

# Financing Equipment for Farmers and Agricultural SMEs

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**Our small ideas**

Like the little drop of water, that make a mighty ocean.

**Make big revolutions.**

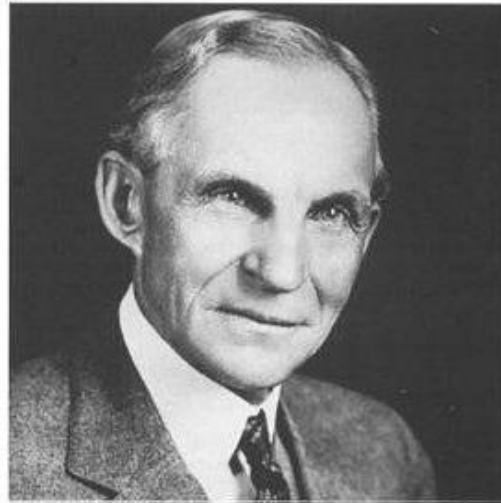


# So, what is the role of business?

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“The purpose of my corporation is to do as much good as we can, everywhere, for everybody concerned ... and incidentally to make money”

Henry Ford (1920)



**Jain Irrigation  
Systems Limited was  
incorporated in 1986  
&  
promoted by  
Shri Bhavarlal H. Jain,  
the founding  
Chairman**



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## Jain Irrigation's Mission:

**Leave this world better than you found it**

We continually search for innovative ways and means of creating a bridge between the corporate's objectives & social priorities.

We take a holistic view of our business as well as societal & environment imperatives. We treat them as inseparable.

We do not opt for businesses which will impact the environment adversely or will endanger social health or safety.



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# Jain Irrigation Systems Ltd.

- Jain Irrigation Systems Ltd. (JISL) has a multi product industrial profile aimed at the Farmer community spread largely in the rural and semi-urban areas in India.
- Listed in “Asia’s 200 Best Under a Billion Companies” (Forbes Asia)
- World number one in Drip Irrigation with Pipe Production
- World number one in Tissue culture Banana Plant Production
- Engaged extensively in Tissue Culture, Hybrid & Grafted Plants
- Pioneer of Micro Irrigation Systems in India



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# Jain Irrigation Systems Ltd.

- Globally second and the largest irrigation Company in India.
- One-Stop High-Tech agricultural shop
- The largest manufacturer of Plastic Pipes in India
- The largest manufacturer of PVC & PC sheets in India and globally among the first 5 Companies
- The only manufacturer producing widest range of Plastic Sheets (PC & PVC) under one roof



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# Jain Irrigation Systems Ltd.

- Green Energy includes manufacture of Solar Photovoltaic (Solar lighting and appliances, Solar pumping systems), Solar water heating systems and Bio-Energy sources
- Greenhouses, Poly and Shade Houses



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# Fixed Asset Loans For Farmers

# Why SAFL is formed

- Jain Irrigation, until 2012, marketed its Micro Irrigation Systems on Credit basis to its Dealers and through them to the ultimate farmers for 50% of the sale price. While the Farmer was not charged any interest on the credit, the invoice was loaded with the “interest” component.
- Jain Irrigation tied up with various banks for arranging finance to farmers for the balance 50% for purchasing their drip irrigation systems.
- Due to the inherent rigid framework and cumbersome loan procedures of most banks extending finance to farmers, there were many challenges faced by Jain Irrigation, as well as farmers.
- Jain Irrigation decided to concentrate on their core business of manufacturing drip irrigation system and to separately provide easy loans to the farmers. Thus, the Non Banking Financial Company (NBFC) was set up.



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# Background of SAFL

- Jain Irrigation Systems Ltd. is the largest company in Asia in the field of Micro Irrigation Systems. It has cumulatively assisted over 2 million farmers with Micro Irrigation Systems over the last 15 years. Jain Irrigation Systems Ltd. (JISL), is the second largest micro irrigation company in the world.
- The company has obtained regulatory approval from RBI to launch a Non Banking Finance Company (NBFC).
- The new joint venture with equity subscription from Jain Irrigation and IFC, Washington, is incorporated in the name and style of “Sustainable Agro-commercial Finance Ltd.” to be commonly recognized by its acronym; SAFL (pronounced SAFAL).
- SAFL focuses its activities on Farm and Farmer only and operates in the rural & semi urban geographies of India.



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# Objectives of SAFL

- ❑ SAFL leverages extensively on JISL's customer knowledge and expertise. It aims at the following key objectives:
  - a) Farmer empowerment - through adequate and timely disbursement of finance.
  - b) Increased Agricultural production-by assisting economic growth through increased efficiency and productivity.
  - c) Rural Prosperity-focus on improving rural lifestyle and enabling small farmers to achieve their aspirations.



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# Products Offered By SAFL

SAFL is the first NBFC in India providing agri- loans with a wide and diverse range of financing options for almost every need of agricultural activity. The main products include MIS financing, Agri Project Financing, Contract Farming, Small Business Loans, Solar pumps & equipment etc.



