



SLCM GROUP IN NEWS

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Behind SLCM's 6X Profit Surge And Asset-Light Agritech Playbook

13 Nov'24 | By Meha Agarwal



SUMMARY

- A team of four started the business in 2009 with an initial investment of about INR 16 Lakh. Since day one, it has focussed on capital optimisation and strived to solve the inherent challenges of agribusiness with industry-first 'phygital' solutions
- Today, SLCM has set up a tech-enabled network of more than 17K agri-warehouses across 13 Indian states and a portfolio of 350+ diversified warehousing facilities (a combination of agricultural and non-agricultural storage) in Myanmar
- Buoyed by the growth, SLCM registered as a public limited entity in July 2024, a strategic move indicating it is now on course for a public market listing



India, an agricultural powerhouse where more than 42% of its 1.4 Bn population rely on farming for their livelihoods, stands at a critical juncture and requires a wave of transformative push. Consider this. Agriculture accounted for 18.2% of the nation's GDP (at current prices) but grew at an average annual rate of 4.18% in the past five years, per [The Economic Survey 2023-24](#).

The anomalies don't end there. India still leans heavily on cash-strapped, ill-equipped smallholder farmers for agri operations. Even the latest Economic Survey emphasised the need to shift them to high-value crop production, spotlighting the role of agritech startups in this transformation. But these startups may not be a panacea for all agribusiness issues.

In spite of success stories like DeHaat, WayCool, Ninjakart and [Absolute Foods](#) – each raised \$100 Mn+ in funding – many are now struggling to stand out in a crowded field filled with similar services and business models.

Take WayCool, for example. At one point, the startup was said to be on track for a 2025 IPO, it has hit a rough patch, marked by [layoffs and mounting losses](#).

Others like [Moofarm](#) and [Reshamandi](#) face similar setbacks and continue to search for a breakthrough. Even Dehaat reported INR 1,133 Cr in loss in FY24, higher than the net loss in the previous year. So what went wrong?

Sandeep Sabharwal, founder and CEO of [Sohan Lal Commodity Management \(SLCM\)](#), a 15-year-old agri-[Warehousing](#) and agri-financing platform believes the problem is that entrepreneurs do not focus on solving the real problems for agri stakeholders. "The real challenge in agriculture lies in perception. We need solutions built for the specific and complex requirements of farming, not borrowed solutions from other industries. It often leads to misrepresentation and failed ventures," he added.

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Among these are secured commodity storage, AI-powered quality checking, market linkage, procurement at best prices for buyers and agri supply stakeholders. The other focus area is agri-financing via Kissandhan, a rebranded NBFC acquired a decade ago to facilitate agri-loans.

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Putting The Tech In Agritech

But there's more to its success than asset-light strategies. SLCM secured two path-breaking technology patents. The first was awarded in 2021 for a real-time data management method integrated with a centralised process to monitor and manage crop security. Due to regular audits and meticulous tracking, it reduces the risk of crop damage to 0.5% across the company's warehouses and secures storage against theft and fraud. India loses an estimated 10% of its food grains annually due to a lack of storage and outdated techniques.

The Federation of Indian Chambers of Commerce and Industry (FICCI) assessed food crop waste using this model and published a report highlighting its potential to enhance storage efficiency.

The second came in 2022 for an AI-based app that initially assessed wheat quality on the spot by analysing the crop image for multiple parameters. The app's capability will gradually increase to quality-check major crops and pulses. SLCM also launched Agri Suraksha, a centrally controlled and monitored 24x7 warehouse surveillance system.

