

**Guidelines for direct funding by NCDC
(As amended upto 3rd June, 2004)**

A. CRITERIA FOR DIRECT FUNDING:

1. Eligibility criteria:

- (i) NCDC may extend direct assistance to existing cooperative societies in operation for not less than three years.
- (ii) Routing of NCDC assistance will be as follows:
 - (a) NCDC assistance (for Projects/working capital) not exceeding Rs.10 crores, subject to the eligibility criteria, may be considered for direct funding. These limits will be applicable to multi-state cooperatives also.
 - (b) Working capital loans to state/national level federations may be considered for direct funding on the merit of each case without any ceiling.
 - (c) NCDC assistance for the cooperatives, which are not eligible for direct funding or otherwise would continue to be considered through state governments.
 - (d) In exceptional cases, for the cooperatives which are financially strong, have good track record of operations and credit worthiness, NCDC assistance above Rs.10 crores may be considered for direct funding with the approval of the Board.
- (iii) The society should have positive net-worth, not less than 100% of paid-up share capital i.e. there should be no erosion in the paid-up share capital.
- (iv) The society should not have any cash losses during last three years and there should be net profit in at least two of previous three years.

- (v) The debt equity ratio will normally be 65:35, depending on economic viability of the project.
- (vi) Value of assets to be mortgaged to NCDC as security against the loans should have adequate security margin, normally not less than 1.5 times. (Shortfall in the security may be made good by way of guarantee of a scheduled bank or an FDR endorsed in favour of NCDC).
- (vii) Working capital loans to cooperative societies/ federations may be secured by hypothecation of stocks/ debtors/ other assets, keeping a minimum margin of 20%. If considered necessary, NCDC may ask for additional security of first or second charge on the fixed assets.
- (viii) If considered necessary, the society may be asked to open an Escrow account with a scheduled bank/ state coop. bank/ distt. coop. bank in which part of sale proceeds will be deposited for servicing NCDC loan. In case Escrow account is opened with a distt coop bank, its financial position may be ascertained.
- (ix) Audit of accounts should be complete upto previous year within 6 months of close of the financial year. In cases where audit is undertaken by Government auditors and it is not complete, in such cases accounts audited by Chartered Accountant's firm will be submitted.
- (x) The society seeking NCDC assistance, or any other society on which directors of this society have been directors, should not have any major default in repayment of loans to NCDC/ banks/ financial institutions.
- (xi) NCDC, at its discretion, may ask for additional securities by way of one or more of the following:
 - Government guarantee
 - Guarantee of a scheduled bank
 - Personal guarantee of the Directors and collateral security

2. New cooperative societies:

The cooperative societies, which are not in operation for more than three years, will normally be assisted through state govts. However, such cooperatives in exceptional cases may be considered for direct funding, if in addition to the eligibility criteria indicated in para 1 above (as applicable), following additional securities are made available:

- (i) Government guarantee or Guarantee of a scheduled bank
- (ii) Personal guarantee of the Directors and collateral security, if considered necessary.

3. Releases:

- (i) NCDC will consider release of 25% ways & means advance only after the society has raised 50% and utilised 40% of equity portion of the project by way of members/ state govt. share capital and internal accruals.
- (ii) As per existing procedure, subsequent releases will normally be considered based on the expenditure incurred and committed expenses for one month as certified by a Chartered Accountant. For the projects involving NCDC assistance above Rs.10 crores or as decided by MD, NCDC, such certification may be carried out by a Chartered Accountant from the panel approved by NCDC.

4. Processing Fee:

Processing fee shall be charged for NCDC sanctions above Rs.50 lakhs @ 0.5% of the sanctioned amount, not exceeding Rs.2.50 lakhs (0.5% of Rs.5 crores) in each case. However, processing fee shall not be charged for working capital loans upto one year.

5. Repayments:

Loans for directly assisted projects are repayable in quarterly or half yearly instalments. Loans released to state governments would continue to be repaid in annual instalments.

6. Funding through state/ distt. coop. banks:

Funding in consortium with or through state/ district cooperative banks or RRB's or scheduled banks may be considered if required. For this purpose, credit worthiness of the banks may be assessed.

7. Existing Rate of Interest: (Clickable for current rate of interest)

Analysis of the Balance sheet

1. Summarised Profit & Loss Accounts of last 3 years

1.	Business Turnover			
2.	Gross Profit before intt., depreciation and tax			
3.	Interest			
4.	Cash Profit (2-3)			
5.	Depreciation			
6.	Profit before tax (4-5)			
7.	Income Tax			
8.	Net Profit (6-7)			

2. Summarised Balance sheets of last 3 years

1.	Gross Block			
2.	Depreciation			
3.	Net Block (1-2)			
4.	Work in Progress			
5.	Investments			
6.	Total Fixed assets (3+4+5)			
7.	<u>Current Assets</u> i) Cash, Bank balance & deposits ii) Inventory iii)Sundry Debtors iv)Loans, advances and Prepaid expenses v) Others if any			
8.	<u>Current liabilities</u> 1. Working capital loan 2. Sundry creditors 3. Interest payable 4.Short term loans 5. Other provisions and liabilities			
9.	Net working capital(7-8)			
10.	Long term loans & deposits			
11.	Paid up Share capital			
12.	Reserves (excluding depreciation)			
13.	Un-distributed profits(+)/ Accumulated losses (-)			

14.	Net Worth (11+12+13) or (6+9-10)			
15.	Net Disposable Resources (10+11+12+13-6) (For margin money caluculations)			

3. Ratios

		31.3.2002	31.3.2001	31.3.2000
1.	Debt- Equity Ratio (10)/(11+12+13)			
2.	Current Ratio (7/8)			
3.	Cash profit to Turnover Ratio (4/1)			
4.	Net profit to Turnover Ratio (8/1)			

4. Comments on financial statements, audit report and status of audit

Certificate regarding overdues of the society to NCDC and other institutions

1. This is to certify that _____ (name of the society), as on date, is not in default in repayment of loans and payment of interest to NCDC and any Financial Institution/ Bank OR

Position of default in repayment of dues by the society to NCDC and other institutions as on date is as follows:

Name of Lending Institution/ Bank	Loan received		Principal repaid	Outstanding dues			
	Date	Amount		Principal		Interest	Total
				Overdue	Not yet due		

2. It is also certified that other cooperatives on which Directors of our Board are Directors or associated with are not in default in repayment of loans and payment of interest to NCDC and any Financial Institution/ Bank as on date. OR

Position of default in repayment of dues by the Cooperatives on which Directors of our Board are Directors or associated with is as follows:

Name of Director	Name of defaulting cooperative society	Nature of association of the Director with the defaulting society	Name of Financial Institution/ Bank	Amount of default	Reasons and period of default

(Chief Executive of the Society)

Place:

Date:

Note : Strike out which is not applicable