



ARIAS SOCIETY

Assam Rural Infrastructure and Agricultural Services Society

(An Autonomous Body under Govt. of Assam)

Project Coordination Unit (PCU) of the World Bank financed

Assam Agribusiness and Rural Transformation Project (APART)

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No: ARIAS/APART/933/2020/

Dated Guwahati the 08th October 2021

RESPONSE TO THE QUERIES

To the Request for Proposal (RFP) Document for Fund manager For the Assam Agribusiness Investment Fund

Dated Guwahati the 13th Sep, 2021

With reference to the RFP Document For Fund Managers For The Assam Agribusiness Investment Fund ("AAIF" or "Fund") Dated Guwahati the 13th Sep, 2021 for supporting the establishment of the fund and undertaking Fund Management Services for AAIF under the World Bank financed Assam Agribusiness and Rural Transformation Project (APART)", the following are response to the queries/ clarifications sought by interested fund managers:

1. Para 2.2. on geographic focus requires a locus of activity to be in Assam. Please elaborate on minimum qualifying requirements or expectations, if any, relating to the locus of activity in Assam relating to the operations of the fund, the fund manager and the fund investments.

[Response Note: The locus of activity shall be in line with the core intent of the Fund i.e. to unlock risk capital investments in agri-SMEs in a manner that makes significant positive contributions to the economy and populace of the state of Assam. Hence, investments in agri-SMEs that commit to deploy this capital in a manner that makes significant positive contributions to the economy and populace of the state of Assam will be considered to qualify. While no minimum qualification requirements in terms of share of revenues/ operations / employees are prescribed, applicants are expected to utilize their best judgement and relevant experience to outline how they expect to align with the core intent.]

2. Para 2.4 mentions an investment range estimated between US\$100,000 and US\$2 million. The next point includes that the investee may receive follow-on rounds of investment. Does that mean that first round participation from the AAIF shall not exceed US\$2 million? Does the next point mean that higher participation, if any, is possible only as a separate follow-on investment subject to a maximum 10% exposure condition (15% with advisory committee approval)?

[Response Note: Yes, the first round participation from AAIF shall not exceed USD2M, and further, the follow-on round shall be subject to a maximum exposure of 10% of the AAIF's capital (which can be extended to 15% of the AAIF's capital with prior written approval from the advisory committee of AAIF).]

3. Para 2.6 requires the fund manager to be the fund sponsor. Are there any legal or commercial constraints precluding AAIF to act as a fund sponsor?

[Response Note: As part of the appointment conditions, it is mandated that the fund manager should be the fund sponsor. If for any reason, fund manager cannot act as a sponsor, then the expectation would be that an Affiliate of the fund manager should be the sponsor. For the purposes of this paragraph, the term "Affiliate" shall mean with respect to a Party, any person directly or indirectly controlling, controlled by or under common control with that Party. The term control shall have the meaning assigned to it under the Companies Act, 2013.]

4. Para 5.A.8.iii. mentions self-liquidating investment structures. Please provide examples of the envisaged self-liquidating investment structures.

[Response Note: A self-liquidating loan is a form of short- or intermediate-term credit instrument that is repaid with money generated by the assets it is used to purchase. The repayment schedule and maturity of a self-liquidating loan are timed to coincide with when the assets are expected to produce income. These loans are intended to finance purchases that will quickly and reliably generate cash. An example of self-liquidating equity investment would be where the investment is associated buy-back conditions defined upfront. More broadly, self-liquidating investment

structures are such structures where the exit event is more certain and no external trigger is required for liquidation.]

5. We understand that the RFP does not preclude any of the structure options. Please share any legal/commercial restrictions vis-à-vis the fund structure options listed below.
- Commitment to an existing fund.
 - A separate fund under the AIF regulations.
 - Separate scheme of a fund already registered under the AIF regulations.

[Response Note: As long as GoA's capital is deployed in accordance with the terms set out in the RFP, we are flexible on the structuring options within an existing fund or a new fund, as the case may be. To clarify, the terms of an existing fund will have to be aligned with the new scheme term.]

6. Para 5.2. footnote 10 and C.i. footnote 13 allows applicants to propose alternate structures. GIFT City AIF recently permitted by the GoI is also a possibility? Would the GoA be able to make its LP contribution in the GIFT AIF or are there any restrictions on the GoA to participate only in the India onshore domiciled AIF?

[Response Note: GoA will be an onshore entity and would invest in an onshore registered Fund directly and not in a GIFT City AIF.]

