

SLCM Technological Innovations – The Way Forward



Sohan Lal Commodity Management Pvt. Ltd.

Mr. Sandeep Sabharwal Group CEO – SLCM Group

SLCM Group is the brain child of Mr. Sandeep Sabharwal who has been instrumental in establishing it as one of the leading companies in post harvest management services. Sandeep has been the Mapping Partner & Promoter of SLCM since its incorporation in 2009 and has driven it from a single warehouse at one location to more than 760 warehouses with a throughput of more than 240 MMT.

Recently, Mr. Sabharwal was conferred with the Most Innovative CEO by Inc India recognizing his innovations in the sector. He has also been conferred with Certification on US Warehouse Receipt System from The Norman Borlaug Institute for International Agriculture and The Texas A & M University. He is a member of Executive Committee of Warehouse Development and Regulatory Act (WDRA). He is also a member of FICCI Committee which was appointed by the Government of India to study the warehousing model of United States of America.

Sandeep is an MBA from FMS, Delhi & prior to SLCM, has managed businesses across the agriculture value chain.

India's agriculture sector has made rapid strides in the last few decades as introducing new farming methods and technologies that have enabled farmers and allied stakeholders to increase per hectare yield. As agriculture forms the backbone of the country and majority of the population from the rural part depends on it for livelihood, it is distressing seeing the challenges they have to overcome for a decent living.

Challenges of the Industry

The country produces around 255 MMT of crops annually. It is anticipated that the domestic production will increase to 290 MT by 2020 and 345 MT by 2030. But does that suffice the current gap in the demand and supply chain. We lose 10 percent of the annual produce during the post harvest period due to many intrinsic factors like climate fluctuations, pilferage, faulty storage practices, archaic procurement, warehousing methods, etc.

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 fruit and vegetables but it has been estimated that inadequate post-harvest storage and transportation cause losses of around 30-40% of the entire produce.

Technology has been accepted with open hands in almost all the sectors in the country. Yet, in agriculture, we have not been able to adapt to the best technological practices that are successful in most developed countries. The fusion of agriculture and technology is the need of the hour to minimize the risks and the response time.

Most of the country's warehouses, mandis are infrastructure buildings but the systems to monitor the buildings and crops stored is not available. Neither, it is practical to build warehouses in every nook and corner as it is capital intensive. As the country already has an abundance of warehouses, the actual need is to manage the warehouses after adapting the best processes and immediate tracking to ensure that risks of wastage are depleted.

Amalgamation of Technology with Warehousing Management

In a market dominated by unorganised players, the use of technology has been neglected by the logistics and warehousing industry. Most of these companies focus on building warehouses rather than managing quantity & quality of the stocks stored in their warehouses.

Technology is set to be the key enabler of growth for this sector. India has just awakened to the tremendous potential of technology-driven innovation in the burgeoning sector. There are very few integrated service providers organisations which are receptive to the fact that technology can help them reduce costs and improve efficiency in their businesses and overall market.

Demonstrating that how scientific processes can be implemented in ensuring proper supply chain management, Sohan Lal Commodity Management (SLCM) has been able to bring down post harvest losses to 0.5 percent and has successfully replicated its model across states and international geographies. An asset light model has helped them in managing 750 warehouses in India across 17 states, where each warehouse demands a mere investment of Rs 35,000 approximately. Ignoring the need to developing owned infrastructure for storage spaces, this agri-Solutions company SLCM has laid down the emphasis on warehousing management

irrespective of the infrastructure. Leveraging on the domain understanding of the agri sector, the company has been the pioneers of introducing scientific warehousing and successfully foresighted the shift much ahead of time.

SLCM has shown the way that through proper methodology and management of warehouses, it can deplete the risks involved with crop damage. This fact can be established by the fact that the company has managed a total capacity of 1.58 MMT spread over an area of 9.08 Million square feet and a throughput of more than 240 Million Metric Tonnes. Moreover, with constant monitoring on real time basis, can ensure promptness to act in cases of crisis and risks.

SLCM has devised a standard operating procedure 'AGRI REACH', which integrates scientific knowledge, deep domain expertise, transparency and efficiency, which track the warehouses on real time through a centralized system. The key advantage of this technology is that, by using this proprietary SOP, SLCM is able to manage the warehouses without any dependence on geographical location and infrastructure, which also removes any scope of manipulation. We have incorporated the facility of geo-tagging of all operational warehouses and updating on real time is done to keep a track of inventories and other activities.

