



Report and Recommendation of the President to the Board of Directors

Project Number: 53383-001
March 2020

Proposed Loan and Technical Assistance Grant Suguna Foods Private Limited Inclusive Poultry Value Chain Project (India)

This is an abbreviated version of the document, which excludes information that is subject to exceptions to disclosure set forth in ADB's Access to Information Policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 21 February 2020)

Currency unit – Indian rupee (₹)

₹1.00 = \$0.0139

\$1.00 = ₹71.879

ABBREVIATIONS

ADB	–	Asian Development Bank
capex	–	capital expenditure
ESMS	–	environmental and social management system
GHG	–	greenhouse gas
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of Government of India ends on 31 March.
- (ii) In this report, “\$” refers to United States dollars.

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PROJECT AT A GLANCE

1. Basic Data		Project Number: 53383-001	
Project Name	Inclusive Poultry Value Chain Project	Department/Division	PSOD/OPSD
Country	India		
Borrower	Suguna Foods Private Limited		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=53383-001-PortAtaGlance		
2. Sector		ADB Financing (\$ million)	
✓ Agriculture, natural resources and rural development	Subsector(s) Livestock		25.00
		Total	25.00
3. Operational Priorities		Climate Change Information¹	
✓ Addressing remaining poverty and reducing inequalities		CO ₂ reduction (tons per annum)	8,728
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Medium
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		ADB Financing	
✓ Promoting rural development and food security		Mitigation (\$ million)	14.06
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.4		Effective gender mainstreaming (EGM)	✓
SDG 2.3			
SDG 5.a		Poverty Targeting	
SDG 10.1		Geographic Targeting	✓
SDG 13.a			
4. Nonsovereign Operation Risk Rating			
Obligor Name		Obligor Risk Rating	Facility Risk Rating
Suguna Foods Private Limited			
5. Safeguard Categorization Environment: B Involuntary Resettlement: C Indigenous Peoples: C			
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		25.00	
Nonsovereign Local Currency Loan (Regular Loan): Ordinary capital resources		25.00	
Cofinancing		0.00	
None		0.00	
Others^a		25.50	
Total		50.50	
Currency of ADB Financing: Indian Rupee			

^a Derived by deducting ADB financing and Cofinancing from Total Project Cost.

¹ The project reduces greenhouse gas emissions. However, it does not fall under the eligibility criteria for climate mitigation finance as defined by the joint multilateral development bank methodology on tracking climate finance, which notes that not all activities that reduce greenhouse gases in the short term are eligible to be counted towards climate mitigation finance. Accordingly, greenfield fossil fuel projects are excluded, and climate mitigation finance is considered zero.

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan of up to \$25,000,000 equivalent in Indian rupees to Suguna Foods Private Limited (Suguna) for the Inclusive Poultry Value Chain Project in India. The report also describes proposed technical assistance (TA) for Gender Capacity Enhancement in Poultry, and if the Board approves the proposed loan, I, acting under the authority delegated to me by the Board, approve the TA.

2. The project will support Suguna's expansion across 13 identified states in India with the construction of modern feed mills, hatcheries, environment-controlled sheds, and meat processing lines; and the expansion of the company's contract farming program from 40,000 to 55,000 smallholder poultry farmers. The TA will focus on building the farm management skills and financial literacy of 4,500 women contract farmers.¹ The project will improve livelihoods and gender inclusion in rural areas, reduce malnutrition through the production of affordable proteins, and mitigate the impact of livestock farming on the environment and on climate change.

II. THE PROJECT

A. Project Identification and Description

1. Project Identification

3. **Importance of poultry in India.** Livestock contributes about 5% to India's gross domestic product and nearly 12% to rural household income. As income per capita grows, the Indian population is shifting towards better nutrition in the form of high-protein diets, including meat. Of the meat categories, broiler (chicken) meat is the fastest-growing segment in India because, unlike beef and pork, it is free of major religious associations. Globally, India is the fourth-largest broiler producer, with an estimated output of about 5.1 million metric tons (t) in fiscal year (FY) 2019, after the United States, Brazil, and the People's Republic of China. In addition, poultry is an important employer, with the industry (broiler and layer) employing nearly 30 million smallholder farmers.²

4. **Malnutrition.** India is home to the largest number of malnourished children in the world and about 40% of Indian children are undernourished. Poultry meat consumption in South Asia is only about 20% of the intake prescribed by the healthy reference diet recommended by the EAT-Lancet commission on food, planet and health.³ The development of poultry production can help address these issues as poultry is one of the cheapest sources of animal protein and contains essential vitamins and minerals.⁴

5. **Biosecurity risks.** Poultry farms in India have traditionally been exposed to diseases, which have caused moderate losses. The first major avian flu incident in India, reported in

¹ The 13 states include Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Karnataka, Maharashtra, Punjab, Odisha, Tamil Nadu, Telangana, Uttar Pradesh, and West Bengal. The number of women farmers trained could be increased to 10,000, if additional TA funding is secured.

