CHAPTER VI

FUNCTIONING OF WAREHOUSES IN THE STUDY AREA

6.1 Introduction
6.2 Procedure to Grant Warehouse License
6.3 Working of the CWC and MSWC Warehouses
6.4 Private Licensed Warehousing in the Region
6.5 Collateral Management Service Provider
6.6 Agricultural Produce Market Committee Warehouses (APMC)
6.7 Co-operative Organizations Warehousing in the Study Area
6.8 Response to the Rural Godown Scheme in the Study Region
6.9 A Material Handling Equipment Case
6.10 A Fraud Case
6.11 Concluding Remark

REFERENCES
FUNCTIONING OF WAREHOUSES IN THE STUDY AREA

6.1 INTRODUCTION:

The study area comprising three districts of Kolhapur, Sangli & Satara has got presence of major players of the warehousing industries. It includes Central Warehousing Corporation (CWC), Maharashtra State Warehousing Corporation (MSWC), Cooperative sector warehouses, Private warehouses and an Agricultural Produce Market Committee (APMC) Warehouse. Among all these organizations CWC & MSWC warehouses are playing major role in the working of licensed warehouses in the study region.

6.2 PROCEDURE TO GRANT WAREHOUSE LICENSE:

The organization or the individual who wants to seek warehouse license, does application in the format of form no.1 of Bombay Warehouse Rules to the District office of district deputy registrar of cooperatives which is a prescribed authority to look after the business of warehousing. This form need to be accompanied with license fees and the description of how it is calculated, the security bond of the required amount, schedule of charges that would be recoverable from the depositors. If applicant is new one, i.e. if the case is not that of renewal, then description of premises to be used & that of godown is also asked by the prescribed authority.

After receiving application, the D.D.R. office sends a letter to the assistant registrars (A.R.) office (Tahasil level) for inspection of the applicants warehouse. Assistant registrar carries inspection activity. He prepares a inspection report. There is no fixed format of this inspection report, but the points of inspection are about warehouse name & address, its working area, number of godowns, its drawing, ownership document etc. If the license was given for earlier years then the information contained in the report included earlier license’s number, number of employees, whether the godowns are given to others, it’s present use, the rent levied or the tariff rate, competency of warehouseman, due care of goods deposited, cleanliness, rats and other insects infestation, independent identification of deposits, if the deposit deteriorates, then whether informed in time to the depositors, keeping of warehouse receipt book & other registers, goods insurance, whether mathadi labours are given permission of work, status of weighing scales, what is the arrangement for
pest control, other necessary permission, organizations own internal inspection, finance on warehouse receipt and lastly the general remark of officer on warehouse, whether it fulfills the terms of license. With these contents inspection report is sent to prescribed authority.

After having this report the authority (D.D.R. office) takes decision whether to grant license to the concerned warehouse. Normally the period of license given is for 1 year though applicant can ask for three year. The license given is as per the form no.3 of Bombay Warehouse Rules.

The Authority can ask to the warehouseman for any information related to warehousing business which comes under regulations. It was noticed that besides at the time of issuing license, whenever information was necessary, prescribed authority gathered it on telephone and forwarded it to the demanding authority e.g. deposits of commodities which comes under essential warehouse Act in the warehouse.

6.3 WORKING OF THE CWC AND MSWC WAREHOUSES:

Central Warehousing Corporation have three warehouses in Sangli district, one in Satara for short period (only in 2005-06) and two in Kolhapur district. Out of the five warehouses one has rail siding. i.e. It is situated near the Railway Station and rail wagons could come directly to godown locations of warehouse from where goods can be downloaded. Out of others, two are located in market yard areas & other two are in MIDC area. These locations indicate that the place is selected either to harness transportation advantage or to the nearness to the market for warehousing activities which is in market yard or in the industrial zone like in M.I.D.C., where warehouse could act as manufacturing support to industries.

A typical warehouse constitute the number of godowns having same or different capacities, with road kept alongside and in-between, for the maneuvering of the transporting vehicles and the open yard kept for the goods transfer between the lorries or for the expansion of the godowns.

A warehouse office area has with basic facilities where warehouse manager along with his staff like Technical in-charge, Godown in-charge and other supporting staff function. Weighbridge or the place for weighing is there where incoming & outgoing goods are weighed along with the transporting vehicle.
Godown Layout, Size & Storage Arrangement

A single warehouse constitutes many godowns. Each godown may be of the same size or of the different size.

A typical size & internal arrangement of the godown is as shown in the drawing on page no. 160.

Internal Arrangement of Goods

Stack is nothing but a heap of sacks arrangement in a specific order called blocks. Each block is of 400 sacks & each stack contains 7 blocks of 50kg sack size. The stack area is equal to 600sq. ft. A compartment contains 12 stacks and a single godown normally contains 3 such compartments.

Each block has got a base of 20 bags/sacks
Base= 12 + 8 =20 sacks
20(Base) * 20(height) = 400 sacks in a Block.
1 Stack= 7 Blocks
1 Stack= 7 * 400 = 2800 bags.
Stack area = 20’ * 30’= 600sq.ft.

