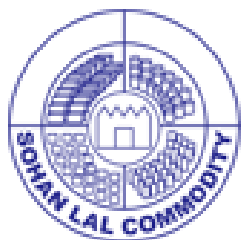


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Mr. Sandeep Sabharwal's Interaction with Inc42

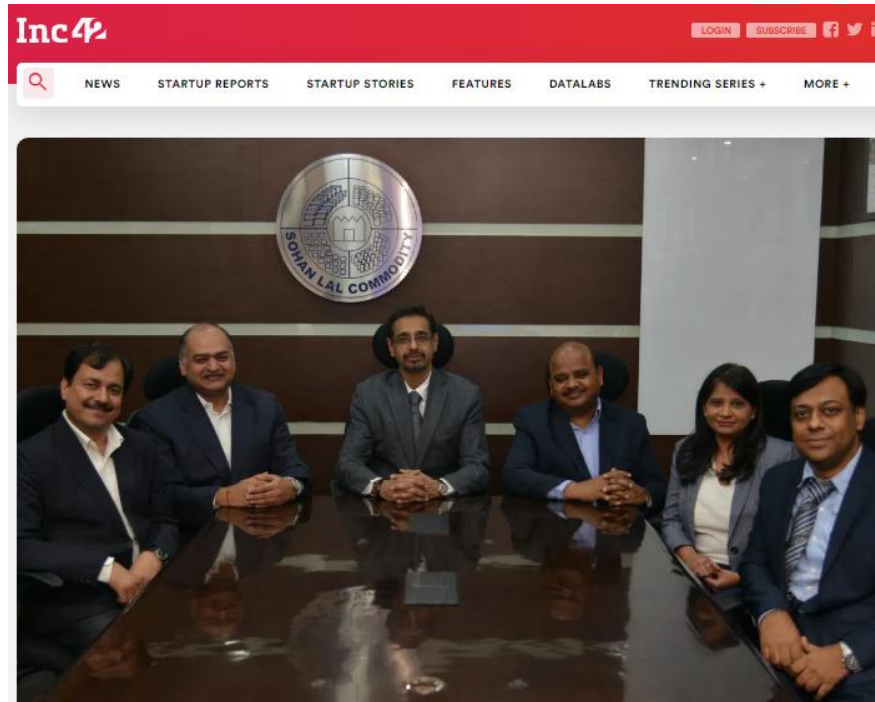
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STARTUP STORIES

How SLCM Is Solving Logistics And Financing For Indian Farmers With Tech Warehouses



Meha Agarwal
Inc42 Staff

08 Jan'20 • 10 min read

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- Founded in 2009, SLCM is looking to streamline supply chain, warehousing as well as finance for farmers
- SLCM has created a technology-enabled network of more than 4213 warehouses, 19 cold storages in India and Myanmar
- Can its model of crops as collateral prove to be the advantage in the agritech finance sector?

Being an agrarian economy, agriculture has always been at the heart of all development and economic activity in India. With time, the stakeholders of the agri-ecosystem have turned to agritech to solve the intrinsic challenges using technology at all levels. Whether it is supply chain for farm-to-table or crop and weather intelligence. But others are tackling a more basic issue — losses and credit availability.

With more than a decade of experience in agri finance, Sandeep Sabharwal, the CEO and founder of Sohan Lal Commodity Management (SLCM), is addressing these two major global problems. SLCM provides warehouse management, agriculture financing, collateral management and procurement services to farmers, processors, millers, traders, importers, exporters, commodity exchanges and the government. Its tech-enabled warehouses not only offer safe storage and protection services, but also help in streamlining supply of agri-commodities.

“The thought of SLCM struck me when I was managing a family-owned business of food processing unit, where I faced issues such as abnormal losses, bad crop protection and unavailability of finance,” Sabharwal told *Inc42*.

Being an infrastructure-driven sector, these problems end up increasing post-harvest food loss and stressing the agriculture sector.

Founded in 2009 with a meagre investment of about INR 16 Lakh and a team of four, SLCM has created a technology-enabled network of more than 4213 warehouses, 19 cold storages spread over 68.15 Mn sq ft across India and with a throughput of 831.43 Mn metric tonnes. In FY 19-20, SLCM clocked the revenue of INR 722.22 Cr and generates employment for nearly 59K people directly and indirectly.