² Government of India, Ministry of Agriculture & Farmers' Welfare. 2017. *National Action Plan for Egg & Poultry-2022 for Doubling Farmers' Income by 2022*.
<http://www.dahd.nic.in/sites/default/files/Seeking%20Comments%20on%20National%20Action%20Plan-%20Poultry-%202022%20by%2012-12-2017.pdf>

³ W. Willet et al. 2019. *Food in the Anthropocene: the EAT-Lancet Commission on healthy diets for sustainable food systems*. Oslo.

⁴ D. Farrell. 2013. The role of poultry in human nutrition. *Poultry Development Review*.
<http://www.fao.org/3/i3531e/i3531e02.pdf>

FY2006, led to the culling of about 1 million birds.⁵ Since then, India has experienced about 28 episodes of disease in some states, reported mostly by poultry farms to central government agencies. In all reported outbreaks, as per government policies, all birds in broiler farms within the prescribed radius were promptly culled to prevent the disease from spreading.

6. **Climate change impact.** The livestock industry contributes to 14.5% of all human-induced greenhouse gas (GHG) emissions; however, about 81% of that is attributable to ruminants, 10% to pigs and only 9% to poultry.⁶ Poultry farming is more efficient than cattle farming in producing animal proteins because its feed conversion ratio is lower.⁷ Poultry also emits less GHGs than cattle because the digestion process does not emit methane. Finally, poultry farms consume less water per unit of protein, leaving more water for irrigating crops.

7. **Government policy alignment.** To address the dual challenge of rural poverty and malnutrition, the Ministry of Agriculture of the Government of India launched an ambitious program to double farmers' incomes by 2022 (footnote 3). The program envisages various steps to support agricultural development, including subsidizing interest rates for poultry farmers, providing specialized education and skill development and raising awareness of the nutritional value of poultry. The program aims to support farmers' livelihood diversification and income improvement and at the same time tackle the malnutrition challenge.

8. **Project selection.** Suguna is one of the largest agribusiness companies in India. The project team considered Suguna a suitable candidate for Asian Development Bank (ADB) support because (i) its vertically integrated business across the poultry value chain allows it to be resilient to commodity price shocks; (ii) its strong track record of working with smallholder poultry farmers has resulted in improved rural livelihoods; and (iii) it is willing to partner with ADB so it can enhance its environmental and social standards and strengthen gender participation across its operations and its contract farms.

2. Project Design

9. The project will support Suguna's strategy of strengthening upstream integration to make the business more resilient to commodity price shocks while scaling up the contract farming model. The project entails capital expenditure (capex) of \$50.5 million during FY2020–FY2022 to construct 20 feed mills, four environment-controlled sheds for breeders, eight hatcheries, and various meat processing lines.⁸ The TA will complement the capex plan by strengthening the capacity of women for engagement as contract poultry farmers.

10. **Improved rural livelihoods.** Suguna pioneered contract poultry farming in India. It currently works with 40,000 contract farmers across 19 states, particularly targeting smallholders (1 hectare or less).⁹ With Suguna's engagement, farmers are able to significantly increase their poultry income contributing to the the Government's National Action Plan of doubling farmers

⁵ Code Partners Pte. Ltd. 2019. Suguna Foods Private Limited – Due Diligence Report 2019. Singapore.

⁶ Food and Agriculture Organization of the United Nations. 2013. *Tackling Climate Change Through Livestock: A Global Assessment of Livestock and Mitigation Opportunities*. Rome. <http://www.fao.org/3/a-i3437e.pdf>

⁷ Feed conversion ratio (FCR) defines the feed requirement in kilogram per kilogram body weight gain.

⁸ ADB funding will be utilized for capex. The subprojects to be funded are yet to be specified.

