



# **NABKISAN FINANCE LIMITED**

*(A Subsidiary of NABARD)*

## **Loan Products and Features**



**“Supporting Livelihoods”**  
**“Nurturing Enterprises”**  
**“Fostering Growth”**

# NABKISAN Finance Limited

## An Introduction

Nabkisan Finance Limited (NKFL) formerly "Agri Development Finance (Tamil Nadu) Limited" was incorporated under the Companies Act, 1956 on 14.02.1997. NKFL is a subsidiary of National Bank for Agriculture and Rural Development (NABARD) with equity participation from NABARD, Government of Tamil Nadu, Indian Bank, Indian Overseas Bank, Tamilnad Mercantile Bank, Canara Bank, ICICI Bank, Federal Bank, Lakshmi Vilas Bank and a few Corporates/Individuals. The Company is notified as a Non-Banking Finance Company (NBFC) by RBI.

## Objectives

The main objective of the Company is to provide credit for promotion, expansion and commercialization of enterprises engaged in agriculture, allied and rural non-farm activities. NKFL provides financial assistances for livelihood/income generating activities by extending credit to a range of clientele. The thrust of the Company is now to support the Farmer Producer Organizations (FPOs) with the long term objective of linking farmers with agriculture value chains.

## About the Brochure

In the last few years of its existence, the company has come out with various loan products to meet the specific requirements of rural populace who pursue investments in agriculture and rural development sectors. The details of these Loan Products has been provided in a nutshell in the brochure for the use of various stakeholders.

# Farmer Producer Organisations and Other Producer Collectives

India has about 12.5 crore farmer households of which over 85% are small and marginal farmers with land holdings of less than 2 hectares. The average size of land holding is 1.33 hectare/ farmer household. Due to this fragmentation and disorganization, farmers face constraints such as procuring inputs like seeds and fertilizers at reasonable prices, lack bargaining power in the market, realizing better value for their produce, access to technology, etc. As a result majority of the small producers are unable to realize optimal value from their farming operations and make economic progress. On the other hand, in case of non-farm sector activities, the problems relate more to the quality of the product and marketability. Design and innovation along with aggregation of the produce are also key problem areas.

It is felt, by organising themselves collectively, producers can utilize scale to procure inputs at a lower price, and gain more selling power for their produce/product. Forming a producer organization can provide a strong platform to take up collective business activities, build capacity and provide linkages to markets. Various policy level initiatives are being taken by Government aimed at promoting the concept of producer organizations. Some of them include, having a dedicated source of funding to FPOs from the Rashtriya Krishi Vikas Yojana (RKVY), Equity Grant and Credit Guarantee Fund Scheme by Small Farmers Agribusiness Consortium (SFAC) for Farmer Producer Companies, setting up of Producers Organizations Development Fund (PODF) in NABARD and PRODUCE fund of Government of India etc.

To ensure sustainability and economic viability of FPOs/POs, their nurturing plays an important role in taking up viable business activities like aggregation of produce, collective marketing, bulk procurement of inputs, primary processing, etc. To meet the credit requirements of FPOs/POs in various stages of their life viz. Initial phase, Growing phase, and Maturity phase, the loan products mentioned below have been introduced.

## **I. Loan Products with availability of Collateral/Guarantee Cover**

- ☼ Loans to POs/FPOs that are eligible for assistance from SFAC towards equity/credit guarantee cover.
- ☼ Loans to FPOs and other POs that are not eligible for assistance from SFAC towards equity/credit guarantee cover and offering collaterals.
- ☼ Loans to Promoting Institutions, for on lending to POs.

## **II. Loan Products without Collateral/Guarantee Cover**

- ☼ Loans to POs that are not in position to provide collaterals.
- ☼ Loans to start up FPOs/POs with small size of business activities.

The items eligible for assistance broadly include capital cost such as cost of building, machinery and equipment for processing, specially designed vehicles for transportation etc. and / or working capital requirements for input supply, procurement, collective marketing, and other recurring costs connected with the project.

