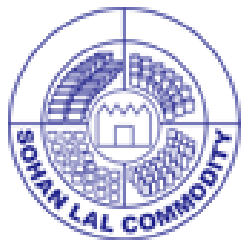


MEDIA COVERAGE REPORT



SOHAN LAL COMMODITY MANAGEMENT PVT. LTD

Mr. Sandeep Sabharwal's Blog on Budget Expectation

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1	21-01-2020	The Economic Times (BFSI)	Agricultural NBFCs can become real game changers for the sector	https://bfsi.economictimes.indiatimes.com/blog/agricultural-nbfc-can-become-real-game-changers-for-the-sector/3994
2	23-01-2020	Business Today	Budget 2020: Want to fix the slowing economy? FM Nirmala Sitharaman should begin with agriculture	https://www.businesstoday.in/union-budget-2020/columns/budget-2020-fm-nirmala-sitharaman-should-begin-with-agriculture-sector-indian-economy-farmers/story/394482.html

Print Coverage

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Publication	Infrastructure Today	Date	Jan to Mar-2020

Sandeep Sabharwal, CEO, SLCM Group

It is distressing to note that every year an enormous amount of food grains gets wasted due to archaic procurement, storage and inefficient warehousing methods. Typical storage losses for agri produce in India account for approximately 10 per cent only for the dry food grains of the entire production, which works at a staggering Rs 1 trillion! This results in a huge burden on the economy because, firstly, it leads to inflation as additional supplies could have helped cool down prices and, secondly, this production could have provided subsidised food to the poor. Scientific warehousing can address this problem to a large extent and, as a pioneer of in the segment in India, we expect the government to rationalise indirect taxes on agri warehousing by encouraging organised players to take warehouses on lease where they have to pay GST. Such commercial leasing should be exempt from GST as collateral management companies cannot get input credit on the tax they pay on rent because the commodities which they deal in are agri commodities and they do not attract GST. The waiver of the 18 per cent GST will motivate farmers to store their produce and prevent distress sale. Also, cheaper credit must be provisioned for agri facilitation companies like non-banking financial companies (NBFC)s that provide warehouse receipt financing.

Online Coverage



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BLOG

Agricultural NBFCs can become real game changers for the sector

Access to finance is among one of the major challenges for the Indian farm sector. According to the government's data, barely 60% of Indian farmers have access to bank finance and this figure is even lower at 15% for small and marginal farmers. It is estimated that only 30 percent of the total agriculture demand in India is met by institutional credit.

Sandeep Sabharwal • January 21, 2020, 11:58 IST



Sandeep Sabharwal

CEO, SCLM (Sohan Lal Commodity Management Pvt. Ltd.) Group

Sandeep Sabharwal is a veteran with diversified and rich experience of more than three decades in the areas like commodity storage, procurement, commodities market, trading, processing, warehousing & financial services in the agriculture sector.

Despite significant growth in farm credits and enhancement of agricultural credit target in the subsequent union budgets, accessing funds for working capital requirements in the agriculture and allied sectors is still a major challenge in our country. This is primarily due to the gap between institutionalised banks, farmers and people engaged in associated activities especially in the rural areas. Banks are faced with certain shortcomings when it comes to collateral, valuation and other such regulatory requirements. This drives farmers towards money lenders for agricultural credit.

Declining farm earnings makes farmers unable to repay debt often triggering farmers to take distress decisions. Selling their land to meet their financial obligation is a common practice among the marginal and small farmers, which pushes them further towards financial misery, since land is the sole basis of sustenance for these marginal farmers. Hence, indebtedness of farmers is a pertinent issue which merits serious discussion. As land holdings are shrinking, the instances of indebtedness are rising sharply which calls for its redressal at war footing.

The government has outlined its intention to make India a \$5 trillion economy and for achieving this target, growth of agriculture sector is of utmost importance. Despite having a central role in India's economy, the poor state of agriculture in India is a point of concern for everyone. Agricultural NBFCs can play an important role in the farm sector development and the alleviation of rural and agricultural distress.

Role of agricultural NBFCs

The advent of agricultural NBFCs has not only ensured easier access to financing at attractive and competitive commercial terms for seeds and fertilisers to farming equipment and machinery, it has also eased the load on institutionalised banks as the erstwhile primary lender to farmers. This second revolution is bringing fast and affordable credit to those who traditionally found the doors of finance closed to them — a category of borrowers who are new-to-credit (NTC).

Agricultural NBFCs extend credit facility using the crop as collateral and against storage receipts of agriculture commodities. These NBFCs score over banks due to their ability to sanction and disburse the loans quickly and efficiently. The hassle-free processes with minimum paperwork give these firms a definite edge over banks and lead to customer satisfaction. Robust internal processes, a risk management mechanism, use of latest technology and taking current market rates as a basis for disbursement has further added to the popularity of agricultural NBFCs as it is relatively cheaper and more convenient to avail loans from such institutions.

It is anticipated that due to the focused and specialised nature of the business, agri-NBFCs could create a niche for themselves in lending to the entire value chain of the agriculture sector and the success stories of existing entities will attract more firms and investors to invest in this growing segment. The success of agricultural NBFCs can also be gauged from the diminishing farmer's reliance on moneylenders which eventually led to farmer getting caught in a web of debt.

However, these firms are forced to offer higher priced loans in comparison to banks. Moreover, their borrowings from banks do not qualify as priority sector credit under RBI Norms, even if this money is used exclusively for agricultural lending. These NBFCs are also not eligible for seeking protection of the Credit Guarantee Fund (GSF) set up under the Small Farmers' Agribusiness Consortium (SFAC) to provide comfort to lenders reaching out to FPOs. This calls for policy reforms to enable agricultural NBFCs to access low-cost capital to extend farm credit at competitive rates.

