

EASING FARMER PAIN

Warehousing start-up service goes beyond just grain silos

Star Agriwarehousing allows customers to use their stored produce as collateral for bank financing

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MUMBAI

With agriculture contributing one-fifth to India's national income and employing about two-thirds of its workforce, Star Agriwarehousing and Collateral Management Ltd has an addressable market for its services more than most start-ups can hope to take aim at.

The Jaipur-based firm offers what it calls post-harvest management services and is scaling beyond plain warehousing services. Two years into its existence, it turned in revenues of Rs3 crore for the year to March and a net profit of Rs86 lakh.

A bulk of its income, almost 70%, comes from warehousing services that it provides to farmers, primarily in Rajasthan and Gujarat, markets that have weak storage infrastructure. In the past six months, it has also expanded into Haryana, Punjab and Madhya Pradesh.

The other service in Star Agriwarehousing's bouquet is collateral management. After receipts are issued in favour of warehoused produce, the pa-



Huge potential: Amith Agarwal, director of Star Agriwarehousing.

Development Credit Bank Ltd, and the State Trading Corp. of India Ltd for this.

Amith Agarwal, a director and one among four co-founders of Star Agriwarehousing, says the firm currently has a loan portfolio of Rs400 crore, and in the next 12-24 months, the target is to expand this to Rs1,500 crore, and over 24-36 months, to further double it.

The company charges a fee from banks, which are mandated to make 18% of their loan advances to farm borrowers, on the management of the collateral, that contributes around 25% of revenues.

A third revenue stream

QUICK GLANCE

Industry	Agri-produce warehousing
Addressable market size	Earn from services to a Rs6 trillion farm market
Founded in	2006
Founders	Suresh Goyal, Amith Agarwal, Amit Mundawala and Amit Khandelwal
Based in	Jaipur
Revenues	Rs3 crore
Funding	Self-funded
Co. code for SMS votes	512

commissions on bulk buying of commodities by the likes of KS Oils Ltd, Britannia Industries Ltd or ITC Ltd.

"The opportunity for such integrated post-harvest management companies arises from the creation of private markets as opposed to APMC (Agriculture Produce Marketing Committee) mandis (local markets)," says Akhilesh Tilotia, director of Park Financial Advisors Pvt. Ltd, a Mumbai-based investment advisory firm.

Tilotia says the potential before Star Agriwarehousing is as vast as the agriculture market in India (valued at some Rs6 trillion), but the challenge will be scaling up and being acceptable across the country.

Acknowledging a downside in Star Agriwarehousing's business model, Agarwal says the expertise of his core group in commodities is limited to foodgrain, oilseeds and coriander. "This will be a challenge when we expand into other markets," he says, add-

aims to have zonal offices in Delhi, Kota, Ahmedabad, Mumbai and Hyderabad and branches in 26 cities by March-end 2010.

The Star Agriwarehousing director's overriding concern, however, is frequent changes in government regulations. "Agriculture is one sector where there is constant government intervention. The only thing they (the government) seem to do in order to control inflation is to intervene with agri-commodity prices," says Agarwal.

In order to meet operational costs, especially salaries, the company is on the lookout for Rs10-20 crore funds from a venture capital firm. Star Agriwarehousing has bought at least 50 acres of land in Jaipur over 10 plots in order to build warehouses. Financing construction will come from banks, Agarwal expects. In the next two-three years, the company wants to increase warehousing space, both leased and owned, from the current rent capacity of 150,000 to 2 million tonnes.

Star Agriwarehousing and Collateral Management and Mantis Technology Ltd are among the non-tech companies at the Tata Hottest Startups competition of which Mint is the print media partner. Competition details can also be accessed at www.livemint.com/hotteststartups