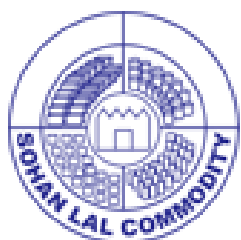


MEDIA COVERAGE REPORT



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Seeking cheaper agri-credit line and not subsidies: Sandeep Sabharwal

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Mr. Sandeep Sabharwal CEO, SLCM Group

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Seeking cheaper agri-credit line and not subsidies: Sandeep Sabharwal

Why are agriculture NBFCs seeking cheaper credit lines? Is it really an opportunity to create agriculture infrastructure? Is the support mechanism really in place for agriculture and allied finance in the agriculture space? Sandeep Sabharwal, CEO, SLCM Group and Kissandhan, shares his perspective on the need for cheaper agriculture finance and the competitive edge the banks have in this space.

ISHAN SHAH • ETBFSI • March 02, 2020, 12:56 IST

Edited Excerpts:



Sandeep Sabharwal, Group CEO, SLCM

Q. What are some critical issues in the agri-finance space?

In the budget, the increase in the agri-credit space by the government in the budget is always welcome as it shows the intent of the government to look at the entire space from a holistic perspective and their understanding that there is

more need to pump in money in the agriculture sector.

The key element which needs to be addressed is making availability of cheaper agri-credit to agri-NBFCs. If you look at NABARD, it has always been getting cheaper finance from banks and the same is being used for creating infrastructure in agriculture.

The emphasis on ENWR being negotiated is also a good move for Agri-NBFCs while the execution remains a key challenge. While the NWR is available for agri-NBFCs to finance it has been in existence and not newly announced or addressed recently.

Agri-NBFCs like us are more bothered about assuming that if there's a default under the ENWR what is my recourse to get my funds back and that recourse is still absent or rather we're not aware of it.

Agri NBFCs like us are more bothered that assuming there's a default under the eNWR (Electronic Negotiable Warehouse Receipts) what is my recourse to get my funds back and that recourse is still absent or rather we're not aware of. I believe this issue needs to be addressed. If NWRs are going to be fully guaranteed by an insurance scheme, it will arouse people to work forward.

As I was a part of WDRA (Warehouse Development and Regulatory Act) founding committee, I understand that it is not easy for the government to guarantee it because at the end of the day the physical asset is lying with a mom-and-pop warehouse service provider who may not be insuring or rather there's no way to ascertain whether the actual asset is available on the ground or no.

The industry is only seeking cheaper Agri-credit lines and not subsidies.

Q. What are the other sources of funding you could tap?

Agri NBFCs work under secured finance scheme unlike MFIs and NBFCs into unsecured lending. Agri-NBFCs will lend only against secured asset. While doing this the agri NBFC is taking into account two things.

1. Cost of Securitization of assets: The asset will be pledged in the warehouse and somebody will have to bear the cost of warehouse rent.

2. That asset itself is a liquid asset so automatically it's a secured asset you can't charge 18% or 19% and while there's no ceiling as such I can charge to my customers around 13% anything above that becomes difficult for farmers to sustain it, and above that we've to compete with banks.

Banks are also doing it under priority sector lending for so many years and banks are charging at 11-12% so maximum as an NBFC I can charge 13% that 2% extra because I have more origination, more branches rather more I have in-depth reach in the market and I can go deeper.

NBFCs across world do niche products or niche areas and won't do any banking product, so for a bank to do 11% for ware-housing finance is easy as they have current account and saving accounts balance sheet that balance sheet is available with them for 6% so they still have a spread of 4-5% to service this product.

As an NBFC our source of finance is again banks, so when I go to a bank and I borrow at 11% and disburse that at 13% my spread is only 2%.

NABARD could've given the financial lines and extend the same to NBFCs who're concentrated in warehouse financing, which would go a long way for players like us.

We're not asking for sops or subsidies. The schemes available for infrastructure project where the gestation period is 7-8 years the amalgamation schemes should be made available to agri-NBFCs as well.

Today for creation of infrastructure the government is allowing NABARD to give loans at 5%-6% why can't the same pool of finance be made available to agri-NBFCs.

Q. Has the government missed this as infrastructure creation opportunity?

If you see the agriculture pattern in India, there are only two cycles of crops Kharif and Rabi which automatically means crops harvested during these two seasons which span over a period of three months yet my consumption is 12 months so for 9 months crops will be stored somewhere which would require finance

Now what is happening is that the finance is being made available either to the trader or to miller or the processor. A farmer won't be able to afford the finance, even for the trader if he's availing the finance at 14%, his carry also goes up and the final cost will thus go up thereby impacting inflation.

The banks can tide over this as their spreads are wide and can manage cost of capital, Government should have seen this as an infrastructure creation opportunity.