⁹ Suguna is active in Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Mysore, Punjab, Odisha, Rajasthan, Tamil Nadu, Telangana, Uttarakhand, Uttar Pradesh, and West Bengal.

income.¹⁰ Farmers are supplied with all inputs, including day-old chicks, feeds, and medicine, and are responsible for rearing the chickens. These chickens are then lifted by Suguna and either sold live via wet market or processed into chicken meat. Farmers are paid a fixed fee plus a performance bonus per chicken for their services. This enables farmers to have much-needed income certainty as the market price risk is borne by the company. Suguna also helps strengthening the climate resilience of farmer livelihoods as poultry is more resilient to climate shocks than cropping. Suguna plans to work with 55,000 contract farmers by FY2025.

11. **Increased gender participation.** Suguna prefers to contract with poultry farms where both husband and wife are engaged in the farm work, since it has observed positive outcomes—greater productivity and lower chicken mortality—whenever women are involved. In the Indian rural context where safe and socially acceptable employment options for women are limited, poultry farming provides an important avenue to participate in a livelihood activity.¹¹ With ADB's TA support, Suguna plans to train women on best practices in poultry farming and build their financial literacy. In addition, it aims to encourage women's employment in project operations.

12. **Climate change mitigation and adaptation.** Suguna's planned capex was designed to optimize a decentralized operations model whereby regional production infrastructure (feed mills, hatcheries, and environment-controlled sheds) is set up near raw material (corn and soya) production hubs and contract farmer clusters. The plan is part of the company's strategy to diversify biosecurity risk and also drive down the large transportation costs associated with centralized production. The company expects to lower the overall transportation distance by 14 million kilometers annually, saving about 3.27 million liters (or 2,740 tons) of fuel.¹² As a result, the project team estimated that at least 8,728 tons of carbon dioxide equivalent emissions will be avoided annually.¹³ Besides, the company and contract farmers are moderately exposed to the consequences of climate change, as the farms are designed to mitigate the impact of changes in temperature and rainfall. Although the adaptation benefits were not quantified, the project will contribute to enhancing the climate change resilience of both the company and contract farmers.¹⁴

13. **Improved nutrition security and food safety.** India's per capita consumption of broiler meat is increasing but is still just 2.5 kilograms per annum, much lower than the world average (14.3 kilograms).¹⁵ The project will allow the company to increase annual production of live

¹⁰ Each farmer participating in the Suguna contract farming scheme manages on average 5,500 birds and earns an income of about \$3.2/day from poultry alone. Poultry income typically constitutes 60%–70% of the income for these farming households. Contract farmers are the backbone of Suguna's production operation.

¹¹ Suguna signs the vast majority (93%) of its supplier contracts with men because of the strong cultural norms associated with the "male head of household."

¹² The decentralized production setup (project scenario) helps reduce the transportation distance associated with the centralized production model (baseline scenario). In the baseline scenario, the project team assumed that a loading truck would travel a greater distance from the central site to the regions where raw materials and clusters of farmers are located; in the project scenario, such facilities are in the same regions.

¹³ Climate financing can be claimed for ADB investments that directly help mitigate GHG emissions. Of the total capex of \$50.5 million, only investments related to feed mills (\$28.4 million) are considered as climate finance since fuel savings were the key driver for the decision to decentralize feed production. As ADB's funding share is about 49.5% of the total capex, about \$14.06 million (49.5% of \$28.4 million) is deemed climate finance. The total carbon avoided was computed as the total volume of fuel saved multiplied by the net calorific value and emission factor of fuel. ADB guidelines suggest using a net calorific value of 0.043 terajoules per ton and a carbon emission factor of 74.1 tons of carbon dioxide per terajoule for diesel fuel (ADB. 2017. [Guidelines for Estimating Greenhouse Gas Emissions of Asian Development Bank Projects: Additional Guidance for Clean Energy Projects](#). Manila.)

¹⁴ Environment-controlled sheds protect the chickens from variations in temperatures and humidity. Further, the company's decentralized operations mitigate the risk of supply chain disruptions caused by extreme weather events that affect long-distance transportation.

