executed on this 6<sup>th</sup> (day) of January (month) 2017 (year).

**Between ASSAM GRAMIN VIKASH BANK**, (hereinafter called "Bank"), having its registered office at G.S. Road, Bhangagarh, Guwahati, Assam (which includes its assignees) as first party,

and **Small Farmers' Agribusiness Consortium (SFAC)**, a society registered under Societies Registration Act 1860, having its registered office at NCU Auditorium Building, 5th Floor, 3, Siri Institutional Area, August Kranti Marg, Hauz Khas, New Delhi 110016), hereinafter called "SFAC" as second party.

Whereas SFAC is a Developmental Institution with its core aims and objectives focused on supporting small & marginal farmers' organizations; SFAC deals with agriculture in its wider connotation, including agri-allied activities;

And Whereas "Bank" in furtherance of its desire to play an active role in promoting quality investments in the agri business sector is agreeable to provide/has provided collateral free lending to Farmer Producer Companies (FPCs) and is desirous of seeking Guarantee Cover from SFAC under ECGGS.

In consideration of the Credit Guarantee Fund of Small Farmers Agri Business Consortium (hereinafter referred to as "SFAC" which expression shall, unless repugnant to the context, also include its successors and assigns), agreeing to guarantee under the Equity (a copy whereof is hereto annexed and which is

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hereinafter referred to as "the Scheme"), certain credit facilities granted by "Bank" to FPCs, which is an eligible borrower as per the Scheme.

**"Bank" viz ASSAM GRAMIN VIKASH BANK, does hereby enter into Agreement with SFAC as follows:**

1. That the provisions of this Undertaking shall be in addition to, and not in derogation of, the provisions of the Scheme and the guidelines and instructions issued by SFAC from time to time.
2. That the provisions of the Scheme and such modifications as may be made thereto from time to time shall be deemed to be incorporated in this Undertaking and shall be binding on "Bank", in so far they relate to the credit facilities granted by "Bank" to FPCs.
3. That the provisions of the Scheme and this Agreement shall be applicable to the Credit Facility/ies for which Guarantee Cover has been sanctioned by SFAC to "Bank" under the Scheme.
4. That "Bank" shall claim the benefit of the Guarantee under the Scheme only in respect of the Credit Facility/ies specified herein, and to the extent provided, and that "Bank" shall for this purpose obtain and preserve affidavits or other documents from the FPCs or otherwise satisfy itself by reference to the Borrowers' books of account or other records that the Borrower in respect of whom the benefit of the Guarantee has been or is to be provided by SFAC is eligible for the Guarantee under the Scheme.
5. That "Bank" agrees that if the Borrower ceases to be so eligible, it shall, in accordance with and subject to the provisions of the Scheme, be excluded from the benefit of any guarantee and that for this purpose, "Bank" shall obtain from the Borrower at such intervals as may be required by SFAC, such information /declarations as may be deemed necessary.
6. That the books of accounts, ledgers and other documents relating to guaranteed Credit Facilities, covered by the Scheme shall, as far as may be practicable, be segregated and maintained in a proper manner so as to facilitate such scrutiny or inspection as may be undertaken by Small Farmers' Agri-business Consortium (SFAC) or by any other person/agency nominated by SFAC in this behalf.
7. That "Bank" shall make available to the Officers of SFAC or of any agency which may be specified by SFAC in this behalf, as the case may be, all its books and records and provide such other facilities as may be required for such scrutiny and inspection.
8. That "Bank" shall furnish to SFAC a statement in a form and manner required by the SFAC, showing the outstanding balances with breakup of principal and interest / other expenses details in respect of the guaranteed credit facility covered under the Scheme, as and when required by SFAC.
9. That "Bank" shall furnish to SFAC thereafter such statements or information as the SFAC may require about the Credit Facility/ies in such form and manner, and at such intervals, as may be required by SFAC.
10. That in order to enable SFAC to ascertain whether a Claim made on it is on account of Credit Facility which has been so covered, "Bank" shall preserve in good order the detailed statement or statements required thereof as also the relevant documents relating to the Credit Facility.
11. That "Bank" shall, in respect of the Credit Facility, exercise due diligence in recovering the dues, and safeguarding the interest of SFAC.