1 compartment = 12 stacks
= 12 * 2800 bags = 33600 bags
= 33600 * .50 k.g.
= 1680 M.T.

Single Compartment area = 144’ * 72.5’ = 10440 sq.ft.

Normally in professional warehouses of CWC & MSWC
1 Godown = 3 compartments
= 3 * 1680 M.T.
= 5040 M.T.
Godown area = 3 * 10440 =31320 sq.ft.

Normally, 27% of the godown area is required for maneuvering and maintenance of goods and rest is occupied by stacks. Stack height specified for different commodities are different e.g. 17 for food grains, 20 for fertilizers but in practice height up to 25 sacks are observed.
LAYOUT OF A COMPARTMENT

ARRANGEMENT OF SACKS IN A STACK (BASE)
The Records Kept at CWC Warehouses Are as below

1. Gate Register – kept at the entrance of the warehouse premises. Incoming & outgoing vehicle movement, timing & parties’ names along with other details are recorded.

2. Weighbridge Register – When weightment is done it is recorded in this register. Loaded as well as empty vehicle weights are recorded.

3. Receipt Application/ Deposit Application book- The person/parties who wants to keep their goods in CWC warehouses has to give application in a specific format. It is called as Receipt/Deposit application.

4. Stock Register- It contains details of godown wise goods kept.

5. Deposit ledger- It contains the company/party wise record of the goods kept.

6. Warehouse Receipt book- This book is in the triplicate. One copy is given to the party who keeps the goods in warehouse as a warehouse Receipt. Second copy is kept at the warehouse office and the third copy is sent to the Bombay head office along with cashbook closing.

7. Acknowledgement Receipt- It is given to the bulk depositors, who doesn’t need warehouse receipt like companies that store fertilizers, FCI stocks etc.

The Records that are Kept by Godown In-charge Are as below

1. D.T.S. (Daily Transaction Slip or Register) Incoming & outgoing stocks are recorded date wise. It gives the count of the total stock available at the godown at any time along with issues & Receipts of goods.

2. Stacks wise Register- It contains number of stacks in a godown, its size, the commodity name, size of sacks, formation date of stack, issues & receipts in a stack & the present total count. It contains the details of stack card or bin card.

3. Insurance wise Register – Godown wise insurance register is maintained. List of the commodity kept in godown is also recorded.

Once the depositor approaches warehouse for goods deposition, before accepting the goods for storage it is first tested & inspected for its conditions. The agricultural commodity if it is infested with pests already & if it is beyond control, then such kind of goods is not accepted for storage. Once goods accepted for storage responsibility to maintain it in good condition lies with warehouse authority. Deposit application is taken from the depositor which contains details of the goods which depositor intends to keep in warehouse. Depositor must contain holding license of the
commodity if he is a trader & if deposits are in huge quantity. Samples are taken from the depositors goods & they are checked to decide its quality & price by the grader. While issuing warehouse receipt to depositors, deposit numbers are given sequentially from the start of the year in 1st April to 31st March. The deposit rent (tariff) is revised per year from the 1st October. Generally 5% hike is done. From the 1st October license (for warehousing business) is obtained for the period up to 30th September from the competent Authority of Maharashtra government which is here the District Directorate of Registers office (D.D.R.).

The percentage of commodity deterioration or storage loss is far less in these CWC & MSWC warehouses as they are built for the purpose of scientific storage and operate accordingly. Lifting and carrying sacks with the help of hooks is observed. This practice is causing holes in sacks and leaking away of grains and losses due to it. Fumigation technique is extensively used to maintain the goods free from pests. Depositors are allowed to inspect their goods while at storage & are also informed about condition of goods.

It is observed that traders who deposit goods, more than 50% of them, on an average, avail for loans on their deposits. Warehouse management helps depositor in this regard. There is absence of transferring of warehouse receipts. Deposits kept are insured against fire, flood, theft, Misappropriation, Strike, and Terrorism etc. Insurance charges are recovered from the depositors. Single insurance company covers all the CWC warehouses in India. For that yearly contracts are given by the head office. Insurance taken is under floating policy. United India insurance is a major insurance company which insures goods stored. CWC warehouses from the three districts haven’t claimed for any big loss to the insurance company in a study period.

The inspection & stamping of the weights & measures is done by the competent authority once in a year. Generally for the weights & measures annual maintenance contract (A.M.C.) is given to the private parties.

It is observed that in some CWC warehouses storage capacity is used by FCI through reservation for years. Yearly contract is done for the purpose. In some cases this percentage has gone up to 90%. Among other customers, traders’ percentage is high than the farmers who also some times reserve the godown space for storage. It is observed that though in some percentage farmers do keep there goods in CWC
warehouses on rent, but no storage space is reserved by a farmer in any CWC
warehouse.

The office timing of the warehouse is from 9.30 am to 5.30 pm with a weekly
holiday. Besides this, 16 annual holidays are available. Because of the nature of the
warehouse operations the warehouse manager is having 24 hours duty.

For some warehouses in these three districts, Railway siding played important
role in deciding warehouse location.

