



“AGRI-LOGISTICS IS FAST EMERGING”

Sohan Lal Commodity Management Pvt Ltd (SLCM), an ISO 9001: 2008 and ISO 22000: 2005 certified, Agri-Logistics Company offers one-stop comprehensive solutions in providing warehousing services such as Scientific Storage for agriculture commodities, handling Day-to-Day Operations, Fumigation, Testing and Certification and Funding against Storage Receipts. The company provides its services to Farmers, Processors, Traders, Commodity Exchanges and the Government. Handling more than 157 agriculture commodities, SLCM manages a technology enabled network of more than 750 warehouses and 15 cold storages across 17 states. In a country like India where post harvest losses are pegged at 10%, SLCM has been instrumental in devising technology that has cut post harvest losses to 0.5% irrespective of infrastructure, crop or geographic location. In conversation with Agriculture Today, Mr. Sandeep Sabharwal, Group CEO, SLCM, discusses the contributions of SLCM towards the warehousing and logistics scenario of India.

What is the outlook of warehousing and logistics sector in India?

The outlook of the industry is positive as the government has moved its focus towards scientific warehousing which we welcome whole-heartedly and are hopeful that this will bring the much needed momentum in the sector. With ever increasing demand for processed and healthy agri products, the requirement for production and warehousing facilities is also increasing. As per an E&Y report, Agri warehousing accounts for approximately 15% of the warehousing market in India, or around INR 80–85 billion, in FY13. It has been growing at a 10%–12% rate over the last three years. Agri warehousing capacity in India is 110–120 million metric ton (MT), and it has been growing at a CAGR of 8%–10% over the last 5 years. The significant growth drivers in this segment are growing annual agriculture production, Increased private sector intervention, Improved agri warehousing infrastructure, Standardized warehousing operations as per the Warehousing (Development & Regulation) Act, Subsidy schemes and Tax incentives.

The exponential growth and the sector being driven with innovations like Scientific Warehousing, GPS tracking, Geo Fencing, Real Time Monitoring, etc. is bringing confidence amongst the stakeholders involved in the sector which is bringing in a lot of interest from PE investors as well. With technological innovations, more investments and strategic initiatives by the Government, the underserved sector is bound to accelerate with enormous growth in the coming years.

What are the contributions of SLCM in this segment?

SLCM (Sohan Lal Commodity Management) Group has been the pioneer in Scientific Warehousing Processes and technological innovations for the benefit of sector at large. As one of the leading agri-logistics providers, SLCM has been constantly innovating methods that have proved instrumental in reducing post harvest losses from 10% to merely 0.5%. SLCM has been handling more than 157 agri commodities including Cotton, Barley, Bajra, Castor Seeds, Wheat, Pulses, Maize, Spices, Aloe Vera, etc., across India. As on today, SLCM manages a technology enabled network of more than 760 warehouses and 15 cold storages across 17 states with a total capacity of over 1.76 Million Metric tonnes spread over 9.62 Million square feet area and a throughput of more than 240 Million Metric tonnes.

SLCM has devised an in-house SOP 'Agri Reach' which is an amalgamation of warehousing expertise and technological process that result in saving the losses by 9.5% on industry standards. Agri-Reach, which is a process under patent, is a proven model as also described in a FICCI study as well.

With our decade old expertise, we have displayed capabilities that helps SLCM prevent post harvest losses not only in designated warehouses but also in all spaces agnostic to the structure, location, climate, crop, etc, even if it means managing any open space with same efficiencies within 48 hours. It is a model which is not dependent on electricity, infrastructure and perfectly manages through defined processes, its execution & monitoring for any deviation.

We have time and again proved that through out-of-box thinking and continuous innovation, we can address the concerns of the sector. Our innovations like bar-coded Storage receipts; securitized seals, real time monitoring of the warehouses, constant check on moisture levels, etc. have minimized the risks to the health of the crop and even avoid pilferage, theft, etc.

The Group prides itself as the Innovators in this field and over time demonstrated its capability in rolling out new and efficient products and services that benefit the agri logistics environment. Be it our process AGRI REACH (patent pending) which reduces post harvest losses or Kissandhan

(Group's wholly owned NBFC to offer Warehouse Receipt Financing) which has changed the paradigm of agriculture financing to bring real "Financial Inclusion".

What are the services offered by SLCM?

