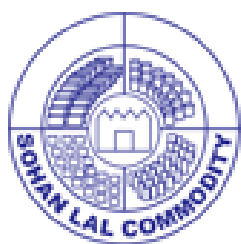


MEDIA COVERAGE REPORT




SOHAN LAL COMMODITY MANAGEMENT PVT. LTD

Q&A – India Infoline

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1	24-Sept-2019	India Infoline	Sandeep Sabharwal, CEO, SLCM Group	https://www.indiainfoline.com/article/editorial-interviews-leader-speak/sandeep-sabharwal-ceo-slcm-group-119092400302_1.html

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Sandeep Sabharwal, CEO, SBCM Group

Kissandhan provides financing on agriculture commodities against warehouse receipts (WR) to Farmers, Joint Liability Groups (JLGs), Small & Medium-sized Enterprises (SMEs), Commodity Traders, Processors, Exporters, Importers & other Agri Intermediary across the country.

September 24, 2019 12:04 IST | India Infoline News Service



Sandeep Sabharwal, CEO, SBCM Group (Sohan Lal Commodity Management Pvt. Ltd. Group), is the brain child of Sandeep Sabharwal who has been instrumental in establishing it as one of the leading companies in post-harvest management domain. Sandeep has been the Group CEO of SBCM since its incorporation in 2009 and has driven it from a single warehouse at one location to a network of more than 4105 warehouses with a throughput of more than 782.34 Million MT till 30th June 2019. The Group was conceptualized with the thought of redefining the sector and with time has demonstrated the capability in rolling out new and efficient products and services for the betterment of agri-logistics environment. Be it the process "AGRI REACH" (Patent Pending) which reduces post-harvest losses from 10% to merely 0.5% or "Kissandhan" (Group's wholly owned NBFC to offer Warehouse Receipt Financing) which has changed the paradigm of agriculture financing & brought real "Financial Inclusion" in the country.

In an interview with **Shweta Papriwal, Editor, indiainfoline.com, Sandeep Sabharwal**, said, "We have been raising liability lines by various methods through banks, NBFC's and FPI's using instruments like NCD's, CC lines etc."

Tell us more about Kissandhan and the impact it has made on the farming community and overall economy?

Kissandhan Agri Financial Services Pvt Ltd (Kissandhan) is a wholly owned subsidiary of Sohan Lal Commodity Management Pvt. Ltd. (SBCM), which is India's leading one-stop post-harvest Agri-Logistics Group. It is a RBI regulated non-banking finance company (NBFC) providing financing solutions against storage receipts of agriculture commodities and strengthens SBCM group's presence across the agriculture supply chain. It offers finance at attractive and competitive commercial terms where storage receipt is taken as collateral. The brand name has been coined to convey a clear message that it helps farmers and others engaged in farming and associated activities with attractive financing options against warehouse/ storage receipts.

Kissandhan is driven by the philosophy that disbursement of finance should happen quickly, efficiently and with limited paperwork. At Kissandhan, we completely understand the importance of timing and the fact that at times, our valuable customers need money at a short notice. Kissandhan's robust internal processes, risk management mechanism & use of latest technology as basis for disbursement makes it a profitable proposition for farmers to take loans from us.

Kissandhan, has changed the paradigm of collateral financing by financing across diversified agri products whilst being agnostic to balance sheet or net worth of the borrower yet complying with the prudential norms of RBI. So far, Kissandhan has already disbursed more than 2025.43 Crores, servicing over 45525 Storage receipts in 12 states across India. We believe in Transparency, Integrity and fairness in all our dealings and through Kissandhan we are supporting the priority sector lending and financial inclusion initiatives.

What are the major segments that you operate in, and your key product offerings? Can you brief us about the performance of your company?

Kissandhan provides financing on agriculture commodities against warehouse receipts (WR) to Farmers, Joint Liability Groups (JLGs), Small & Medium-sized Enterprises (SMEs), Commodity Traders, Processors, Exporters, Importers & other Agri Intermediary across the country. It provides finance against a diversified basket of agriculture commodities. The farmers, especially the small ones, face dilemma due to various factors on both macro and micro levels. During climatic fluctuations, inflation, draught and unexpected monsoons and disconnects in the supply chain, Kissandhan provides solutions to the Farmers which can save distress selling.

As on 31st August 2019, Kissandhan has disbursed loans worth Rs2025.43cr, servicing over 45525 Storage Receipts against 301 different agri commodities like pulses, grains, oilseeds, Raw cashew nut, turmeric, SMP, Ghee and Mentha oil in multiple locations pan India. So far, the company has benefitted about 443339 farmers across the country.

What is the estimated market size for Warehouse Receipt Financing?

Warehouse Receipt Based Funding (WRF) also known as "Pledge Finance" is at a nascent stage in India. According to RBI data, the farm sector's outstanding credit has remained at Rs10,82,100cr in November 2018. The no. of NWRs (Negotiable Warehouse Receipts) issued in FY 18 stood at 12,313. The Value of commodities deposited against NWRs was Rs510.2cr, while the amount of Total loan disbursed against NWRs was Rs118.5cr.

Currently, the Warehouse Receipt Based Funding (WRF) issued by banks is estimated to be around Rs36000cr.

Apart from farmers, who are your target audience?