Of the various tasks & services that need to be done & provided at the
warehouses, the separate contract is given to the contractor. It is called as handling
and transport contract which is given normally for two years. The details of the
contract are provided in tender document1. The contract is given for the following
tasks.

1) Unloading goods from wagons at railway station/railway siding and loading
into trucks/any other vehicle.
2) Transport of food grain bags from the railway station to various godowns &
vice versa.
3) Unloading from wagons at railway siding or from transport vehicles &
stacking the food grains bags in godowns.
4) Unloading from wagons /transport vehicle & pouring in flat storage pit in
godowns.
5) Loading into wagons from godowns served by siding loading or trucks or any
other transport vehicle from godowns for dispatches or for delivery to the
recipients.
6) Carrying by means of trucks from railway siding to the godowns or vice versa.
7) Weightment
8) Removing bags from stacks & pouring contents into flat storage.
9) Filling loose grains from flat storage.
10) Movement of bags for physical verification.
11) Standardisation
12) Filling gunnies with loose grains to a prescribed weight, stitching &
stacking/loading delivery.
13) cleaning
14) Drying of damage food grains
15) Rebagging
16) Loading of open wagons
17) Loading of box wagons
18) Breaking of stacks & Restacking
19) Collection of scattered bags
20) Bundling of empty gunnies
21) Stenciling of bags
22) Supply of trucks for waraferi with two warners
23) Supply of casual labour
24) Loading/unloading of Bamboo Mats, tarpaulins, gunny bales or fumigation covers/meant for covering.
25) Shifting/transfer of filled bags with grains etc. from one truck/vehicle to another truck/vehicle.

Handling and Transport bill for the goods handled is levied by the CWC from the depositors separately as per the number of bags/quantity handled. The rate of it depends upon the contract rate with the party (contractor) which enters into H & T contract with the CWC. This H & T bill is paid monthly to the contractor for his work done in the previous month.

Tariff of the CWC warehouses for the depositors vary on the basis of location of the warehouses as well as based on the type of the depositors like traders/industrialist, farmers etc. and also on the type of commodity stored and its weight. For a 50 kg bag the basic rate in CWC market yard Sangli was Rs.4.60/bag/month for the year 2007. It was Rs.3.00/- in the year 2000.

Out of the types of CWC warehouses like-General, Bonded & Management warehouses only ‘General Warehousing’ is seen in the three district areas.

Percentage of farmers who used to keep goods in the warehouse is far less and so the percentage of loan availing by the farmers over the deposits kept. Loan up to 65 to 70% of the goods value can be available to the depositors by cooperative and nationalized banks. Few warehouses in the area practice both standardization and gradation. Standardization need not be undertaken frequently as all warehouses have got their own weighbridge and truck loads are weighed while entering and delivering goods of the same lot and therefore separate weighing is not necessary in these cases for every bag. In many warehouses beam scale and platform scales are available. In early days before establishing weighbridge these scales were regularly used to standardize the goods. When torn out bags need to be refilled that time
standardization is necessary. Also at the time of repackaging standardization may need to be done.

Gradation is necessary to decide the value of the goods. It is done while accepting the deposits so as to decide its value and give a warehouse receipt. This is an important activity as the loan that can be made available on the warehouse receipt depends on the value of goods. Weighers and graders need to take license from the D.D.R. office. Grader task is considered as technical assignment and a qualified staff is necessary to work as grader.

Inspection and stock audit is done at organizational levels. It is done by the team formed and sent by regional office. Inspection is normally done by parties who enter into contract with warehouses. The decision about the contract for reserving the space with big parties like FCI is done by the higher level authority like regional office. Some of the companies who entered into contract with the CWC are Food Corporation of India, Rashtriy Chemicals and Fertilizers ltd. (RCF), Maharashtra Agro Industries Development Corporation, IFCCO etc. Such contracts are largely for one year and more and warehouse space is reserved for such parties.

The depositor customers can reserve the space up to minimum of three months at a time and it can be extended or renewed if necessary. Depositors are normally allowed for physical verification of their goods. The parties like FCI who enter in large contracts send regularly their inspection team to check the condition of the goods and for general inspection. While accepting the goods from depositors if goods found not in a good condition but can be controlled for pests by scientific storage then it is accepted by levying Rs.1/- per bag as additional charge for initial fumigation.
Standard time provided for various activities performed while receiving and issuing the goods in CWC, is as follows.

