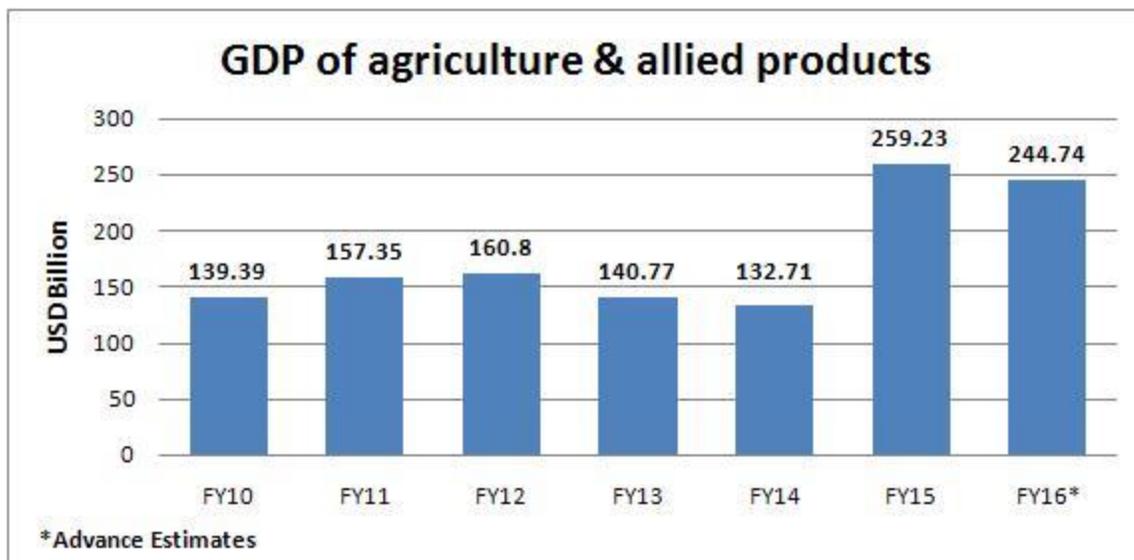


**Better monsoon forecast, higher FDI to support Agriculture sector**

August 17, 2017

Agriculture plays a vital role in India's economy as a total of 54.6% of the country's population is engaged in agriculture and allied activities (census 2011) and it contributes 17% to the country's GVA (Gross Value Added at current price 2015-16, 2011-12 series). At 157.35 million hectares, India holds the second largest agricultural land in the world and with 20 agri-climatic regions, all 15 major climates in the world exist in India. The country also possesses 46 of the 60 soil types in the world. India is the largest producer of spices, pulses, milk, tea, cashew & jute; & is the second largest producer of wheat, rice, fruits & vegetables, sugarcane, cotton & oilseeds. Moreover, India is the largest producer, consumer and exporter of spices and spice products. Also, India's fruit production has grown faster than vegetables, making it the second largest fruit producer in the world.

GDP of agriculture & allied sectors in India was \$244.74 billion in FY16. According to MOSPI, agriculture and allied sector recorded a CAGR rise of 6.64 per cent during FY07-16. Agriculture is the primary source of livelihood for about 58 per cent of India's population.



