

NEW-AGE ENTREPRENEURS

HERE are two new-age entrepreneurs, Sandeep Sabharwal and Sahil Barua. They didn't want to be a me-too. So they got into a space that nobody had bothered to look at. Once there, they quickly expanded backward and forward, to embrace the entire chain. They are already leaders in their respective space. Still, they don't own any assets. Both have globally replicable business models and robust technological back-up. Incidentally, both have no IT background. What they have is the idea, the ability to identify a need and the drive to fill the gaps in a service chain. Both are now doing the legwork to take their services abroad.

They are part of a new breed of unassuming young Indian entrepreneurs developing world-class processes and technologies, based on Indian experience. If you can make it in India, you can make it anywhere in the world. That's the new confidence level. They all swear by governance and global best practices, thanks in good measure to the influence of venture capital/angel investors. They are a new class of entrepreneurs—fortunately, they are in hundreds—who would one day redefine Indian business.



THE RAINMAKER

Niche logistics player SLCM hopes to usher in India's Green Revolution 2.0

■ VERGHIS CHANDY

THE story of Sandeep Sabharwal, Chief Executive Officer of Sohan Lal Commodity Management (SLCM), has two parts. One is about how a young inheritor of a family business called the *kabadiwala* home and consigned the traditional business to junkyard, and invented an entirely new business in a related field.

The second part is of, how this CEO aspires to usher in Green Revolution 2.0 in India largely through crop preservation.

Sabharwal cites two reasons for exiting the traditional business of pulses milling, which his grand father Sohan Lal started in pre-partition Lahore and revived by his father later in Delhi. One, it was a me-too business which anybody can get into. Two, there was no scope for any value addition to the business through branding or differentiation. Three, even if he wants to expand the business, no support services were available.

Storage of pulses, he found, was a big problem for millers; wastage was one issue, space was another. He thought of starting a warehouse that reduces wastage and helps millers to buy pulses cheap during harvest seasons. Consultations with domain experts gave him the courage to finally take the plunge. For one year, he ran both the old and new businesses together. Then, he scrapped the old business, lock stock and barrel. "It was a big emotional issue for my family, but I had to do it. Because, till the time it moves out of my balance sheet, I won't be able to focus



Sandeep Sabharwal, CEO, SLCM

on the new business", he confesses. He retained only the family name (not even his dad) in the new business. Otherwise, it was a clean break from old to new, from manufacturing to services.

In seven years, SLCM has grown into a nearly ₹1,000-crore company having patented technologies and global ambitions. Today, SLCM is the only integrated post-harvest agri-commodity management company, handling everything from procurement, transportation, warehousing, repackaging, and freight forwarding in about 50 commodities to farmers, processors, traders, companies, commodity exchanges and government. It is now a

250-staff company spread across 100 locations in 20 states. Soon, the company will be entering Myanmar, and later Africa.

SLCM is India's most capitalised agri-warehousing company with an equity base of around ₹160 crore. Big names like Nexus Venture Partners, Mayfield Fund, Everstone Capital Venture and ICICI Bank's EIF Fund hold 74% stake in it through initial investments and re-investments. Last year, SLCM's top line was close to ₹500 crore, and this year it would be nearly double that.

What worked in Sabharwal's favour obviously was the domain knowledge he inherited from the traditional business. His family knew the commodity business first hand, starting from his grandfather. All that he had to do was to add science, technology and innovation to that. He added science to the warehouse to reduce post-harvest losses in storage, and technology to track a crop from farm to fork. Innovation came naturally from the desire to fill in the gaps in the service chain. Today he's talking of pre-harvest solutions as the next destination, and even port management as he spread the business abroad.

Green Revolution

His foreign forays, Sabharwal says, will primarily be decided by the commodity needs of India. "We will map the protein DNA of India. Wherever there is a shortage, we will go and get it." The country is an importer of pulses, so he has to go wherever it is produced in the planet to get it in India. But he has no plans to trade in any commodity. That, he says, is not his business. He is only into services;

storing the crops in some place and transporting it to a place of need.

