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Interview - SLCM Group

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Indian commodity warehousing industry has come of age, says SLCM's Sandeep Sabharwal

In a country like India where post-harvest losses are pegged at 10 percent, SLCM has been instrumental in devising a technology that has cut post-harvest losses to 0.5 percent irrespective of infrastructure, crop, or geographic location, says the CEO

Sandeep Sinha



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The government has announced a slew of agricultural market reforms which many are terming as game changer. One of the most crucial announcements was the proposed amendments to the Essential Commodities Act (ECA) and the Agricultural Produce Marketing Committee (APMC) Act, which now paves the way for the private entities to set up their own



Sandeep Sabharwal, CEO, SLCM Group

markets/yards, Sandeep Sabharwal, chief executive officer, Sohan Lal Commodity Management (SLCM) Group, said in an interview to Moneycontrol. Edited excerpts

Q: What was the impact of the COVID-19 pandemic on the agricultural warehousing sector as a whole and with regards to your company in particular?

A: Though the COVID-19 pandemic has not impacted the agribusiness on a big scale, we must acknowledge the role of agri workers, agri warehousing and agri supply chain workers who are playing an extremely important role in ensuring the food on our plates and facilitating the storage, transportation, and warehousing of agri produce across the nation amid the pandemic.

Agriculture comes under essential services and steps were taken to minimize the disruption. The government permitted buying of the agricultural crops from many states in India using a PAN card to maintain a steady flow of crop trading. However, logistics, lack of labour, supply chain issues, and change in consumption patterns could not be addressed completely.

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As far as SLCM Group is concerned, the pandemic has not impacted the business on a big scale as we are a digitized enterprise. The very fact that we have built a technology-enabled rural platform before the Covid-19 pandemic - we have been doing that for nine years - our operations could be managed from home.

But ultimately it's a touch and feel business to some degree where goods are physically accommodated at a warehouse in some states. So automatically, the availability of trucks acts as impediments in the flow of goods, but if you talk about management and awareness of where the goods are available or

Q: What were the major challenges that cropped up, and how you were able to tackle them?

A: Agriculture is the mainstay of the Indian economy. Like all other sectors, the lockdown restrictions did have an impact on the sector. The stories of the incidence of agricultural produce getting wasted due to disruption in the supply chain made headlines when farmers saw their produce rotting in fields due to reduced market access. A huge amount of food is getting wasted due to the supply chain delays, which does not augur well for the sector and the economy.

As I said, we are a digitized enterprise and the very fact that we built a technology-enabled rural platform before the Covid-19 pandemic allowed us to perform our duties with minimum disruptions. Similarly, the agri-warehousing sector has been so far managing the proceedings smoothly and there haven't been any significant instances of agri supply chain disruption from anywhere in the country. That's a huge achievement for the industry which just goes on to show that the Indian commodity warehousing industry has come of age, and that now it can assume more responsibilities going forward to make up for the lost time in the COVID-19-induced lockdowns.

Q: With NPAs rising in the Indian agricultural sector, what impact do you see on your business, especially since you are also a non-banking financial company. If you can also share details on Kissandhan and how is it doing?

A: Kissandhan Agri Financial Services (Kissandhan) is a wholly-owned subsidiary of SLCM. It offers finance at attractive and competitive commercial terms where storage receipt is taken as collateral. The company provides financing on agriculture commodities against warehouse receipts (WR) to farmers, joint liability groups (JLGs), small and medium-sized enterprises (SMEs), commodity traders, processors, exporters, importers and other agri intermediaries across the country.

At present, warehouse receipt-based funding (WRF) also known as “pledge finance” is at a nascent stage in India. The WRF has the potential to improve the access to institutional credit of the farming community, but its progress is observed to be slow. This is primarily attributed to the fact that cheaper source of funds are not being made available to NBFC’s and WRF still predominantly remains a main stream banking play. NBFC’s in agri, just like NBFCs in other sectors, become a complementary piece to banking as they address niche markets, deepen the connect etc.

In agri this is also happening, though at a slower rate as the difference is that the margin between the cost of funds available versus the lending cost is very minimal, hence the cost required to deepen the connect is far too high for making the NBFC product lucrative.

Till date Kissandhan has disbursed more than 2100 crores of loan across 122 locations against 300 plus commodities

Q: How do you see changes made in the APMC Act impacting your business as well as the industry?

A: Talking about the amendments in APMC act and its impact on our business, I can say that the modification of the APMC Act brings more strength to our job. Earlier somehow one APMC market would become the hub of one particular commodities like the Khanna Market in Punjab for wheat in the region, but now with the APMC market going out of fashion, your distribution reach has to be bigger. Now there is no amalgamation happening in one centre, rather there is defragmentation. The shift that will happen is that the warehouses that we operate will become the amalgamation centres.