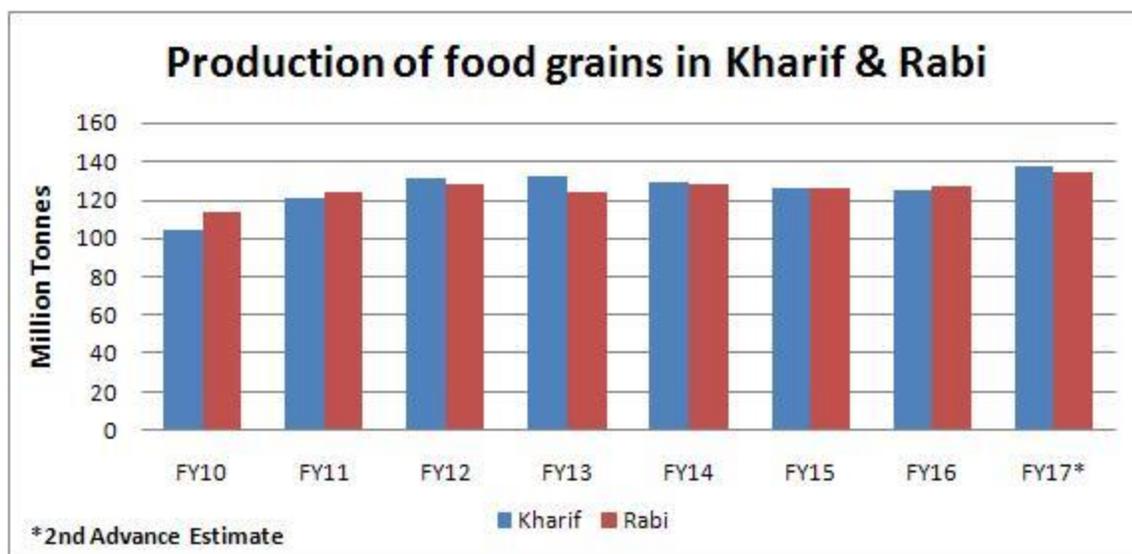
**Major agricultural seasons in India**

There are two major agricultural seasons in India i.e. Kharif & Rabi. Kharif season lasts from April to September (summer) and rice (paddy) is the season's main crop, while Rabi season lasts from October to March (winter) and wheat is the season's main crop.

Meanwhile, total food grain production in the country in February 2017, stood at around 271.98 million tonnes. India imported 2.7 million tonnes of wheat in FY 17 (till January 16, 2017) & an additional 1.2 million tonnes are to be imported by February 2017.

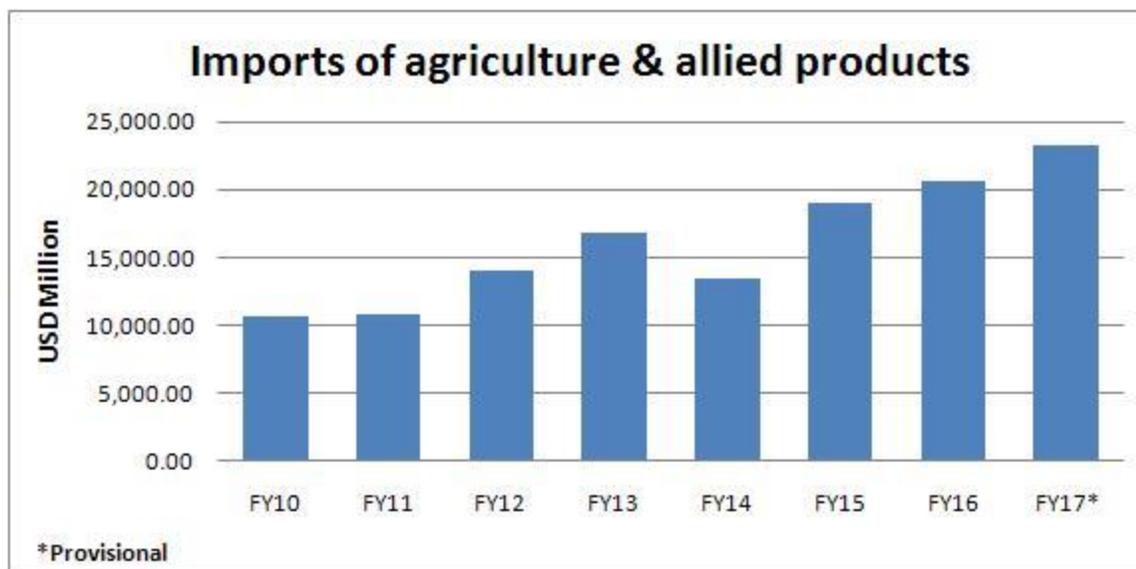
In March 2017, of 64.5 million hectares of agriculture land, the government insured 19 million hectares during the rabi season, to benefit 16.4 million farmers, under the Pradhan Mantri Fasal

Bima Yojana (PMFBY) programme. The total amount for insurance for rabi crops is \$10.16 billion.



