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Sohanlal Commodity Management to raise INR100 crore in pre-IPO placement

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Krishna Bagra August 1, 2015 IPO News, Upcoming IPOs

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New Delhi-based Sohanlal Commodity Management is looking to attract an investment of INR100 crore before approaching SEBI with its initial public offering (IPO) plans. A report in [Mint](#) said that the agri-warehousing firm, led by Sandeep Sabharwal, is in discussions with multiple parties for investment including Rabo Equity Advisors, IDFC Private Equity and a North America-based investor. Sohanlal Commodity Management has already retained ICICI Securities Ltd and HDFC Securities to manage the IPO, said the newspaper. It is noteworthy that no prospectus has been filed by Sohanlal Commodity Management with SEBI for the IPO so far.

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Sandeep Sabharwal, CEO, Sohanlal Commodity Management

[▶ IPO](#) [▶ Commodities](#) [▶ MCX India](#) [▶ Commodity](#)ty players Everstone Capital,

Mayfield Advisors and Nexus Venture Partners among its investors. While the pre-IPO deal is expected to be finalized in the next two months, the company has already retained ICICI Securities Ltd and HDFC Securities to manage the IPO, said the newspaper. It is noteworthy that no prospectus has been filed by Sohanlal Commodity Management with SEBI for the IPO so far.

As mentioned above, Sohan Lal Commodity Management has attracted private equity (PE) funds in the past as well. This includes a combined investment of INR126.56 crore (USD23.5 million) in November 2012 by Everstone Capital and ICICI Bank's Emerging India Fund. Prior to this, the company received INR35.5 crore from Mayfield India and Nexus Venture Partners in March 2011.

Rabo Equity Advisors and IDFC Private Equity have some experience in financing agri-warehousing

firms. Along with other PE players, Rabo Equity Advisors invested INR100 crore in National Collateral Management Services in May 2011 while IDFC Private Equity put in INR150 crore in Staragri Warehousing and Collateral Management in February 2012. Bangalore-based National Collateral Management Services also counts Prem Watsa's Fairfax India, World Bank's investment arm IFC and Indian Farmers Fertiliser Cooperative (IFFCO) among its investors.

Gaping warehouse shortfall

Given the huge **shortfall of warehouses in India**, especially in the agriculture sector which has been traditionally served by the likes of Food Corporation of India, investors see this as a sure shot way of making long term gains as retail demand and consumption pick up in the smaller cities and towns of India.

Apart from agriculture commodity storage, Sohan Lal Commodity Management offers allied services like fumigation, testing and certification and funding against storage receipts. As of June 2015, the company claims to manage a network of more than 750 warehouses and 15 cold storages across 17 states with a total capacity of over 1.74 Million metric tones.


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About Krishna Bagra

Coming from a family of investors and financial analysts, Krishna learnt wading through regulatory filings pretty early in her career. At IPO Central, Krishna plays twin roles of contributor and head of research desk. She can also be reached at [+krishnabagra](#).

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Sohan Lal Commodity in talks with Rabo, IDFC to raise Rs100 crore

The deal, part of a pre-IPO round of funding, is expected to close in the next two months

Sohan Lal Commodity is yet to file its draft IPO papers with the Securities and Exchange Board of India.

Agri-warehousing firm Sohanlal Commodity Management Ltd is in talks with Rabo Equity Advisors, IDFC Private Equity and a North America-based investor to raise ₹100 crore as part of a pre-initial public offering (IPO) round of funding, said two people directly familiar with the development.

The firm is backed by private equity funds Everstone Capital, Mayfield Advisors and Nexus Venture Partners. The deal is expected to close in the next two months, said one of the persons cited above, requesting anonymity. "The agri-commodity segment faces a huge shortfall of warehousing and hence firms such as Sohan Lal which are targeting this space, are an interesting investment opportunity for private equity funds. Also, firms have added more revenue lines such as collateral management, started their own NBFCs (non-banking financial companies) and thus they have seen improvements in both their top line and margins," said the second person mentioned above, also requesting anonymity.

According to an 18 February report by a panel on strengthening negotiable warehouse receipts, set up by the Warehousing Development and Regulatory Authority (WDRA), under the Department of Food and Public Distribution, India's total warehousing gap is estimated at 35 million tonnes.

