

Eligibility criteria and lending terms and conditions for providing financial assistance to Milk Unions/ Federations, Milk Producer Companies and subsidiaries of NDDB:

Eligibility Criteria

Cooperative Milk Unions/ Federations, Milk Producer Companies and Subsidiaries of NDDB shall be eligible for funding under this scheme on fulfillment of the following conditions:

1. The cooperative Milk Unions / Federations should be functional under a State Cooperative Act with an elected Board. The Milk Producer Companies should be established as a Producer Company under chapter IX-A of the Companies (Amendment) Act 2002 or under relevant chapter of the subsequent Companies Act.
2. The subsidiaries of NDDB would also be eligible for financial assistance for infrastructure activities.
3. Borrowers should have manpower employed on its rolls. Where a common cadre prevails, the State Federation may position officers from the common cadre in the Union as CEO and in Key positions of functional areas like Processing, Milk Procurement, Quality Control, Marketing and Finance/Accounts. Efforts need to be made to position manpower directly on the roll of Milk Unions over a period of time (to be declared by the concerned State Milk Federation).
4. The borrower should have no long term loan overdues outstanding to any financial institution. Financial assistance for activities other than infrastructure can be considered in case NDDB/other financial institution has allowed reschedulement of loans and the borrower is repaying or has undertaken to repay the entire overdue amount in instalments over a pre-committed period. In the event of failure to repay overdue in accordance with the agreed upon schedule, all funding to stop forthwith.
5. The past accounts of the borrower/grantee must have been duly audited.
6. All NDDB funds, directly lent or routed through the Federation or any other agency, must be duly reconciled.

Lending terms & conditions

1. The projects for financial assistance for infrastructure activities should meet minimum viability criteria of ROI=12% and DSCR=1.5 times after providing for 10% sensitivity for both liquid milk sales and milk procurement (or sensitivity analysis feasible for the projects other than dairy infrastructure on a case-to-case basis).
2. In case of cost overrun of more than 10% for the project, the project would need to be revised and submitted to NDDDB for re-appraisal.
3. No personnel cost will be considered for funding.

4. Tenure of loan and moratorium

- a. Tenure of loan would be decided based on the projected cash flow of the borrower. Tenure of loan would be a maximum 10 Years, from the date of the 1st release, including moratorium period of a maximum 2 years on repayment of principal only.

5. Release of loan and grant

- a. The borrower/ grantee shall submit quarterly Fund Utilisation Report (FUR) in a prescribed format within one month of the completion of the quarter. The FUR should be duly audited by an independent firm of Chartered Accountants.
 - b. On receipt of the FUR, NDDDB will disburse funds as per recommendation of the concerned technical groups, wherever applicable.
6. If disbursement of funds does not start within one year from the date of the sanction, the sanction will lapse automatically.

7. Imprest advance

- a. In case of non-availability of funds with the borrower to carry out planned activities, the borrower may avail Imprest Advance from NDDDB equivalent to 75% of loan amount for the proposed activities during a reference quarter as per the approved plan. The release of Imprest Advance will be at sole discretion of NDDDB.
- b. Imprest Advance shall be provided as Interest Bearing Imprest Advance having similar rate of interest as applicable to Interest Bearing Loan.
- c. The Imprest Advance shall be entirely utilised by the borrower within the reference quarter and submit audited Fund Utilisation Report (FUR) within one month of the end of the reference quarter.

- d. The un-utilised Imprest Advance will have to be refunded to NDDB immediately at the end of the reference quarter. Otherwise, the borrower will be required to pay additional interest @3% p.a. over and above the normal rate of interest on the unutilised amount from the date of release to the actual date of adjustment/refund. 90% utilisation of Imprest Advance will be considered in order for not attracting this provision.
- e. The borrower shall utilise the Imprest Advance only for the activities under the approved plan. In case of utilisation of the Imprest Advance for the activities other than included in the approved plan, interest @16% p.a. will be charged, on the amount so diverted, from the date of release to the date of settlement and subsequent funding to the borrower/grantee will be stopped.
- f. In the case of partial/ total non-utilisation of Imprest Advance during the reference quarter, the eligibility of the borrower for further advance will be at the discretion of NDDB.

8. Repayment terms:

- a. Interest
 - i. The rate of interest will be floating rate and will be communicated from time to time.
 - ii. Interest shall be payable monthly. The first payment of interest shall be calculated from the date of release at the prevailing rates and shall be payable on 1st day of the subsequent month.
 - iii. The monthly interest shall be calculated on daily product basis without compounding. The interest amount so calculated shall be payable on the 1st day of the subsequent month.
 - iv. In the event of failure to repay the loan instalments on the due date, the unpaid amount shall attract additional interest @ 3% per annum over and above the normal rate of interest from the scheduled date of repayment till the actual date of repayment.
- b. Principal
 - i. Principal is to be repaid in monthly installments after completion of moratorium period, if any, within the loan tenure. Moratorium period shall be calculated from the date of the first disbursement of loan.
 - ii. Monthly principal repayment instalment shall be calculated on total loan sanctioned for the project. Repayment of the first

instalment of principal shall be due on the 1st day of the following month after the expiry of the moratorium period. The subsequent instalments of principal repayment shall continue thereafter on the 1st day of every month.

