

Agri NBFCs upbeat on warehouse receipts

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Kolkata, December 25:

Bank lending to priority sector including agriculture may have witnessed a de-growth in the last couple of years; but agricultural NBFCs (non-banking financial companies) are betting big on warehouse receipt and other agri-financing options.

Agricultural NBFCs cater to the entire value chain including farmers, traders, small agro-processing units and joint liability groups. Many of these NBFCs were floated by agri-marketing or warehousing companies, primarily to service their existing clients.

According to industry experts, banks and NBFCs put together have lent close to ₹35,000 crore against warehouse receipts till date. The industry is projected to grow to ₹1 lakh crore by 2020. "This segment is growing exponentially and the introduction of GST will further enhance the potential for overall growth," Sandeep Sabharwal, CEO, Sohan Lal Commodity Management (SLCM) Group, told *BusinessLine*.

SLCM Group's NBFC arm, Kissandhan Financial Services, has a loan book of ₹250 crore and the company intends to close it around ₹500 crore by the end of this fiscal.

Some of the warehousing companies including SLCM, Origo Commodities, StarAgri, Shree Shubham Logistics and National Collateral Management Services among others have already set up agri-NBFCs to tap this segment.

Most of these NBFCs finance "stable commodities" (the ones with less volatility) such as paddy, wheat, oilseeds and soyabean. The tenure of such loan usually extends between 6 and 12 months and the rate of interest typically ranges between 14 and 15 per cent (both depending on the nature of commodity).

Policy push

Lending against warehouse receipts received major impetus post the enactment of Warehousing (Development and Regulation) Act of 2007, which came into force from 2010.

The Union government recently launched Electronic Negotiable Warehouse Receipt (e-NWR). Issued by warehouses to depositors, these NWRs can be traded, sold, swapped and can be used to avail of bank credit easily without the fear of it being misused or lost.

The availability of finance against warehouse receipts help farmers realise better price for their produce.

According to Sunoor Kaul, director of Hyderabad-based Origo, the demand for such finance is expected to grow at close to 8-10 per cent in the coming years.

"With volume and productivity of most crops growing and better price discovery, this market is expected to expand further in the years to come," he said.

According to Sabharwal, insufficient knowledge development, availability of skilled manpower, high cost of access to external funds from banks and other financial institutions are some of the key challenges NBFCs face in providing finance against warehouse receipt.