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12. That for invoking the guarantee, "Bank" undertakes to submit to SFAC an Application in such form as may be specified by SFAC and furnish such other information as may be required of us by SFAC
13. That "Bank" shall secure for the SFAC or its appointed agency the right to inspect the business and factory premises and books of account of the Borrower if and when considered necessary by SFAC.
14. That "Bank" shall secure for SFAC or its appointed agency the right to list the Defaulted Borrowers name and particulars on the website of SFAC.
15. That notwithstanding anything to the contrary contained in the Scheme, if any loss occurs in respect of the Credit Facility due to actions / decisions taken contrary to or in contravention of the guidelines issued by SFAC, or if any misrepresentation or concealment of facts is found leading to undue favour to the concerned FPC, "Bank" shall not make and shall not also be entitled to any claim on SFAC in respect of the said Credit Facility.
16. That all applications, documents, receipts, statements and other papers shall be signed on behalf of "Bank" by the Chief Executive Officer or by other persons in its employment authorised by "Bank" to sign all such applications, documents, receipts, statements and other papers and that any irregularity in the signature, or want of authority of the persons so signing shall not in any way affect or prejudice the rights of SFAC or affect "Bank" liability in respect thereof.
17. That all data, including applications, periodical returns, funds transfer, updated or transferred to the Trust in the electronic form, shall be deemed to be signed on behalf of "Bank" by the Chief Executive Officer or by other persons in our employment who shall be deemed to be authorised by "Bank" to sign all such applications, documents, receipts, statements and other papers and that any irregularity in the use of member-id, or want of authority of the persons so signing shall not in any way affect or prejudice the rights of SFAC or affect Bank's liability in respect thereof.
18. That "Bank" shall introduce and follow such Accounting arrangements as may be necessary or as may be required by SFAC or take such other steps as may be necessary or expedient for protecting its interests in respect of the outstanding balances on account of Credit Facilities in regard to which SFAC's guarantee is invoked by it.

**19. Guarantee Fee**

- i. "Bank" shall pay the Fee payable to SFAC for Guarantee Cover under the Scheme as a onetime Guarantee Fee calculated @ 0.85% of the sanctioned Credit Facility, subject to a maximum of Rs. 85,000/- (Rs. Eighty Five Thousand only.)
- ii. The Fee shall be paid upfront to SFAC by "Bank". The payment shall be made within 30 days from date of approval of the Guarantee or such date as specified by SFAC, failing which the Guarantee is liable to become void unless and until its continuance is specifically approved by SFAC.
- iii. As on the date of payment of Guarantee Fee, "Bank" shall certify that :
  - a) Any dues of the FPC Borrower to the lending institution have not become overdue and/or is not an overdue/NPA credit facility taken over 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.



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- c) The credit facility has not been utilized, wholly or partly, for adjustment of any debts deemed bad or doubtful of recovery.

## 20. Annual Service Fee

- i. In addition to onetime Guarantee Fee, an Annual Service Fee of 0.25% per annum or such other rate or limit as may be decided from time to time per loan account shall be paid by "Bank" to keep the Guarantee of SFAC live.
- ii. The decision of passing on the incidence of Guarantee Fee and Annual Service Fee to the Borrower is left to the discretion of "Bank".
- iii. The Annual Service Fee should be paid by the 31<sup>st</sup> of May each year. The fee for the last year of the tenure of the Guarantee Cover shall be paid on pro rata basis for the period till the date of expiry of guarantee.
- iv. In the event of non-payment of Annual Service Fee by the due date, the Guarantee under the Scheme shall not be available to "Bank" unless SFAC agrees for continuance of Guarantee and "Bank" pays penal interest on the Annual Service Fee due at a rate of 1% above the rate charged by the "Bank" on the Credit Facility, or at such rate as is specified by SFAC 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.
- v. Provided further that in the event of non-payment of Annual Service Fee within the stipulated time or such extended time as may be requested by "Bank" and allowed on such terms that may be agreed to by SFAC, liability of SFAC to guarantee such credit facility shall lapse in respect of credit facility against which the Annual Service Fee is due and not paid,
- vi. Provided further that, SFAC may consider renewal of Guarantee Cover for such credit facility, the Cover for which has ceased, upon such terms and conditions as SFAC may decide.
- vii. In the event of any error or discrepancy being found in the computation of the amounts or in the calculation of the Guarantee Fee / Annual Service Fee, or any shortfall in payment by "Bank", if subsequently identified, such deficiency/shortfall shall be paid by "Bank" to SFAC.
- viii. Any amount found to have been paid in excess by the "Bank" to SFAC shall be refunded by SFAC. In the event of any representation made by the lending institution in this regard, SFAC 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.
- ix. The Guarantee Fee and / or Annual Service Fee once paid by the lending institution to SFAC are non-refundable.

