

**भांडागारण विकास और विनियामक प्राधिकरण****भारत सरकार**

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Warehousing Development and Regulatory Authority**Government of India**

NCUI Building, 4th Floor, 3, Siri Institutional Area, August Kranti Marg,
Hauz Khas, New Delhi - 110016, Tel. No. 49536496, 49092978

File No: WDRA-PD0WR/2/2023-Technical/2101**Date:** 21.10.2026**OFFICE MEMORANDUM**

Subject: Inviting comments from Stakeholders in the matters related to the regulation of warehousing business.

महोदय/महोदया,

The undersigned is directed to inform that Warehousing Development & Regulatory Authority (WDRA) is undertaking stakeholders' consultation in the matters related to capping/restricting the maximum allowable issuance of e-NWRs by a Warehouseman with reference to its verified net worth

2. Agenda note on the said item is annexed for inviting suggestions/comments from the stakeholders including general public on the above said agenda items.

3. The comments may be sent to Assistant Director (SA&O) adsao-wdra@gov.in or, Deputy Director (M&C) dydir-mktg.wdra@gov.in or, Assistant (SAO) asst-sao@gov.in or may also be sent by post to the below addressee,

Assistant Director (SA&O),
Warehousing Development Regulatory Authority,
4th Floor, NCUI Bhawan, 3, Siri Institutional Area, August Kranti Marg,
Hauz Khas, New Delhi- 110016.

4. The comments on Agenda Item may kindly be sent latest by 04-11-2026 (Wednesday). It is requested that the name, telephone/ mobile number and address of the sender should be indicated at the time of sending the suggestions/ comments.

क. वी. बारोलिया

(नवीन बारोलिया)

उप निदेशक (विपणन एवं क्रेडिट)

Inviting comments from Stakeholders in the matters related to capping/restricting the maximum allowable issuance of e-NWRs by a Warehouseman with reference to its verified net worth – reg.

The undersigned is directed to inform that Warehousing Development & Regulatory Authority (WDRA) is undertaking stakeholders' consultation in the matters related to capping/restricting the maximum allowable issuance of e-NWRs by a Warehouseman with reference to its verified net worth. The background, relevant statutory provisions and other aspects pertaining to the proposed regulatory measure are detailed hereunder for the consideration of stakeholders:

1. Background:

The underlying objective is to ensure that the scale of e-NWRs issued by a Warehouseman remains broadly commensurate with his financial capacity and to reduce the risk to depositors, e-NWR holders and lending institutions in the event of failure, fraud, negligence or other default by the Warehouseman.

2. Relevant statutory provisions:

The WDR Act, 2007 places substantial responsibility and liability on a Warehouseman in respect of goods covered by warehouse receipts. Section 6 makes the Warehouseman liable for loss of or injury to goods arising from failure to exercise due care and diligence. Further, in specified circumstances, the Warehouseman is required to compensate for the value of the goods, and in case of negligence, for the value of goods along with loss of profit.

Section 4(4) of the Act also specifically requires the Authority, while considering registration, to satisfy itself regarding the financial, managerial and other eligibility criteria and competence of the applicant.

Section 8 requires Warehousemen to maintain complete and accurate records and accounts relating to goods received and withdrawn and all warehouse receipts issued, returned or cancelled. Section 23 further prohibits issuance of a warehouse receipt without actual receipt of the goods and provides for liability in case of multiple/duplicate receipts.

Importantly, Section 35(1) casts a general duty on WDRA to regulate and ensure implementation of the Act and to promote orderly growth of the warehousing business. Section 35(2) empowers the Authority, inter alia, to regulate the process of pledge and creation/enforcement of charges, promote efficiency in warehousing business, call for information and undertake inspection/audit, regulate the terms and conditions offered by warehousemen, regulate the electronic system relating to fungible goods and specify the duties and responsibilities of Warehousemen.

3. Existing provision relating to net worth:

Rule 18 of the Warehousing (Development and Regulation) Registration of Warehouses Rules, 2017 already recognizes net worth as an important regulatory parameter. The applicant is required to satisfy the minimum net worth requirements specified in the Seventh Schedule based on the aggregate capacity of the warehouses concerned and all registered warehouses belonging to the applicant. The Warehouseman is required to maintain the prescribed minimum net worth at all times and furnish evidence thereof periodically to the Authority.

Further, Rule 22 requires a Warehouseman to continuously comply with the minimum net worth, security deposit, insurance, infrastructure and other registration requirements.

The Seventh Schedule was substantially revised in 2023. For agricultural warehouses, the present framework links the prescribed minimum net worth to storage capacity, with capacity above 2,001 MT linked to ₹1,000 per MT, subject to a maximum prescribed net-worth requirement of ₹50 crore.

Thus, the Rules already establish a regulatory linkage between the financial capacity of a Warehouseman and the scale of warehousing capacity.

4. Need for a net-worth based issuance ceiling:

An e-NWR is a document of title representing goods actually held in the registered warehouse. Further, a negotiable warehouse receipt is conclusive evidence of the goods described therein in the hands of a bona fide holder for value under Section 21 of the Act.