7. Applicants need to propose the final size of the TA Fund based on the assessment of needs. Are we required to submit a budget for the TA Fund as well?

[Response Note: Yes, the potential applicants will be required to propose a budget for the TA Fund at the selection process basis assessment of needs of the proposed fund manager. Further, the areas of intervention of TA Fund will be as set out in para 2.13. of the RFP.]

8. Applicants are expected to fundraise for the AAIF. However, are applicants required to fundraise for the TA Fund as well?

[Response Note: Fund raise is only for the main fund. However, if the applicant has the resources and are able to raise more capital for the TA Fund that is not restricted but it is expected that applicants suggest the size of the TA fund which will be suitable for them to provide the right kind of support to the investee companies. Further, TA Fund may be provided by the GoA by way of grants / partial grants / zero-interest loans.]

9. Interested applicants are required to submit a signed acceptance at the time of bidding, which will be incorporated in any resulting contracts. Is there a particular format for this document? If yes, where can we access the same?

[Response Note: The guidelines specified in EMF document can be accessed here: <http://www.arias.in/download/APART/EASA/FINAL%20REPORT%20ON%20ENVIRONMENTAL%20ASSESSMENT%20AND%20ENVIRONMENTAL%20MANAGEMENT%20FRAMEWORK.pdf>. Furthermore, the World Bank's anti-corruption guidelines can be accessed here: <https://www.worldbank.org/content/dam/documents/sanctions/other-documents/osd/User%20Friendly%20Version%20of%20the%20Anti-Corruption%20Guidelines.pdf>. Additionally, the standard template for submission of application shall be uploaded on the website of Arias Society.]

10. Do the applicant/organization need to show a minimum period of operation as a fund manager in order to be considered eligible to apply to the RFP? We plan to register a new company for managing the fund if our application is successful.

[Response Note: In the event an applicant proposes to register a new company for managing the fund, it will be required to submit an undertaking that it will set-up a dedicated entity (equivalent to the "General Partner") if they are selected. Additionally, if the applicant has not had any experience of working in the agriculture industry, it will be expected to provide an explanation of why the lack of experience will not be a barrier to their ability to deliver on the objectives of the fund.]

11. Whether Sponsor Contribution will be counted towards the 25% additional funds to be raised by the Fund Manager? Whether Rs. 5.0 crore sponsor contribution will be counted as part of the 25% fund raised by the fund Manager?

[Response Note: Sponsor contribution can be counted towards 25% additional funds proposed to be raised by the Fund Manager.]

12. Point no 3, Special Conditions - Mentions PMU (review and No Objection) What is full form of acronym PMU

[Response Note: The full form of acronym PMU as per the Environmental Management and Environmental Management Framework report of April 2017 is 'Project Management Unit'.]

13. Even though this is a proposed Agribusiness assistance fund, the Target sectors mention clean energy, so can we assist Solar power plants and Roof top solar projects from the proposed fund? Wind, Hydro and biomass if available? Any sub-sector restrictions?

[Response Note: If the capital deployed demonstrates impact on the larger rural economy around agribusinesses in the state of Assam, such investment will be considered as qualified. Applicants are expected to utilize their best judgement and relevant experience to outline in their proposal how the above-mentioned specific project examples will demonstrate such linkage and impact.]

14. Any hurdle rates or definition of 'market-linked returns' for GoA expectations?

[Response Note: While no minimum hurdle rate is prescribed, GoA expects that the hurdle rates and overall returns will be in line with the market standards. A specific hurdle rate has not been specified in the RFP intentionally as we expect the fund managers to leverage their experience, local insights and judgement to demonstrate to the evaluation committee the reasonableness and realisticness of the hurdle rate and overall returns they propose in their submission.]

15. Is there any minimum number of years of operation as a fund manager required to be considered as an eligible applicant?

[Response Note: No. This flexibility has been provided specifically to allow for individuals who may have individual track records but may not have operated as a team to come forth and make a submission in they believe and can demonstrate that they can meet the GoA's objectives from this Fund as a team. Please note Footnote 16 in the RFP specifically in this regard.]

16. In the case of eligible investee companies, the RFP mentioned that we could show a pipeline of companies and the only criteria that was mentioned for the investee companies was that such companies should have operations in Assam. So, if a company is incorporated in other states (have their registered office in other states) but they have their operations in Assam and vice versa, i.e., they might be incorporated in Assam but have their operations in other states. How do you consider eligible investee companies in that case, what is the definition which will say that this is an eligible investee company?