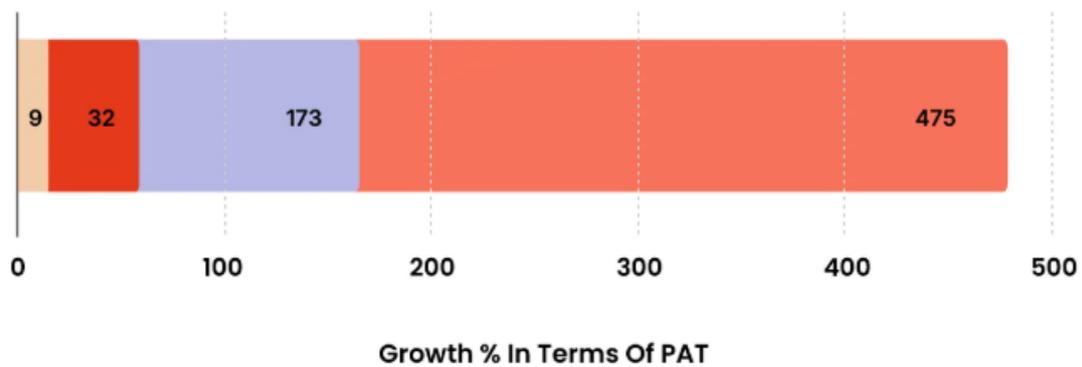
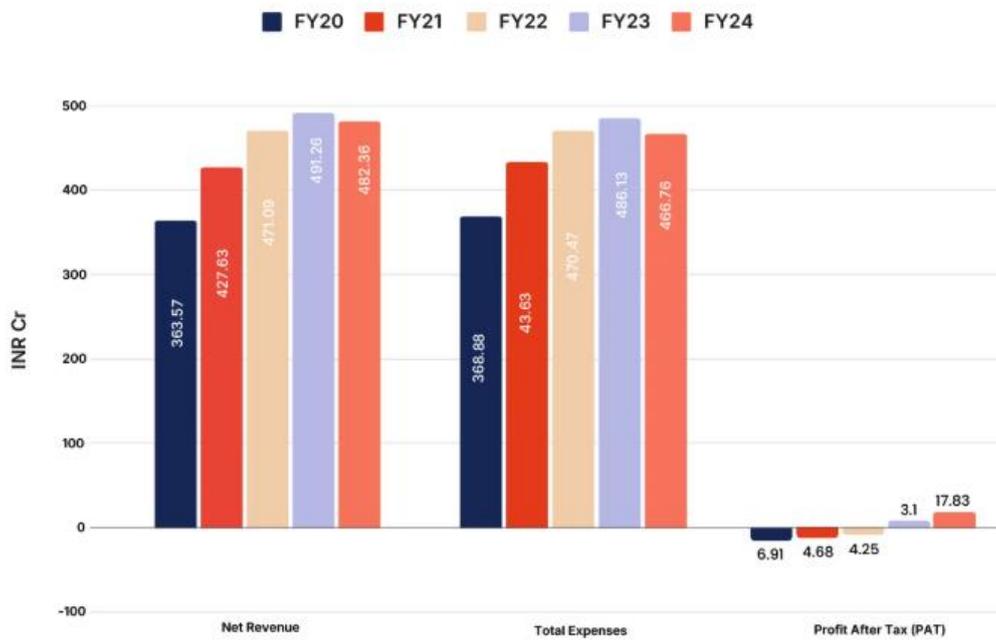
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Buoyed by the growth, SLCM registered as a public limited entity in July 2024, a strategic move indicating it is now on course for a public market listing. According to Sabharwal, the shift marks a deep commitment to corporate governance and better organisational maturity.



Reinventing Agri-Warehousing

As agri-warehousing is the cornerstone of SLCM's operations, Sabharwal recognised that the company needed to build systems for rigorous quality audits, real-time security monitoring and instant data communication to prevent crop loss, theft and fraud.

The founder was aware of common vulnerabilities like pilferage by local employees or the lack of constant monitoring in remote warehouses with limited infrastructure. Setting up traditional CCTV systems is not always feasible due to logistics hurdles and prohibitive costs.

SLCM employs three critical safety components for a multi-layered security system to minimise these warehousing risks. These include:

AgriReach: Developed in-house within a year of inception, this patented method integrates real-time security monitoring, audits and other essential processes to safeguard warehouses, keep tabs on crop health and provide a standard operating procedure (SOP) in all facilities.

Using geofencing, bar-coded storage receipts and internal audits backed by a Maker-and-Checker policy (dual authorisation), SLCM carries out real-time monitoring of goods and personnel and the same is updated via a management information system (MIS). It also helps monitor temperature and humidity within the warehouses.

As this unique management system reduces food grain losses to a meagre 0.5%, it can save more than INR 87K Cr annually, claimed Sabharwal. Additionally, SLCM implemented SAP in a record six months to automate the entire process, the first company to do so in the agri-warehousing space.