Therefore, an excessive concentration of outstanding e-NWRs with a financially weak Warehouseman may create systemic risk for depositors and banks/financial institutions, particularly in cases involving:

- Loss or deterioration of stocks;
- Fraudulent or unauthorized issuance of receipts;
- Mismatch between physical stocks and e-NWRs;
- Failure to honour delivery obligations;
- Sudden deterioration in the financial position of the Warehouseman; and
- Inability of the Warehouseman to meet statutory compensation or other liabilities.

A net-worth based ceiling would therefore operate as a prudential control on the maximum exposure that can be created through e-NWR issuance by a Warehouseman.

5. Whether the Authority has legal basis to prescribe such a restriction

The proposal appears to be within the regulatory mandate of WDRA, particularly when viewed together with Sections 4(4), 6, 8, 23 and 35 of the Act and Rules 18 and 22 of the Registration Rules.

However, it is advisable not to treat the proposed ceiling as a modification of the minimum net-worth requirement under Rule 18. Rather, it may be framed as an additional risk-management/operational condition applicable to issuance of e-NWRs by registered Warehousemen, based on their verified financial capacity.

Since the e-NWR system is regulated by WDRA under the Electronic Negotiable Warehouse Receipts Regulations, 2017 and every registered warehouse is required to issue e-NWRs through a registered repository, the repository platform can technically enforce such a ceiling at the point of issuance.

At the same time, since a restriction on issuance may materially affect the rights/business of registered Warehousemen, it would be preferable to obtain Legal Division's specific view on the appropriate legal instrument—whether the ceiling can be imposed through guidelines/directions issued under the existing framework or whether amendment to the relevant Rules/Regulations would be preferable.

6. Suggested methodology

It is proposed that the ceiling may be prescribed with reference to the latest verified net worth of the Warehouseman rather than merely the minimum net worth prescribed for registration.

For this purpose:

Maximum permissible outstanding e-NWR value = Verified eligible net worth × prescribed prudential multiplier

The multiplier may initially be fixed after examination of historical WDRA data, including:

- Outstanding e-NWR value;
- Warehouse capacity;
- Historical default/irregularity cases;
- Financial strength of Warehousemen; and
- Incidence of stock shortages/mismatches.

It may be appropriate to adopt a conservative multiplier initially, with provision for review based on actual experience.

The ceiling should apply to the aggregate outstanding value of e-NWRs of the Warehouseman across all warehouses registered in his name, rather than separately applying the ceiling to each warehouse. This is because Rule 18 itself assesses the net-worth requirement with reference to the aggregate capacity of warehouses belonging to the applicant/Warehouseman

7. Dynamic operation of the ceiling:

The limit may be calculated and monitored at the Warehouseman level on a real-time/daily basis.

The repository system may maintain:

- i) Eligible Net Worth, Permissible e-NWR Limit, Existing Outstanding e-NWR Value and Available Issuance Limit

- ii) Before issuance of a fresh e-NWR, the system may verify that the proposed issuance does not result in the aggregate outstanding e-NWR value exceeding the permissible limit.
- iii) The limit may automatically be reduced where the latest verified net worth falls. Conversely, an enhanced limit may be permitted after the Warehouseman furnishes updated audited/CA-certified financial information and the same is verified by WDRA.

8. Safeguards:

The following may also be considered:

- i) The ceiling should be based on verified net worth, and not merely self-declaration by the Warehouseman.
- ii) Where net worth becomes negative or falls below the applicable threshold, fresh e-NWR issuance may be suspended/restricted until compliance is restored.
- iii) Existing valid e-NWRs should not be invalidated merely because the Warehouseman's net worth subsequently falls below the prescribed level. The restriction should principally operate on fresh issuance.
- iv) Warehousemen need to submit audited balance sheet, which would be considered for arriving at Verified Net Worth. Further, warehouseman shall submit net worth annually in the registration portal.

9. Proposal:

In view of the above, the proposal for introducing a net-worth linked ceiling on outstanding e-NWRs appears to have a reasonable regulatory and prudential basis under the existing statutory framework. However, the appropriate multiplier and operational methodology require data-based determination so that the measure does not unnecessarily constrain genuine warehouse operations or adversely affect e-NWR based pledge finance.

In this context, reference has been drawn from regulatory framework prescribed by the Securities and Exchange Board of India (SEBI) vide Circular No. SEBI/HO/CDMRD/DMP/CIR/2021/551 dated 16.04.2021, wherein the maximum value of goods stored in warehouses operated by Warehouse Service Providers (WSPs) has been capped at 33 times their net worth. The said provision applies to warehouses delivering agricultural/agri-processed commodities and base metals through recognized clearing corporations/commodity exchanges.

In view of the aforesaid reasons and requirements, it is proposed to limit the maximum value of goods stored in warehouses operated by Warehouse Service Providers (WSPs) may be capped at 33 times their net worth. WDRA is soliciting inputs/comments from all the stakeholders on the proposed framework.

The comments may be sent to Assistant Director (SA&O) adsao-wdra@gov.in or, Deputy Director (M&C) dydir-mktg.wdra@gov.in or, Assistant (SAO) asst-sao@gov.in or may also be sent by post to the following addresses within 15 days from the date of this letter i.e., 04th November, 2026.

Assistant Director (SA&O),
Warehousing Development Regulatory Authority,
4th Floor, NCUI Bhawan, 3, Siri Institutional Area, August Kranti Marg,
Hauz Khas, New Delhi- 110016.
