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Agri-warehousing firm Sohan Lal's CEO on exploring NBFC portfolio buyouts

By Debjyoti Roy (<https://www.vccircle.com/author/debjyoti-roy>) | 15 February, 2019



Sandeep Sabharwal, CEO, SLCM Group

Sohan Lal Commodity Management (SLCM) has been among the pioneers of agri-warehousing in India. The Delhi-based farm logistics firm's asset-light model of operating via leased assets has been adopted by several peers in recent years.

While domestic investors such as Everstone Capital and Nexus Venture Partners were among the first to take notice, the company has also attracted foreign capital over time. Two years ago, Swiss impact investor ResponsAbility Investments AG and Belgium-based Incofin Investment Management bet \$20 million on SLCM (<https://www.vccircle.com/agri-logistics-firm-sohan-lal-gears-ipo-raise-around-200m/>).

The company also forayed into agri-finance in 2015 by setting up a non-banking financial company (NBFC) called Kissandhan.

In an interview with VCCircle, SLCM's chief executive officer Sandeep Sabharwal reviewed the company's recent performance and spoke about its blueprint for inorganic growth and geographical expansion.

Edited excerpts:

There was a sudden spike of more than 70% in the consolidated revenues of the firm between 2016-17 and 2017-18. How did that happen?

I wouldn't say that there was a sudden jump as we were always on this trajectory. The year before the increase was a little dull because of certain macroeconomic factors such as demonetisation. As we are a service provider, we can only function if there is some activity in the economy.

If you look at the compounded annual growth rate over the last seven years, we were at around 65%. So we have been growing consistently.

If the monsoon gets delayed by one month then the whole quarter gets affected. There may be less growth in one year compared to another but the three-year trajectory is stable. I would say we are consistently meeting our long-term goal of delivering growth on a year-to-year basis.

What about your margins?

Two things are going to happen when any field becomes a little mature. One is that there will be a contraction in terms of margins or pressure on margins. But at the same time, this also gives you the opportunity to innovate and diversify.

You just have to look at Sohan Lal's trajectory -- in 2013 we came out with Agri Reach (a monitoring product), in 2014 we launched the Myanmar division, and in 2015 we started our NBFC product. Similarly, in 2017 and 2018 we came out with new patent systems.

What are your expansion plans?

The NBFC space is completely underdeveloped in India. While many people say that banks have done commodity-based finance, the reality is that they have done this in a completely different fashion. In India, it is easier to get a loan on an automobile than for ten bags of wheat.

This company's philosophy is not to invent needs but to serve the ones that already exist. In a month or so we will be introducing 2-3 products which augment agri income. I think it is an important step forward.

Agri Reach covers the gamut of inspection services for agri-produce, not only through quality monitoring but also by prescribing curative steps if crops are found to be damaged. This will also be a focus as we go forward.

In terms of geographical expansion, SLCM has already entered Myanmar. Which other locations have you set your sights on?

Internationally, we are looking at Cambodia, Vietnam and Laos. We have already received requests from southern African nations to come and help some of their companies. But our first focus area will be Southeast Asia.

Our main product is warehousing. All other products are peripheral. Like in the case of Myanmar, we are hopeful that the same opportunities exist in Cambodia, Vietnam and Laos. We are still studying the market and the model and there are also many regulatory requirements.

Do you have any inorganic growth plans?

We have been exploring targets over the past four quarters. We are looking at target companies which will add value to the science behind this system rather than looking at just the revenues or good networks. So I will be happy to acquire a company which understands how the food domain is managed. For example, quality assessment companies and port-handling companies will add value to our existing scientific culture, processes and services.

I will also be happy to look at an agri-tech solution which can predict how a crop will be stored rather than an app which offers to connect me with 10 buyers.

Do you have any preferred size or revenue range in mind for an acquisition?

Agri-tech is something very new, so I can't expect to find companies that have already scaled up and have large revenues. It also can't be an app-based model which is very experimental in nature. The company should have some footprint and it should have some proven model of revenue generation. I am not saying it has to be a Rs 100 crore company, but it has to have a scientific amalgamation that we can actually decipher.

Is there a possibility of an acquisition on the NBFC side?

We are actively looking at portfolio buyouts on the NBFC side. But we would like to remain true to our agricultural roots. Unfortunately for us, we don't find many agriculture-focussed NBFCs in our country.

You had a plan to launch an IPO in 2014. Why was it shelved?

Fundraising decisions are taken by the board of directors and shareholders of the company. So the shareholders of the company will constantly explore different means of fundraising.

Is SLCM likely to go public anytime soon?

I cannot comment on this as it is a board matter. When all the shareholders decide it's the right time, we will decide accordingly.

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