The broad features of the products that are available with some form of collateral/guarantee cover are as under:

## I. Loan Products with availability of Collateral/Guarantee Cover:

Parameter	Loans for FPOs eligible for SFAC Guarantee Scheme	Loans for FPOs/POs not covered under SFAC Guarantee Scheme	Bulk Lending to Promoting Institutions for on lending to POs
<b>Purpose</b>	Working capital, term loan for creation of infrastructure for storage, processing, marketing etc. Bulk loan for on-lending, loan against warehouse receipts.	Working capital, term loan for creation of infrastructure for storage, processing, marketing etc. Bulk loan for on-lending, loan against warehouse receipts.	For on lending to FPOs/POs for working capital, pledge loans and term loans.
<b>Eligible Institutions</b>	FPOs existing for <b>1-2 years</b> with at least <b>one audited balance sheet</b> for a financial year.	FPOs/POs under any legal form and existing for <b>2-3 years</b> with at least <b>two audited balance sheets</b> .	Promoting, Institutions, Resource Institutions with good track record and experience.
<b>Minimum share capital</b>	<b>Rs.3 lakhs (minimum)</b> for working capital loans and <b>Rs.5 (minimum) lakhs</b> for term loans.	<b>Rs.3 lakhs (minimum)</b> for working capital loans and <b>Rs.5 (minimum) lakhs</b> for term loans.	NA
<b>Margin</b>	Minimum <b>15%</b> for WC and TC	Minimum <b>15%</b> for WC and TC	<b>15%</b> of the Project Cost
<b>Security</b>	<b>Hypothecation of assets</b> created out of loan	<b>Hypothecation of assets</b> created out of loan and also collateral to an extent of 50-100% of loan amount.	<b>Hypothecation of assets</b> created out of loan and also collateral to an extent of 50-100% of loan amount.
<b>Rate of interest</b>	Based on NABARD's refinance rate.	Based on NABARD's refinance rate.	Based on NABARD's refinance rate.
<b>Repayment period</b>	<b>12 months</b> for WC and <b>3-5 years</b> for term loans.	<b>12 months</b> for WC and <b>3-5 years</b> for term loans.	<b>12 months</b> for WC and <b>3-5 years</b> for term loans.
<b>Loan Amount</b>	Up to <b>6 times of the net worth</b> of the FPO or <b>Rs.1 crore</b> whichever is lower.	Up to <b>6 times of the net worth</b> of the FPO or <b>Rs.1 crore</b> whichever is lower.	Depending on the project cost and merit of the proposal.
<b>Processing Fee</b>	<b>1%</b> of loan amount	<b>1%</b> of loan amount	<b>1%</b> of loan amount
<b>Insurance</b>	<b>Assets acquired out of the loan</b> will be insured.	<b>Assets acquired out of the loan</b> will be insured.	<b>Assets acquired out of the loan</b> will be insured.

## II. Loan Products without Collateral

- ❖ Emerging FPOs/POs with promising prospects: Besides the POs which are established and have required infrastructure and other forms of support to be able to provide adequate collateral, there are organisations which are emerging and in nascent stage but with promising prospects but may not be in a position to provide any collateral. To encourage such organisations and to demonstrate to various stakeholders about their viability with required support, lending to such organisations is considered essential. Proposals of such organizations depending purely on the merits and prospects of the proposal will also be supported up to loan amount of Rs.50 lakh. Such organizations may comply with following minimum norms:

- ❖ PO/FPOs generating surplus through operations.
- ❖ PO/FPOs having professional management team.
- ❖ Active involvement of members
- ❖ PO/FPOs promoted by promoting institutes of high repute
- ❖ PO/FPOs with sound business plan based on market linkages.

