MAXIMUCH®

Funding Procedure

Maximuch

Read carefully to understand the Maximuch Funding Procedure and how it works.

M A X I M U C H

F u n d i n g   P r o c e d u r e - 2 0 1 9

A p p l i c a b l e   W o r l d w i d e

h t t p s : / / w w w . m a x i m u c h . c o m

When a **Detailed Project Report (DPR) / Business Plan** is submitted to **Maximuch** by an applicant, we consider the possibility of accepting the assignment based on an expert assessment of several project parameters. If the project is adjudged to be "viable", the result of this initial consideration is communicated to the applicant. Thereon, the applicant needs to do the following:

1. Log on to https://www.maximuch.com
2. Go to the DOWNLOAD section and download the following:
   - **a) MAXIMUCH Macro Loan Application Form**
   - **b) MAXIMUCH Project Intake Form**
   - **c) MAXIMUCH Customer Identification Form**
   - **d) MAXIMUCH NCNDA Agreement**
   - **e) MAXIMUCH Financial Services Terms & Conditions**
3. Each of the above five documents/forms together define the complete Project Finance procedure and MAXIMUCH Terms of Business. These need to be filled carefully, making sure all information provided are correct and true.
4. The applicant must then return these filled documents/forms duly signed and stamped with official seal to MAXIMUCH via email to finance@maximuch.com

Our team will carefully go over all the documents/forms submitted by the applicant and, if satisfied, will forward these details to several funding partner institutions, investment bankers, venture capitalists, private equity investors, funds, asset managers across the world.

If and when we receive a confirmation on the possibility of providing finance to the applicant's project, the applicant/Project Owner(s)/Promoter(s) will be immediately updated and next steps would be followed:

a) The Project Owner/Promoter may be asked to submit (but not limited to) the following :

- A detailed company profile with Organizational Chart Company Registration Certificate
- GST/VAT Registration Certificate
- Yearly Financial Statements/Tax Returns for last 3 to 5 years at least
- Accounts Statement of Applicant's main Bank (past 1 year)
- Board Resolution Letter to apply for funding
- KYC documents of Project owner(s)/promoter(s)

b) The Project Owner(s)/Promoter(s) may be asked to submit (but not limited to) the following documents relating to the projects:

Business Plan

Financial Structure

Revenue Model

Cash Flow Projections for the next 10 years

SWOT Analysis

Risk Mitigation details

SPV Registration documents

Federal and Local Government Departmental Clearances and Approval records

Environmental Clearances

Market Research Report

Feasibility/ Techno-Economic Evaluation Report

Detailed Project Report

Off Taker Agreements/ Contracts

Procurement Agreements/ Contracts supported by Equipment specs and Proforma Invoices

EPC Agreements/ Contracts

Operations & Maintenance Agreements/ Contracts

Debt Exposure

Patents or Copyright certificates

Project Land Status and records

Legal Report

(Applicant must understand that project finance is the financing of long-term infrastructure, industrial projects and public services based upon a non-recourse or limited recourse financial structure, in which project debt and equity used to finance the project are paid back from the cash flow generated by the project. Project financing is a loan structure that relies primarily on the project's cash flow for repayment, with the project's assets, rights and interests held as secondary security or collateral. Project finance is especially attractive to the private sector because companies can fund major projects off balance sheet. Project Finance can be characterized in a variety of ways and there is no universally adopted definition but as a financing technique, a broad definition is:

"the raising of finance on a Limited Recourse basis, for the purposes of developing a large capital- intensive infrastructure project, where the borrower is a special purpose vehicle and repayment of the financing by the borrower will be dependent on the internally generated cashflows of the project"

This definition in itself raises a number of interesting questions, including:

- What is meant by 'Limited Recourse' financing – recourse to whom or what?
- Why is Project Finance typically used to finance large capital intensive infrastructure projects?
- Why is the borrower a special purpose vehicle (SPV) under a project financing?
- What happens if the internally generated cashflows of the project are not sufficient to repay the financiers of the project?

The terms 'Project Finance' and 'Limited Recourse Finance' are typically used interchangeably and should be viewed as one in the same. Indeed, it is debatable the extent to which a financing where the Lenders have significant collateral with (or other form of contractual remedy against) the project shareholders of the borrower can be truly regarded as a project financing. The 'limited' recourse that financiers have to a project's shareholders in a true project financing is a major motivation for corporates adopting this approach to infrastructure investment.

Project financing is largely an exercise in the equitable allocation of a project's risks between the various stakeholders of the project. Indeed, the genesis of the financing technique can be traced back to this principle. Roman and Greek merchants used project financing techniques in order to share the risks inherent to maritime trading. A loan would be advanced to a shipping merchant on the agreement that such loan would be repaid only through the sale of cargo brought back by the voyage (i.e. the financing would be repaid by the 'internally generated cash-flows of the project', to use modern project financing terminology).

A special purpose vehicle (SPV) project company with no previous business or record is necessary for project financing. The company's sole activity is carrying out the project by subcontracting most aspects through construction contract and operations contract. Because there is no revenue stream during the construction phase of new-build projects, debt service is possible during the operations phase only. For this reason, parties take significant risks during the construction phase. Sole revenue stream is most likely under an off-take or power purchase agreement. Because there is limited or no recourse to the project's sponsors, company shareholders are typically liable up to the extent of their shareholdings. The project remains off-balance-sheet for the sponsors and for the government.)

