

Government has rightly Identified, Scientific Storage and not Warehouse, as Priority

Mr. Sandeep Sabharwal, CEO SLCM Group, shares his views on the need for scientific storage, collateral management, process, competition etc in a telephonic conversation with **Commodityindia.com**. Edited excerpts...



years of research, rather than the infrastructure.

Currently our warehouse throughput is 47 lakh tonnes. On an average, we handle commodities worth of Rs 700 crore on a daily basis. The crops are grown according to the season, whereas the consumption remains stable across all the season. This is where the storage in the warehouse comes into picture. We ensure that the quality and the quantity of the commodity remains the same during storage tenure. At the end of the day, we ensure that the commodity is according to the client's requirement.

How is the competition from the private banks for this warehouse financing?

There is not much competition seen in the agri warehouse receipt financing sector. Actually speaking, collateral management in India is still not defined, and the collateral itself is not the collateral. The banks or any other financial institutions,

What is your business model? How do you manage the risk?

Sohan Lal Commodity Management (SLCM) is a leading and renowned name in the agri-logistics and warehousing sector, providing services from agri-commodity warehouse management to procurement and financing solutions to farmers, processors, traders, agri-exchanges and Government. Through our regular

monitoring of operations, we have been able to reduce storage losses significantly from estimated 10% to 0.5% as mentioned by FICCI, in its study on "Partnership to Scale New Heights: India-US Collaboration in Agriculture". SLCM is the only company that has a robust procurement, warehousing and agri financing under a single window, across India. Our warehouse largely depends on the technological process, which is upgraded continuously through

or the lender looks into the balance sheet of the loan taker.

Recently we have also forayed into agricultural financing by acquiring a non-banking finance company, B P Jain Finance and Investments and have launched agri-loan facility, called as "KissanDhan". These loans are against agri-collateral and not based on the balance-sheet of the borrower. We only bother about the commodity, whether it is stable or not and if it is financeable or not.

We provide collateral management to the commodities pledged in the warehouse as also we provide security to the commodities pledged as collateral to the banks.

Since, we provide scientific storage to our clients, the quality of the commodity is not affected. We are loaning up to 70% of the value of commodity pledged, the loans are typically priced @ 14.5% per annum. There is no additional collateral, only the crop brought by the client acts as the collateral.

Currently you are having 507 warehouses across 20 states and handling around 43 commodities. What is the total strength behind this? How do you manage the whole network?

To manage the entire network we have made a robust Standard Operating Procedure which relies heavily on technology. The technology is backed by the right domain knowledge which marries



the best of technology with the best of scientific processes. We have applied for patenting this SOP and it is called "Agri Reach". Agri Reach ensures almost negligible storage losses. We at Sohan Lal provide better quality goods, as we have lab in all the warehouses in all the locations. In this way, we do not offer the client to go to other labs for the testing of the commodity. People have understood that the entire agri domain has a shelf life, whose quality has to be tested. The SOP is backed by an efficient team which has a keen sense of processes as well as the right domain understanding

Do you see an opportunity in the entry and exit of the ports?

We do see opportunities in the entry and exit of the ports. Ports are the gateway to Indian palate as well as Indian industry. The agri sector is hugely dependent on imports and

exports and hence any services which envisage support to these functions present huge opportunity be it storage, assaying or logistics.

The allocation of Rs 5000 crore for scientific warehousing in the budget would bring a great change in the warehousing sector. How would it help the warehousing industry? What would be the new initiatives by the industry?

I am happy that the Government has realized the need for scientific storage rather than focusing on the infrastructure of the warehouses. We look at the standard opportunities in the scientific warehousing. Also I feel, there should be some changes made in the Warehousing Development and Regulatory Authority (WDRA), because it talks only about the structure of the warehouse mainly, but not on the scientific storage.

