

Government of Maharashtra
Department of Co-operation, Marketing and Textiles
Maharashtra Agri Business Network – MAGNET Society
MAHARASHTRA AGRIBUSINESS NETWORK (MAGNET) PROJECT
(Asian Development Bank Assisted)

EXPRESSION OF INTEREST

MAGNET Society invites proposals from Financial Institutions (FIs) for screening and short listing of potential participants for the implementation of Financial Intermediation Loan (FIL) Component under Asian Development Bank (ADB) funded Maharashtra Agribusiness Network (MAGNET) Project to be implemented in the State of Maharashtra.

The interested Financial Institutions may submit their Expression of Interest (EOI) through email at projectadb@msamb.com and may obtain further information about the services and procedure for submission of the EOI etc. on the website www.magnetadb.com

Project Director

**Government of Maharashtra
Department of Co-operation, Marketing and Textiles
Maharashtra Agri Business Network – MAGNET Society**

**MAHARASHTRA AGRIBUSINESS NETWORK (MAGNET) PROJECT
(Asian Development Bank Assisted)**

Address- 386/2, 10th Floor, Sharada Chambers, Shankarsheth Road, Pune - 411 037
Maharashtra, India.

Website: www.magnetadb.com, Email: projectadb@msamb.com

Contact No. +91- 9423007040

**EXPRESSION OF INTEREST (EOI)
FOR
PRELIMINARY SCREENING OF POTENTIAL PARTICIPATING FINANCIAL
INSTITUTIONS FOR FINANCIAL INTERMEDIATION LOAN (FIL) FACILITY
OF MAGNET PROJECT, MAHARASHTRA**

**PRELIMINARY SCREENING OF POTENTIAL PARTICIPATING FINANCIAL
INSTITUTIONS FOR FINANCIAL INTERMEDIATION LOAN FACILITY OF
MAGNET PROJECT**

Maharashtra Agribusiness Network (MAGNET) Society invites proposals from Financial Institutions (FIs) for screening and short listing of potential participants for the implementation of Financial Intermediation Loan Facility under ADB funded Maharashtra Agribusiness Network (MAGNET) Project to be implemented in the State of Maharashtra. Interested Financial Institutions may submit their proposals through email at projectadb@msamb.com with all details mentioned in this EOI.

This EOI is not an agreement and is neither an offer nor invitation by the MAGNET Society to the prospective FIs or any other person. The purpose of this EOI is to provide interested parties with information that may be useful to them in submitting their intent/ interest pursuant to this EOI.

The issue of this EOI does not imply that MAGNET Society is bound to select a FI for the Project and that MAGNET Society reserves the right to reject all or any of the proposals without assigning any reason whatsoever.

This EOI does not commit MAGNET Society to pay any costs incurred in the preparation and submission of proposals or in making necessary studies for the preparation thereof. Each proposal shall be prepared simply and economically, avoiding the use of elaborate promotional materials beyond what is sufficient to provide a complete, accurate, and reliable presentation. For ease of review, the proposals must follow the outline in Annexure I and II of this EOI. Each response should be clearly numbered and address the full question listed. Each page of the proposal must be sequentially numbered.

For any further details, please contact Mr. Nitin Patil, Dy. Project Director, Financial Support, PMU, MAGNET, Pune.

Project Director

Contact No.:- +91- 9423007040

Email: projectadb@msamb.com

Place: Project Monitoring Unit (PMU),
Maharashtra Agri Business Network (MAGNET) Project,
386/2, 10th Floor, Sharada Chambers, Shankarsheth Road, Pune - 411 037
Maharashtra, India.