Q: What is the way forward for the Indian warehousing sector? What are your expectations and demands from the government?

A: The COVID 19 pandemic has drawn everyone's attention towards the tech-enabled warehouse management, and rapid adoption of internet of things (IoT) and modern agriculture practices which could help in addressing the challenges in the agriculture sector. Today, across the globe, discussions are underway on the role technology will play in the post-COVID-19 world, and agriculture is no exception. The ideas and technologies that have so far been kept at bay will evolve rapidly as a result of mass confinement, safety worries, and inventory shortages.

To counter the challenges posed by the COVID -19 pandemic, the Indian Agriculture sector would need more modern professionally managed agtech set-ups which can address the challenges posed by the pandemic. The agri-warehousing sector has been so far managing the proceedings smoothly and there haven't been any significant instances of agri supply chain disruption from anywhere in the country. That's a huge achievement for the industry which just goes on to show that the Indian commodity warehousing industry has come of age and that now it can assume more responsibilities going forward to make up for the lost time in the COVID-19-induced lockdowns.

The government has already laid a strong emphasis on doubling farmer income by 2022, and in the last budget the government has spelled out a 16-Action Point formula for the agriculture sector, which could prove to be a game changer for the sector, if implemented in totality. The proposed exercise to map and geotag agricultural warehouses, cold storage, and other inventory storages by NABARD would result in greater transparency and efficiency in the sector and should be taken at a war footing to mitigate the impact of the pandemic in the agricultural sector.

Q: What are the challenges you face in terms of labour, sourcing, distribution, and delivery to stay competitive?

A: Today the problem is not just about the supply issues, but also about matching that supply with demand and getting it to where it's needed the most. In such a complex situation arising out of the pandemic, post-harvest agri wastage is the last thing which the government and agri community would want. The damage arising out of the supply-side disruptions could be counterbalanced to a large extent by curbing post-harvest agri losses.

The USP of our organization is real-time tracking of quality and quantity of goods stored at warehouses through the various processes being implemented and monitoring the implementation of those processes through audits. The various types of audits being done at SLCM for ensuring the quantity and quality of goods being stored are intact differs from the competitors. A few of the audits that SLCM does include physical verification of goods by different stakeholders like audit inspectors, supervisor, operations manager, quality inspectors, etc, aeration audit, crop health audit, etc.

To ensure this, the group has deployed various technologies like SAP, Android Jelly beans, My SQL, etc and integrated all onto a digital platform. Further, the platform is augmented with AI and Auto ML

In a country like India where post-harvest losses are pegged at 10 percent, SLCM has been instrumental in devising a technology that has cut post-harvest losses to 0.5 percent irrespective of infrastructure, crop, or geographic location (accredited by FICCI in their study). We have devised an SOP that amalgamates technology with agri domain expertise and allows us to operate any warehouse agnostic to infrastructure, location, weather pattern across any kind of agricultural crop. We have also applied for patenting this scientific technology of storage under the name of “AGRI REACH”.

Similarly, in a marketplace model, intelligent call centres have an extremely important role to play particularly during a crisis like the COVID -19 pandemic as apart from providing an interface to warehouse managers, who otherwise use only emails and online portal for interacting, it enhances the level of service since most of the call centres have a dedicated customer care personnel to talk to. Smart call centres when integrated with real-time data embedded in artificial intelligence helps in real-time tracking of the facilities providing error-free results on the status of the warehouse and the products stored within as well as in transit.

SLCM has already augmented its dedicated 24x7 call centre to create an interface that warehouse managers may be more comfortable using. The call centre builds upon our Centralized Real-Time Process Management System “AGRI REACH” and integrates it with AI for real-time monitoring, thus enhancing the level of service.

Q: How do you leverage technology such as AI, cloud computing, and IoT in supply chain management?

The major problem in this country is the management of agri warehouses. The management of these godowns is a scientific process that can be tackled with a technological backend. That is what SLCM has done - it has built technological fibre called AGRI REACH which allows us to operate any warehouse agnostic to infrastructure, location and the weather pattern across any kind of agriculture crop.

In a country like India where post-harvest losses are pegged at 10 percent according to FICCI, devising special technology for our operations has cut the post-harvest losses to 0.5 percent, irrespective of infrastructure, crop, or geographic location. We track the quality and quantity of goods stored at our warehouses in real-time through various processes and monitor the implementation of these processes through an audit.

A smart warehouse integrated with real-time data embedded in AI having real-time tracking of the facilities providing error-free results on the status of the warehouse and the products stored within as well as in transit. With the government's growing focus on a connected agri value chain, smart warehousing is now a necessity then the exception and for the warehousing sector, these reforms are surely going to create a wave of reforms and technical up-gradation within the sector.