- ❖ Start-up FPOs/POs: Normally it is expected that the FPOs/POs have to mobilise a minimum capital of Rs.3-5 lakhs to enable them to take up a business activity with an investment of Rs.15-20 lakhs so that they can meet the requirements of their members. The newly formed FPOs plan initial activities on a low scale covering the requirements of a few active members. This activity by the FPO would enable them in subsequent seasons to seek involvement of more members as also enhance the confidence of the existing/new members in the institution. Demonstration of active business activities by the FPOs even on a low scale, would facilitate the FPOs to enlarge membership and also increase equity participation by existing members. Taking these aspects into account, initial loan based on the capital of the FPO/PO will be provided on select basis without any collateral as per the following norms:

- ❖ PO/FPOs promoted by promoting institutes of high repute
- ❖ To have a minimum net worth of Rs. one lakh
- ❖ A debt equity ratio of 1:4

## Federations of SHGs

As a measure to strengthen the SHGs which are functioning for some period, ensure their sustainability, enable them to offer a range of financial and non-financial services, and provide a forum for regular interaction; the groups are federated at the level cluster of villages as SHG Federations. In many states these federations are functioning as legal entities and can access finance from formal financial institutions. While some federations take up establishment of common facilities and infrastructure for the benefit of their members some do on lending to enable the groups or their members take up investment activities on their own. NABKISAN provides financial assistance to such federations as per the following broad guidelines:

Parameter	Particulars
<b>Purpose</b>	Loans for Agriculture & Allied activities. Livelihood activities (Single Activity)
<b>Eligibility criteria</b>	<ul style="list-style-type: none"> <li>✳ Only Federations with rating of 'A' would be considered.</li> <li>✳ Federations should not finance SHGs, which are defaulters to the Banks/others.</li> <li>✳ Federations should be legal entity and has been in existence for at least two years.</li> <li>✳ Books of accounts of Federations should have been audited by the external auditors.</li> <li>✳ Federations should have a recovery of 95%, if lending and making profits.</li> </ul>
<b>Margin</b>	Minimum 10% to be brought in by the beneficiary
<b>Rate of interest</b>	Based on NABARD Refinance rate.
<b>Repayment</b>	3-5 years.
<b>Loan Amount</b>	Multiples of corpus and rating.
<b>Processing Fee</b>	1% of the loan amount
<b>Insurance</b>	Insurance of assets purchased.

# Activity based lending for NGOs / Trusts / Section 8 Companies

Some of the NGOs/trusts/Section 8 companies (Section 25 companies under earlier Companies Act) have, as part of their activities, propose to borrow and on lend to individuals/groups for taking up various investment activities that contribute to their holistic development. Financial assistance to such entities is normally not extended by main stream financing institutions for various reasons depriving economic opportunities to the target group supported by these entities. NABKISAN provides financial assistance to such entities as per the broad norms specified below:

Parameters	Particulars
<b>Purpose</b>	On lending for various agriculture and rural development activities.
<b>Eligibility criteria</b>	<p>Only those NGOs and others which fulfill the following criteria would be considered for financing:</p> <ul style="list-style-type: none"> <li>✳ NGO/Trusts/Companies, which are in existence for 3 years</li> <li>✳ Books of accounts are maintained up to date and are audited by the chartered accountant.</li> <li>✳ Have adequate staff and other infrastructure to implement the project.</li> <li>✳ Avail support from NABARD/Government agencies/ reputed institutions and whose credentials are well established.</li> </ul>
<b>Minimum share capital</b>	Not specified
<b>Margin</b>	7.5% interest margin for oraganisations. NKFL would insist NGOs on lowering the interest rates and also give priority to those, who agree to reduce lending rates to the ultimate borrowers.
<b>Security</b>	Priority would be offered for those who offer security.
<b>Rate of interest</b>	Based on NABARD Refinance rate.
<b>Repayment period</b>	36 to 60 months depending on the activity/receivables
<b>Insurance</b>	Insurance of assets financed.