The report said that the total warehousing capacity, as of October 2014, was 117.52

million tonnes, of which the private sector contributed 18.97 million tonnes, while the rest came from the Food Corporation of India, central and state warehousing corporations and cooperatives.

Sohan Lal Commodity has hired ICICI Securities Ltd and HDFC Securities to manage its IPO. It is yet to file its draft IPO papers with the Securities and Exchange Board of India.

Sohan Lal Commodity declined to comment for this story. "We do not comment on market speculation," said [Rajesh Srivastava](#) of Rabo Equity Advisors. An email sent to IDFC on Tuesday evening remain unanswered.

In November 2012, Everstone Capital and ICICI Bank's Emerging India Fund jointly invested \$23.5 million in Sohan Lal. In March 2011, Mayfield India and Nexus Venture Partners invested ₹35.5 crore in the firm.

This year, agri-warehousing firms have found traction from large investors across the globe, especially large international funds. In April, Singapore's state-run investment firm Temasek Holdings Pte. Ltd invested ₹250 crore in IDFC-backed Staragri Warehousing and Collateral Management Ltd, while in July, Canadian investor [Prem Watsa's Fairfax India](#) invested ₹800 crore in [National Collateral Management Services Ltd](#) to acquire a 74% stake.

"Most of the addition that has happened in recent years in agri-warehousing capacity has been on the private-sector side. In the last several years, there has been a lot of talk about the agri-supply chain and how the inefficiencies therein are impacting the economy, through high inflation, wastage, etc," said Sunil Kumar Sinha, principal economist and director, public finance, at India Rating and Research Pvt. Ltd.

He said financial incentives, such as the capital subsidy for warehousing introduced a few years, will alone not suffice to boost the sector. The policy has to look at other important aspects such as land acquisition, availability of power and its tariff, otherwise the growth of this industry will be subdued despite the high demand, he added.

Sohan Lal will be the second investment in agri-commodity warehousing for both IDFC and Rabo Equity Advisors. In February 2012, IDFC Private Equity invested ₹150 crore in Staragri Warehousing and Collateral Management Ltd for a minority stake; in May 2011, National Collateral Management Services Ltd raised almost ₹100 crore from Rabo Equity Advisors' India Agribusiness Fund I, International Finance Corporation and other investors.

Founded in 2008 by Sandeep Sabharwal, the New-Delhi based Sohan Lal Commodity offers various warehousing services such as scientific storage for agriculture commodities, fumigation, testing and certification and funding against storage receipts. The firm offers its services to farmers, processors, traders and commodity exchanges.

According to the firm's website, it handles more than 157 agriculture commodities including cotton, barley, bajra, castor seeds, wheat, pulses, maize and spices across India. As of June, Sohanlal network comprises more than 750 warehouses and 15 cold storages across 17 states, with a capacity of over 1.74 million tonnes spread over 9.49 million sq. ft.

Pooja Sarkar |

Swaraj Singh Dhanjal

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Sohan Lal Commodity in talks with Rabo, IDFC to raise Rs100 crore

Posted On: 2015-07-31 Posted By: Pooja Sarkar , Swaraj Singh Dhanjal (</articles/byline/Pooja%20Sarkar%20%2C%20%20Swaraj%20Singh%20Dhanjal>)

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New Delhi, July 31 -- Agri-warehousing firm Sohanlal Commodity Management Ltd is in talks with Rabo Equity Advisors, IDFC Private Equity and a North America-based investor to raise Rs.100 crore as part of a pre-initial public offering (IPO) round of funding, said two people directly familiar with the development.

The firm is backed by private equity funds Everstone Capital, Mayfield Advisors and Nexus Venture Partners. The deal is expected to close in the next two months, said one of the persons cited above, requesting anonymity. "The agri-commodity segment faces a huge shortfall of warehousing and hence firms such as ...

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Sohan Lal Commodity in talks with Rabo, IDFC to raise ₹100 crore

BY POOJA SARKAR &
SWARAJ SINGH DHANJAL

MUMBAI

Agri-warehousing firm **Sohanlal Commodity Management Ltd** is in talks with Rabo Equity Advisors, IDFC Private Equity and a North America-based investor to raise ₹100 crore as part of a pre-initial public offering (IPO) round of funding, said two people directly familiar with the development.

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tonnes, while the rest came from the Food Corporation of India, central and state warehousing corporations and cooperatives.