Details of Expression of Interest

1. Background

1.1. Introduction

In line with the MAGNET project's objective to address the challenges faced by Farmer Producer Organizations (FPOs) and even many other value chain operators (like processors, exporters, start-ups and Ag-tech organizations) in accessing credit, a Financial Intermediation Loan (FIL) facility of up to 65 Million USD is proposed in the project, to be operated under MAGNET project. It is envisaged that the proposed FIL will be extended to participating financial institutions to further on-lend to targeted and eligible sub-projects. It is also envisaged that since such FIL to participating FIs shall be extended at a considerably lower rate, the FIs shall be able to on-lend at market competitive rate to sub-projects. Two types of loans, largely Term Loan and WorkingCapital Loan, shall be extended to eligible sub-projects from FIs. It is envisaged that the term loan at competitive rates will lead to incentivizing FPOs and other value chain operators in infusing their equity and the obtained debt to set up suitable projects eligible under MAGNET. Similarly, working capital assistance shall enable the sub- projects to optimally utilize their capacities and shall assist in meeting their operational obligations more efficiently. The project also encourages offering of composite loans as well as especially crafted/designed loans to suit the end beneficiaries. For more details about MAGNET project and FIL component, applicants may kindly visit website of MAGNET project viz. www.magnetadb.com as well as through ADB's Operations Manual for Financial Intermediation Loans by visiting the link as mentioned below:

<https://www.adb.org/sites/default/files/institutional-document/31483/om-d6.pdf>

1.2 Targeted and Eligible Sectors and Eligible Sub-projects for FIL

- a. Eligible Sectors: Projects that facilitate value addition, preservation, marketing of one or group of the following horticulture crops: Banana, Custard Apple, Green and Red Chili, Guava, Okra, Orange, Pomegranate, Sapota, Strawberry, Sweet Lime, Mango, Cashew nut, Lemon, Snake Gourd and Flowers.
- b. Eligible Organizations: Legally constituted Farmer Producer Organizations (FPOs) and Value Chain Operators (VCOs) which includes aggregators/processors/exporters/ mid and large size retail organizations/Ag-tech or Fin- tech organizations working actively with producers and their collectives of any horticultural commodities.
- c. Capital Investments to be supported: Post-harvest processing facilities, Agri-

Logistics and other relevant capital investments as deemed fit for financing.

- d. Working Capital requirements to be supported: Inputs trading business, commercial horticulture activities, Processing, Trade, including for exports, other productive and operational purposes as deemed fit for financing.

Note: The program is limited to support sub-projects within the State of Maharashtra only.

2. Role of eligible Participating Financial Intermediaries (PFIs)

Under the proposed FIL facility, the project shall provide funds to eligible participating financial intermediaries for on-lending, at the financial intermediary’s credit risk, to final borrowers (sub-borrowers) for eligible subprojects. A “sub-project” is the sub-borrower’s investment or economic activity, for which a sub-loan is provided. “Sub-borrowers” are entities to which part of the proceeds under an FIL are on-lent by the borrower or financial intermediary. Financial intermediaries’ on-lending rates for sub-borrowers should be market-based and as per agreed upper and lower limit.

- 3. Evaluation:** Proposals will be reviewed by MAGNET Society for completeness and scored and ranked by an Evaluation Committee. The committee will evaluate proposals qualitatively based on submissions in this EOI. All applicants of Accepted Applications (shortlisted candidates) will receive a notification about the result of the assessment process.
- 4. Confidentiality:** While evaluating the EOIs, MAGNET Society and the Evaluation Committee respects the confidentiality of all and any sensitive information received from financial intermediaries.
- 5. Due diligence:** Accepted Applications will subject to a due diligence process and will be carried out in accordance with the ADB’s internal rules and procedures. The aim of the due diligence is to evaluate and confirm the content of the Application as well undertake a complete financial and institutional due diligence. This will also comprise the assessment of the overall financial standing, operational performance, and other criteria to accept/reject the applicant as a PFI.