¹⁵ Organisation for Economic Co-operation and Development. OECD Data. <https://data.oecd.org/agroutput/meat-consumption.htm> (accessed 2 January 2020).

chickens and poultry meat products from 1.0 million t to 1.8 million t over FY2020–FY2025, giving about 100 million consumers increased access to affordable animal protein. Further, Suguna’s use antibiotics for poultry under strict veterinarian prescription mitigates the risk of antimicrobial resistance and contributes to food safety.¹⁶

3. Borrower

14. Suguna is India’s largest broiler enterprise, with an annual production volume of 1 million t, turnover of about \$1.3 billion (FY2019), and a broiler market share of 15%. Headquartered in Coimbatore (Tamil Nadu), the company is present in 19 states (footnote 11), employs about 8,000 people (mostly in rural areas), and empowers more than 40,000 contract broiler farmers and more than 200,000 corn and soybean farmers across rural India. Suguna is vertically integrated across parent breeding, hatchery operations, feed mills, broiler farming, and meat processing.

15. Brothers Bangarusamy Sundararajan (current chairman) and Ganapathypalayam Bangarusamy Sundararajan (current managing director) established Suguna in 1984.¹⁷ They are first-generation entrepreneurs and have a strong background in agriculture. Suguna is 99.65% owned by Suguna Holdings Private Limited (Suguna Holdings), which has subsidiaries in Bangladesh, Kenya, India, and Sri Lanka. Suguna carries the group’s India business and is the flagship company, contributing more than 95% (FY2019) to the group’s revenue. Suguna is ultimately owned by the founders’ family through a trust, which owns 100% of Suguna Holdings. While no formal shareholder agreement exists, the four children of the founders were appointed as the beneficiaries of the trust through a written family governance deed.

16. Suguna is a professionally run organization governed by its board of directors, which consists of seven members and meets every quarter. To date, the board consists of four family members (the promoters and two of their children who are involved in the business), two independent directors, and one employee director.

17. ADB conducted integrity due diligence.¹⁸ Suguna’s founders, shareholders, managers, and significant contracting entities do not appear to constitute a significant or potentially significant integrity risk, since no unresolved or substantiated adverse media or other relevant information is related to them. Tax integrity due diligence was not required.¹⁹

B. Development Impact, Outcome, and Outputs

18. **Impact.** The project is aligned with the Government of India’s National Action Plan for Egg and Poultry up to 2022, in particular the goals of doubling farmers’ income and preventing malnutrition among children.²⁰

¹⁶ Suguna has 16 senior veterinarians who work under the National Head of Health. Each veterinarian is placed in a regional head office and is responsible for covering branches in the region. In addition, Suguna maintains 16 regional diagnostic labs and an advanced testing lab in Coimbatore to ensure proper diagnosis. Antibiotic use is only allowed when diagnostic labs have confirmed a bacterial infection and under strict prescription of the veterinarians.

¹⁷ Bangarusamy is the father of the two promoter brothers. In some South Indian families, family name is a prefix.

¹⁸ ADB. 2015. Integrity Due Diligence Guidelines for Nonsovereign Operations. *Operations Manual. OM D10*. Manila.

¹⁹ ADB. 2003. *Enhancing the Asian Development Bank’s Role in Combating Money Laundering and the Financing of Terrorism*. Manila; and ADB. 2016. [Anticorruption Policy: Enhancing the Role of the Asian Development Bank in Relation to Tax Integrity](#). Manila.

²⁰ The project is expected to directly or indirectly impact the livelihoods of more than 1 million people in rural India, including poultry, corn, and soybean farmers; poultry traders; and their families. The project will also give about 100 million consumers, including malnourished children, access to affordable animal protein.

19. **Outcome.** The project’s outcome will be a more inclusive and sustainable poultry value chain.

20. **Outputs.** The outputs of the project are: (i) feed production capacity increased, (ii) poultry farming capacity increased, (iii) poultry meat production capacity increased, (iv) the company has become more gender-equitable, and (v) women farmers trained in poultry farming techniques and financial literacy.

C. Alignment with ADB Strategy and Operations

21. **Consistency with ADB strategy and country strategy.** The project is aligned with Strategy 2030, which calls for ADB “to scale up its financing for agribusiness” and “to promote gender equality in at least 75% of the number of ADB’s committed operations by 2030”.²¹ The project is also consistent with the country partnership strategy, 2018–2022 for India, which supports (i) increasing agricultural productivity and rural incomes, (ii) reducing the rural–urban income gap, (iii) doubling farm incomes within 5 years, and (iv) promoting gender equity.²²