9. Commitment charge

- a. The borrower shall provide a quarterly draw-down schedule for every project, which will be part of the sanction letter.
- b. In case, disbursement is less than 80% of the draw-down schedule for a particular quarter, a commitment charge of 1% p.a. on the cumulative difference between the projected draw-down schedule and actual disbursement will be levied from the beginning of the next quarter till the differential amount is withdrawn.
- c. Release of imprest advance will also be part of the draw-down schedule.
- d. A communication of the commitment charges will be sent to the borrower on quarterly basis and the borrower shall pay within 15 days of receipt of communication.
- e. On the request of the borrower and based on the actual utilisation, the draw-down schedule may be revised once in a financial year. The borrower shall have to submit such request for revision in draw-down schedule by 31st December of the previous financial year. Such request would be allowed maximum twice for any project.

10. Security coverage

- a. All loans will be secured (first charge) by way of hypothecation of movable and mortgage of immovable assets, unless Chairman, NDDDB approves specifically to waive this condition. Funding for other activities to be considered on execution of Loan/Grant Agreement supported by Board resolution.
- b. The security provided by the borrower for loan should be minimum 1.5 times the loan amount. For any shortfall, the borrower may furnish Bank Guarantee or if the Federations or sister concern agrees, mortgage their immovable assets in favour of NDDDB to cover the shortfall.
- c. In case (b) above is not feasible, and the security coverage is at least 1.1 times and the borrower's financials and operations are sound, it can be accepted with specific approval of Chairman, NDDDB if the borrower either obtains counter guarantee from Federation/ sister

concern (acceptable to NDDB) or provide escrow arrangement for securing repayment of loan through its banker.

11. Documentation

- a. The following documents shall be required from the borrower in respect of immovable property such as land & buildings:
 - i. Memorandum of Entry (equitable mortgage by way of deposit of title deeds).
 - ii. Undertaking (for existing and future assets)
 - iii. Declaration
- b. The following documents shall be required from the borrower in respect of movable property such as plant & machinery, spares, tools, stocks, etc:
 - i. Letter of Hypothecation
- c. The following documents shall be required to be executed by the borrower:
 - i. Demand Promissory Note
 - ii. Letter of Continuity
 - iii. Irrevocable General Power of Attorney
 - iv. Any additional security document or security requirement as and when required

12. Loan for EIA contribution for VBMPS component under NDP I

The pattern of funding under NDP I for capital items under Village Based Milk Procurement Systems (VBMPS) is 50% grant-in-aid and the remaining 50% funds are to be contributed by the End Implementing Agency (EIA). NDDB, on request of the EIA, provides loan to the extent of 80% of EIA contribution for these capital items. Such proposals will continue to be considered with the terms and conditions as given below:

- a. The project must achieve DSCR of 1.5 times.
- b. The loan is to be repaid in a period of maximum 8 years without any moratorium.
- c. The assets being financed shall be hypothecated to NDDB as security for the loan.

- d. The EIA shall execute documents including Loan Agreement, Hypothecation Deed, Demand Promissory Note and Letter of Continuity or any other document as required by NDDB.
- e. The EIA shall provide a Board Resolution agreeing to the terms and conditions of the sanction.

13. Transparency in purchase procedures

- a. Purchase process for the approved project should be conducted in a transparent manner. Roles and responsibilities of officers involved in the purchase process must be clearly defined through official notification/ orders.
- b. Confidentiality must be observed in the purchase process. No information should be shared with any person who is not involved in the decision making process relating to any purchase. Process of bid evaluation shall be confidential until the contract award.
- c. Post tender opening, all correspondence (including any clarifications) with bidders should be in writing only.
- d. CVC Guidelines must be followed in respect of Negotiations. Complete records of all discussions/ correspondence with the bidders must be maintained.

14. Other conditions

- a. The borrower/grantee shall update all monthly information data by the 15th of the following month, quarterly information within a month of the succeeding quarter and annual information by 30th September next year, as specified by the NDDB for the internet based dairy information system (IDIS). In the event of failing to meet this condition, the NDDB reserves the right to suspend funding.
- b. The borrower/grantee shall regularly (monthly/quarterly) provide information to NDDB as per format attached on key parameters related to the following:
 - i. DCS/MPI/MPP organisation
 - ii. Milk producer membership
 - iii. Milk procurement
 - iv. Sale of milk and milk products
 - v. Cattle feed supply
 - vi. Technical input services

- c. Audit of the annual accounts of the borrower shall be completed within six months after the closure of the financial year and a copy of the audited balance sheet shall be forwarded within one month thereafter. This would facilitate NDDB suggesting implementation of various measures which would help the borrower in achievement of the desired improvement / efficiency.
- d. The Board of Directors of the borrower shall review the progress and implementation of the project on a quarterly basis.
- e. The borrower shall permit the NDDB and its authorized representatives to carry out technical, financial and legal inspections both during the construction and operation periods of the project and to inspect its records, registers and accounts.