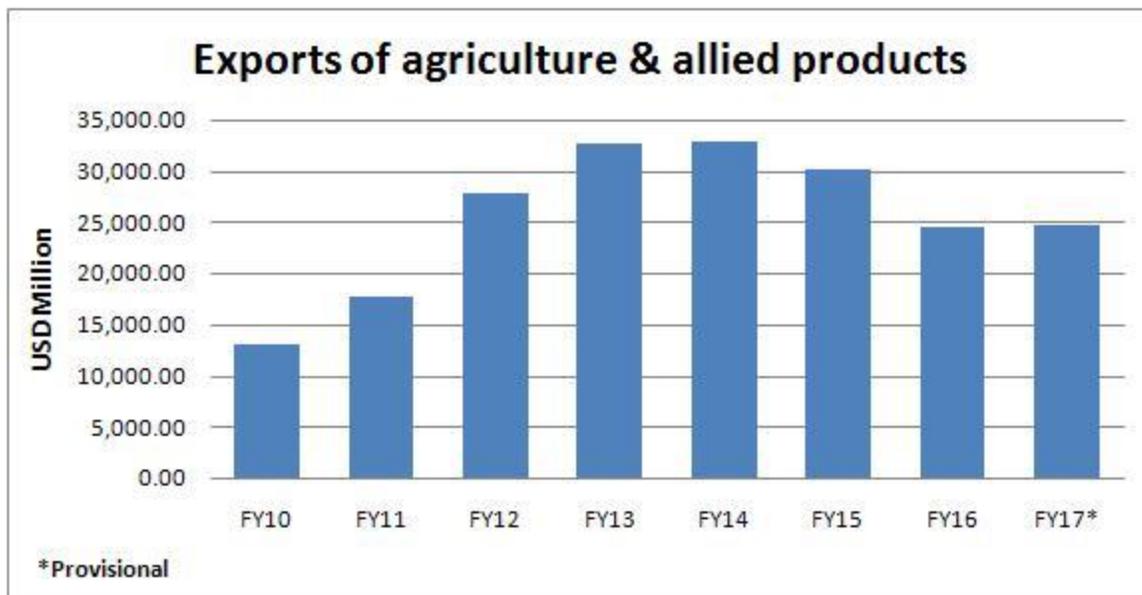
### Imports

Total Imports of agriculture & allied products increased 12.26% to \$23,208.46 million (Provisional) in FY17, as compared to \$20,673.58 million in FY16. Edible oils and pulses, which are in short supply in India, account for the bulk of India's import of agricultural products. Vegetable oils and Pulses accounts for maximum share in total agricultural imports i.e. 46.94% and 18.29%, respectively, followed by Fresh Fruits (7.23%), Cashew (5.80%), Wheat (5.47%), Sugar (4.40%) and Spices (3.70%). Import of Vegetable oils increased around 4% to \$10,894.08 million (provisional) as against \$10,492.08 million a year ago, while Pulses' import increased around 9% to \$ 4,244.26 million as compared to \$ 3,902.22 million a year ago. Import of Spices increased 4.27% to \$858.95 million (provisional), however import of Fresh Fruits declined just over a percent to \$1,677.01 million (provisional) as compared to \$1,694.84 million a year ago.



**Exports**

The share of agricultural exports in total exports of the country has declined marginally during the past four years to around 9% in FY17. Total Imports of agriculture & allied products increased marginally by 0.72% in FY17 to \$24,698.54 million (provisional) as compared to \$ 24,521.93 million in FY16. The surge was mainly on the back of rise in exports of Spices and Rice (Other Than Basmati) which increased by 7.97% and 14.19% respectively. However, fall in exports of sugar, buffalo meat and rice - basmati has restricted the rise in total exports. Exports of sugar declined \$1,293.46 million (provisional) in FY17 as against \$ 1,490.52 million a year ago, while exports of rice - basmati was down by \$3,222.26 million (provisional) in FY17 as compared to \$ 3,477.98 million in FY16.