[Response Note: Entities that already exist as registered in Assam, those that will carry out business with the proceeds of the investment in Assam (that includes setting up an entity in the state) and those that may carry out business outside Assam but based on products / services from Assam and / or entrenched in agri value chains arising from Assam will be considered as qualified. Please also note the response to Q.1. above in this regard.]

17. The first closing has to take place within six months of the fund manager being appointed or selected. Considering that this will be a new fund and we will start the fund-raising activity after the fund is registered, hence six months as a timeline may not be sufficient. Can applicants propose a longer timeline, or do we need to stick to the six months timeline strictly? Further, from a legal perspective we cannot start fundraising activities unless we are registered with SEBI.

[Response Note: Applicants may propose a longer timeframe, however, in no event such timeframe shall exceed six months from the date of registration of the AIF with the Securities and Exchange Board of India.]

18. Please provide feasibility report of the project carried out by one of the Big 4 firms?

[Response Note: The feasibility report to be provided to the applicants, on case to case basis via email]

19. The RFP indicates flexibility on the structuring? Are there any constraints from structuring perspective, considering the money is coming from the World Bank to the Government of Assam?

[Response Note: In case of the fund, it will be an entity of the Government of Assam that will be making the investment and hence the money will be coming to the AAIF as an onshore and not as an offshore investment.]

20. What is the core objective of setting up of this fund? (i) to provide money to enterprises that are already there, or (ii) to promote entrepreneurship development?

[Response Note: The core objective is to make risk capital investments in agri SMEs with a locus of activity in Assam. This arises from the Project's base thesis that while capital is available for agri-SMEs in the state, the binding constraint is with respect to access to *risk* capital (equity, mezzanine and debt that is differentiated from that provided by existing banks and NBFCs in terms of its tenor, flexibility, grace periods etc.) However, applicants are free to propose a thesis that incorporates risk capital investments that they believe promote entrepreneurship development. The GoA is open to and encourages applicants to propose their own thesis that may be at some variance to the above base thesis if the applicant is able to demonstrate from their experience, through their technical proposal, that non-SME investments will also help to meet the gap in risk capital investments in the state within the boundary conditions of the capital available, maximum ticket size and concentration as specified in the RFP.]

21. The 25% contribution from other investor. How important is this? Is there a specific requirement on their eligibility criteria? Further, should this be equity contribution only?

[Response Note: This is an important requirement and applicants are required to deliver the demonstration effect that is expected to crowd in more private investments towards risk capital in agri-SMEs in the state of Assam. In the absence of such additional capital, the Fund's purpose will not be well served. As far as the instrument of investment is concerned, there is no commercial restriction on the same i.e. it can be in the form of debt, equity, grant structured as first-loss capital/ guarantee etc. No eligibility criteria for such investors is specified as long as the relevant extant regulations with respect to the chosen structure are complied with. However, since the AIF Regulations for a category II AIF do not permit leverage (debt) at the fund level applicants will have to be mindful of such regulatory requirement.]

22. Is there any specific eligibility requirements for the investors contributing the 25% capital since we have investments from the World Bank and the state of Assam? Further, can HNIs participate in the 25% capital contribution?

[Response Note: The RFP lays out the standard distinctions or eligibility requirements of the World Bank. No eligibility criteria for such investors is specified as long as the relevant extant regulations with respect to the chosen structure are complied with.]

23. Please clarify on the Rs. 5 crore contribution from the fund managers as a sponsor contribution given that individuals are allowed to participate in the fund manager selection process.

[Response Note: The fund manager entity is required to demonstrate their commitment to the investment thesis by making such contribution. The RFP does not mention that individuals are allowed to participate in the selection process. The reference in footnote 16 of the RFP is towards individuals coming together to form a team to apply. Please also refer to response to Q.15 above in this regard. Applicants are encouraged to explore and propose various market prevalent models for making such contribution that may minimize their individual financial burden.]

24. Are we considering a Category-I AIF?

[Response Note: If we do qualify and seek registration as Category-I AIF, we would prefer it.]

25. Some of us applied last time however, we understand this has to be a completely fresh application right? Further, would there be a requirement for in person discussions and presentations or online mode?

[Response Note: Applicants can choose to repurpose their previous application as long as the criterias mentioned in the RFP are taken care of. As specified in the RFP, shortlisted applications may be called for an in-person or online presentation.]