FLOW CHART FOR RECEIPT OF STOCKS

Entry Of Loaded Vehicle  2 TO 3
→ Inspection Of Stocks  5 TO 7
→ Introduction Of New Depositor  5 TO 7
→ Filing Of Deposit Application  3 TO 5
→ Weighment Of Stocks  10 TO 15
→ Unloading/Stacking Of Stocks  15 TO 20
→ Documentation  10 TO 12
→ Issue Of Acknowledgements  5 TO 7
FLOW CHART FOR ISSUE OF STOCKS

1. Filing Of Delivery Order
2. Verification Of Documents
3. Quality Inspection
4. Collection Of Charges
5. Delivery Advice To Godowns
6. Entry Of Empty Vehicle
7. Weighment Of Empty Vehicle
8. Loading Of Empty Vehicle
9. Weighment Of Loaded Vehicle
10. Documentation At Godown
11. Exit Of Loaded Vehicle
12. Documentation At Office

Timing in Minutes:
- Filing Of Delivery Order: 2 TO 3
- Verification Of Documents: 2 TO 3
- Quality Inspection: 5 TO 7
- Collection Of Charges: 5 TO 7
- Delivery Advice To Godowns: 3 TO 5
- Entry Of Empty Vehicle: 2 TO 3
- Weighment Of Empty Vehicle: 3 TO 5
- Loading Of Empty Vehicle: 15 TO 20
- Weighment Of Loaded Vehicle: 3 TO 5
- Documentation At Godown: 5 TO 7
- Exit Of Loaded Vehicle: 2 TO 3
- Documentation At Office: 5 TO 7
Modern material handling equipments and warehouse management system software has yet long way to go for in the CWC warehouses working in the study region. Even use of computers is also not observed extensively in clerical works. The warehouses where FCI is entered into contract for space; there computer system is installed by FCI itself for the purpose of online reporting to their own head office. There is a great scope for use of computers and modern software packages to be used in these warehouses. In materials handling equipments only handheld trolleys are observed. One of the limitations to use material handling equipment is that the different goods have got different packaging. Grains are in sacks and so far there is no common practice of using material handling equipment which can effectively used to handle grain sacks for short distances, like from lorries to godowns without pallets. There are other commodities also which comes for storage but its percentage is low which cannot justify use of special materials handling equipment for its handling. To avoid direct surface contact with ground wooden crate, dunnage of bamboo mats or plastic mats is observed.

Similarity is observed in the working of the Maharashtra State Warehousing Corporations (MSWC) warehouses and CWC warehouses. As CWC belongs shares in MSWC, CWC is seen as a patron to MSWC. The managerial, technological developments and innovations that are done at CWC are normally over the time adopted by the MSWC warehouses.

If we see the location choice of MSWC warehouses in the study region, then mainly they are located at taluka level place near to the railway station or in the market yards. They are more in numbers and are scattered compared to CWC warehouses in the study area. There is similarity in construction and godown size among these two organizations.

The procedure followed in MSWC warehouse while receiving goods by depositors is as follows.

- **Step 1:-** The person who wants to keep goods in his own name should fill up the form for depositors with signature.
- **Step 2:-** Depositors has to give specimen signatures. They are recorded on specimen signature Register.
- **Step 3:-** Samples are taken to check for condition of goods & if required for weighing.
- Step 4: If samples are of approved condition then goods are accepted and kept at appropriate place in godowns.
- Step 5: Warehouse Receipts gets issued to the party.
- Step 6: The Warehouse Receipt number and party name is noted on to the sacks/packages.

While preparing W.R. value of the goods need to be written on the W.R. If the bill is available with the party then from that bill amount, value can be noted but if the goods are from farm, then value of the goods is taken from the nearest market yard, where daily rates are declared.

The record files maintained by typical MSWC warehouse are as follows – Files regarding organization, pay bill/ traveling allowance bill, construction (building), warehouse license, Dead stock/consumable, medicine/dunnage, stationary, circulars, business management. 1-2 & 11, Monthly report, direct consumable bill, maintenance & repairs, Main cashbook, check cover, inspection, Advance, Audit, New warehouse receipts, cancelled W.R., business development, medical insurance & employee beneficiary fund, warehouse tariff, bank, service tax, bank lien, Depositor notice, specimen signature Register, farmers 7/12 record, Panchayat/market committee, Annual account, Stock officer conference, fertilizer companies reports & correspondence, pilferage incidence, general file, Mathadi labour, Society/union, Income tax, missing of WR, security guards, fumigation of depositor goods, warehouse godown fumigation file.

Insurance is paid by the head office. The premium is decided based on value of the goods stored for the fifteen days. Report regarding value of the goods on daily basis is informed to the head office by warehouseman. When the warehouseman finds that goods stored are deteriorating, and then notice of such kind is given to the concerned depositor, generally depositor immediately approaches warehouse and takes away his goods. Therefore incidence of Auction sale was not observed. At the time of rebagging the standardization need to be adopted by warehouses. When fungible goods (similar goods belonging to different depositors that can be mixed into one another because of their same quality and value) are dealt with, then gradation need to be done. Generally when depositors come for deposition of goods they come with graded goods which are packed or marked with different packing.

For fumigation the stacks are covered with plastic covers and fumigation is done with the help of tablets which are put inside the covered stacks. The tablets
release gases slowly & the cover is kept generally for 24 hours. After fumigation grain stock remains in good condition normally for three months period. If part retrieval of the goods is asked by the depositor then the depositor himself decides which part to be taken from warehouse & he needs to give such directions to warehouseman. So choosing a particular method for the retrieval of goods for the purpose of delivery is not a question in front of warehouseman.

