

Agri Tech is Ripe for Picking For Funds

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Impact investors are now turning their focus to agriculture and its allied fields, after a decade of attention to microfinance, financial inclusion and healthcare.

The farm sector is getting increasing attention from investors and accelerators who are keen on supporting early-stage entrepreneurs seeking to address sectoral gaps and problems with innovative solutions.

According to Amit Bhatia, CEO, Impact Investors Council, an industry body for the social sector, increasing consumer demand for branded agricultural products and mushrooming of food and beverage retail chains across the country requires the private sector to visualise and build large-scale enterprises from farm to retail. This is driving investor interest and emergence of profit-oriented models in the sector.

"The structure of the market is changing and that's allowing private equity players to play a role. Unlike earlier, today it's commonplace to have separate producer co-operatives at the back-end and marketing companies in the front-end," said Bhatia. "Now there are marketplace models - attracting a whole new set of investors to developing sectors like agriculture, allowing impact investing to grow -that are giving a fillip to the sector." Lok Capital, a social fund that is in the process of raising money for Lok Fund III this June, is interested in agriculture this time, with a focus on businesses that create value for small and marginal farmers -those with a well-founded, crosssubsidy model. "Something that starts making sense for them.For us, it's important that there's a rough coverage of the bottom of the pyramid segment," said Vishal Mehta, cofounder and partner at Lok Capital. The fund is looking to close its first deal in the space soon.

"A primary reason for increasing interest in agri companies is mainly rise of the middle class, their purchasing power and changing dietary patterns to more protein and dairy-based ones," said Subhadeep Sanyal, vice-president, Omnivore Partners, a venture fund investing in early-stage agriculture and food technology companies.

The fund has made 10 investments in the space, including Skymet Weather Services, Khedut Agro Engineering, FrontalRain Technologies, Arohan Foods, among others. Therefore, pieces in the value-chain getting focus broadly lie across livelihoods and yields for farmers, farm mechanisation, irrigation, precision farming, technology for supply-chain, procurement, post-harvesting, farm-fresh retail, healthy, innovative food, soil, water and weather and information technology for food and agri businesses, according to experts."People stayed away from this sector because it was politically dictated. However, now if you look at, say warehousing, states like Punjab, Madhya Pradesh and Orissa have wonderful policies around it.Alongside, with segments like procurement, food processing and dairy -the potential for impact is humon gous," Mehta said.

"Agri startups or companies are a stable class in investment and its returns are as good as any other sectors, like IT," Sanyal said, adding that as a fouryear old venture fund, their first exit would take place in 2017. Impact investors, Bhatia added, are receiving fairly decent returns between 12-25% in IRR for a range of impact investments."There's no data on a sectoral level yet."

This week, social incubator Villgro inked an exclusive partnership with Switzerland-based Rianta Capital's Artha Initiative to fund and incubate earlystage social enterprises in India, with a focus on agriculture and allied services. The partnership, as reported by ET, will provide social enterprises with as much as 1.2 crore in early-stage funding from both parties.

“With a majority of our country still living off agriculture, we believe the solution isn't to move people away into other sectors, but to focus on improving agricultural and farming methods. Both Villgro and Artha believe in the opportunities of the agricultural sector, as there are a number of issues that could be addressed through innovative solutions,” said Mukesh Sharma, chief investment officer at Villgro.

Earlier this month, Center for Innovation Incubation and Entrepreneurship (CIIE) at IIMAhmedabad launched the country's first food and agri-business accelerator in partnership with National Academy of Agricultural Research Management (NAARM), an ICAR supported institute. It also plans to launch a fund for agri-businesses.

Vipul Patel, associate vicepresident, agri investment at CIIE, said, “We realised that there is no early-stage support for entrepreneurs in this sector.”

The programme shortlists six companies selected from about 100 for the three-month-long acceleration programme. Two of these companies will receive Rs 30 lakh each in seed stage investment. Patel said that agri-entrepreneurs, unlike other sectors, are doing good work but aren't well connected to the ecosystem.“Our programme will help polish them, create a good business model and get these entrepreneurs ready to talk to bigger investors in industry.”