22. **Consistency with sector strategy and relevant ADB operations.** The project is consistent with Strategy 2030 Operational Plan for Priority 5 (Promoting Rural Development and Food Security, 2019–2024) , which calls for (i) direct support to private agribusiness clients linking smallholder farmers to markets; (ii) nonsovereign financing for sponsors across the food value chain focusing on quality standards and traceability; (iii) the production of sufficient, safe, nutritious, and affordable food for urban and rural consumers; and (iv) the reduction in agriculture’s contribution to GHG emissions through improved farming and livestock practices.²³ The project is also aligned with Strategy 2030 Operational Plan for Priority 2 (Accelerating Progress in Gender Equality, 2019–2024), which seeks to expand “operations in support of agribusiness value chains whereby women’s jobs and entrepreneurship opportunities will be enhanced in higher value-generating activities.”²⁴ The project will also complement two upcoming sovereign agribusiness value chain projects in India.²⁵

D. Project Cost and Financing Plan

[Redacted]

E. Implementation Arrangements

23. Table 3 summarizes the implementation arrangements.²⁶

Table 3: Summary of Implementation Arrangements

²¹ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

²² ADB. 2017. [Country Partnership Strategy: India, 2018–2022—Accelerating Inclusive Economic Transformation](#). Manila.

²³ ADB. 2019. [Strategy 2030 Operational Plan for Priority 5: Promoting Rural Development and Food Security, 2019–2024](#). Manila.

²⁴ ADB. 2019. [Strategy 2030 Operational Plan for Priority 2: Accelerating Progress in Gender Equality, 2019–2024](#). Manila.

²⁵ While the two projects (Farmer Group Market Access Development using Agricultural Technologies in Andhra Pradesh and Maharashtra Agribusiness Network Project) are focused on horticulture, there will be synergies with Suguna’s contract farmers who earn 30%–40% of their income from crop production, including horticulture.

²⁶ Details of Implementation Arrangements (accessible from the list of linked documents in Appendix 2).

Aspects	Arrangements
Regulatory framework	Suguna is subject to the general laws and industry-specific rules and regulations in India, particularly (i) the Factories Act 1948 and (ii) the National Environment Tribunal Act 1995. The Food Safety and Standards Authority of India governs animal processing.
Management	Suguna has a project team of 25 members, led by the company's project head, who reports to the managing director and has more than 20 years of project management experience.
Implementation period	The project will be implemented from FY2020 to FY2022.
Construction arrangements	Construction arrangements include civil, mechanical, electrical, and utility works. Suguna's procurement policies and practices are compliant with ADB's procurement policies for private sector companies. For every project site, a four-member team oversees the work arrangements, before taking an operational role after project commissioning. Each project team conducts a weekly review to ensure continuous progress monitoring. These reviews involve on-site employees, project managers, the project head, and the managing director on a monthly basis.
Operations arrangements	Suguna has developed its own poultry breed housed in environment-controlled sheds. It produces day-old chicks in its hatcheries and provides them to contract farmers for rearing. The farmers are given poultry feed, vaccination, and monitoring support. Chickens are then lifted by Suguna and either sold live in the local wet markets or processed and then sold to (i) businesses and/or (ii) retail consumers through supermarkets and retail stores.
Performance monitoring	Suguna will report annually on financial and operational KPIs for the group and the project, and on safeguard and development indicators (i.e., output and outcome targets).

ADB = Asian Development Bank, FY = fiscal year, KPI = key performance indicator.

Sources: Asian Development Bank and Suguna Foods Private Limited.

F. Projected Financial and Economic Performance

[Redacted]

G. Unique Features

24. The project is ADB's first assistance to an inclusive poultry business in India.²⁷ In the Indian context, poultry farming has unique impacts on rural livelihoods and nutrition. In addition, Suguna is committed to strengthening gender mainstreaming in this important livelihood activity, and ADB will be providing TA to support this initiative (para. 35).

III. THE PROPOSED ADB ASSISTANCE

A. The Assistance

25. ADB will provide to Suguna a long-term senior secured corporate loan of up to \$25,000,000 equivalent in Indian rupees. The loan has a tenor of 7 years with a grace period of 2 years. The main terms and conditions of ADB's proposed loan have been agreed with Suguna.

B. Value Added by ADB Assistance

26. ADB assistance will add value on three fronts.

(i) **Gender action plan.** ADB will help Suguna implement a gender action plan to increase women's inclusion in employment opportunities, and increase the number of women contract farmers, through training supported by ADB's TA (para. 35).