According to the guidelines given for the stack height of sacks by the experts of MSWC, height of 16 sacks of 100 kg is allowed. But in the normal operations if space is not a constraint then 12 to 14 sack height is observed in the MSWC warehouses. Windows of the godowns are kept open for the storage of grains, when air circulation is necessary, while for the storage of commodities like sugar they are kept closed to control the humidity inside the storage house. Arrangements of the sacks in a stack are done with three types. In local language it is known as Athawli padhat. In which 3*5 base are observed, Akrawad padhat, in this 5*6 base is observed and chaudawad padhat 7*7 base is observed.

In some warehouses cotton bales were also stored occasionally, as per demand. The practice here for handling the cotton bales for keeping in godowns & for its retrieval is, use of forklift trucks by the depositors himself. As the depositors are textile mills they bring forklift truck in a lorry to the warehouse site for the purpose.

At some of the warehouse where weighbridge facility is not available, ten percent samples are taken from the truck load having sacks & then weight is decided accordingly.

Warehouse visit register is maintained by many warehouses. From these registers we can find the visit made by the A.R. (Assistant register of cooperatives) as a representative of the prescribed authority to the warehouses for inspection purpose.

**Procedure Followed While Getting Loan on Warehouse Receipt by Depositors**

The procedure to obtain loan from the bank includes filling up of the Performa by the depositor, who wants to avail loan from banks. Depositors have to produce two guarantors to get the loan. He has to produce Negotiable Warehouse Receipt and no objection certificate given by warehouse Manager. Normally warehouse manager while letting no objection, endorse that the responsibility of stated price and quality of goods should not lie with him and financial institutions should inspect the goods for himself while sanctioning the loan. Financial institution normally does the inspection.
If the bank decides to sanction the loan, it sends a letter to the warehouseman to record the lien on the deposits of that depositor. Normally loan amount from 60% to 90% of the value of goods could be obtained by depositors, largely which depends upon the policy of that financial institution. Government banks, cooperative banks and even credit institutions were also observed letting loan to the depositors.

If the goods are in a sealed packages and are of high value then endorsement ‘said to content’ is given by the warehouse managers on warehouse receipts, which indicates that as the depositor said that a particular commodity is there in the packages brought by him in the warehouse, it is written so on the receipt. Loan is not sanctioned on such warehouse receipts.

6.4 PRIVATE LICENSED WAREHOUSING IN THE REGION:

Private warehousing is at the second position as far as the licensed storage capacity is concerned, first being government sector undertakings of CWC & MSWC. Private warehouses are not evenly distributed, largest in Kolhapur & lowest in Satara district. If we see license holding status of these private warehousing, many of them discontinued taking license. The commodities stored in them were mainly fertilizers. It was observed that fertilizer companies compelled them to take warehousing license, if these private warehouses want to do business with these companies. Fertilizer companies reserve space for storage with many of these warehouses and rent was paid to warehouses on monthly stock basis. The operations of the warehouses was looked after by the warehouse owners/appointed managers. The fertilizer was provided to retail shops & agricultural service societies in the region, who serves distribution of fertilizer to farmers.

Second item stored in bulk was sugar. The depositors were both private traders and cooperative sugar factories. Sugar produced in sugar factories undergoes much restriction as far as its movement is concerned. Excise duties need to be cleared if sugar has to move out of factory premises. Levy sugar has to be maintained as per government norms and sugar purchaser has to move the purchased sugar stocks within specified stipulated time. All these things ask for good amount of warehousing activities at different stages. Sugar factories are now able to manage the stocks of sugar produced to keep in other warehouses than factory godowns, with the permission of excise department. Yet this is not a widespread practice but slowly it is taking place. This is helping them to solve problem of shortage in storage space & this
is helping private warehousing to get a new business. It is observed that some warehouses which discontinued taking license had stored sugar of sugar factories in non license period.

It is also observed that these private warehouses are not interested in small depositors. They want bulk storing companies to get return from their investments. Some companies are entered into agreement with the collateral management service provider companies and had given the godowns under the control of these collateral companies.

6.5 COLLATERAL MANAGEMENT SERVICE PROVIDER:

Among the various collateral service provider companies working in the country, three companies have marked their presence in the study area. They are National Bulk Handling Cooperation (NBHC). The National collateral Management Service Limited (NCMSL) and the Gicks logistics. Among these three NBHC & NCMSL are more active and had their clientele in the study region. Their services have helped industries, traders and farmers in financing their capital requirements at various stages of supply chain.

The services offered in the study area by these companies include storage and preservation service for many commodities, issuing credible warehouse receipts accredited by National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange (MCX), accepting physical deliveries of commodities traded in the commodity futures market, testing, certifying and funding against warehouse receipts, facilitating for finance on stocks warehoused at the borrowers own storage structures.