## 21. Responsibilities of "Bank"

"Bank" shall:

- i. Certify that the Credit Facility has been sanctioned without any Collateral.
- ii. Enclose Appraisal Note with the Application for Guarantee Cover.
- iii. Carry out processing, legal work and documentation for sanction of the loan in accordance with the requirements of the "Bank" and the terms & conditions of SFAC.
- iv. Furnish such Statements and Information, documents, receipts, certificates as SFAC may require in connection with credit facility.

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- v. Certify that /be deemed to have affirmed that the contents of such documents, receipts, certificates and other written Documents 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.
- vi. Monitor the borrower account and maintain records of periodical monitoring and actions initiated on observations, if any.
- vii. Safeguard the Primary Securities taken over by it, if any, from the Borrower.
- viii. "Bank" shall be bound to comply with such directions as SFAC may deem fit to issue from time to time, for facilitating recoveries of the guaranteed account, or safeguarding its interest as a guarantor.
- ix. "Bank" shall, in particular, refrain from any act either before or subsequent to invocation of guarantee, which may adversely affect the interest of SFAC as the guarantor.
- x. "Bank" shall intimate in advance to SFAC its intention to enter into any compromise or arrangement, which may have effect of discharge or waiver of primary security.
- xi. "Bank" shall also ensure through an Agreement with the Borrower that the borrower shall not create any charge on the assets held as primary security for the credit facilities covered by the Guarantee with itself, or in favour of any other creditor(s) without seeking prior permission of SFAC.


## 22. Invocation of Guarantee

"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:

- i. The Claim must be forwarded to the SFAC/Fund through the Zonal Office / authorized office/ person of "Bank" as communicated to SFAC
- ii. Guarantee in respect of the Credit Facility is in force **at the time of account turning NPA.**
- iii. Dues have been classified by "Bank" as Non-Performing Assets
- iv. 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 favour to the concerned FPC.
- v. The Guarantee shall be effective
  - 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" 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.
  - 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
  - c) In all other cases
    - o Only when proceedings for recovery have been initiated by "Bank".
    - o The responsibility of recovery of the dues shall rest with "Bank".



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### 23. Claim Settlement

- i. Only such Claim as is preferred by "Bank" on the Defaulted account, which has become NPA, within a maximum period of one year from date of NPA or as specified by SFAC from time to time, shall be considered.
- ii. Fund shall honour 75 per cent of the Guaranteed Amount in Default subject to maximum of 75 per cent of the guaranteed cap amount, on preferring of claim by "Bank" where appropriate action for recovery has been initiated.
- iii. Balance 25 per cent of the defaults or guaranteed cap amount, as the case may be, shall be paid on conclusion of recovery proceedings by the "Bank".
- iv. Subject to the Claim being otherwise found in order and complete in all respects, SFAC shall pay the "Bank" eligible claim within 90 days.
- v. The outstanding dues of the FPC to "Bank" shall be reduced to the extent of the Amount of Claim settled by SFAC.
- vi. "Bank" shall continue to make efforts to realise the balance amount due even after settlement of Guarantee
- vii. SFAC reserves right to claim from "Bank" any amount that is realised by "Bank" from the FPC even after settlement of guarantee amount:
- viii. Any amount realized by the "Bank" from FPC shall be shared in the ratio of 85%:15% between SFAC & "Bank". Such payment may be made as and when any such amount is realised subject to the relaxation that any payments 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.
- ix. 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.
- x. "Bank" shall be liable to refund the Claim released by SFAC together with the penal interest at a Rate of Interest, which is 1% above the Rate of interest at which the Credit Facility has been sanctioned by "Bank" to FPC for the period for which the Claim has been released, if the Guarantee Amount is recalled by SFAC for any reason whatsoever.
- xi. 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 recall the entire payment released to "Bank" against the Credit Facility.

### 24. 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 SFAC from time to time shall be furnished by "Bank".
- ii. On its own behalf and on behalf of SFAC, "Bank" shall hold lien on assets created out of the Credit Facility extended by the Bank to the Borrower.
- iii. The responsibility for the recovery of dues including takeover of assets, sale of assets, etc., shall rest with "Bank";
- iv. Payments made by Borrower towards any one or more of several distinct and separate debts owed by it to "Bank", shall be deemed to have been appropriated by "Bank" to the debt covered by the Guarantee and in respect of which a Claim has been preferred and paid, irrespective of the manner

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of appropriation indicated by such Borrower or the manner in which such payments are actually appropriated.

