

National Co-operative Development Corporation

GUIDELINES FOR DIRECT FUNDING BY NCDC

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:
 - 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.
 - Working capital loans to state/national level federations may be considered for direct funding on the merit of each case without any ceiling.
 - NCDC assistance for the cooperatives, which are not eligible for direct funding or otherwise, would continue to be considered through state governments.
 - 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 any 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

Whom to contact

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