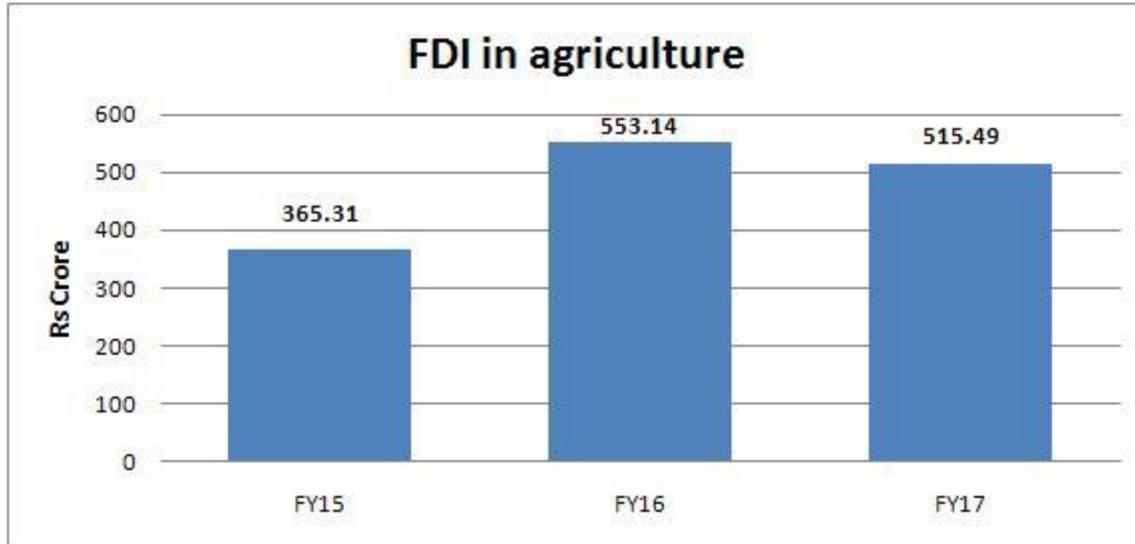


**Impact of monsoon on Agriculture**

The agrochemical sector's topline is directly related to the state of the agriculture. A good monsoon and a favorable environmental condition for the farm sector results in better crop yields, greater sowing and better demand for agrochemicals. A prediction of normal rainfall this year by India Meteorological Department (IMD) has led the Indian farmers an opportunity for high crop production to increase their revenue.

**FDI in Agriculture**

India's farm sector received foreign direct investment (FDI) worth Rs 354.77 crore during April-May this year. The country had received total 515.49 crore FDI in the agriculture sector during the 2016-17 fiscal, as against Rs 553.14 crore in the previous year. In 2014-15, the FDI in the farm sector stood at Rs 365.31 crore.



### Government initiatives

- Total allocation for rural, agricultural and allied sectors for FY 2017-18 has been increased by 24 per cent year-on-year to Rs 1,87,223 crore (\$28.1 billion). A dedicated micro-irrigation fund will be set up by National Bank for Agriculture and Rural Development (NABARD) with a corpus of Rs 5,000 crore (\$750 million). The government plans to set up a dairy processing fund of Rs 8,000 crore (\$1.2 billion) over three years with initial corpus of Rs 2,000 crore (\$300 million).
- The participation of women in Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has increased to 55 per cent and allocation to the scheme has been increased to a record Rs 48,000 crore (\$7.2 billion) for FY2017-18.
- Short-term crop loans up to Rs 300,000 (\$4,500) at subsidised interest rate of 7 per cent per annum would be provided to the farmers. An additional incentive of 3 per cent is provided to farmers for prompt repayment of loans within due date, making an effective interest rate for them at 4 per cent.