Sohan Lal Commodity has hired ICICI Securities Ltd and HDFC Securities to manage its IPO. It is yet to file its draft IPO papers with the Securities and Exchange Board of India.

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finance, at India Rating and Research Pvt. Ltd.

He said financial incentives, such as the capital subsidy for warehousing introduced a few years, will alone not suffice to boost the sector. The policy has to look at other important aspects such as land acquisition, availability of power and its tariff, otherwise the growth of this industry will be subdued despite the high demand, he added.

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pooja.s1@livemint.com



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Agriculture, allied sectors on private equity firms' radar

BY POOJA SARKAR &
SWARAJ SINGH DHANJAL

MUMBAI

Private equity and venture capital firms are warming up to investments in agriculture and allied sectors—a trend that started with warehousing companies but is now extending to other segments like crop care.

IDFC Private Equity, the PE fund of **IDFC Alternatives Ltd** and infrastructure financier **IDFC Ltd**, is among those looking at incubating and investing in such businesses.

IDFC PE is in the process of conceptualizing a crop-care business, which will manufacture and market third-party products, such as fungicides and biopesticides, under its brand name. It will also manufacture specific products.

"We are trying to build a platform on the crop-care products side. Focus is on creating products, which do not cause harm to farmers or any person administering them, while being safe for consumption, as opposed to chemical pesticides," said Girish Nadkarni, partner, IDFC Alternatives.

According to Nadkarni, one of the reasons the fund decided to incubate a crop-care firm was the unorganized nature of agri-

culture and allied businesses.

"Most of the businesses are fragmented, and many run as mom-and-pop shops. There are no systems, processes, controls, governance mindsets. Most agri-businesses are cash businesses, so if you don't have process and governance standards, it becomes extremely difficult to manage them," said Nadkarni.

Zephyr Peacock India, a private-equity arm of the New York-based **Zephyr Management Lp**, is looking to incubate a firm in agri-input business and plans to acquire smaller, unorganized businesses under this platform.

Zephyr Peacock India, at present, is deploying capital from its second fund, which has a corpus of \$70 million.

"We were looking for an existing sizeable business to invest in, but we could not find the right fit. Hence, we decided that we will build a scaled business by building the business bottom-up with a good management team," said Mukul Gulati, co-founder and managing partner, Zephyr Peacock India.

IDFC PE and Zephyr Peacock declined to share details of their investments.

As per VCCEdge, the financial research platform of VCCircle, since January, four firms in the food and agriculture sector have

In the last five years, funds have allocated more than \$1 bn in food and agri businesses in India

raised \$71 million. This compares with \$68 million raised by 10 firms in 2014. Over the last five years, funds have allocated more than \$1 billion towards food and agri businesses in the country.

In June, George Soros's **The Aspada Investment Co.**, which provides early-stage capital, invested \$3.3 million in **EM3 AgriServices Pvt. Ltd**, which manufactures farm machinery. In March, Aspada invested \$3.18 million in an agriculture products firm **INI Farms Pvt. Ltd**.

"There is an increasing pressure on growing more food in India. This has created an opportunity to marry the trends of rising incomes, the need to grow more food and using the latest technologies around farm productivity, which have become economically viable to be deployed in a large way," said Kartik Srivatsa, managing part-

ner, Aspada Investments.

Since 2011, the fund has made six investments in the agri space, committing almost \$25 million of capital.

"In order to upscale and modernize, companies in these sectors need capital infusion. Also companies have to set up vast distribution networks to reach out to the large, but scattered, farmer population, which again needs a lot of capital investment," said Dhanraj Bhagat, partner, **Grant Thornton India Llp**, adding that the market for agriculture products and services is huge and largely untapped by organized firms.

To be sure, interest in agri-allied sectors, such as warehousing, has been strong. On 21 July, **Fairfax India Holdings Corp.** acquired a 74% stake in **National Collateral Management Services Ltd** (NCMSL) for about ₹800 crore. NCMSL is a private-sector agriculture warehousing firm. Another such firm, **Sohanlal Commodity Management Pvt. Ltd**, is in the process of going public.

"The rising income levels and changing lifestyles are creating an increasing demand for processed and healthy lifestyle agri products, which require large production and warehousing facilities. Also, with a huge entry barrier in this unorganized sector, it becomes pertinent that bigger investors come in and increase capacity in the sector," said an investment banker involved in one of the transactions mentioned above.

The banker didn't want to be named.

pooja.s1@livemint.com