

# Need to improve management of commodity warehouses

*As commodity investors are yet to recover from a ₹5,600 crore settlement crisis at the National Spot Exchange Ltd (NSEL), which was worsened by a drastic mismatch between the stocks claimed by the exchange on paper and in reality at its godowns, the spotlight has shifted to scientific warehouse management process with real-time reporting of stocks. Analysts argue that the NSEL crisis could have been handled much better if the exchange had stocks in its godown as collateral. Sandeep Sabharwal, the chief executive of Sohan Lal Commodity Management Pvt Ltd and a known name in the warehousing sector, says the management of godowns is as important as their establishment, not just to avoid another NSEL-like scam but also to ensure food security for our growing population, in an interview with FE's Banikinkar Pattanayak. Excerpts:*

**Can the new rule that mandates all warehouses be registered with the regulator prevent an NSEL-like crisis?**

The Warehousing Development and Regulatory Authority (WDRA) has been working hard to ensure that the industry follows a standardised set of best prac-

tices. Once these processes are adopted fully, the domestic warehousing chain will get better organised and will be able to mitigate risks better.

**What needs to be done to ensure that declared volumes of stocks are actually lying at designated godowns of a commodity exchange with no damage to quality?**

Warehouse management in farm products is a scientific process. Commodity exchanges have to look at the value at risk and certain criteria should be taken into account while choosing a warehouse management company. Such a company should have a net-worth of at least ₹100 crore, with a minimum of five years of experience. This is because an exchange guarantees each trade and the underlying of the trade lies with the warehouse management company. Such companies should have a professional management team and a proper board with no relatives or persons acting in concert; representation of promoters and relatives shouldn't be more than 50% of the board, barring FII, VC and other institutional investors, among others.



**With proper warehousing facilities in place, how much of commodities can be saved from wastage?**

According to a latest study, conducted under the aegis of the ministry of food processing industries, grains worth approximately ₹60,000 crore get wasted each year, which can be saved by proper warehousing

management services. Please note that we are talking about services alone and not warehousing infrastructure.

**How do you see the private sector participation in warehousing?**

In recent times we have seen private participation increasing in the warehousing space, but this should fall in two categories: one is the creation of warehousing infrastructure, which has got some leg-up because of government schemes such as the Private Entrepreneurs Guarantee scheme, Gramin Bhadaran Yojna etc, and the other is the management of existing and new infrastructure.

This management of warehouses, which holds the key to grain security and is extremely crucial, is still lagging behind. The reason is that it emerges from an amalgamation of scientific knowledge, deep domain expertise, transparent and efficient management processes. Unfortunately in India, very few companies are investing in this to create standardised operating procedures based on technology.

**What should the government do to**

**ramp up private participation in the warehousing segment?**

The government should offer income-tax exemption on profits arising out of warehousing services businesses. The definition of the negative list pertaining to agricultural warehousing should be expanded. The collection of value-added tax/excise duties on consumables, equipment etc used for providing warehousing services on agricultural products should be abolished and the upgrade of labs meant for testing quality should be provided some subsidy.

**How is your company different from other competitors?**

We have a well-defined standard operating procedure which is extensively dependent on technology rather than people. We have a centralised real-time process management system which is independent of geographical location and infrastructure, which removes any scope for manipulation. We are also the only company to offer solutions related to the entire agri value chain and are also willing to finance against farm goods.