²⁷ The project is classified as an "inclusive business" project because more than half of its beneficiaries (Suguna's employees and contract farmers) belong to the "base of the pyramid" (bottom half of the income pyramid) in India.

- (ii) **Safeguard best practices.** ADB will help Suguna implement an enhanced environmental and social management system (ESMS) following ADB's policies and best industry practice on biosecurity, animal waste management, and other safeguards areas, and will monitor progress during project implementation.
- (iii) **Diversified funding base.** Suguna has financed its growth primarily through internally generated cash flow and loans from local commercial banks. ADB's financing will give Suguna's business a stamp of approval to further attract long-term capital and partnerships from international sources.

C. Risks

[Redacted]

D. Technical Assistance

27. The proposed TA of \$190,000²⁸ which will be financed by ADB's Technical Assistance Special Fund (TASF-Others), will focus on training rural women in: (i) poultry farming's best practices and (ii) functional financial literacy. The TA's output will be training of 4,500 rural women by FY2022. Suguna will assist in farmer identification and selection and provide in-kind contribution in the form of training venue, transportation, and accommodation. The TA will help fill the gender capacity gap in poultry farming in rural India.

IV. POLICY COMPLIANCE

A. Safeguards and Social Dimensions

28. ADB categorized the investment in compliance with ADB's Safeguard Policy Statement (2009) as follows: environment (category B), involuntary resettlement (category C) and indigenous peoples (category C).²⁹

29. ADB undertook due diligence and reviewed the potential environmental and social impacts of the project. Approvals of site establishments and operations, as well as standard operating procedures are contingent on measures to avoid, minimize, mitigate, and compensate for adverse impacts, as outlined in the due diligence report and its corrective action plan. The environmental and social measures and Suguna's commitment to manage the project's social and environmental impacts are deemed adequate.

30. **Environmental and social audit findings and recommendations.** An external third party conducted a corporate audit in accordance with the requirements of ADB's Safeguard Policy Statement (2009) in relation to general corporate finance. Audits will be carried out prior to ADB's disbursement for each subproject. The corporate audit found no reportable environmental, health, and safety incidents but observed gaps in compliance with statutory requirements on environmental monitoring, specific permits at operation stage, and waste management. The project is not expected to result in physical or economic displacement of people. The land for the audited facilities is leased, obtained through inheritance or purchased from private owners via willing buyer, willing seller agreements. Suguna assessed the suitability of land for purchase, opting for industrial or agricultural land, and ensured lack of encumbrances through internal legal examination of records and titles. Land acquisition required for subprojects will be via negotiated

²⁸ The TA could be scaled up to \$385,000 to train 10,000 women farmers, depending on availability of funding.

²⁹ ADB. [Safeguard Categories](#).

settlement under willing buyer, willing seller arrangements. No impacts on indigenous peoples are envisaged. Suguna's facilities are in agricultural or industrial zones and not in tribal areas.

31. While Suguna does not have a formal ESMS, it has standardized operation procedures covering environmental, health, and safety aspects primarily in relation to waste and chemical management, and occupational health and safety; but none for social matters. Suguna has agreed to (i) develop and implement an ESMS in line with ADB's Safeguard Policy Statement requirements; (ii) build capacity to implement the ESMS and recruit a senior environment and social manager; (iii) develop a formal process to screen, categorize, plan and review future ADB-funded subprojects in line with the Safeguard Policy Statement; (iv) develop formal procedures and templates to identify environmental and social risks and impacts; (v) enhance monitoring and reporting requirements and implement compliance assurance measures; (vi) develop stakeholder engagement and information disclosure procedures as per the Safeguard Policy Statement; (vii) develop a grievance redress mechanism; and (viii) provide environmental, social, health, and safety training to staff and relevant third parties to ensure the implementation of the ESMS. These and other audit recommendations have been agreed in a corrective action plan for the project.

32. **Effective gender mainstreaming.** Following ADB's Policy on Gender and Development (1998), Suguna incorporated measures to promote gender equality and women's empowerment. Key features of the gender action plan are steps to increase the number of supply contracts with women poultry farmers; have women employed at management level in project operations for the first time; increase the share of females employed in project operations; develop and implement guidelines aimed at increasing the share of women hired, retained, and promoted; train at least 4,500 women in poultry farming's best practices and in financial literacy; and provide sex-segregated toilets and change facilities at all project sites. Suguna will submit periodic reports on its implementation of gender measures to ADB.