## 25. Residual Recovery

SFAC shall have the first claim to Appropriation of the Amount realized by "Bank" before making the final settlement of the Claim in the ratio of 85:15.

## 26. Termination of SFAC's Liability in Certain Cases

- i. The Guarantee in respect of the Credit Facility extended by "Bank" to FPC shall be deemed to be terminated, if the liabilities of the FPC to "Bank" on account of said guaranteed Credit Facility are transferred or assigned to any other borrower without the consent of SFAC which shall be sought by "Bank" or 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 SFAC in respect of the Credit Facility granted to FPC by "Bank" shall be limited to the liability of FPC (Borrower) to "Bank" as on the date on which the Borrower becomes ineligible for being granted any Credit Facilities under the Scheme, by reason of cessation of his activity or his activity or his undertaking ceasing to come within the definition of a FPC unit, subject, however, to the limits on the liability of SFAC fixed under this Scheme.

## 27. Other Conditions

- i. "Bank" shall be deemed to have understood and accepted the terms & conditions of the Scheme as being legally binding on itself.
- ii. "Bank" shall ensure that the conditions of guaranteed Credit Facility are not in conflict with the provisions of the Scheme.
- iii. Notwithstanding any provision in any other document or contract entered into by "Bank" with regard to Guaranteed Credit Facility, the Provisions /Conditions of the Scheme shall override all such other provisions as if this conditionality had been written in the relevant Document/contract and "Bank" shall in relation to SFAC be bound by the conditions.
- iv. The I&CS Committee reserves the right to reject any proposal where it is of the view that Guidelines have not been strictly adhered to/ or if any misrepresentation or concealment of facts is found leading to undue favour to the concerned FPC.

## 28. Modifications and Exemptions

- i. SFAC reserves the right to modify, cancel or replace the Scheme in any manner whatsoever that it deems necessary, however so ensuring that the rights or obligations arising out of, or accruing under the Guarantee issued to "Bank" up to the date on which such modification, cancellation or replacement comes into effect, shall not be affected.
- ii. Notwithstanding anything contained herein, SFAC shall have the right to alter the Terms and Conditions of the Scheme in regard to the Credit Facility Guaranteed to "Bank" 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 SFAC in respect of Credit Guarantee.

**29. Interpretation**

The decision of SFAC 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.

**30. Supplementary and General Provisions**

SFAC may make such supplementary or additional provisions or issue such instructions or clarifications as may be necessary for the purpose of the Scheme in respect of any matter not specifically provided for in this Scheme. "Bank" shall comply with the same.

**31. Arbitration**

- i. Disputes, if any, arising out of the Agreement shall be resolved through mutual consultation,
- ii. Failing which Arbitration by a sole Arbitrator chosen by "Bank" and SFAC in accordance with the provisions of the Arbitration and Conciliation Act, 1996 shall be resorted to.
- iii. The venue of the Arbitration shall be New Delhi.

32. This Agreement shall take effect from the \_\_\_\_\_ day of \_\_\_\_\_.

33. That the Stamp Duty payable on this Agreement shall be borne by "Bank".

For and on behalf of "ASSAM GRAMIN VIKASH BANK"

Signature: *[Signature]*  
 For & on behalf of  
 ASSAM GRAMIN VIKASH BANK  
 Head Office, Guwahati

Name: **SRI SANJAYA NAND** *[Signature]*  
 CHAIRMAN

Designation: **CHAIRMAN**

Place: **GUWAHATI, ASSAM**

Date: \_\_\_\_\_

For & on behalf of :-  
 ASSAM GRAMIN VIKASH BANK  
 Head Office, Guwahati

Witness: *[Signature]*  
 CHIEF MANAGER (Credit)

(SRI NABA KAMAL HAZARIKA)

CHIEF MANAGER (CREDIT)

ASSAM GRAMIN VIKASH BANK

For and on behalf of SFAC

Signature: *[Signature]*  
 Name: \_\_\_\_\_

Designation: Smt. P. S. / SAPNA NIGAMI  
Joint Secretary (VCA)

Place: Shri Farmers' Agri-Business Consortium  
Ministry of Agriculture, Govt. of India

Date: \_\_\_\_\_

*[Signature]*