Upon receipt of all the documents and information submitted by the applicant, a Funder would evaluate the project in greater detail. Generally an Appraisal meeting is convened where all the decision makers at the Funding Company officially review the project as presented to determine if the project is within their scope of funding. Subsequent to this meeting, a due diligence of the project is generally undertaken by the Funder and the the Project Sponsors/Applicant pay(s) for the expenses involved in carrying out the due diligence. Such expenses are project specific .

Financial Due Diligence

Financial due diligence requires that, during loan preparation and processing, sufficient analysis is undertaken to enable an informed assessment to be made with respect to project financial viability and long-term sustainability, and that the borrowers' financial and project management systems are, or will be, sufficiently robust to ensure that funds are used for the purpose intended and that controls will be in place to support monitoring and supervision of the project.

There are Guidelines that provide the framework for financial due diligence, namely completion of a financial management assessment (FMA) of the executing agency (EA) and/or implementing agency (IA), financial evaluation of the project, and assessment of implementation arrangements (from a financial perspective, including disbursement and auditing arrangements).

The methodology note provides specific guidance in four primary aspects of financial due diligence:

- financial management assessment,
- project cost estimates and financing plan,
- financial analysis, and

- financial evaluation.

It also provides guidance on assessing disbursement auditing arrangements. This financial due diligence methodology note offers a suggested approach for operationalizing the standard project preparation and loan processing requirements of the Guidelines. the Guidelines, together with the methodology note, should be seen as a reference guide to assist staff in conducting an appropriate degree of financial due diligence during project preparation and processing, and should guide staff in determining the appropriate level of financial management safeguards required for a given project and/or EA and/or IA. The advice, directions, and recommendations provided should not be regarded as a substitute for the professional judgment of SUBCON staff.

Financial Management Assessment

Effective financial management within the EA and/or IA is a critical success factor for project sustainability, both in the effective use of funds and in the safeguard of assets once created. Irrespective of how well a particular project or program is designed and implemented, if the EA and/or IA does not have the capacity to effectively manage its financial resources, the benefits of the project are unlikely to be sustainable.

The objective of the financial management assessment (FMA) is to ensure that the EA and/or IA has, or will have, sufficiently strong and robust financial management systems and procedures in place to ensure sustainability of project investments and benefits over time.

The FMA is a review of the entity's systems for financial and management accounting, reporting, auditing, and internal controls. It also involves an assessment of the entity's disbursement and cash flow management arrangements, and governance and anticorruption measures. The FMA is not an audit; it is a review designed to determine whether or not the entity's financial management arrangements are sufficient for the purposes of project implementation.

Approach and methodology

The first step is to determine whether an FMA has recently been completed by any other credible financial institution (Bank, NBFC, VC or PE agencies) , the objective being to avoid duplicating diagnostic work that already exists. If an FMA exists, this should be reviewed and, in particular, any work done to overcome previously identified weaknesses should be checked. The original FMA can then be updated accordingly.

While planning to rely on the work of another lender , MAXIMUCH would thoroughly review the agency's assessment report to determine whether or not the results of the FMA are reasonable and can be accepted by MAXIMUCH.

If an FMA has never been completed, or if there have been significant on-ground changes which render an existing FMA obsolete, then the following approach to the FMA is recommended:
Review the Economic Sector diagnostic studies specific to the country where the project is located, including the country financial accountability assessment, country procurement assessment report, country governance assessment, and diagnostic study on accounting and auditing.

Early in project preparation, have the borrower/project promoter complete a Financial Management Assessment Questionnaire (FMAQ).

Review responses to the FMAQ, determine what (if any) additional information is required in order to be able to conclude whether or not the financial management arrangements (a) are capable of recording all transactions and balances, (b) support the preparation of regular and reliable financial statements, (c) safeguard the entity's assets, and (d) are subject to audit.

Review past audit reports and audit management letters to assess what concerns have previously been raised on systems and internal controls.

Form a conclusion with respect to whether or not the financial management arrangements and financial and project accounting systems can be relied upon for the purposes of the project.

If issues and/or weaknesses are identified, determine the most appropriate mitigation measures (e.g., restructuring finance sections, increasing finance staff, filling vacant posts, developing new systems, developing financial reporting, training, etc.).

Determine whether, given the findings, it is necessary to include a project component to strengthen financial management in the EA and/or IA and/or establish or strengthen a project implementation or project management office via either technical assistance or consultant support within the project.

Due Diligence service is rendered an accredited Due Diligence service provider appointed by the Funding Partner Company. Due Diligence is by far the most important exercise in the funding consideration process.

The charges for the Due Diligence are to be borne by the applicant. These charges are specific for every case and the applicant is given prior notice of this.

It is extremely important that the applicant understands clearly the processes of Due Diligence is to secure a successful transaction and mutual business relationship between the applicant and the Funding Partner Company.

The Funding Partner Companies provide finance to viable projects on precise terms. There are no general terms. Everything is specific to the project under consideration.

Once the Due Diligence is successfully completed, a Funding Offer is officially made from Funding Partner Company to the applicant (Project Owner(s)/ Promoter(s)). The Project Owner(s)/Promoter(s) are issued an Invitation Letter for a table meeting in the Funding Partner Company's office which can be in any country. Post a personal interview of the project owner(s)/promoter(s) ,the MOU is drafted and signed. Insurance requirements too would be discussed and finalized at this meeting.

Post successful completion of all of the above processes, funding disbursement would commence within the specified time frame .