Under AgriReach, there is a centralised digital directory connecting farmers with buyers, traders, food processors and exporters. With around 2 Lakh registered users and 88 commodities listed, the directory enables seamless transactions anytime, anywhere, providing critical market access across the country's agricultural community.

Agri Suraksha: Launched in 2020, Agri Suraksha uses solar-powered, weatherproof CCTV cameras with 3G SIM connectivity to relay live footage from warehouses to a central command centre in Delhi. This low-cost, mobile-enabled security solution covers all warehouses, even the most remote or temporary units, bypassing the need for stable power sources.

E-lock: SLCM has launched a centralised e-lock system for high-value warehouses storing agri produce worth INR 10 Cr or more. This digital lock can be opened from the command centre alone, eliminating the access of local managers to physical keys and ensuring continuous surveillance of valuable stockpiles. This *phygitalisation*, or digital tech security measures for physical assets, provides 360-degree protection regardless of locations and infrastructural constraints.

“Currently, around 60% of SLCM’s AUM is under real-time surveillance, strengthening security and reducing risks,” said Sabharwal.

How SLCM Turns Crops Into An Asset Class

To elevate the value of agricultural staples like wheat and turn them into an asset class, these must meet a host of critical criteria for securitisation. While weight can be reliably measured at weighbridges, quality checking or QC services must be expanded. NABL-accredited labs typically perform these quality checks, but only around 300 cater to the agricultural sector. This limited capacity leads to the following logistical and financial bottlenecks, slowing down transactions and access to capital.

- **Long delays:** Sending samples to full-fledged labs for quality checks results in a long turnaround time
- **Risk of fraud:** The possibility of sample switching raises questions about the credibility of QC reports
- **High costs:** Due to delays in obtaining QC results, farmers and traders have to bear opportunity costs. This impacts cash flow and leaves buyers needing clarification about product quality

To address these pain points, SLCM developed an AI-driven app under the AgriReach umbrella to redefine the QC process. By capturing a single photo of a commodity, the patented app delivers QC results in just 90 seconds, a massive reduction from the conventional two-day timeframe that enables banks and FI to process loans within hours.

The company also runs a NABL-accredited central analytical laboratory to ensure quick and accurate testing, and its results are accepted in several countries.

 “In a world where consumers can return an online purchase within hours, waiting days to verify crop quality seems obsolete,” said Sabharwal.

Developing this app involved extensive research, analyses of more than a million samples and rigorous trials. SLCM eventually secured an NABL accreditation for its QC app, the first of its kind in India and possibly worldwide, claimed Sabharwal. By October 2024, the app had done 213K quality checks across 22 states, covering 9.32 Mn metric tonnes of crops.

The breakthrough spurred rapid growth, with assets under management soaring from INR 1,039 Cr in 2020 to INR 12K Cr+ in 2024. Although the NABL accreditation applies only to wheat, SLCM is working to obtain certifications for other crops like maize, rice and chana (chickpea).

 “India produces 325 Mn metric tonnes of dry agricultural commodities, and our app has tested 9.3 Mn metric tonnes or 2.66% of the total. This shows our scalability and removes the infrastructural bottlenecks from the collateral process and value chain management,” said Sabharwal.

How SLCM Grew Between 2020 And 2024

Key Metrics	CY2020	CY2024
Warehouses Managed In India	4,213	16,986
Warehouses In Myanmar	19	320
Volume Of Agri Commodities Handled (In Mn Metric Tonnes)	831.43 MMT	5,150 MMT
Number Of Agri Commodities Handled	930	1,089
Warehousing Area Under Management	68.15 Mn sq. ft	312 Mn sq. ft
Loans Disbursed (In INR Cr)	2,042.42	3,004.40
Team Size	1K+	5K+

Beyond this, SLCM has developed a commodity facilitation platform to create a streamlined digital marketplace across the sector. It serves as a business hub, enabling companies to present their products and services. Users can also buy and sell food grains and find logistics/transport partners based on location preferences, making the supply chain more accessible.

To expand its QC initiative, SLCM has introduced the AgriReach Krishi Quality Janch Kendras. These centres will do rapid quality checks and provide on-the-spot QC certifications for food grains, reducing wastage and creating rural employment tailored to local skill sets.

 “So far, Krishi Quality Jaanch Kendra has appointed 300+ authorised QC partners in 11 states,” said Sabharwal.