### Recent developments

#### Agriculture Ministry gets Rs 16,094 crore in Q1 to run various schemes

The Agriculture Ministry received Rs 16,094.13 crore in the April-June quarter of the current fiscal for implementation of various schemes. The amount is 53 per cent higher compared to Rs 10,498.90 crore received by the ministry in the same period last year. The ministry's total budget allocation for 2017-18 fiscal has been increased to Rs 62,125.02 crore from Rs 44,721.84 crore last year in a bid to achieve the goal of doubling farmers' income by 2022. Under the Pradhan Mantri Fasal Bima Yojana, the Centre has already incurred an expenditure of Rs 4,664.88 crore till June, while Rs 967.89 crore has been utilised under the Rashtriya Krishi Vikas Yojana (RKVY) in the said period. The ministry said that more funds been utilised for implementation of other programmes like Rashtriya Gokul Mission and Blue Revolution. The way funds are being utilised under various programmes. It can be seen that ministry is making concerted efforts for development of agriculture and welfare of farmers in the country.

**Government approves MoU for BRICS agriculture research platform**

The Cabinet Committee on Economic Affairs gave ex-post facto approval for a Memorandum of Understanding (MoU) signed by India and other BRICS nations for setting up of an agriculture research platform. In October last year, an MoU for setting up agriculture research platform (ARP) was signed by foreign ministers of BRICS countries in the 8th BRICS Summit held at Goa. BRICS-ARP will act as a global platform for science-led agriculture-based sustainable development for addressing the issues of world hunger, under-nutrition, poverty and inequality, particularly between farmers' and non-farmers' income, and enhancing agricultural trade, bio-security and climate resilient agriculture. Establishment of BRICS Agriculture Research Platform was proposed by Prime Minister Narendra Modi during the 7th BRICS Summit held on July 9, 2015 at Ufa in Russia.

**Outlook**

Outlook for the Agricultural sector remains positive on the back of increasing demand for agricultural inputs such as hybrid seeds & fertilizers. Increasing investments in agricultural infrastructure such as irrigation facilities, warehousing and cold storage too will provide support to the Agriculture sector. Factors such as reduced transaction costs and time, improved port gate management and better fiscal incentives will also contribute to the sector's growth. Moreover, a prediction of above normal and 'well-distributed' monsoon rainfall for the country for second consecutive year will surely help the sector to do better than last year's record output. Government initiatives like higher allocation for rural, agricultural and allied sectors and availability of short-term crop loans at subsidised interest rate too will encourage more people enter into agriculture sector.

**Companies Financial Data In Industry**

Company Name	CMP	MCAP	BOOK VALUE	DIV. YIELD %	TTM EPS	TTM PE
VenkyS (India) Ltd.	2061.15	2903.61	413.84	0.29	96.34	21.39
Monsanto India Ltd.	2441.25	4214.27	338.36	1.23	84.23	28.98
Neelamalai Agro Industries Ltd.	1355.55	85.04	629.80	1.48	59.76	22.68
Agri-Tech (India) Ltd.	81.55	48.44	107.86	0.00	49.36	1.65
Florence Investech Ltd.	1390.00	462.72	490.39	2.16	41.36	33.60
JK Agri Genetics Ltd.	1025.00	369.40	273.49	0.39	36.48	28.10
Apis India Ltd.	17.70	9.75	107.67	0.00	19.12	0.93
Goodricke Group Ltd.	247.70	535.03	145.43	1.82	18.97	13.06
Kaveri Seed Company Ltd.	560.80	3872.61	177.60	0.45	18.32	30.62
Dhunseri Tea & Industries Ltd.	289.70	202.93	251.77	2.76	14.43	20.07
Nath Bio-Genes (India) Ltd.	398.50	637.76	98.58	0.00	12.43	32.06
VenkyS (India) Ltd.	2061.15	2903.61	413.84	0.29	96.34	21.39

Sorted with TTM EPS (High to Low)

Source – Ace Equity

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