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# Products Offered By SAFL

## 1) Micro Irrigation System Financing

This product is offered to farmers who are in need of financing for purchase / installation of MIS in their farms. The usual tenor applicable can go upto 5 years depending upon crop harvesting period (e.g. pomegranate , mango plantations).

Processing fees	NIL
Pre-payment / Fore- closure charges	NIL
Margin cover	15% to 25%
Tenure	Max 60 months
Moratorium period	18 months to 24 months depending on crop
Collateral	Registered mortgage of land



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# Products Offered By SAFL

## 2) Financing Contract Farming

This product is offered to farmers who have a tie-up with a corporate third party to sell their produce or has entered into contract farming with third party to sell their produce. For this activity, they are in need of Credit either for installation of MIS or for working capital facility. Acceptance of such third party (e.g. Coca Cola, Fritto Lays, Sugar factories, etc.) is based on SAFL's pre-determined criteria. A guarantee or Arrangement letter from the third party assuring repayments is a pre-condition for extending such loans.



Processing fees	NIL
Pre-payment / Fore- closure charges	NIL
Margin cover	15% to 25%
Tenure	36 months
Moratorium period	18 months to 24 months depending on crop
Collateral	An unconditional, irrevocable guarantee of the Purchasing entity



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# Current Rates of Interest for MIS

Tenure	%age
> 6 months	9%
> 7 months < 12 months	10%
> 13 months < 18 months	11%
> 19 months < 30 months	12%
> 31 months	16%



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# Other Products Offered By SAFL

- 3) Solar Pump Financing
- 4) Farm equipment/mechanisation financing
- 5) Agri Projects Financing
- 6) Short Term ancillary business Financing
- 7) Dairy Loan
- 8) Loan for Bio-gas



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# Structuring Of Products

- a) SAFL only finances products which result in increased farm productivity and improvement in the lifestyle of farmers. Personal and Consumption loans are not offered.
- b) Products are designed on the basis of requirement of farmers, crop cycle, yield of the crops, repayment capacity of the farmers, inherent risk associated with each products and risk taking appetite of SAFL. Feedback is obtained regularly from the farmers before introducing a new product.
- c) Repayment schedules decided by Banks and Financial institution are normally on calendar basis i.e quarterly, half yearly or yearly. However, SAFL fixes its repayment schedule after taking into account harvesting period of the crop and it varies with different crop cycle. High Positive Impact.
- d) Availability of tangible collateral.
- e) No prepayment fees. This encourages farmers to repay loan whenever they have surplus funds without diverting them to unproductive purposes.



# Training of Dealers

- a. Dealer meetings are arranged regularly across Maharashtra to create awareness about SAFL's products and processes. Jain Irrigation's Dealers are the First Point of Contact for SAFL's products.
- b. Before startup of business, training regarding products offered by SAFL as well as distributing specimen documents required to be collected from farmers for financing the products have been arranged.
- c. A few months after roll out of the products, Dealer meets were arranged to appraise them on appropriate product in a specific area as well as obtain feedback regarding completing the loan process including collection of security documents.



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# Promote Originate Loan Proposals

- a) JISL has more than 1500 Dealers across Maharashtra state and over 5000 dealers pan India. SAFL also uses the same Dealer network to promote its loan products. Thus, loan proposals are originated from the Dealers' end.
  
- b) Apart from the above, SAFL's business development officers differentiate potential villages on the basis of various parameters such as crops grown, track record of farmers, availability of irrigation facility, land holding of the farmers and accordingly have been organizing farmer meetings and informing them about various products offered by SAFL.
  
- c) SAFL also organizes camps during a local festival in the villages to impart information and knowledge about the products offered by SAFL.



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# Underwriting Of Loan

- a) **Minimum eligibility criteria to be satisfied for considering a loan proposal**
- b) **Underwriting is based on various parameters such as age of the applicant, Land holding, number of family members, standard of living, cropping pattern, collateral, performance of loan already availed and other fixed obligations etc. This information is gathered from different sources such as family members, neighbors, grocery / seed / fertilizer / pesticide shops etc. in that particular village.**
- c) **Loan eligibility is arrived on the basis of net income from agriculture / allied income after taking into account agriculture expenses, loan installments and family expenses.**
- d) **Credit rating model is designed on the basis of quantitative as well as qualitative parameters**
- e) **Reference check is also done on case to case basis**



# Credit Rating

## a) Credit rating model is designed on the basis of quantitative as well as qualitative parameters

### – Borrower Characteristics

- Age of the Applicant
- Annual Family income
- Year on year growth in income
- Land holding
- Farming practice
- Total loan installment to total income

### – Crop Characteristics

- Type of Crop with appropriate region
- Availability of Minimum support price
- Cropping pattern
- Potential increase in yield after using MIS