6. Qualification Criteria for the EOI*

S.N.	Parameter/Benchmark	Banks (PSBs and PVBs)	NBFCs
1	Minimum experience in financing agriculture/ horticulture value chain financing. Experience of financing FPOs will be an additional advantage.	3 Years	2 Years

S.N.	Parameter/Benchmark	Banks (PSBs and PVBs)	NBFCs
2	Outreach in Maharashtra	Should have rural/ semi-urban presence in all the districts of Maharashtra	Should have requisite infrastructure and systems & procedures in place to service rural/ semi-urban clientele in all the districts of Maharashtra
3	Human resources	Should have adequate number of qualified personnel to appraise the horticulture value- chain projects.	
4	Capital adequacy	Should adhere to the CRAR norms prescribed by the RBI (or any other regulator) at all the times	
5	Credit history	No defaults towards repayments of credit taken from other financial institutions	
6	Audit and Inspection	There should not be any major adverse observations on the functioning of the institution in the Inspection Report of the RBI (or any other regulator) and in the Statutory Auditor's report.	
7	Regulatory/supervisory compliances	The institution should be adhering to all the regulatory/supervisory requirements, as envisaged under the law, at all the times	

* Relevant supporting documents, certificates or undertakings as may be relevant should be provided.

Annexure I:
EOI Response Format

S.N.	Particulars	Remarks (Kindly share your remarks only. Supporting documents to your responses need not to be enclosed at this stage)
A	General Information	
1	Type of FI	
2	Name of Organization	
3	Registration with RBI	
4	Founded on (date)	
5	Key People	
6	Details of Head Quarters	
7	Products/Services Offered	
8	If listed on any exchange (Provide details)	
9	Revenue	
10	Operating Income	
11	Total Assets	
12	Number of Employees	
13	Website	
14	Brief Profile	
15	External Rating of debt instruments (CARE/CRISIL/Other)	
B	Agriculture and Allied Business Lending (Kindly share details of)	
1	Gross Bank Credit	
2	Total Priority Sector	
3	Agriculture & Allied Activities	
4	Micro & Small Enterprises (Manufacturing and Services)	
5	Export Credit	
6	Brief Profile - Financial Inclusion	

S.N.	Particulars	Remarks (Kindly share your remarks only. Supporting documents to your responses need not to be enclosed at this stage)
C	FPO Lending (Kindly share details for country wide operations and that of Maharashtra State separately)	
1	Activities Supported	
2	Gross Credit extended to FPOs	
3	Number of FPOs	
4	Products Offered	
5	Details of any special FPO products offered	
6	Average Loan Size- Term Loan/Long Term Credit	
7	Average Loan Size- Working Capital/Short Term Credit	
8	Rate of interest offered (Range and Average)	
9	Tenures offered (Range and Average)	
10	Moratorium offered for capital investments (Range and Average)	
11	Flexibility/Incentives offered in terms w.r.t. flexible tenures, lower processing fee, etc.	
13	Number of FPOs that have collateral free credit (applications under any credit guarantee schemes)	
14	Average Turnaround Time in approving/rejecting loan applications	
15	Details of NPAs (Number/Percentage)	
16	Key challenges faced	
D	Lending to Agri/Food Processors, Exporters, Start- ups and Ag-Tech Companies. (Kindly share details for country wide operations and that Maharashtra State Separately)	
1	Activities Supported	

S.N.	Particulars	Remarks (Kindly share your remarks only. Supporting documents to your responses need not to be enclosed at this stage)
2	Gross Credit extended	
3	Number of companies/units/ entrepreneurs supported	
4	Products Offered	
5	Products offered to Exporters to facilitate exports	
6	Details of any special products offered	
7	Average Loan Size- Term Loan/Long Term Credit	
8	Average Loan Size- Working Capital/ Short Term Credit	
9	Rate of interest offered (Range and Average)	
10	Tenures offered (Range and Average)	
11	Moratorium offered for capital investments (Range and Average)	
12	Flexibility/Incentives offered in terms w.r.t. flexible tenures, lower processing fee, etc.	
13	Average Turnaround Time in approving/ rejecting loan applications	
14	Details of NPAs (Number/Percentage)	
15	Key challenges faced	
E	Network in Maharashtra	
1	Total no. of branches	
2	No. of rural branches	
3	No. of semi-urban branches	
4	Do the regional offices have enough autonomy to take lending decisions?	
F	Digital Services	
1	Details of Digital Services offered to borrowers	