While SLCM is named after Sabharwal's grandfather (Sohan Lal) to continue the business legacy, the new internal name for the company is “So Lets Change Minds”, the founder told us. This gives the agritech startup a global appeal.

Here are some key facts around the company.

- Total funding raised so far: INR 370.16 Cr
- Key investors: Incofin Investment, ResponsAbility, Nexus Venture Partners, Mayfield, Everstone, ICICI's Emerging India Fund
- Presence: Pan-India and operations in Myanmar
- Number of clients: 5016
- Average capacity of a warehouse: 1500 metric tonnes
- Number of commodities handled: 930+
- NPA % on loans: 1.04% (as on March 2019)
- Amount of loans disbursed: INR 2042.42 Cr (till Nov 2019)
- Loan book size: INR 192.72 Cr (as on March 2019)

The Beginning Of SLCM's Agritech Journey

“One can face the entire world if your family is by your side but that time was tough. As I took a decision to shut down the well-established family business (a food processing unit) and set up SLCM, my father didn't speak to me for two years,” recalled Sabharwal.

But he was determined. His initial research made him realise the need for a service-driven approach to minimise post-harvest losses (around 10%-15%) that farmers incur for staple agricultural produce like wheat, paddy, pulses, spices, fruits and vegetables. “We thus launched SLCM as an asset-light model. We started working irrespective of the condition of the warehouse with efficiency in reducing post-harvest losses to merely 0.5% using scientific techniques,” he added.

While SLCM started earning revenue from the first year itself, it was very little compared to the business that Sabharwal had shut. “My father finally got the confidence when I received the first PE funding from Nexus Venture Partners in May 2010 and after that, there was no looking back,” chuckled Sabharwal.

Today, the group has seven marquee institutional investors on-board through four primary successful rounds of funding and one secondary round. These investors have invested up to the Series D stage and hold 82.12% stake in the company.

Related Article: [Agritech Startup Origo Commodities Raises \\$10.9 Mn Funding](#)

With time, the company has also extended its presence into other verticals as well as crossed international borders. In 2014, it started operations in Myanmar offering warehouse management solutions. Also in March 2014, SLCM commercialised its NBFC division in the name of “Kissandhan” for the financing operations.

The SLCM Backbone: Patent-Pending AGRI REACH Process

Sabharwal claims SLCM is the only company in agritech which has a centralised real-time process management system. "We have applied for the patent of our "System and Methods for Real-Time Data Management" and have named the process as 'AGRI REACH'."

"AGRI REACH", is the culmination of all the processes, methods and systems that the startup follows to maintain the health of the crop and start operations of a warehouse in just 24 hours at any location irrespective of infrastructure and provide a standard operational experience in all facilities.

It is basically an algorithm which combines a series of processes, audits and real-time tracking of the facilities to give error-free results and deplete the risk of crop damage. It uses techniques like geo-fencing to bar-coded storage receipts to avoid theft, pilferage, and conducts internal audits along with a "Maker and Checker" policy at each level.

Agri-Warehousing: Maintaining Day To Day Challenges

Agri warehousing accounts for approximately 15% of the warehousing market in India amounting to almost INR 8000 Cr- INR 8500 Cr. It has been growing at a rate of over 10-12% the last few years. At present, the agri warehousing capacity in India is more than 120 million metric ton (MMT), and it has been growing at 4 % CAGR over the last 3 years.

SLCM is looking to tap this opportunity with new-age technologies. In order to ascertain a smooth day to day functioning, SLCM has incorporated many key technical and regulatory processes. This includes:

As revealed by Sabharwal, 86 audits are conducted at a frequency of daily, weekly, fortnightly, monthly, quarterly and yearly basis on various processes to check quality standards. With real-time resource monitoring, the team ensures to bring even the slightest deviation in the stocks to the notice of the management.

Increasing frauds in the sector are another challenge at hand. As Sabharwal told Inc42, the industry has been hit by a series of large scams in Gujarat, Tamil Nadu and now the latest is in Andhra Pradesh. Some agencies have even exited this business. As per an estimate, fraud to the tune of INR 6300 Mn has been reported so far in the last three years.

