

**Mr Anshul Jindal, Senior Investment Officer,
Agribusiness Asia Pacific, responsAbility Investments AG**

This is a transcript of the exclusive interview of Mr Anshul Jindal, Senior Investment Officer, Agribusiness Asia Pacific, responsAbility Investments AG taken on the occasion of World Cashew Convention & Exhibition 2018



Brief about your company responsAbility Investments

responsAbility Investments AG is an asset manager based out of Switzerland, manages funds worth about USD 3.3 billion globally and our funds are invested in more than 80 countries in the world and are very well diversified. We are an impact-investment advisor. We invest in the companies who are doing well on the environmental and social aspects. Primarily we invest in the three sectors viz., financial institutions, renewable energy and agriculture. I am part of the agriculture team, where we work with farmers, co-operative societies, processors, traders and exporters - the entire agri value chain. The idea being that the money should be used in the value-chain in such a manner that the smallholder farmers are benefitted out of it. The company that we fund should be working in a sustainable manner towards the betterment of farmers.

Within agriculture, the cashew is an important portfolio for us and in cashew we have invested in entire agri value-chain from Africa to Asia Pacific including Europe and the US.

Considering the overall size of responsAbility agri funding, the size of funding for cashew seems to be small. How are going to improve on that?

It used to be small, but in the last four years it has improved from less than two percent to more than 10 percent today. The increase has been phenomenal for cashews. For us also, it is a really good product to be in. We are happy to be associated with the cashew as a commodity in a large manner. We see the potential is much more. We can sense more growth in this industry for us, in terms of funding both the raw cashew as well as the processing part and also for the

finished product. The biggest advantage for the cashew is that the commodity is linked globally wherein Africa and Asia Pacific work together for the entire value-chain. We see that it can grow quickly up even further and soon it might become one of our largest commodities for funding.

Are you financing to processors for capacity creation or addition and for machinery manufacturers?

Yes, we feel that, where the next wave of the requirement will be. We have all discussed about that more processing will happen in Africa going forward. Now, the governments in Africa have realized that. I am glad that at least few countries are taking the right steps in that direction, although it will take another 2-3 years to see the actual fruits on the ground. But there are investors and private companies now who are willing to take that risk. We stand firmly behind the government and such entrepreneurs who have knowhow of the industry and who are willing to expand to those markets. We feel that lot of investment is required especially for processing in Africa. We are looking to fund and as of now we can fund the long term projects in cashews - be it for green field projects in processing, machinery expansion by an existing processor and infrastructure for warehousing and drying. We have done similar projects in Vietnam and we have done one or two such projects in West Africa and we are looking to increase on that.

What are the regulatory challenges when you finance to Indian Companies?

The challenge is because that we are Switzerland based investor and all our funds are in Euros and dollars. In India, funding in foreign currency is always a challenge. The central bank has put a lot of restrictions on foreign currency loans and local currency loan is preferred. For an investor like us, funding in local currency is not an option and is little difficult. Moreover, for a non-banking entity, because we are not regulated as bank it becomes even more difficult.

All our funds directly come out of Switzerland or Luxembourg. In India, we have no such legal entity to fund and that brings challenges. There are few options where we use FPI and FIIs, through which we can subscribe to non-convertible debentures but that also becomes local currency or they are long term funding only. We have done some financing through that route i.e. only for three years.

What we expect from the government of India is that at least for exporters some more leverage should be given to dollar funding from non-banking entities like us. So far what we are doing is a way of indirect financing where we fund the rate and the funding cycle is very small and cannot fund from end to end. If regulations improve, at least for the exporters, they should be allowed to receive money in dollars. So far things are going slow in that side. With the recent movement in the dollar, we don't see situation improving at least for the next one year.

Are you planning to have any joint venture with others, so that you can finance Indian entities?

We have been discussing with few entities for joint venture. The local NBFCs in India may close the deal soon, but even with that our funding will be largely limited to long term projects and not for trade finance. The long-term projects are in need for cashew industry in India and many factories are in need for improvement, need to invest in modern technology. We have been talking to large machinery suppliers in India and Vietnam so that we can fund for their clients whenever the new machines are supplied and that part will be ready in a few months.

Are you financing to farmers in terms of replacing the old and senile plantations and what are the criteria for them and is there any collateral is required?

It is difficult for us to fund individual farmers directly, because we need a scale and size when we fund a project. How we do is that we fund to farmers co-operatives in countries and geographies wherein the co-operatives work very well. It should be of larger size and the member farmers should view the cooperatives with seriousness, they should associate with the cooperatives for a longer duration. If co-operative won't work then we will fund to local entrepreneurs who are in the end work with the farmers. We have issued money for plantation for commodities other than cashews because the collateral becomes a challenge in that case. Collateral over the plant is not always possible. It is not realizable because of long duration. For such cases, we have another product which is called as technical assistance, basically it is a social product where we will give money to the farmers or a entrepreneur for a particular project, for a particular purpose and it is like a grant money and we won't fund it 100 percent as we want some money to come from the local co-operative or entrepreneur but we can fund up to 50 percent in that case with certain clear guidelines how the fund should be use and monthly benchmarks with deadlines etc. There is a budget with us for a technical assistance; the idea is to grow the community, to grow the commodity, so the farmers are benefitted in a sustainable manner and it's a good for long term sustainability of the commodity.