S.N.	Particulars	Remarks (Kindly share your remarks only. Supporting documents to your responses need not to be enclosed at this stage)
2	Other Technology aspects useful to borrowers	
G	Awards and recognitions	
1	In last 5 years - w.r.t. Agricultural Banking/Priority Sector lending/ SME Lending/Other	
2	Rural/Social Development	
H	Experience of similar projects (if any)	
1	Does the FI have experience in implementing projects of any other donors, co-financiers, or development partners?	
2	If Yes, kindly share details in terms of fund handled, beneficiaries, impact, etc.?	
I	Environment and Social Management Systems	
1	Does the FI have any environmental and Social Management System policies?	
2	If yes kindly share the details of the same.	

Annexure II:
List of Documents

List of Documents (along with EOI Response-Annexure I) to be submitted for pre-screening:

- 1. Covering Letter and proposal:** The covering letter transmitting the proposal must be executed by a responsible authorized official of the FI. Interested FIs are informed herewith that this EOI is the initial pre-screening process for the project's implementing body to understand which FIs could be best potential PFIs for the implementation of FIL facility. Interested FIs are expected to be creative in their proposals, addressing and suggesting the best manner in which the current challenge of inadequate credit access to FPOs in the eligible sectors can be addressed through their participation in the FIL program of MAGNET. The proposal may also suggest ways in which FI would extend suitable sub-loan products under FIL to private players like processors, exporters, start-ups and Ag-tech organizations that will enable a rapid and positive paradigm shift in value addition, trade, exports, improvement in quality, etc. Focus could also be given on several other relevant impacts and outcomes like increased sustainability and profitability in activities undertaken by sub-borrowers like commercial horticulture, value addition, preservation and better marketing initiatives.

Since the FIL facility of up to 65 million USD is proposed in the project, FIs are requested to suggest their demand for FIL fund. The covering letter should also include contact details, designation, phone and email of the key contact/coordinator for this EOI.

- 2. Success Stories:** FIs are encouraged to share 1-3 success stories (each of not more than one page) of their funded FPOs operating in any of the identified eligible sectors or in any other horticulture crops. FIs may also share 1-2 success stories (each of not more than one page) of processors/exporters/start-ups/Ag-tech organizations handling horticulture crops.
- 3. Brochures/Other literature:** FIs are encouraged to share their brochures/other literature (if any) with reference to Financial Inclusion initiatives undertaken to provide greater credit access to farmers, FPOs and other similar borrowers. Such brochure/literature should ideally not exceed 4-5 pages, and thus only most relevant parts of the document can be shared.
- 4. Loan Terms:** We are interested in understanding the FI's willingness to consider different interest rates, moratoriums, etc. for different size loans in targeted sectors. We are also interested in understanding other loan terms the FI can offer in terms of flexible repayment, processing fee, etc.

In this context, FIs to share appropriate response (in not more than 2 pages) to the case study (considering the sub-borrower qualifies/complies with eligibility criteria of MAGNET as well as that of your bank) below:

- a. If the ADB's FIL loan is provided to FI at a rate of 'X%', what is the rate at which FI can on-lend to sub-borrowers? FI may kindly define range based on loan size, borrower credit, security and other criteria.
 - b. What could be FIs offerings for eligible sub-projects w.r.t. tenures, moratorium, etc. FI may kindly provide the upper and lower limits, as well as the rationale behind same. For the purpose of appropriate response FI may take assumptions with regards to size of investment, nature of technology, implementation/gestation periods, etc. (and similarly for working capital loans).
- 5. Additional Statements and Materials:** Please feel free to add additional statements, ideas, and materials that demonstrate the FI's understanding of the FIL goals and how the FI could implement as a participating FI.

Note: Kindly do not share any other documents apart from those explicitly mentioned in this EOI.
