



# AGRI WAREHOUSING MAJOR BETS BIG

SLCM offers technologically advanced storage spaces which help in reducing post-harvest wastage

by Itishree Samal

Though India's agri exports saw a growth from \$5 billion in 2003 to \$39 billion in 2013 to become the world's seventh-largest exporter in the world, the country still experiences roughly about 10 per cent of loss during the post-harvest period due to lack of infrastructure.

Realising the market opportunity of modern, scientific warehousing, Sohan Lal Commodity Management Pvt Ltd (SLCM) was established in 2009 to bridge the demand-supply gap and provide storage spaces for the farmers and traders through its first-of-its-kind "Scientific Warehousing" concept. The concept is unique as SLCM, being an integrated player in warehousing, does not invest on building infrastructure such as warehouses rather it invests on technology and works on a lease model.

## What are the crucial issues pertaining to the agri logistics industry in India?

Though agriculture sector is losing its share in GDP, which accounts for only 16 per cent, it still remains the largest economic sector. Also, India has emerged to become the seventh largest exporter of agriculture commodities including in the world. The main issue lies in post-harvest loss that varies between 10 and 40 per cent due to lack of efficient infrastructure depending on the nature of commodity.

## How can our country achieve zero loss during the post-harvest period and drive further growth in exports of agri commodities?

As on today, the top five commodities showing robust growth in domestic as well as international markets include pulses, cotton, mustard seed, mentha oil and maize. If we work towards reducing this wastage, there is a lot of scope in growing and coping with the nation's biggest challenge of "Food Security" as well as drive exports. The need is to change the perception from infrastructure-driven to process-based, which is crucial for the turnaround of the agriculture sector. However, government policies governing export of commodities are very dynamic and change with time.

The gap between the demand and supply of logistics services, which has been left unattended due to the unorganised nature of the market, has opened up many opportunities for players.

## How has been the demand-supply gap in agri warehousing? What opportunities do you see in Indian market?

According to an Ernst & Young report, agri warehousing accounted for about ₹80-85 billion in FY13 and grew at 12 per cent in previous three years and in terms of warehousing capacity, the industry was pegged at 120 MMT (million metric tonnes) during the period. While a Knight and Frank report says, the total warehousing space requirement in India is expected to grow at a CAGR (compounded annual growth rate) of 9 per cent from 919 million sq ft in 2014 to 1,439 million sq ft by 2019.

The agri warehouse receipt financing market is more than ₹90,000 - 95,000 crore. If we talk about

opportunities, we feel we are very small compared to the size of the market we are addressing. India annually produces 255 MMT of food grains, and to top it up, there is an enormous portion of imports and then we have other perishable products.

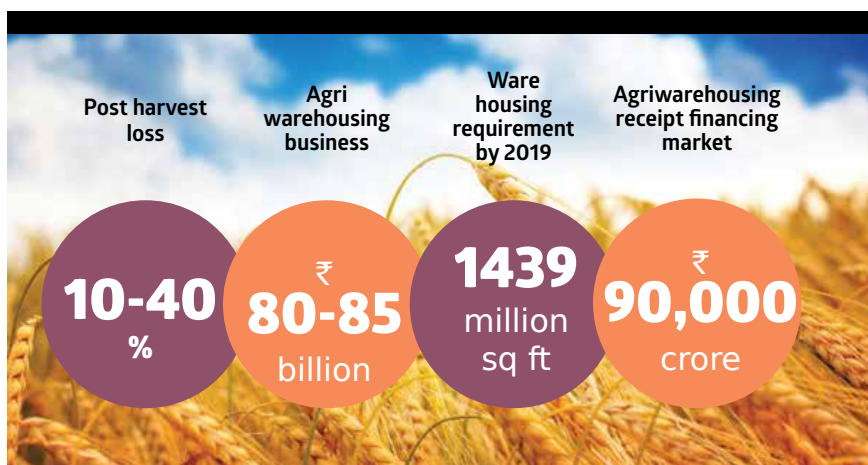
**What are the trends that are emerging in agri logistics and movement of agri commodities currently?**

The current logistics scenario in India is undergoing a tremendous transformation from being a product to a service-oriented. Earlier it was sufficient to move cargo from point A to B, whereas now the requirement is to not only move cargo but also to track the movement within a strict timeframe, apart from maintaining the health of the cargo. The mere truck which used to be the key element in cargo movement now considered as just a medium of transportation. It has become critical that we have the entire crop behavior with respect to value at risk being monitored where the timing of the movement with the protection of the crop has become of paramount importance.

**What makes your business model different from the rest of the warehousing players?**

Being a pioneer in the sector, we manage all our warehouses without investing in infrastructure. We thrive on an asset-light model, which has helped us achieve an EBITDA growth of 90 per cent y-o-y. We have developed processes that enable farmers to save 9.5 per cent of agri wastage during the post harvest period and tied up with farmers, intermediaries, joint liability groups, SMEs, processors, traders, commodity exchanges to government.

Our ‘Scientific Warehousing’ process which is termed as ‘Agri Reach’ works agnostic to the infrastructure, location or weather in any kind of agriculture crop. In turn, it means that unutilised spaces amalgamated with scientific processes can prove to be the best solution for agriculture warehousing in India. Available but vacant buildings should be looked upon as an option for warehousing spaces. SLCM has the ability to use these buildings and even open spaces as warehouses as we operate agnostic to infrastructure. For us, it takes just 48 hours to visit premises, survey it and establish our



processes to start the management. I believe India has enough infrastructure and it is just the matter to know how to use it efficiently. Though, we can definitely look at creating linkages through the railway and road network for accessibility to the remotest location of India which will make the process even easier.

We operate multi-location and multi-layered operations on real time monitoring. The centralised real-time process management system which is independent of geographical location and infrastructure, removes any scope for deviation.

Our other features include NBFC christened as Kissandhan, launched in March 2014, provides agriculture loans at competitive commercial terms where storage receipt is taken as collateral. Till June 2015, Kissandhan has disbursed loans of more than ₹210 crore. Kissandhan provides an option to the farmer to store the crop for a small duration and get short term finance on his commodity. It enables him to do the price discovery and sell when he gets the best price and sow the next crop without selling the harvested crop and avoid distressed selling.

**How big is your infrastructure network, and are you utilising full capacity?**

At SLCM, we manage 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 sq ft, and a throughput of more than 240 MMT.

We have employed over 60,000 people directly and indirectly and

employed approx. 12,000 trucks. In last three years, we have managed a network of 240 MMT while in last one year, Kissandhan has disbursed loans of 210 crore across 44 locations and 8,000 storage receipts.

We are present across the value chain and handle more than 157 agri commodities including cotton, barley, bajra, castor seeds, wheat, pulses, maize, spices and aloe vera etc. The current utilisation is about 75 per cent in warehousing.

**What were your initial challenges?**

The biggest challenge is the mindset of stakeholders. Perception of people used to be warehousing was a piece of land and a building, that has hampered the growth of the sector. Our first and foremost challenge was to break this misnomer and prove that crop management can be done agnostic to the infrastructure available on the ground. The second challenge was to get talent as the sector is not that glamorous, and two at the start we were a company which had no corporate backing.

**What are your future plans?**

Mapping major part of India, we have made a conscious decision to replicate this model in overseas that matches the DNA of India. We have launched a wholly-owned subsidiary in Myanmar in March 2014 engaging in warehousing and other allied services. Since its commencement, it has disbursed loans amounting 680 million kyats and managed 110,000 sq ft of space for 15 commodities with a throughput of 4 million MT. We aim to take our model to Africa, which is an agriculture-centric region. [MIB](#)