The team of these companies is working in the region. For example NBHC has its 4 officers, looking after business development which includes work of identifying prospects & dealing with them for getting business, two for operations which look after day to day operations, correspondence with the central office, dealing with the banks, managing & supervising the warehouses which are in hold or contracted etc. One officer is for pest control & supervision of the goods stored in the warehouses. Along with these officers 6 supervising staff and 12 godown keepers were also recruited by the company, 18 security guard were also contracted in the study region but the officers look after 3 more districts of Pune, Solapur & Ahmadnagar along with study region. This staff was as on 9/6/2009. Some bankers with which they have
financed their customers are Axis bank, Dena bank, Union bank of India and some cooperative banks like Rajarambapu bank also tied up with NBHC to get business. This is a changed scenario than the earlier, where financer were not willing to finance on the goods kept in other than government warehouses of CWC and MSWC. This is the result of the confidence, the financer banks are getting by the presence of these collateral management companies which are trustworthy. By employing these collateral management companies for financing commodities on hypothecation, bank can get rid of tasks like employing separate person to look after & supervise the commodities that are financed through hypothecation. Other benefits are transferring the risk from bank to collateral company, harnessing the expertise of collateral company for deciding quality, grade and thereby the price, keeping commodity in good condition up to financed period etc.

The collateral company levy charges for its services based on the bankers’ interest rate of loan. Normally 1.25 to 1.5% charges are levied on the loan amount for making loan available to the party; it is for the credibility and trustworthiness of collateral company. For warehouse Management Services they are getting returns for their services based on the quantity. For example for each sack they charge 0.25 paise to 0.50 paise.

Two sugar factories in the region (Jwahar sugar Kolhapur and Tasgaon sugar Sangli) have entered into an agreement with NBHC Company which is expertise in warehouse & collateral management services. Some of the sugar godowns of these factories are given to the private company. These godowns contains the sugar stock produced by the factory in different or the same season. The collateral management service provider company looks after the sugar stocks, standardization & gradation and based on its report, the scheduled banks finance the sugar factories against the stocks in these godowns. The nationalized & scheduled banks also have confidence in the management of this private company and because of the companies reliability the sugar factories could able to get finance with a cheap rate of interest otherwise they would have to raise finance from district cooperative banks with 2 to 3% higher interest rates. As the loan amount used to be big, considerable saving could result with this 2% to 3% less interest rate.

The efficient warehousing & collateral management service of these companies’ results into purchasers’ confidence into stated sugar quality of the sugar stored in these godowns & it makes the sales faster & with fair rates. Also it is
possible for these factories to trade into commodities market for the sugar kept in these collateral service provider company managed godowns. Thus there is good business opportunity exist for both collateral management company and the cooperative sugar factories working in the region.

For the processing industries NBHC is providing service called Procurement Cum Trade Facilitation. In this service they purchase the goods for customer as per his requirement by his money. They store it at appropriate place in their supply chain link (as they have many warehouses located at different places), they arrange for financing the goods in their custody for the customer, and then as per the requirement of the customer they send the goods to his location, one such glucose manufacturing industry is a customer of the NHBC in the study region which is getting service under its scheme.

From the discussion with the officers of NBHC, it has been cleared that the company is getting good business from the study region & it is increasing with a very high rate per year. The company is now looking for around 15 acres of land near railway siding track within the 7 km. distance in Miraj and Kolhapur rail stations. Officers said that there is tremendous potential for the collateral company to expand its business in this area as both the parties, customers & bankers are approaching to them to harness their expertise in the field.

6.6 AGRICULTURAL PRODUCE MARKET COMMITTEE WAREHOUSES (APMC):

Agricultural produce market committees have their own godowns in the study region. Largely these godowns have given to the traders for their business on lease. There are godowns of other organization like cooperative societies, Central warehousing corporations and Maharashtra State Warehousing Corporation and the private parties which had been affiliated to A.P.M.C. for the storage of agricultural commodities. Affiliated means A.P.M.C. names these warehouses for storage to the farmers and goods kept in these godowns are eligible for pledge finance scheme of Maharashtra government, implemented through Maharashtra State Agricultural Marketing Board.

When farmer brings his agricultural produce in the market committee generally he approaches to traders or the commission agents to sale his goods. These purchasing traders & commission agents have their own storage place to stock the
goods coming in their shop to sale. In the case when the capacity of these godowns gets full, the trader utilizes the warehouse facility located in the nearby area. In such cases commission agent directs the farmers to stock the goods in warehouse and if the goods are in large quantities, keeps some samples of the goods in his shop to show it to the customers. Generally the commission agents sale the goods within a short period of 15 days with prior approval of the farmers and pays the sales proceeds to the farmers taking out his commission & other cutting like cess, weightment & labour. If the goods are placed in warehouse then rent is need to be paid by the farmers. In the study area 19 A.P.M.C. were working which includes three district level APMCs & other Taluka level APMCs which have got storage facilities of their own or the affiliated godowns. Only one APMC that of Phaltan of Satara district used to take warehouse license and done warehousing business for the sake of farmers.

There is no response to the pledge finance scheme of the Maharashtra State Agricultural Marketing Board in the study region up to year 2008.