Any entity dealing in commodities be it farmer, trader, processor, importer, exporter, SME etc is eligible for applying loan against commodities provided they have the underlying commodity meeting the criteria of the company. The underlying commodity shall be the main collateral asset however as per prudential credit norms, other security documents shall be required. The collateral may differ on case to case basis.

How does the concept of Farm Loans against Warehouse Receipt works? What is the risk factor here?

In a Warehouse receipt financing(WRF) system, goods are first brought to the collateral manager who issues a warehouse receipt to the borrower that certifies the quantity and quality of the stored goods or commodities. These storage receipt of the goods or the commodities issued by the collateral manager acts as a collateral for the loan.

Warehousing (Development & Regulation) Act, 2007 introduced a negotiable warehouse receipt system. The Negotiable Warehouse Receipts (NWRs) issued by the warehouses registered under this Act helps the farmers to seek loans from banks against NWR to avoid distress sale of their agricultural produce. It is also beneficial for a number of other stakeholders such as banks, financial institutions, insurance companies, trade, commodities exchanges as well as the consumers. Since such agri-commodities have an established value and market, quick liquidation mechanisms provide sufficient funds to cover a loan extended against them in case of a default.

What is the Business model of Kissandhan? What is the average duration of loans and interest rate bracket? What is the average ticket size?

Kissandhan operates on a Commodity Based Financing (CBF) model. The basic principle of financing is the underlying asset/ commodity which is being taken as collateral. There is no restriction on location, commodity or quality which is being financed by the company. It offers financing for most of the commodities across the country.

The tenure of the finance may differ commodity to commodity and can be up to a maximum of 12 months. Generally, the margin is 30-40% of the value of the commodity.

Kissandhan Agri Financial Services Pvt. Ltd charges a Fixed rate of interest to its customers. Final rate of interest is arrived at based on the Pre-tax cost of funds, Credit risk premium and profit margin. The decision to give a loan and the interest rate applicable to each loan account is assessed on a case to case basis, based on multiple parameters such as the type of asset being financed, borrower profile and repayment capacity, borrower's other financial commitments, past repayment track record if any, the security for the loan as represented by the underlying assets, loan to value ratio, mode of payment, tenure of the loan, geography (location) of the borrower, end use of the asset etc. Such information is collated based on borrower inputs and field inspection by the company officials. The rates of interest are subject to change as the situation warrants. The average ticket size is around Rs2.5cr.

Who are the key investors in the company?

Kissandhan Agri Financial Services Pvt Ltd (Kissandhan) is a wholly owned subsidiary of Sohan Lal Commodity Management Pvt. Ltd. (SLCM). The parent Company SLCM currently has seven investors onboard which are Incofin Investment, ResponsAbility, Creations, Nexus Venture Partners Mayfield, Everstone and Emerging India Fund (EIF) managed by ICICI Investment Management Company Limited (IICL).

Where all (Geographical spread) does Kissandhan lend and if any further service expansion plans?

Currently Kissandhan is present in 12 states and plans are afoot to widen the reach of Kissandhan to various other states.

How different are you from you immediate competitors offering similar customer service and into the same lending pattern?

Kissandhan is a Unique NBFC which offers financing solutions to the entire Agri Value Chain irrespective to the balance sheet of the borrower with emphasis on Agriculture Collateral. In a short span, we have disbursed Rs2025.43cr of Loans, servicing over 45525 storage receipts at 265 Warehouses spread across 112 locations in India. We have handled over 301 varied commodities and have Impacted about 443399 Farmers till 31st August 2019.

There is a defined Turnaround time(TAT) of disbursement within 24 Hours. We have helped in bringing down the cost of borrowing by 100 bps and have received A- (Investment Grade) Credit Rating from CARE.

Sanction and disbursal of loans at Kissandhan are strictly in adherence with RBI's prudential norms with maximum limit to a single borrower or a group. The valuation of the agriculture

commodity is in accordance with the spot market rate of the physical market for that quality.

How have you been able to measure the potential for this business and why are Banks (Traditional lenders) not been able to fill this demand gap?

A well-developed warehouse receipt finance system includes farmers, banks, financial institutions, insurance companies and commodity exchanges. In the agri-credit space, the commodity collateral belonging to borrowers against which the credit is disbursed is being assigned to professional collateral management companies, to an increasing extent. More and more farmers in India, and agri-space participants, including the large population of tenant farmers who cannot mortgage land or equipment, are using warehousing receipts as a tool to meet their working capital and consumption needs in the post-harvest season.

Banks are the ultimate beneficiary in a warehouse receipt finance system as the average tenor of loan against warehouse receipt is around six months which helps banks with their asset-liability mismatch issues as they can churn portfolios quickly. Further, lending against warehouse receipt is safer and more liquid for banks. Collateral managers actually makes the job easier for banks as far as underlying collateral is concerned. Warehouse Receipt Financing help banks achieve their priority sector lending targets in an efficient way.

What are the ways through which Kissandhan is trying to raise funds? Are you looking at raising funds any sooner? Any plans for IPO?

Raising of funds is a function of requirement as well as business opportunity. We have been raising liability lines by various methods through banks, NBFC's and FPI's using instruments like NCD's, CC lines etc.

What is your outlook on revenue growth for FY20?

We are projecting to grow by over 100%.

What are the future plans of the company?

The company in keeping with its roots is trying to introduce new products that are in line with the agri environment. We are trying to expand our commodity basket as well as geographical reach. Till date we have handled 45525 Storage receipts across 112 locations and 301 different types and varieties of Agri commodities.