### – Transaction and Financial Characteristics

- Loan to Valuation of land
- Tenure of loan
- Guarantor type
- CIBIL score



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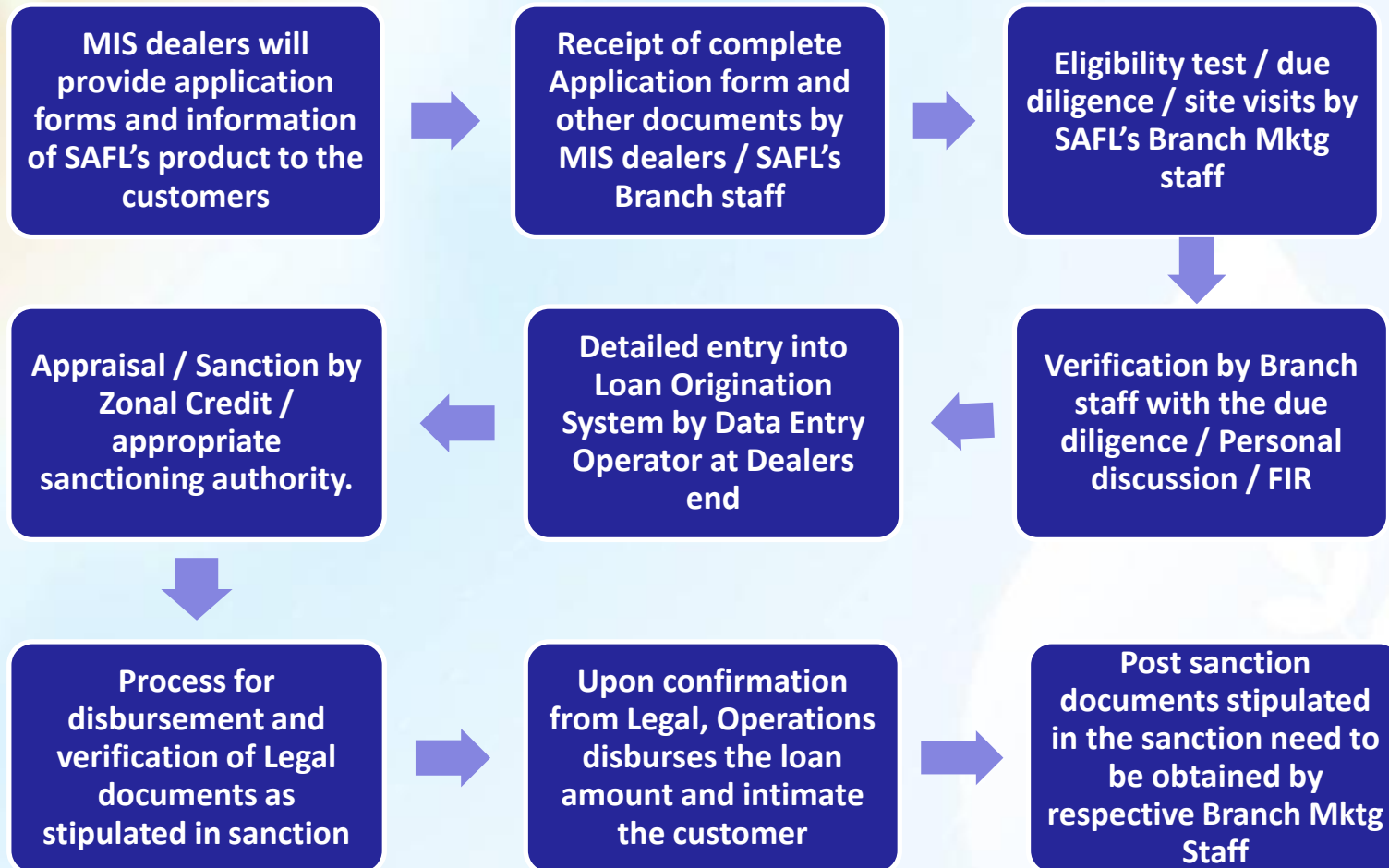
# Monitor Loan Portfolio

- a) Loan account is monitored from Head Office and when an installment is nearing due date, the computerized data system informs the concerned Business development officers as well as the concerned Dealer who in turn contact the farmer(s) and persuade them to deposit money into SAFL's account.
- b) Business development officers are in constant contact with the farmers in the villages. Thus they come to know when the crops are being harvested.
- c) In addition to the Business Development Officers, Dealers of JISL also assist them in recovering a loan.



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# Process Flow





# Payback Period

Crops	Yield (MT/Ha)		Incremental Qty	Incremental income	Approx. Cost of Drip	Tenor of loan (in months)
	Conventional	Drip				
Sugarcane	128	170	42	84,000	1,00,000	30
Cotton	2.6	3.7	1.1	44,000	1,00,000	30
Grapes	26.4	32.5	6.1	91,500	1,00,000	36
Potato	23.6	34.4	10.85	86,800	1,00,000	24
Banana	57.5	87.5	30	3,00,000	87,000	24
Tomato	32	48	16	48,000	1,00,000	36
Watermelon	24	45	21	2,10,000	87,000	24

Incremental income is sufficient for the farmer to repay the loan either after 1<sup>st</sup> harvest or at most 2nd harvest. However repayment is structured in such a manner that farmer has sufficient money at his disposal for better livelihood as well.



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**ONE WHO SOLVES THE PROBLEM OF WATER IS WORTH  
TWO NOBEL PRIZES, ONE FOR PEACE AND  
ANOTHER FOR SCIENCE**

*- JOHN F. KENNEDY*





**Thank You**