To beat this, SLCM has introduced bar-coded receipts as good as legal tenders to eliminate the risk of fraud in terms of fake storage receipts, boasted Sabharwal. "We work on the principle that if the receipt mentions a particular grain of a particular variety in a particular warehouse, it had to be there and that is the basis on which our business is built & followed the practice to the core at the level religiously," he added.

The Second Pillar Of Success: Agri-Financing

Ideally, in agri-financing; land, other valuables and balance sheets are considered as collateral to extend finance to farmers and other stakeholders. However, SLCM offers finance to farmers purely against crop as collateral irrespective of balance sheet or net worth. Since such agri-commodities have an established value and market, quick liquidation mechanisms provide sufficient funds to cover a loan extended against them in case of a default.

Other parameters such as type of asset being financed, borrower profile and repayment capacity, loan to value ratio, geography (location) of the borrower, end utilisation of the asset among others are also considered.



“This reduces the risk of distress selling. Additionally, the farmer saves 9.5% of its produce during the storage period which would have been degraded otherwise,” added Sabharwal.

Collections are also simplified at SLCM. While releasing the commodity a customer is supposed to pay principal and a simple rate of interest and other applicable charges to release the lot wise stock. To get their collateral released, borrowers are required to transfer the applicable amount (dues) from the official account to the Kissandhan account. “Once we receive the confirmation from our accounts team about the received payment, we release the collateral.”

Is Collection A Pain Point In Agri-Finance?

Despite loan waivers and government intervention, farmers are considered the riskiest asset class to lend to, Sabharwal has a different opinion here. “**Warehousing (Development & Regulation) Act, 2007** introduced a negotiable warehouse receipt system which helps the farmers seek loans from banks against NWR to avoid distress sale of their agricultural produce,” he explained.



In this system, goods are first brought to the collateral manager who issues a warehouse receipt to the borrower that certifies the quantity and quality of the stored goods or commodities. The storage receipt of the goods or commodities issued by the collateral manager act as collateral for the loan.

A well-developed warehouse receipt finance system benefits farmers, banks, financial institutions, insurance companies and commodity exchanges. In the agri-credit space, the borrower's commodity collateral against which the credit is disbursed is increasingly being assigned to professional collateral management companies.

Banks are the ultimate beneficiary in a warehouse receipt finance system as the average tenure of loan against warehouse receipt is around six months which helps banks with their asset-liability mismatch issues as they can churn portfolios quickly.

Further, lending against warehouse receipt is safer and more liquid for banks. Collateral managers actually make the job easier for banks as far as underlying collateral is concerned. Warehouse receipt financing also help banks achieve priority sector lending targets in an efficient way.

The Three-Step Strategy For Differentiation

In the last few years, a number of players have made their mark in the agri-tech segment across all niches. Names such as Freshokartz, Ninjacart, Farmtaaza, Waycool and Crofarm among others have disrupted agriculture in a positive manner. When asked about the strategy to deal with competition from new-age players, Sabharwal said that any entity dealing in commodities be it farmer, trader, processor, importer, exporter, SME etc. would require warehousing. All one needs to understand is the production and consumption cycle of food production.

Overall, the company is creating differentiation for itself across three areas:

- **Process:** Using scientific warehousing technology coupled with the agriculture domain expertise to store any kind of agricultural crop, agnostic to infrastructure, location and weather patterns.
- **Impact:** In a country like India, where post-harvest losses are pegged at 10% of the entire product which amounts to INR 1 Lakh Cr of loss, SLCM has been instrumental in devising technology to cut these losses to 0.5%. This has the potential to save INR 99.5K Cr, irrespective of the condition of the warehouse.
- **Service:** SLCM has developed forward integration into warehouse receipt financing, while other agri-focussed NBFCs are not based purely on the crop as collateral.

Going forward and for 2020, SLCM has plans to explore Southeast Asian countries like Cambodia, Laos, and mapping their tech to changing DNA of Indian agriculture in the near future. They are actively scanning the environment for inorganic growth via acquisitions in the allied sector of supply chain management as well.

"The sector we are addressing is extremely large and underserved, so to say quantify my competitors would be myopic in vision. Though I would like to say that there are various companies that are doing some parts of the services that we do," he added.

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