The Last Piece In The Puzzle: Agri-Financing

Kissandhan, the finance arm of SLCM and an RBI-regulated NBFC, is redefining agri-finance with innovative products. Its flagship is commodity-based financing (CBF) for flexible and collateral-free loans across locations and commodity types. Unlike other NBFCs, this flexible approach has positioned Kissandhan as a vital resource for farmers and agribusinesses all over India.

As Sabharwal emphasised, diverse financial solutions enable farmers and agri-businesses to access flexible, need-based funding that promotes sustainable growth and strengthens economic resilience. So, SLCM has recalibrated its lending portfolio to become more granular.

Earlier, the loan amount ranged between INR 3 Cr – INR 5 Cr, but now SLCM offers tailored products for FPOs with loans averaging INR 8 Lakh for each unit. This has positively impacted as many as 80K farmers.

As smaller, targeted loans are now available for a broad range of clients, more than 37K women borrowers receive INR 35K each for a maximum tenure of 18 months, marking a shift towards more accessible, retail-level agri-financing. The maximum loan amount extended to a woman borrower has now reached INR 1 lakh for a flexible tenure of 12-24 months, with no collateral required. In total, loans disbursed to women currently amount to INR 155 Cr.

 This strategic move towards more granular and inclusive financial support has boosted SLCM's return on investment and enhanced borrowers' loyalty and continuity. "It aligns with our diversified warehousing model of building a robust, wide-reaching base and is expected to drive growth and profitability by 2027," said Sabharwal.

As of June 2024, Kissandhan cumulatively disbursed INR 2,927.52 Cr and supported 36,839 clients, 107 FPOs and 36,444 women beneficiaries. The impact has been broad-reaching and economically empowered more than 7.6 Lakh people.

SLCM's Core Financial Services Under Kissandhan



Agritech Startups Hamstrung By Challenges

After investing more than INR 9.5 Cr in technological advancements in the past two and a half years, SLCM is eyeing net revenue of INR 781 Cr in FY25, a 62% jump from INR 482 Cr in FY24.

Its EBITDA is projected to climb from INR 39.48 Cr to 63 Cr, while profit after tax is expected to reach INR 24 Cr. However, the company must overcome operational and industry hurdles to hit these numbers.

A key challenge is expanding its loan book without pushing costs. SLCM has successfully reduced sourcing costs and boosted ROI from 12.1% to 16.5% by doubling the average loan tenure from nine to 18 months. This approach enhances customer retention and grows the company's wallet share in agri-financing.

“Our goal is to capture the entire financial life cycle of customers,” the company states, likening its strategy to the models used by financial services powerhouses like Bajaj Finance.

It is also testing artificial intelligence for enhanced loan management. But this is still a work in progress, as commercial rollouts require a cautious approach.

Although these measures will solidify SLCM’s position as a trusted agri-financing resource and one-stop destination for all post-harvest needs, the company faces industry-wide challenges like its local and global peers.

For starters, crop quality assessment is critical for agricultural commodities and constant benchmarking is required to strengthen India’s position as a global supplier. Ongoing geopolitical conflicts have also prompted the company to delay planned expansions into Southeast Asia despite promising socio-economic similarities in markets like the Philippines and Laos (officially, Lao People’s Democratic Republic or LPDR). Additionally, SLCM will carefully consider IPR protection before licensing its technologies abroad and only focus on countries with robust legal frameworks.

While global growth remains on the cards, the company is exploring the domestic market, given the country’s positive trajectory in agriculture and agritech space. **The agriculture market size in India** is estimated to reach \$473.7 Bn by 2029, while **agritech is expected to hit \$25 Bn** by 2025, signifying a transition from a nascent stage to mainstream prominence.

SLCM is carefully building its strategic roadmap and sustainable initiatives around finance, phygital solutions and global expansion, which will resonate with the new era of action in agriculture. Of course, a perfect storm of risks is brewing outside as agri produce needs to be cleaner, greener and more ethically procured despite climate woes and socio-economic hurdles that have long hindered farmers’ productivity and a relevant increase in their net economic value.

However, mindsets are changing, laws are becoming more favourable, and innovations are coming to the fore to transform this landscape. And it is nothing but good news for smallholder farmers in India and agri-service providers like SLCM.