Sohan Lal Commodity Management Pvt Ltd is an ISO 9001: 2008 & ISO 22000: 2005 Certified, Post harvest Agri-Logistics Group. SLCM warehouse management is equipped with technology to offer storage and protection services for the entire range of agri-commodities. The Group today provides one-stop solution to the end user with diversified portfolio of services ranging from Warehouse Management, Agriculture Financing, Collateral Management to Procurement. As on August 2015, we have been managing the commodities worth Rs.1100 crores on daily basis.

The Group has imparted its services to a globally reputed clientele including Ruchi Group, Madhya Pradesh State Warehousing Corporation, Bihar State Warehousing Corporation, Glencore, Sharp to name a few. In India, SLCM has partnered with 8 leading banks and financial institutions for collateral management like Bank of India, Central Bank of India, State Bank of India, State Bank of Patiala, Ratnakar Bank Limited, ICICI Bank Limited, Edelweiss Commodities Services Limited, L&T Finance Limited in India. In Myanmar, SLCM has partnered with three leading banks for collateral management that is Yoma Bank, C B Bank and United Amara Bank through our wholly owned subsidiary SLCM Ltd. In fact, the subsidiary in Myanmar has enabled loan disbursement of about 680 Mn Kyats on agricultural commodities through Yoma Bank association.

Our wholly owned NBFC in India christened as "Kissandhan" which has changed the paradigm of collateral financing by disbursement of loans across diversified agri products whilst being agnostic to balance sheet or net worth of the borrower yet complying with the prudential norms of RBI. In a short tenure of a year, Kissandhan has already financed more than Rs 210 plus crore across 7 states and multiple commodities across India.

How significant is warehousing in India?

Precisely, India loses about Rs 80,000 crs of agriculture produce every year during the post harvest period. Being an agri-

culture centric nation and as one of the largest producers, it becomes crucial that not even a morsel is wasted and all efforts should be made to prevent this. Even if we continue to increase our production by different scientific methods, we will keep losing the 10% of the produce or even more after the harvest; so addressing the problem of post harvest losses becomes essential.

The problem lies in the post harvest period where we see a huge loss that varies from 10% to 40% of the total production for different commodities. If we work towards reducing this percentage, there is a lot of scope in growing and coping with the nation's biggest challenge of "Food Security". SLCM has addressed the problem of post harvest losses since its inception. Today, we have proven that our defined SOPs under "Agri Reach" can bring down the post harvest losses to merely 0.5% which in turn given savings of about Rs 76,000 crs, if practiced on the entire crop production (food grains only) of India.

Has SLCM been able to bring about a positive change in the warehousing scenario of India?

The Group has definitely brought positive and scientific change in the warehousing scenario of India. With a view to address the problem of post harvest losses, SLCM initiated a significant shift to change the perception from infrastructure driven to scientific warehousing processes. This has been clearly visible in the recent policy change that government has brought with its inclination towards scientific warehousing & its promotion.

As the pioneers of agri-logistics domain, we have been constantly calling for a perception change and have adapted the same in our operational model as well since inception. At SLCM, we provide the warehouse management services to our clients in their own or nearby locations as we are not dependent on the infrastructure. Our team does a survey of the provided space and makes the space into a warehouse within 48 hours with its scientific management for an expense of Rs 35,000 only. This prevents the farmers to travel from a distant place in search of storage spaces & saves on the logistics cost incurred to transport the commodities.

Our shift from infrastructure based model to process oriented model has helped us in servicing the clients in remotest loca-

tions. It has proved to be effective and proved that there is actually no shortage in storage spaces but one need to take a call on the operational model.

Adding to the value chain & being the flag bearer of innovation in the sector, SLCM incorporated its own agri-financing unit by the name of "Kissandhan" in March 2014. The finance is provided against their harvested crop that they store at our facilities which is used as collateral & cuts down the wastage which helps the borrower to avoid distress selling of their crops below MSP.

The same model has also been adapted in Myanmar where we provide similar activities through our wholly owned subsidiary SLCM Ltd. In Myanmar, SLCM Ltd. is managing 110,000 sqft of space, 15 different commodities with a throughput of approx. 4 million MT.

What is the market share of SLCM?

We can talk about how big we are but I would rather talk about how small we are compared to the size of the market we are addressing. India annually produces 255 Million MT of food grains alone. To top it up there is an enormous portion of imports and then we have other perishable products. For NBFC, the agri warehouse receipt financing market is more than Rs 90,000 – 95,000 crores approximately.

