Harvesting a rich crop

Sandeep Sabharwal started SLCM with the aim of reducing foodgrain losses. It has now grown to a ₹1,100 crore group with 507 warehouses and offering agri finance products and services.

Sandeep Sabharwal
43 years

Company
SLCM

Headquarters
Delhi

Seed capital
₹16 lakh

Age at starting business
37 years

Source of funds
Personal savings and loan from family

Turnover in the first year
₹4 crore

Present turnover
₹1,100 crore

I decided to bring in the much-needed change in 2008, with the efficient management of post-harvest agricultural services market in India.

By 2010, we had developed a standard operating procedure to bring down foodgrain losses to a mere 0.5%, from the over 10% prevalent in the country.

This year, we have launched Kissan Dhan, an insurance for farm products, based on the value of stored goods using the collateral risk model.

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My family ran a food processing business in Pakistan before migrating to India during the Partition. In 1961, my father set up a facility in Delhi to process pulses. I joined him in 1995 after completing my MBA from Delhi University. After working for over a decade with my father, I realised that apart from processing and trading, ancillary services, such as storage, preservation and assaying, were virtually non-existent in the warehousing facilities across the country. It was then that I decided to bring in the much-needed change—efficient management of the post-harvest agricultural services market.

I conducted research for two years and learnt that India lost over 10% of its agro produce, valued at around ₹60,000 crore, to poor and inefficient storage practices every year. I wanted to introduce the best-in-class scientific methods to stem the wastage, and this is when I decided to set up Sohanlal Commodity Management Services (SLCM) in 2008. Today, I am not only happy with the response, which is reflected in the ₹1,100 crore turnover in 2013-14, but also for being instrumental in reducing foodgrain losses.

I raised ₹16 lakh, partly from my own savings and through a loan from family, while my father allowed me to use a part of his 8,000 sq ft unit in Delhi at an annual rent of ₹8 lakh. I was aware of the difficulties the warehousing industry faced and had, by then, developed the wherewithal to provide better services. So, getting my first client—a local agro processor who remains my client till date—wasn't very difficult. I hired three people to manage the inventory and administrative work. The response was better than expected and I had to take a few more warehouses on rent in the NCR. In the first year, we managed to generate a turnover of ₹4 crore and reinvested the entire proceeds in the business.

Encouraged by the response, my father decided to close down the pulse processing unit and gave the entire 8,000 sq ft space to me on lease. However, we faced challenges along the way, including delayed payments from big customers and lack of awareness by a majority of industry participants.

I realised innovation was the key. So I got involved in educating my clients and showcasing the value that we bring to the table. We introduced bar codes in our storage receipts to eliminate fraud and gain customer confidence. We were also the only company to set up a centralised management information system that could disseminate the multi-point and multi-location holdings of our clients in a linear and secure reporting format.

By 2010, we had developed a standard operating procedure—AGRIREACH, for which we have applied for a patent—and demonstrated how foodgrain losses could be brought down to a mere 0.5%, from the over 10% prevalent in the country. In May 2010, we got a shot in the arm when the Nexus Venture Partners funded our expansion plans with ₹10 crore. Barely a year later, in March 2011, Mayfield India and Nexus Venture Partners pumped in another ₹35.5 crore, helping us expand to other cities with our warehousing and agro solution services.

In November 2012, our company received its third round of funding from Everstone Capital and Emerging India Fund, a fund under ICICI Bank. The two companies collectively invested ₹129.3 crore in SLCM. At present, I hold a 26% stake, while the four PE funds have a 74% stake in the company.

The money also helped us diversify to other verticals. Now, we offer services like procuring agro products from farmers on behalf of processors, traders and government bodies, and providing assaying and trading services. The second category involves providing agri logistics, which includes warehouse management services, transportation and port handling.

This year, SLCM acquired a Chennai-based non-banking finance company, BP Jain Finance & Investments. Through this, we will be offering a range of agro financing products aimed primarily at farmers. We have already announced the launch of Kissan Dhan—an insurance cover for farm products—based on the value of the goods stored, using collateral as risk model. We have already benchmarked around ₹50 crore as capital for agriculture financing and hope to achieve a target of ₹400 crore by the end of 2015.

We now have presence in 20 states and manage over 507 warehouses in an area of 67.9 lakh sq ft, with a capacity of 46.9 lakh metric tonnes. SLCM handles over 50 agro commodities, including cotton, pulses, maize and spices. We have 250 people on the rolls, and another 200 on contract. This year, we are not only expanding to other cities, but are on the verge of finalising a deal in Myanmar. In the future, we want to be present in the ASEAN countries and in Africa.

(As told to Amit Shanbaug)

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