26. Can we account the fund for the expenses incurred on mobilising the remaining 25% capital required to be raised by the fund manager?

[Response Note: Any expenses incurred by the fund manager to mobilise additional 25% capital shall be borne by the fund manager itself.]

27. Our understanding is that until the 25% capital is raised, there will be no contribution from the Government of Assam. Technically any funding from the Government of Assam will only come once the first close happens, which includes 25% contribution from a third party investor + 2.5% from the fund manager. Is that correct? Numerically we are basically looking at about 27.5% of 15M USD together alongside Government of Assam's funding.

[Response Note: To clarify, sponsor contribution shall be counted towards 25% additional funds proposed to be raised by the Fund Manager. Hence, we are looking at 25% of 15M USD alongside Government of Assam's funding.]

28. The fund manager can be a part of the anchor investment as well, right?

[Response Note: As long as the fund manager makes the relevant sponsor contribution it does not matter to us if they are also acting as an anchor investor.]

29. How concrete pipelines are we looking for in respect of the investee companies?

[Response Note: Indicative description of pipeline prospects with actual or disguised names of potential investee companies will suffice. The rationale for asking applicants to provide an indicative pipeline is to assess their familiarity with the context and relevance of their experience.]

30. If 2 entities are coming together to make a joint application then how would the qualification criteria work vis-a-vis the eligibility requirements?

[Response Note: As long as their combined track records meets the eligibility criteria and the applicants have added a description of how them working together as a team is going to be useful, then we would certainly not discourage the applicants. The evaluation committee may not discount on the scoring only because people have come together to form a fund management entity.]

31. What is the proposed mechanism for handling all the incorporation / setup related costs which the selected Fund Manager will expense, for example on secretarial costs, legal, transaction costs for the definitive documentation with GoA since the first close is expected to happen post the incorporation of AAIF?

[Response Note: The selected Fund Managers to propose this in its final financial proposal prior to selection as submitted by such Fund Manager under Section 5.B.(i) of the RFP. Further, the summary of proposal contents will determine this.]

32. Has a Shareholders Agreement been drafted? If so, can this be shared? If not drafted yet, would this be drafted by the selected Fund Manager?

[Response Note: As of the date no shareholders' agreement has been entered into. This agreement will be drafted and executed after discussions between the fund manager and the LPs.]

33. Would the Government of Assam (GoA) have one (1) representative on the Advisory Committee (AC) as outlined in the RFP? Considering that we are at Proposal submission stage, with less visibility of other voting investors, Proposal will outline the mandate, broad composition and tenor for the AC. Please confirm our understanding or any differences.

[Response Note: Section 2.8 and Section 5.A.6.(ii) of the RFP are clear in this respect and no further clarification is therefore considered necessary.]

34. Considering that we are at the proposal submission stage, seeking confirmed representations from industry or sector experts, investment gurus, etc is a challenge. At times, such professionals refrain from allowing their names to be used during such proposal submission stage as well. Therefore, we seek your confirmation that the Proposal shall outline the broad composition of the IC, total members, likely sector / geographic / public service representation, tenor, mandate, etc.

[Response Note: Section 5.A.6.(i) of the RFP is clear in this respect. For further clarity, disguised names of potential committee members may be provided or a profile of such members may be provided in case revealing their real names is not possible. However, to the extent possible sharing actual names of potential members will be useful.]

35. Is there a specific timeframe for the close ended nature of the AIF? Or is the Fund Manager expected to define the same?

[Response Note: Section 2.10 of the RFP is clear in this respect and no further clarification is therefore considered necessary.]

36. Would the TA Fund and the AAIF use the same legal structure to operate or otherwise?

[Response Note: Using the same legal structure as that of the AAIF is neither required nor barred. However, best practices for structuring of TA Fund as prevalent in the market may be proposed by the Fund Manager based on their experience and judgement.]

37. We request more information "*applicable investment documents and first two investments*" for PMU and World Bank's review and No Objection and related timelines for these activities. To illustrate *applicable investment documents* could be the investment term sheets and all definitive documents executed by the AAIF with the investee. Would this also include contracts executed by the first two investee company with its contractors / service providers for any expansions, civil works, technology upgradation, etc.?

[Response Note: Since the reference is to "investment" it is evident that the contracts of the investee company with contractors, etc. are not under this purview.]

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Copy for information and needful by email to:

1. All concerned officials of the ARIAS Society.