6.7 CO-OPERATIVE ORGANIZATIONS WAREHOUSING IN THE STUDY AREA:

There are number of cooperative service societies working in the three districts of study area. Some of the agricultural service societies were established before independence. The number of these cooperative societies has grown phenomenally after the independence due to the promotion & assistance facilities of the government. The objectives with which these societies are functioning are- To help farmers & members of the society by supplying fertilizers, pesticides, seeds and other necessary agricultural implements with rational pricing, to help farmers to get fair price for his produce, to make available the essential commodities to farmer members & customer with apt pricing & thus controlling an increasing pricing trend, to establish and run the agricultural produce processing industry and agricultural implement industry like fertilizer etc.

In accordance with these objectives many activities are undertaken by these cooperative service societies in the study region like taking responsibility of distribution of essential commodities under public distribution system in an authorized area, running L.P.G. gas agency, forming a platform of commission agent, shops for selling seeds & cloths, establishing a facility of warehousing, running an authorized dealership of fertilizer companies that of RCF, Zuari agro., IFCO, I.P.L.,
Among the most common of these activities found is distribution of fertilizer. Fertilizer companies compelled many cooperatives who are interested in fertilizer distributorship to take warehouse license. With exceptional cases largely these cooperative organization have not done pure warehousing activity for small quantity depositors in the study region. To fulfill many of the activities listed above cooperative service society needs a godown. From the record at D.D.R. office it was observed that more than Ninety percent of the cooperative service societies have their own godown built under the assistance of National Cooperative Development Corporation. As the base of these organizations is cooperative they are not earning huge profits out of their activities but are earning marginal profits. Out of these profits many of them raised funds for construction of rural godowns.

**6.8 RESPONSE TO THE RURAL GODOWN SCHEME IN THE STUDY REGION:**

The study region has responded well to the rural godown scheme of the central government which was implemented through Maharashtra state agricultural marketing board. Originally scheme period was from year 2000 to 2007, it got extension from time to time. The organization wise response if we see then cooperative sector responded to it to the maximum. The beneficiaries in the cooperative sector largely include agricultural service societies from the rural area, some of the sugar factories also were benefited from it, by constructing their sugar godowns. The private sector who had taken benefit of this scheme includes individuals and private entrepreneurs as well. The nodal agency, the Maharashtra state agricultural marketing board that is looking after the implementation of this scheme, has got responsibility to train to the selectors of this scheme to achieve objectives of this scheme. One of the objectives of this rural godown scheme was to promote these organizations for warehousing business.

**6.9 A MATERIAL HANDLING EQUIPMENT CASE:**

Many of the cotton spinning mills in the region are using material handling equipment in the form of fork lift trucks for movement of cotton bales in their godown.

Study of one of the cooperative spinning mill located in Kadegaon district Sangli was made which revealed following things about material handling equipment.
The Sagreshwar spinning mill needs around 40,000 cotton packs yearly means around 3000 packs are transacted monthly. These packs are of 180kg weight and difficult to handle for one or even for two labours.

The present practice of using this fork lift truck is for movement from downloading place to godown and inside stacking. While using for production it is picked up from stacks & placed near the entrance of the production department.

The truck is of Tata Enterprises having model no. EVx 30 HVT 2180. It is battery operated truck with 3 tons of capacity, with a vertical reach up to 4.5 meters.

**Economics**

- Purchasing cost of the material handling equipment = Rs. 10,00,000/-
- Annual interest on the capital investment on the machinery with 12% interest rate = Rs. 1,12,000/-
- Annual maintenance cost including depreciation cost = Rs. 15,000/-
- Yearly electric charges (machine is battery operated) = Rs. 2000/-
- Total annual cost accruing on machine = Rs. 1,29,000/-
- Prior to application of truck
  - Labour required for material handling = 12
  - Wage expenditure per day /per labour = Rs. 150
  - Expenses on labour per day = 12 * Rs 150
    = Rs. 1800/- per day
- After application of truck the
  - Labour required including driver = 5
  - Expenses on labour per day = 5 * Rs.150/-
    = Rs. 750/- per day
  - Resulted saving/day = Rs. 1050/-
- Considering 310 days of working yearly the total saving on labour (Yearly) = 310 * 1050/-
  = Rs. 3,25,500/-
- The net savings resulted =
  - The total savings on labour yearly = Rs. 3,25,500/-
  - The total expenses happening on material handling equipment = Rs. 1,29,000/-
c. The Net saving resulted due to the use of material handling equipment = Rs. 1,96,500/-

Besides this the other benefits & economic gain happening are significant. They are-

1. Owing to heavy packages of 180kg, labours after some period of working in lifting & moving these packs, faced Spinal ailments. In some cases organization has to give compensation. Because of this labours were not willing to work in this department & avoidance of work was frequent. This problem is now successfully overcome with fork lift truck.

2. For export orders company has to go for special packaging units each one of 1 ton of weight. To handle such units carefully the fork lift truck was the only option. Therefore after purchasing this material handling equipment only, company could manage export orders & this has become a profitable business for the company.

3. There is overall increase in the efficiency of working in the operations of downloading, stacking, picking up for production and space utilization of godown. Prior to the purchase of fork lift truck, stacks need to be of broad base as labour has to scale on the stacks for placing & removing packs. But with fork lift truck, wall like stacks can be made of each lot resulting into space saving.