Budget 2020 expectations

- Policy reforms to enable agricultural NBFCs to access low-cost capital to extend farm credit at competitive rates.
- Cheaper Credit should be made available to the Agri NBFC's just like the way it is given to NABARD.

Credit is an important contributor to the agricultural production and if it reaches the farmers in a right way at the right time, the increase in agricultural production and the increased share of agricultural produce in the GDP can be well achieved.

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Portal- Business Today

Link - <https://www.businesstoday.in/union-budget-2020/columns/budget-2020-fm-nirmala-sitharaman-should-begin-with-agriculture-sector-indian-economy-farmers/story/394482.html>

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Budget 2020: Want to fix the slowing economy? FM Nirmala Sitharaman should begin with agriculture

Union Budget 2020: The need of the hour is long-range agricultural policy and programmes which could remove the bottlenecks for agri-warehousing and facilitate easy credit for farmers

Sandeep Sabharwal Last Updated: January 23, 2020 | 15:25 IST



Budget 2020: The government has outlined its intention to make India a \$5 trillion sized-economy and for achieving this target, growth of agriculture sector is of utmost importance. Despite having a central role in India's economy, the poor state of agriculture in India is a point of concern for everyone.

Agriculture remains a significant contributor to the national GDP and the main employment provider for most developing economies but one problem which is common to almost all developing economies is the high level of agriculture wastage; a bulk of which takes place post-harvest at the storage and transportation stage.

There is a need for innovation in the agriculture sector and those innovations would be incomplete without incorporating the warehousing sector and agri finance. Steps like Inclusion of agri warehousing under priority sector lending, subsidy schemes, tax sops and the Warehousing Act have gone a long way in promoting the agriculture sector.

By incentivising private investments in warehousing and by introducing Private Entrepreneur Guarantee (PEG) Scheme, the government has ensured the growth of this sector but despite these initiatives, Indian Agri warehousing companies are fraught with challenges which range from the sourcing of funds to location specific challenges and policy shortcomings.

The government should pay attention to some of the prevalent anomalies enlisted below which are hampering the growth of the sector:

Rationalisation of indirect taxes on warehousing sector

One of the long outstanding demands of the agri warehousing industry has been the rationalisation of indirect taxes. When an organised player operating in the agri logistics and warehousing sector segment goes out to give agri-input services against a crop, it hires warehouses on lease and implements technology on it.

lease and it has an 18% GST implication. On the contrary output services are devoid of any GST. So the 18% GST actually becomes a cost on the agri warehousing companies' balance sheet and which increases the overall costing. Under these circumstances, the operator is left with no other option but passing the fiscal burden to its customers.

This often leads to loss of business for the organised sector as the customers move to unorganised players who often do not charge them the GST. So one of the outstanding demands for the successive last three budgets has been that such leases should also be extended to commercial places which are actually used as agri-input place.

Also Read:***How Sensex, Nifty are likely to move ahead of Nirmala Sitharaman's second budget speech***

Agri credit

Agricultural finance is a subset of rural finance dedicated to financing agricultural-related activities such as input supply, production, distribution, wholesale, processing and marketing. The modern agriculture has increased the use of inputs especially for seed, fertilizers, irrigational water, machinery and equipment, which has increased the demand for agricultural credit.

Finance in agriculture acts as a key to farmers. But a farmer's money is always inadequate and he needs outside finance or credit. Because of inadequate financial resources and absence of timely credit facilities at reasonable rates, many of the farmers, are unable to go in for improved seeds and manures or introduce better methods or techniques.

In the given situation, the role of agricultural NBFCs becomes extremely important. By bringing farmers to the financial system these NBFCs (Non-Banking Financial Company) accelerate the process of financial inclusion in the country. We have seen in successive budgets that the government has made cheaper credit pools available to institutions such as NABARD who have further gone ahead and given those financing activities to agri-processing and agri-infrastructure but we have not such seen such cheaper pool of credit available to agri-NBFCs.

Agri-NBFCs play an important role in providing access to finance for small farmers and therefore if cheaper credit is made available to the agri-NBFCs just like the way it is given to NABARD. If that is done it is going to go a long way in doubling farmer income and also in facilitating an environment of inclusive agri-growth. Also if the government starts offering standard operating procedure (SOPs) to the agri-NBFC sector, it will go a long way in helping the sector to flourish and will also help in fulfilling the government's vision of doubling farmers' income.

Also Read: *Budget 2020: Will FM Nirmala Sitharaman address Indian medical device industry's Woes?*

Initiatives like e-NAM

Initiatives like e-NAM which talks about one mandi or one environment and one agri credit market as well as one output market are good initiatives but they need to be backed by good physical infrastructure. Agri companies which can provide end to end physical gambit of the agri-value chain should be encouraged for participating in this initiative.

The need of the hour is long-range agricultural policy and programmes which could remove the bottlenecks for agri-warehousing and facilitate easy credit for farmers. India has a huge untapped agri-warehousing potential and private sector agri-warehousing companies play a big role in bridging the gap in demand and supply of storage facilities.

As food habits are evolving the need for efficient warehousing and supply chain solutions for maintaining the changing demand and supply dynamics is at an all-time high. By developing innovative, scientific and efficient warehousing practices India can become a leader in innovative and scientific agri value chain solutions.

The same holds true for agri credit which is an important contributor to the agricultural production and if it reaches the farmers in a right way at the right time, the increase in agricultural production and the increased share of agricultural produce in the GDP can be well achieved.

(The author is CEO, SLCM Group)