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Volume 2 | Issue 4 | Rs 100 | July 2014



## PEERLESS THE SUCCESS STORY

Sunil Kanti Roy speaks on the rise of Bengal's most acclaimed company

## Cutting food losses to **HARVEST PROFITS**

Sandeep Sabharwal has transformed his Delhi-based archaic family business into a multi-crore technology-driven agri-logistics firm in India that now offers holistic services to cut post-harvest losses.



Sandeep Sabharwal

### SRUJAN ABRAHAM

**S**andeep Sabharwal was just 23 years old when he joined the family business of processing pulses soon after completing his MBA (Finance). The processing mill business was started by his grandfather, late Sohan Lal, in Pakistan prior to Independence, who set up the same business here after his migration. Very soon

Sandeep realised that there was little value addition that could be generated in this business since it yielded low margin and was a non-glamorous archaic field dominated by public administration. The industry suffered from inefficient practices and ignorance and focused only on processing, trading, etc. while ancillary services like storage, preservation and assaying were virtually non-existent, being just a

warehousing in 2006. "We saw that the post-harvest inefficient logistics led to a loss of 10 per cent of the country's agricultural produce which in value terms was a staggering Rs 60,000 crore. This was something that could be addressed through methodical practices rooted in technology. I also saw that there was a huge gap between the services required and those available. That is when I decided to venture into post-harvest logistics, pursuing warehousing management services," says Sandeep, CEO of Sohan Lal Commodity Management Private Limited (SLCM).

This was indeed a very bold step and but Sandeep was confident that it was a calculated risk that could pay off well. At first it was a small initiative operating out of a small room with three people who together managed the warehouse out of a single location. However, since the business was actually serving a customer's need it began to grow, which prompted Sandeep to establish SLCM in 2009, retaining the original name 'Sohan Lal'. Today, SLCM is a professional, technology-driven agri-logistics firm based in Delhi which offers holistic services from agri-commodity warehousing management to procurement and financing solutions for farmers, processors, traders, agri-exchanges and the government.

mere extension of in-house activity.

There also was no focus in terms of best scientific practices, research and technical intervention in these areas. Absorbing the fact that warehousing was a huge underserved market with no scientific process and procedures, Sandeep decided to shut down the agri-processing business, which actually was generating huge amount of cash, and ventured into

the first companies in India from the private sector to get WDRA accreditation. We also offer the world's newest techniques and well-maintained storage and protection services for the entire range of agri-commodities. SLCM handles about 50+ agri-commodities across India, including cotton, pulses, maize, spices, etc. Our last year's comparable revenue was Rs 1,100 crore," reveals Sandeep.

SLCM has devised a series of scientific processes which are being showcased by the agricultural fraternity across the world as an ideal model for reducing post-harvest losses. The processes are also being highlighted by large software companies as a 'first-of-the-kind in the world'. SLCM has been instrumental in devising technology and processes that have cut post-harvest losses to 0.5 per cent - a massive reduction of 95 per cent of the normal losses. Also, it has become the first company in the warehousing vertical which has got its data management processes patented. Currently, with its warehouse capacity of 1.5 lakh tonnes, the company, on an average, is handling commodities worth Rs 400 crore on a daily basis.

In May 2010, taking cognisance of the company and strong growth prospects, Nexus Venture Partners invested in SLCM. Since then the company has been growing at a frenetic pace every year. As on March 31, 2013, the company stands as one of the largest capitalized warehousing companies in India with an equity base of around Rs 160 crore and top-line of Rs 521 crore. It has four venture capitals on board who are equally excited about the unique business model of the company. Nexus Venture Partners, Mayfield Fund, Everstone Capital Venture and ICICI Bank's EIF



Health\* a Luxury

Fund are all equity investors and own 74 per cent stake.

Sandeep attributes SLCM's growth to standard operation procedures. "We have been able to demonstrate that the proprietary SOP rooted in technology and regular monitoring of operations has cut storage losses pegged at 10 per cent to 0.5 per cent irrespective of infrastructure, crop or geographic location. This was documented by PICCI in its study titled 'Partnership to Scale New Heights: India-US Collaboration in Agriculture.' SLCM is the only company in India which has patented the commodity management processes called AGRI REACH, which ensures almost negligible storage losses.

In its short journey, SLCM has crossed several milestones: It has been at the forefront of innovation in the country by constantly bringing the best-of-the-world class practices to the table. In only its first year it introduced bar coded storage receipts in practice that eliminated the risk of fraud in terms of fake storage receipts. "We devised a

centralised MIS that was able to disseminate the multi-point / multi-location holdings of our clients in one linear sector reporting format," reveals Sandeep.

Next, SLCM has been able to map operations which are multi-location and multi-layered to communicate centrally to central servers over a wireless network without compromising on the integrity of data. The entire system has been mapped to real time resource monitoring. A robust SOP allows operations on any structure and hence SLCM is agnostic of infrastructure, geographic location and crop. The company is the only firm in this vertical which has till date not even invested in building a single warehouse as it is a warehouse management company and not an infrastructure company. It imparts high-quality modern warehousing services with real time MIS to a globally reputed clientele that includes Castelli, Louis Dreyfus Commodities, Olam, MMTC, PEC, Glencore, Future Group and Tinnu, to name a few. It has 32 internal audits to check quality standards.