With the advent of SLCM's SOP, the company has proved its capabilities to manage a warehouse agnostic of climate, infrastructure, and location across any kind of agriculture crop. It has also applied for patenting this scientific technology of storage under the name of "AGRI REACH". SLCM is constantly bringing the best practices to upgrade the processes in the warehousing domain. In the first year of its operation, SLCM brought "Bar Coded" storage receipts in practice that eliminated the risk of Fraud in terms of fake storage receipts.

Corporate Governance is the Key

With a strong emphasis on the development of the sector adhering to best corporate practices, SLCM has been able to create few benchmarks in the agri-logistics sector. As an integrated player providing a complete value chain to the customers, we have been able to demonstrate how wastage can be reduced keeping the yield per hectare intact.

Ensuring best practices in Corporate Governance, SLCM covers a gamut of inspection services with 35 audits in total for agri-produce, which includes Weekly checks which are carried out by SLCM auditors who are remotely tracked in specific geo-fenced regions and the information relayed instantly to the company headquarters. The company, which is ISO 9001: 2008 & ISO 22000: 2005 Certified, is also one of the first group in private sector to get WDRA certification. With the maker and checker policy in place and appointment of Chief Risk Officer to monitor all processes and compliances, SLCM has demonstrated that corporate governance can play a key role in the growth of the company.

Creating Efficient Manpower

To ensure the best skills are put into the process, SLCM provides all necessary training and upgradation so that the employees can perform competently. To boost the crucial skills, we even organize fairs in various parts of the country and train the work force. We target farmer families because they know their neighbourhood well and can work in collaboration with the locals. This will also lift their standards of living and help them to earn respect in the society. We even give 21 days of free training after which the decision is on them to either join us or move on as we have imparted our knowledge.

Empowering the Crop

Although, through directives from RBI, banks are doing their bit, but the need of the hour is to help them to mitigate the risk and enlarge rural credit. Mostly, agri financing and collateral financing is not

evolved to reach out to the small & marginal farmers. It does not give the farmers the benefit of using their crop as the collateral or is linked with the credit worthiness of the farmer, which makes the financial inclusion difficult. No wonder, many people are migrating from farming to other occupations.

The recent out of turn monsoon has offset the agriculture production adding to the woes of the farmers, especially the small farmers. It has further affected the asset quality of the agriculture credit due to the large chunks of crop that have been damaged. This has resulted in selling off the crop at short intervals at mandis and compromising the selling price of the agriculture commodities. Tackling the problem, the government has been requesting banks and NBFCs to ensure the credit allocation to the farmers and indeed perpetuated to increase lending to the cultivators.

Private companies like Sohan Lal Commodity Management (SLCM) have invented methods that help farmers avail a loan against their crop through their wholly owned subsidiary Kissandhan. This not only gives the farmers a supplementary source of income, but also provides them with the solution of crop storage till they are ready to sell off the production in the market. This reduces the risk of making losses on the crop sale, many banks have been tying up with warehousing solutions companies to provide facility to farmers, which is crucial at times like these.

Some of the major banks that have tied up with SLCM to disburse loans include Bank of India, Central Bank of India, State Bank of India, ICICI Bank & L&T Finance. The company, through its wholly owned subsidiary Kissandhan, has disbursed crop loans to the tune of Rs 250 crores since inception in March 2014.

With proven capabilities, SLCM has even expanded their model of collateral financing to Myanmar as well with partnerships with Yoma Bank, UAB Bank and CB Bank.

The emphasis on crop loans and agri-financing should be welcomed as a target of Rs 8 lakh crore has been set for agriculture credit during 2014-15. Under the Interest Subvention Scheme for short term crop loans, the banks are extending loans to farmers at a concessional rate of 7%. The farmers get a further incentive of 3% for timely repayment. The move should benefit the credit worthiness of the sector as well as the farmer in sustaining profit and increasing cultivation through crop loans against warehouse receipts and reducing the risks of bankruptcy.

By gauging the forthcoming requirement of technology to cut down crop wastage in farms, SLCM believes that this foresightedness has been a major determinant of having a competitive advantage over other players.

The Way Forward

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 public private partnerships in research and technology transfer which can make it more accountable towards delivery, improved value chain including storage, transport, processing and market facilities. Constant innovation can help to improve productivity and competitiveness whereas enabling policies that are necessary to bring knowledge, technologies and service to farmers.

India's farm output is precious and the efforts should be aimed at ensuring that not even a morsel is wasted. There is a need for a sustained campaign to improve existing storage spaces and introduce technology to make entire supply chain smooth, transparent and mobile to ensure quality, timely delivery, right price and minimal losses.