## Financial Assistance to NBFC-MFIs

Along with banks which provide access to financial services to poor under SHG Bank Linkage Programme, the MFIs registered as NBFCs with RBI also play a significant role in bringing the uncovered rural populace into the fold of financial system. The NBFC-MFIs have succeeded in reaching out to millions of low income clients and furthering the broader national objective of financial inclusion. These institutions depend on banks and other financial institutions for mobilizing resources for extending loans to the clients. Recognizing this requirement of NBFC-MFIs, NABKISAN extends loan assistance to them as per the broad norms mentioned below:

Parameters	Particulars																	
<b>Purpose</b>	Loans for any kind of Agriculture & Allied activities, Livelihood activities																	
<b>Eligibility criteria</b>	<ul style="list-style-type: none"> <li>✦ The MFIs which fulfill the following criteria, may be considered for finance:</li> <li>✦ MFIs which are in existence for 3 years or more.</li> <li>✦ MFIs which has earned profits for the last 3 years</li> <li>✦ MFI should not have defaulted in repayment of loans to banks and financial institutions.</li> <li>✦ MFIs having an impeccable credit history.</li> <li>✦ MFIs should be rated by an accredited rating agency. The credit rating assigned by various accredited agencies and acceptable rating is as under:</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Rating Agency</th> <th>Rating Assigned</th> <th>Acceptable Rating</th> </tr> </thead> <tbody> <tr> <td>CRISIL</td> <td>mfR 1 to mfR 8</td> <td>mfR 1 to mfR 4</td> </tr> <tr> <td>ICRA</td> <td>M1 to M5</td> <td>M 1 to M3</td> </tr> <tr> <td>CARE</td> <td>MFI 1, 2+, 2, 3+, 3, 4+, 4 &amp; 5</td> <td>MFI 1 to MFI 3+</td> </tr> <tr> <td>SMERA</td> <td>MF 1 – MF 8</td> <td>MF 1 to MF 4</td> </tr> </tbody> </table>			Rating Agency	Rating Assigned	Acceptable Rating	CRISIL	mfR 1 to mfR 8	mfR 1 to mfR 4	ICRA	M1 to M5	M 1 to M3	CARE	MFI 1, 2+, 2, 3+, 3, 4+, 4 & 5	MFI 1 to MFI 3+	SMERA	MF 1 – MF 8	MF 1 to MF 4
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<b>Minimum share capital</b>	As per RBI guidelines.																	
<b>Margin</b>	Interest Margin to Implementing Agencies- RBI guidelines to be followed by MFIs.																	
<b>Security</b>	<ul style="list-style-type: none"> <li>✦ Hypothecation of book debts</li> <li>✦ Demand Promissory Note</li> <li>✦ Registration of charge with the ROC</li> <li>✦ Other collaterals to the satisfaction of NKFL.</li> </ul>																	
<b>Rate of interest</b>	Based on NABARD Refinance rate.																	
<b>Repayment period</b>	36 to 60 months depending on the activity/receivables																	

## GSS Eligible Registered Entities

Parameter	Particulars
<b>Purpose</b>	<p>Loans for registered farmers groups for eligible activities/components under following Government Sponsored Schemes (GSS) of Government of India routed through NABARD</p> <ul style="list-style-type: none"> <li>★ Agriculture Marketing Infrastructure (AMI) Sub scheme under Integrated Scheme for Agriculture Marketing (ISAM)</li> <li>★ Agri-Clinics and Agri-Business Centers (ACABC) Scheme</li> <li>★ Capital subsidy scheme for installation of solar photovoltaic lighting systems and Solar pumping Scheme</li> <li>★ Capital Investment Subsidy Scheme for Vegetable and Fruit Market/Agro Waste Compost and Bio fertilizers, Bio pesticides Production Units under National Project on Organic Farming (NPOF)</li> <li>★ Schemes relating to Animal Husbandry Sector:               <ol style="list-style-type: none"> <li>I. Dairy Entrepreneurship Development Scheme</li> <li>II. National Live Stock Mission Scheme                   <ol style="list-style-type: none"> <li>a) Poultry Venture Capital Fund (Subsidy) Scheme</li> <li>b) Pig Development Scheme</li> <li>c) Integrated Development of Small Ruminants and Rabbits</li> <li>d) Rearing of Male Buffaloes Calves</li> </ol> </li> </ol> </li> </ul>
<b>Eligibility criteria</b>	The entities (except individual borrower) which are eligible as per the eligibility criteria laid down in the corresponding scheme. Groups of farmers/producers collectives (SHGs on behalf of their members, Dairy Co-operative Societies, Milk unions on behalf of their members, milk federations) etc. will be preferred.
<b>Margin</b>	As prescribed in the corresponding component/GSS for which the borrower is applying for the loan
<b>Security</b>	As per the norms stipulated in respective scheme
<b>Rate of interest</b>	Based on NABARD Refinance rate.
<b>Processing Fee</b>	1% of loan amount
<b>Repayment Period</b>	36 to 60 months depending on the activity/receivables or may be decided as per needs of the individual projects depending on the nature of activity and cash flow as per applicable guidelines. The minimum lock in period if prescribed in the GSS will be applicable.
<b>Insurance</b>	Insurance of assets financed.

