India - Agritech
Investment Trends
Initiating Coverage

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The golden age of Indian agriculture may well have just begun backed by unparalleled digital access to farmers, overarching reforms and government support. The farmer as a consumer and a producer is now being empowered by access to information, inputs, farm to fork linkages and financing support. We expect continued investment momentum especially on back of significant reforms and digital inclusion.

Pankaj Karna, MD - Maple Capital Advisors

### Agri & Allied Sector in India: Overview

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
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<tbody>
<tr>
<td><strong>Gross Value Added</strong></td>
<td>USD 368 Bn - Gross value added by the agriculture and allied sector in 2018-19</td>
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<tr>
<td><strong>Economy Contribution</strong></td>
<td>16% - ~16% is the contribution to the economy by the agriculture and allied sectors</td>
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<td><strong>Dependence on Sector</strong></td>
<td>55% - 55% of the population depends on the agriculture and allied sectors</td>
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<tr>
<td><strong>Agricultural Exports</strong></td>
<td>USD 38 Bn - USD ~38 billion is the value of the total agricultural exports in 2018-19</td>
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<td><strong>Gross Credit</strong></td>
<td>13% - Deployment of 13% of gross bank credit to agri &amp; allied activities in 2018-2019</td>
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### Emerging Agritech Revolution in India

> With 15 agro-climatic zones and different cultivation practices, India needs large-scale technology intervention to resolve various pre/post-harvest agri-chain woes

> During past few years, rapid adoption of mobile and internet (570 mn internet users) at grass root level is the major driving factor behind the growth in this sector

> There are more than 500 active agritech startups in India which are working towards solving the problems and challenges in agriculture sector

> Total Investment of ~USD 450 Mn in last 5 years, out of which ~USD 250 Mn came in 2019.

The agritech revolution has empowered farmers to get better quality inputs, timely information, access to markets and thereby the potential to yield higher income levels.

### Recent Policy Changes in Agri Sector

- **On 15 May 2020**, government has announced certain measures including:
  - Agri Infra Fund of INR 1 Lakh Cr
  - Amendments to ECA (Essentials Commodities Act): cereals, edible oils, oilseeds, pulses, onions and potato to be deregulated & stock limit to be imposed under very exceptional circumstances
  - Agriculture Marketing Reforms: Barrier free Inter-State Trade & framework for e-trading of agricultural produce
  - Risk mitigation for farmers, assured returns and quality standardisation
  - INR 30,000 Cr additional emergency working capital for farmers through NABARD
  - INR 2 Lakh Cr credit boost to 2.5 Cr under Kisan Credit Card Scheme, etc.

- These measures are expected to strengthen Infrastructure logistics and capacity building in agricultural sector to increase farmer’s income by 20-30%. This will further pave the path on bigger changes and increased private sector participation in the food chain from farm to fork in all elements-market places, cold chains, warehouses etc.
Agritech Industry: Investments

Investments in Agritech Sector in India (USD Mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Investments (USD Mn)</th>
</tr>
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<tbody>
<tr>
<td>2014</td>
<td>0.65</td>
</tr>
<tr>
<td>2015</td>
<td>5.68</td>
</tr>
<tr>
<td>2016</td>
<td>3.4</td>
</tr>
<tr>
<td>2017</td>
<td>22.8</td>
</tr>
<tr>
<td>2018</td>
<td>53.42</td>
</tr>
<tr>
<td>2019</td>
<td>244.59</td>
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</tbody>
</table>

H12020 has attracted USD 85 Mn over 15 deals as compared to H12019 investments of USD 153 Mn over 9 deals. Despite COVID impact, deal volumes overall values have increased and deal values for adjusted for Ninjacart have increased.

Notable Deals in 2019 & 2020

- **2019**
  - Tiger Global invested USD 89 mn in Ninjacart for a 26.5% stake
  - Samunnati Financial Intermediation specializing in loans to farmers raised USD 55 mn
  - AgroStar raised USD 27mn in Series C funding led by Bertelsmann India

- **2020**
  - Fresh produce distribution startup WayCool has raised USD 32 mn from LGT Impact, Caspian, Northern Arc
  - Dehaat raised USD 12 mn from Agfunder, Omnivore, Sequoia & Netherlands Development Finance Co.
  - Bijak raised USD 12 mn from AL Fund, Tempo Ventures Omnivore Partners, Surge Venture and others
  - Intello Labs raised USD 6 mn from Nexus, Omnivore, Saama Capital, SVG Ventures
  - Jai Kisan raised USD 3.9 mn from Akram Ventures and Nabventures
  - VeGrow raised USD 2.5 Mn from Matrix and Ankur Capital

Key Investment Trends

Attracting Significant Investments

- The sector has received more than $450 Mn funding in last few years; $244.59 Mn in 2019 alone, an increase of over 350% yoy

Cross Border Investments

- Indian start-ups going global (CropIn, Agricx, IntelloLabs, etc.) & some global startups are entering India (Indigo, Plantix, etc.)

Corporate Investments

- Corporate engagement & investments on the rise – Marico, Mahindra, ITC, UPL, Sonalika, Olam, etc.

Government Support

- Government announced a dedicated cell for agri startups. Others include:
  - Agri Infra Fund
  - Amendment to ECA
  - Marketing Reforms, etc.

Source: Database by Inc42, vccedge, Maple research
Agritech Industry: Growing Investment Interest

Key Trends within Agritech Sector

- Companies with models related to market linkages and supply chain efficiency have got maximum capital.
- Domains such as access to inputs, digital agriculture, farmer financing had maximum investment activity (no, of deals). Venture Capital firms are very active in this space.
- Given the market maturity, limited M&A activity

Active Investors in the Agritech Industry

Going Forward

- We expect the total investments in sector to exceed USD 500 mn in the next 2 years especially as the recently funded startups are scaling up well for further meaningful rounds as also the scalability potential remains significant.
- Themes such as Farm-to-Fork linkages and Factory-to-Farm which help farmers access agri inputs directly from producers, financing and farm mechanisation enablers to name a few will be of significant interest in the coming months.

Concluding Thoughts

- Agritech initiatives via increased internet penetration and mobile connectivity empowering rural India and farmers for better reach to end consumers and increase their income levels.
- The agricultural sector remains susceptible to the changing weather patterns as well as the impending threat of climate change. Agritech can mitigate some of this.
- Agri policy reforms making way for active private participation across the food chain. Government support by way of agri finance & direct support to farmers.
- Investor interest demonstrated by increased deal traction & number of VC/PE’s focusing on this space. We expect farm and fork linkages model to continue to attract major investments in years to come.
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