4. Prior to fork lift truck, while picking out the packs, labours used to push & fall the 180 kg packs on the ground from a stack height, which resulted into frequent damage of flooring of godown asking for repairs. This is now completely reduced.

6.10 A FRAUD CASE:

A fraud case has been recorded in the jurisdiction of Kolhapur which has got link to the Maharashtra state warehousing corporations warehouse situated at Takari, district Sangli. A criminal case has been launched in the chief judicial magistrate court Kolhapur4 (Regular criminal case number 253/2007) and the investigators were city crime branch Kolhapur. The information obtained from the charge sheet submitted in the court under Right to Information Act is as below.
The claimant was the manager of a commercial bank. The fraudulent activities began from 25/04/2006. A trader from Kolhapur along with his four brothers and a relative (the main accused and respondent number 1 to 6) who were also working as a trader had a trading firm and were dealing in agricultural produce. This trader has got appointment from that commercial bank to work as a management and collection (M&C) agent. To work as a M & C agent the agency holder has to give assurance to the bank that he/she is going to use the agency for development of trade in the rural area. Under this scheme the loan seeker can get loan from the bank by depositing goods in the MSWC warehouse by himself or through management and collection (M & C) agent. The respondents started getting loan from the bank through pledge finance on warehouse receipt for the goods stored by him in Takari MSWC warehouse.

With few transactions the main accused trader developed friendship with the warehouse manager who had an alcoholic addict. Influencing warehouse manager for money, they designed a plot by which they developed a fake warehouse receipt. Warehouse Receipt is three fold documents and the practice is to use carbon papers to create additional two copies with the original one. The accused trader along with warehouse manager wrote first few required things on the warehouse receipt with usual way but while noting the quantity of goods and the amount, they took out the carbon paper and made a noting on the original receipt with the additional figures they wanted. Then putting a different paper in place of original, wrote true figures of quantity and amount on duplicate copies with carbon paper. Thus fraudulent documents were generated. With this document the main accused managed to get loan from the bank. Bombay warehouse act and rules made it mandatory for the licensed warehouses to display a storage capacity board in the warehouse office. The accused warehouse manager changed the original capacity 2890 metric tons by adding one more zero in front of it and making it 28900 metric tons. It helped him for deceiving the bank’s higher authority, while at inspection. The main accused trader had three employees working in his firm from past many years; the main accused deposited some goods in the name of these employees and developed fraud warehouse receipt in a same way as he had done it for himself. While getting loan from the bank these employees gave their ration cards and other necessary documents to take loan. These employees though they didn’t have capability to repay the loan they participated in
getting loan and the sanctioned loan amount were given to the main accused by them. Thus they also became accused in this case.

For getting loan sanctioned from bank easily, the main accused succeed in involving local branch manager of the same bank who was located in Sangli branch. It was observed that this bank manager overlooked the shortcomings in application of loan, bank lean letter, take delivery letter, disbursement request sheet etc. and helped accused for getting loan sanctioned from higher authorities. Thus this local bank manager also became one of the accused in this case.

It was found that the main accused deceived bank with forged documents and using the money for other purpose than the commitment made to the bank while getting M&C agency from bank. The estimated fraud amount in this case was Rs.42, 49,98,531/- Those activities were done in a trading firm’s Kolhapur office and in the Takari MSWC warehouse.

Though this case has been detected, there is no intimation found that is recorded in Prescribed Authority office. The concerned warehouse organization, bank or the depositor had not informed about this fraud activity to the prescribed authority. The authority also seemed indifferent about such kind of happening related to warehouse industry and its role seemed restricted to completing the procedure of issuing warehouse license.

From this case it is evident that provisions in the Bombay Warehouse Act and Rules regarding inspections of warehouse by the prescribed authority and display of warehouse license in the office which contains storage capacity on it is a important thing. With the practice of surprise visit the prescribed authority would have helped to avoid and deter culprits for going to such kind of criminal and fraudulent activities.

6.11 CONCLUDING REMARK:

The majority of warehousing activity in the study area of Kolhapur, Sangli and Satara districts of south-western Maharashtra is done by public sector undertakings i.e. by Central Warehousing Corporation and Maharashtra State Warehousing Corporations. Among other licensed warehousing units a single APMC is doing warehousing business, while private and cooperative units having warehouse license, with few exception were not engaged in pure warehousing activity by issuing warehouse receipts, rather they took warehouse license just for getting distributorship of fertilizer companies. The procedure for getting warehouse license is simple. At
least one month before 1st of October, one has to apply for license. Normally a representative of prescribed authority of state government comes for inspection and based on his report, the warehouse license gets issued to applicants. There is a great scope for collateral management service provider in the area and some collateral management service companies started giving services to the business organizations in the region. Considering the benefit happening through use of material handling equipment, there is a scope for adopting it in food grains warehousing as well.

REFERENCES:

1. Tender Document for Food Grains, Central Warehousing Corporation.
2. Central Warehousing Corporation Document No. P/CD/01
3. Central Warehousing Corporation Document No. P/CD/02