

LATEST NEWS

Interviews



Reduction of wastage is a function of processes and knowledge

Sandeep Sabharwal
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► Q. In a country where millions go hungry every day, 10% of produce goes waste due to inefficient or insufficient storage. Much of this loss can be attributed to the unorganized structure of the agri industry. In such a scenario, proper warehousing is the main solution for all problems India is in now. How do you address this problem?

A. We need to put the problem in a proper perspective. The losses in commodities, whether perishable or otherwise is attributable to both lack of knowledge of handling and storage practices. We continuously blame lack of infrastructure and make this an infrastructure related issue wherein infrastructure is just one part of the problem. We at SLCM have successfully demonstrated that by using the proprietary SOP that we have developed and now applied for Patent under the aegis of AGRI REACH, the same losses can be reduced from 10% to a mere 0.5%. In fact, FICCI in its study has evidenced that using the SLCM process in any infrastructure the wastage of food grains in storage period can be reduced from the present 10% to 0.5% (a copy of the study is attached). The important point to note is that this SOP is agnostic to infrastructure, geographic location, crop and weather pattern. The industry has to first educate itself, break out of the age old adage and embrace scientific processes and implement knowledge into its processes, if we need to address this situation. Investment from private sector will follow return, so rather than talking about investment we as an industry need to talk about what returns we can generate. On the ons

► Q. Despite the Indian Government allowing 100% FDI in cold storages, not much investment is coming into India. Could you elaborate on why this is not happening?

A. As I have stated above investment is a function of returns, the agri sector is looked upon as a low return activity. If we look at projects of cold storages and even dry storage (Warehousing) we see that the capital invested in best case scenario has a payback period of 12 to 14 years. These numbers have to be dissected further to understand the inherent issues. The issues are that the revenue is not mapped to Value at Risk perspective. To illustrate this 1 bag of wheat priced at Rs. 1500 and 1 bag of Moong priced at Rs. 5000 require the same storage space yet their value at risk are diversely different. Henceforth, should its charges of storage also not be different just like insurance where your premium is based on the value of risk covered. So the sector has to evolve and start mapping revenues on the services offered. Once the industry graduates to this we will automatically see capital chasing such projects.

► Q. Sohan Lal Commodity Management (SLCM) is now a diversified agri-logistic and warehousing providing service across the value chain. What are your future plans for growth?

A. SLCM started with 1 location and a revenue of 4 crores in the year 2009, now we can boast of the fact that we have handled 680 warehouses, 15 cold storages having a capacity of more than 1.51 million metric spread across 17 states with an area of more than 8.77 million square feet and a throughput of 225 Million Metric Tonnes. Our last year comparable revenue was 1100 crores. Initially we started off with the warehouse service provider model which we recently have augmented by making a forward integration into warehouse receipt financing; this is being done by our recently launched NBFC product called "Kissandhan". Nations like Myanmar, Africa are also going through the same challenges which India has in the agri space. As SLCM has already developed processes that are not only time tested but have been scaled to more than 100 locations across India and have been successfully implemented on different climates and zones, the same will become the DNA of our existence in these nations. We can provide agri warehousing, crop assaying, post harvest crop maintenance systems, procurement solutions and finally post harvest finance facilities to the ASEAN & AFRICAN markets. In fact, recently we have commercialized our first overse

► Q. AGRI REACH is your standard operating procedure, which you have started in 2010. How does it operate?

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► Q. Could you brief us on your overseas trading and business activities?

A. SLCM is committed to be a post harvest agri logistics service provider. It is in keeping with this mantra we have already opened our wholly owned subsidiary SLCM LTD in Myanmar. We have started providing the same bouquet of services and products that we are currently providing in India. In fact, in our journey of about 9 months we have already replicated in Myanmar what was done in India over a period of 7 years. Today, we have implemented agri storage practices, collateral finance and post harvest best practices in Myanmar.

► Q. With the technology system that you have developed will it be possible to link warehouses of commodity futures exchanges and electronic spot exchanges for real time tracking of inventory?

A. At SLCM we are proud of the fact that we are at helm of innovation in the country by constantly bringing the best of the world class practices to the table. In the first year itself we were the one and only company to bring in "Bar Coded" storage receipts in practice that eliminated the risk of Fraud in terms of fake storage receipts. Similarly, we were again the only company that brought on to the table a centralized MIS that was able to disseminate the multi point / multi location holdings of our clients in one linear secure reporting format. SLCM has been able to map our operations which are multi location, multi layered to communicate centrally to our central servers over a wireless network without compromising on the integrity of data. The entire system has been mapped to REAL TIME resource monitoring. We have heavily invested in technology and are one of the first and only company in India which boasts about Real Time MIS that is virtually connected across India with a Data turnaround time of less than 5 minutes with an alert facility akin to a card swipe. As we have already achieved the last mile connectivity and hence we are in a position to not only link warehouses of commodity future exchanges and electronic spot

► Q. Could more investment in food processing enable reduction of wastage and also spur development of more warehousing facilities in the country?

A. As illustrated above I will again like to reiterate reduction of wastage is a function of processes and knowledge. Investment is definitely one of the raw material but without the right strategic intent and the right focus the same will not be able to address the issue that are being faced in India in the agri sector.

► Q. Investments from Mayfield are infused into SLCM. Can you explain for what purpose it was necessary and what prompted them to infuse money into this?

A. The purpose of that infusion and then the subsequent infusion by Everstone Capital and ICICI's EIF fund was to enable us to expand our network across India and subsequently across ASEAN and African markets, Increase our product and services offering & enable us to implement our plan of warehouse receipt financing into commercial action. All these marquee investors saw and acknowledged that Sohan Lal was addressing a burning need of the agriculture sector. We were addressing a need rather than trying to mitigate or create demand. We were and are ahead of the curve by constantly innovating and introducing the right inputs into a domain which is considered archaic and is marred by ignorance and inefficient practices.

► Q. What is Kissandhan? Could you please brief us a bit?

A. KISSANDHAN embodies the aspiration of the Indian Agri sector. Warehouse receipt financing has been done before but again not in the form as we have introduced. In the first of a kind initiative, we have transferred the financing from a Balance Sheet item to real Collateral Financing. To elaborate the difference, as in warehousing we are agnostic to infrastructure similarly in Kissandhan we are agnostic to the financial statement of the borrower, the emphasis is on the agri collateral (the crop) that the borrower pledges and hence it takes away the distinction between the 'Have' and the 'Have nots' and brings in real financial inclusion.

► Q. Recently, SLCM is recognized as the Emerging Brand for Rural Impact. Could share your experience with us?

A. Sohan Lal Commodity Management (SLCM) Pvt. Ltd. was conferred with Emerging Brand Award for Rural Impact by CMO Asia on 14th February, 2015. This award was the validation of our consistent hard work and our relentless effort towards defining the agri logistics industry. The key idea behind the Rural Marketing Forum is to establish a cost effective reach model and pry into the rural consumer behaviour to optimize the potential.

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Swachh farms for clean India

Along with Modi's Swachh Bharat Abhiyan, there's a need to realize the potential of utilizing technologies and other natural resources for making Indian agriculture clean and sustainable.

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