- ◎ **Note:** The DPR/project report to be prepared as per norms laid down in the applicable GSS scheme ([visit https://www.nabard.org/english/home.aspx#](https://www.nabard.org/english/home.aspx#) for more details on the scheme) and submit to NKFL for sanction
- ◎ Subsidy will be on first come first serve basis subject to availability of funds allocated to the State/UT and as per extant instructions governing the scheme

# Primary Agriculture Co-operative Societies (PACs) as Multi Service Centers (MSCs)

Parameter	Particulars
<b>Purpose</b>	Establishment of Agro - Storage centre, construction of godowns to store other inputs/ consumables which does not come under the purview of the Capital Investment Subsidy (CISS) Scheme of GoI or any such scheme of State Government, Setting up of Cold Storage, Agro - processing centre, Agri -information centre, Agri Transportation & marketing Facilities, Consumer store & other misc. eligible activities.
<b>Eligibility criteria</b>	<ul style="list-style-type: none"> <li>✳ PACS should be in profits for the last three years with no accumulated losses.</li> <li>✳ The PACS should be under Category 'A' or 'B' of audit classification. Profit making PACS falling under category 'C' can also be financed directly if they provide security of the value of 125% of the loan amount.</li> <li>✳ PACS should be having sufficient borrowing power and have enabling provisions to borrow from us.</li> </ul>
<b>Minimum share capital</b>	<ul style="list-style-type: none"> <li>✳ For FPOs – Minimum 3 lakh for Working Capital and 5 lakh for term loans</li> <li>✳ For other forms of farmers groups - to be decided on case to case basis</li> </ul>
<b>Margin</b>	Minimum 10% of the project cost.
<b>Security</b>	<ul style="list-style-type: none"> <li>✳ Primary Security: Mortgage and/ or hypothecation of assets created.</li> <li>✳ Collateral Security for Category 'A' &amp; 'B' PACS: Collateral security to the extent of 100% of loan amount.</li> <li>✳ Category 'C' PACS: Collateral security to the extent of 125% of loan amount.</li> </ul> <p>These securities will be by way of lien on FDs kept with category 'A' and 'B' CCBs or other banks, to the minimum value of 50% of the security amount and/or the balance by way of mortgage of property.</p>
<b>Rate of interest</b>	Based on NABARD Refinance rate.
<b>Processing Fee</b>	1% of loan amount
<b>Repayment Period</b>	36 to 60 months depending on the activity/receivables
<b>Insurance</b>	Insurance of assets financed.

## Conclusion

NABKISAN adopts a flexible approach in meeting the credit requirements of the rural populace. The agriculture sector, even as it faces multi-faceted challenges also offers exciting opportunities in the field of value chain promotion due to integration with global markets. Recognizing this potential, NABKISAN also extends financial assistance to individuals and small corporates who take up investment projects in the field of agriculture and rural development sectors. To meet the emerging requirements of various client segments, NABKISAN will endeavor to design suitable loan products as also make the existing ones more and more borrower friendly. NABKISAN looks forward to suggestions of stakeholders for bringing about suitable changes in existing products and design new products to meet increased demands at the ground level.



# NABKISAN FINANCE LIMITED

*(A Subsidiary of NABARD)*

## Corporate Office

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