In this, SLCM services a network of 760 warehouses, generates employment to over 60,000 people (Including Direct & Indirect Employees), engages approx. 12,000 trucks, services 157 commodities and in last 3 years managed a network of 240 MMT. In the last 1 year, Kissandhan has disbursed loans of Rs 210 crores across 44 locations and 8000 storage receipts. In a way, we can conclude the potential is huge to grow & we are just tip of the iceberg looking at these figures.

How does AGRIREACH operate?

Agri Reach can be defined as an algorithm which combines series of processes, audits and real time tracking of the facilities to give error free results and deplete the risk of crop damage. It uses techniques like geo-fencing to real time tracking, bar coded storage receipts to avoid thefts, 40 internal audits along with a checker and maker policy at each level. In short, we can say, it is culmination of defined processes, its execution without any deviation & fi-

nally the monitoring for overall control.

It is indeed a form of solution that the sector needs to move and initiate implementing scientific methods of warehousing to avoid post harvest losses. Through Agri Reach, we have proved that post harvest losses can be saved from 10% to merely 0.5% which is also accredited by a detailed FICCI Study.

How is the investment climate in this segment? Is there still a fear factor for the investors in investing in this area?

The sector is steady and positive. The exponential growth and tremendous potential coupled with innovations like Scientific Warehousing, GPS tracking, Real Time Monitoring, etc. is bringing confidence amongst the stakeholders which is bringing in a lot of interest from investors as well.

Are you happy with the government support in this sector?

Earlier in 2014, the Finance Ministry, had allocated Rs 50 billion towards scientific warehousing to minimize post harvest losses. India, for example, is the world's largest producer of fruits and vegetables but it has been estimated that inadequate post-harvest storage and transportation cause losses of around 30-40% of the entire produce. This means that only 7% value addition takes place and only about 2% of production is processed commercially. For designing a supply chain for any Agriculture product, it's important to know which kind of agriculture product it is, and accordingly a responsive supply chain is designed. Agri-logistics is fast emerging as a strategic function which denotes the complete value chain. The Indian agriculture sector is now moving towards another green revolution. The transformation in the sector are being induced by factors like newfound interest of the organised sector, new and improved technologies, farming becoming more mechanised, new markets and demands, easy credit facilities, rapid growth of contract farming, agriculture friendly policies from the government, etc. Agriculture is now evolving from just a traditional way of life to a professionally managed industry. The Government is moving in the right direction and we would welcome more Public-Private Partnerships to share knowledge to benefit the sector.

What policy changes do you wish for in this sector?

While there has been a significant increase in production of food-grains and other agri-produce in the recent past, there are formidable challenges that the sector is facing. The thrust areas to enhance the sector will be increasing investment through PPP model and making it more accountable towards delivery, improving value chain including storage, transport, processing and market facilities. Constant innovation can help in improving productivity and competitiveness, whereas enabling policies are necessary to bring knowledge, technologies and service to farmers. We suggest relaxation in Indirect taxes for operations as the industry is devoid of taxes on agriculture services but we are liable to pay our service tax though involved in agriculture allied activities like warehousing & agri-financing. Another suggestion would be to change the tendering process which right now favours the lowest bidder. It will be better to change to performance based bidding and proper comparison would be made in the Service Level Agreements for the betterment of the crop protection. For e.g. if X is charging Rs. 5 per MT and saving on 10% of the crop value but there is Y who is charging Rs. 3 per MT but may give losses as low as 10% of the crop value. The choice should not be the Y but the higher bidder which is X as it is giving savings of 10% of the crop value which is higher.

What are the future plans of SLCM in this area?

We started SLCM with a mere corpus of Rs 16 lakhs in 2009. We have been posting positive EBITDA growth consistently since FY2012. From one warehouse at inception, SLCM today is standing tall with a network of 760 managed warehouses.

In 2014, after tapping the business opportunities for expansion and identifying the regions which match the DNA of our country, we zeroed down a few places internationally. Our first destination was Myanmar which is a major exporter of pulses to India and we started operations there in March 2014 through our wholly owned subsidiary SLCM Ltd. Since then, we have enabled disbursement of loans worth 680 Mn kyats and managed 110,000 sq feet of space. Our next destination is Malawi in South Africa and we are in advanced stages of discussion to start operations there.