33. Suguna will (i) apply ADB's prohibited investment activities list, (ii) ensure that investments using ADB funds comply with ADB's Safeguard Policy Statement and abide by national laws and regulations, and (iii) establish and maintain an ESMS satisfactory to ADB before disbursement. The ESMS will set out requirements, as applicable, for compliance with national labor laws and measures to comply with the internationally recognized core labor standards, pursuant to ADB's Social Protection Strategy (2001).³⁰ The ESMS will also contain requirements, as applicable, for information disclosure and consultation with affected people following ADB requirements. Suguna will report regularly to ADB on (i) its compliance with such laws and (ii) the measures taken.³¹

B. Anticorruption Policy

34. Suguna was advised of ADB's policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. ADB will ensure that the investment documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism; and remedies for ADB in the event of noncompliance.

C. Investment Limitations

[Redacted]

³⁰ ADB. 2003. [Social Protection](#). Manila (adopted in 2001).

³¹ Summary Poverty Reduction and Social Strategy; and Safeguards and Social Dimensions Summary (accessible from the list of linked documents in Appendix 2).

D. Assurances

35. Consistent with the Agreement Establishing the Asian Development Bank (the Charter),³² ADB will proceed with the proposed assistance upon establishing that the Government of India has no objection to the proposed assistance to Suguna Foods Private Limited. ADB will enter into suitable finance documentation, in form and substance satisfactory to ADB, following approval of the proposed assistance by the Board of Directors.

V. RECOMMENDATION

36. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of up to \$25,000,000 equivalent in Indian rupees from ADB's ordinary capital resources to Suguna Foods Private Limited for the Inclusive Poultry Value Chain Project in India, with such terms and conditions as are substantially in accordance with those set forth in this report, and as may be reported to the Board.

Masatsugu Asakawa
President

3 March 2020

³² ADB, 1966. [Agreement Establishing the Asian Development Bank](#). Manila.

DESIGN AND MONITORING FRAMEWORK

Impacts the Project is Aligned with			
Government of India's goal of doubling farmers' income, increasing exports of egg and poultry products, and preventing malnutrition among children (National Action Plan for Egg and Poultry up to 2022) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Inclusive and sustainable poultry value chain promoted	By FY2025 [Redacted]	a–h. Company's annual development effectiveness monitoring report	Demand for poultry products is not as strong as expected Outbreaks of animal diseases or disasters caused by natural hazards affecting production, demand, or prices
Outputs 1. Feed production capacity increased 2. Poultry farming capacity increased 3. Poultry meat production capacity increased 4. The company has become more gender-equitable 5. Women farmers trained in poultry farming techniques and financial literacy	By 2022 [Redacted]	1–4b. Company's annual development effectiveness monitoring report	Changes in local government policies slow the construction process Management is not committed to implement the Gender Action Plan
Key Activities with Milestones Outputs 1–4 <ol style="list-style-type: none"> 1. Execution of the loan agreement between ADB and the client completed by June 2020 2. Construction of feed mills completed by April 2021 3. Construction of poultry sheds, including hatcheries, completed by June 2021 4. Construction of poultry meat processing lines completed by June 2021 Output 5			

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
5. Conduct of training on (i) poultry farming's best practices and (ii) financial literacy between January 2021 and December 2022.			
Inputs ADB: \$25.0 million IFC: \$15.0 million Internally generated cash: \$10.5 million TA: \$ 0.19 million			
Assumptions for Partner Financing Not applicable			

ADB = Asian Development Bank, CO₂ = carbon dioxide, IFC = International Finance Corporation, TA = technical assistance.

^a Government of India, Ministry of Agriculture & Farmers Welfare. 2017. *National Action Plan for Egg and Poultry-2022 For Doubling Farmers' Income by 2022.*

<http://www.dahd.nic.in/sites/default/files/Seeking%20Comments%20on%20National%20Action%20Plan-%20Poultry-%202022%20by%2012-12-2017.pdf>

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=53383-001-4>

1. Sector Overview
2. Client Information
3. Details of Implementation Arrangements
4. Contribution to the ADB Results Framework
5. Financial Analysis
6. Economic Analysis
7. Country Economic Indicators
8. Summary Poverty Reduction and Social Strategy
9. Attached Technical Assistance Report
10. Environmental and Social Management System: Audit Findings and Details of Arrangement
11. Gender Action Plan