"I have the data base. My website can tell a buyer where a commodity is available and who is its owner. The buyer can then negotiate with the seller online and place an order. We will do the rest."

SLCM follows an asset-lite model. Like DHL or DB Schenker, SLCM also operates on leased warehouses and provide technology back-up and logistics support. Unlike others, SLCM is totally focussed on agricultural commodities ("I'm the only person who understands the domain), and has developed a globally scalable business model backed by its own patented IT system, called AGRI REACH. Farm-to-fork operations are done on a single software. "Give me any premises. We'll run it, like Microsoft runs Windows on any computer."

SLCM's sales pitch is simple. It promises 0.5% wastage in agri-commodity storage. Since the current wastage level in non-perishables is 10%, that translates into a saving of 9.5%, which more than makes up for the service charges to SLCM, and leaves a profit for the client.

A 9.5% savings is equivalent to additional production of more than 10%, but without additional acreage, fertilisers, water, power, pesticides or labour. That's where Sabharwal sees for him a chance to support India's food security.

By government records, nearly 40% of the country's agricultural produce is wasted. Scientific storage, efficient management and logistics support can cut this loss to a large extent. For example, grains won't rot in FCI godowns if they are scientifically warehoused; fruit and vegetables won't perish if they are taken care of from the field itself.

"Roses are going from here at 4 in the morning for auction in Amsterdam next evening. Still we cannot preserve our cauliflower", Sabharwal points out.

Though Sabharwal has dabbled in cold storage in one location, he didn't

Colossal loss

- Farm produce wasted a year: **40% worth ₹50,000 crore**
- Fruit & vegetables wasted: **70% worth ₹13,300 crore**
- Grain produced a year: **250 million tonne**
- Grain consumed a year: **<90% or <225 million tonne**
- Water wasted with food wasted: **230 cubic km**
- Food wasted globally: **\$750 billion**
- India's rank in overall food wastage: **7th**

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find it very rewarding. He is re-entering the segment this year.

He says many public sector agencies have started outsourcing warehouse management services, but SLCM cannot become the lowest bidder in tenders. It can compete with traditional players on rates only where preservation standards and wastage levels are specified. "They quote lower and waste goods. What is the point?", he asks sarcastically.

Another remarkable service of SLCM is warehouse receipts financing. Though banks are supposed to finance farmers by taking warehouse receipts

as collateral, the scheme hasn't really picked up. SLCM facilitates such financing for farmers. Recently, it has taken over a non-banking finance company—BP Jain Finance & Investments—to focus more on warehouse receipt financing. The plan is to build a ₹400 crore portfolio in warehouse receipts alone in one year. Warehouse receipt financing helps farmers to sell their produce at a good price—instead of selling cheap during the harvest time—and get funds for cultivation. SLCM has started offering one-month's free storage for farmers in UP to get them on board.

Sabharwal claims that once his company scales up, it will have valuable data on farm goods available—along with factors like crop pattern, crop stability, etc—across India and abroad, from the sowing stage. He can sell such data to policy-makers, banks, insurers (for crop insurance), companies, traders and anyone who has a connect to farm goods or agri-income.

"We'll map the global food chain DNA. We've the bandwidth to do that."

Sabharwal has an advice to policy-makers from his own experience, "Think holistically, rather than trying piecemeal solutions. Think of the entire chain and looks for the gaps to fill."

Subsidies and incentives, he believes, should be targetted at facilitators and enablers, not at end beneficiaries. "It is like giving money to each IT student to promote information technology."

By reducing wastage in farm goods, by financing farmers, by linking India with foreign producing centres, and through further backward integration and forward integration, Sabharwal hopes to ignite another green revolution in India someday. I wish he had the deftness of Sunil Mittal, of Bharti Airtel, to rapidly take the concept to the grassroots, like Mittal did with mobile telephony. ■