The real time MIS connects the entire country with a data turnaround time of less than five minutes with an alert facility akin to a credit card swipe.

What necessitated Sandeep to branch out into various domains within the agriculture businesses? "The only reality of life is change, be that change of style, of services, or change of locations and in keeping with this we have already launched our new financial product. Meanwhile, the company has already obtained permission to start offering its services in Myanmar and we are looking at expanding across ASEAN countries and also into Africa. In fact our Myanmar operations will commercialize in the coming month itself," he replies.

Elaborating about the company's plans, Sandeep says, "You have to acknowledge that the agri-logistics services is a very different domain and the very fact that we are location and crop-agnostics points to the fact that we have the nimbleness to name a few. It has 32 internal audits to check quality standards. We do not have to create demand

but instead we map the need of the market. Having said that, it is imperative that we diversify our offerings and enhance our bouquet of services. Therefore, now we have augmented our business through forward integration into warehouse receipt financing by foraying into agricultural financing from April 1, 2014. SLCM, which recently acquired Chennai-based non-banking finance company, B.P. Jain Finance & Investments to launch agri-loans, has all the requisite approvals in place. The credit facility will be offered as 'Kissan Dhan' against agri-collateral and not the balance-sheet of the borrower."

Listing out the three unique ventures of his project, Sandeep points out, "First, we can guarantee the same throughput from infrastructure that may be world-class or from a shed that was built perhaps 40 years ago, thus signaling the fact that the agri-sector need not lag behind due to old and non-existent infrastructure. Second, we are bridging the gap between the obsolete and the modern as the agri-sector is plagued with low education levels and old

practices. In our model the best of world-class technology allows the most efficient use of resources where at one end the farmer has no access to weather forecasting techniques which is crucial for his produce while on the other end SLCM provides just-in-time real time inventory management techniques, thereby mapping the product right from the farm to the fork. The third aspect is that SLCM serves a real need by augmenting the supply of food on the consumers' plate as we are instrumental in saving 10 per cent of the agri-produce which is otherwise being wasted every year due to inefficient and had post-harvest agriculture management."

As for market share in this sector, Sandeep says that it has no relevance for any agri-logistics' player as of now since India, though it produces more than 250 million MT of dry agri-produce (excluding fruits and vegetables), annually loses 10 per cent of grain in dry goods alone. Through the SLCM management services' this loss of 10 per cent can be brought down to 0.5 per cent.

"I believe that this is the efficiency that will denote market share and capability rather than talking about size with no potential saving to the Indian agriculture sector," he remarks. The other key players in this industry include NCML (National Collateral Management Services Ltd.), Star Agri, NBHC (National Bulk Handling Corporation Ltd.) and Ruchi Infrastructure Ltd. In recent years, the agricultural markets in India have grown in size and complexity, not only in terms of volumes and commodities traded but also in terms of regulatory reforms and a proliferation of new marketing channels and arrangements, with both state and private players playing an important role.

Sandeep's wife, Sumi, and son, Sidharth, a student, have been extremely supportive even as he transformed the family business completely. But how does he divide time between his business and family? "Given the fact that there is a spurt in business I am not able to devote to them as much time as I would have wanted to but still their

support has been relentless and is the pillar to my motivation as well as my perseverance," he says. This is justifiable since it is not a business without its share of demands and obstacles. "The biggest challenge then and even till date is the perception of the value of services. Since the sector is still learning the concept of 'value at risk', the issue is to constantly educate, reinforce, and showcase the values that we bring to the table," he elaborates.

On the topics of entrepreneurship, government support for youngsters, competitors, market share, etc., Sandeep has his own strong views. "The government and the bureaucrats are no different from those in the private sector. The thirst for learning was and is far greater in bureaucrats as I believe they are seized of the enormity as well as the importance of services that we provide. What makes SLCM stand apart from its competitors in India is that we are the only company in the Indian agri-logistics space which has pioneered and mastered the process of delivering the highest

standards of services irrespective of the physical infrastructure on the ground, thus changing the paradigms and showcasing the fact that warehousing is a process management dependent activity rather than the age-old adage that warehousing of agri-products is suffering due to inadequate infrastructure," he says.

So what are SLCM's expansion plans? SLCM plans to replicate its efficient and patented data management technology to cut post-harvest losses to developing nations across the world, including those in ASEAN nations like Myanmar and Africa which are also going through the same challenges faced by India in the agri-sector. "Since the company has already developed processes that are not only time-tested but have been successfully implemented in different climates and zones, the same will become the DNA of our existence in these nations. We will provide agri-warehousing, crop assaying, post-harvest crop maintenance systems, procurement solutions and finally post-harvest finance facilities across these branches,"

Sandeep shares.

About finally finding his success mantra, Sandeep states, "My biggest mistake was that initially I did not take up the marketing activity very rigorously and did not invest in a marketing team. Going forward I have done this. There is no short-cut to relationship management and people management cannot be learnt from any book. I believed in what I was offering and was consistently persistent with our deliverables. I believe in the adage that quitters never win and winners never quit. I believe that for me inspiration comes from seeing the dreams that I dreamt getting realised. When I started this venture I had no institutional backing, there was no corporate DNA, no large group supporting me and yet I aspired to build a world-class, technically advanced, robust agri-management company. Today I am thrilled to see that part of the vision turning into reality."

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