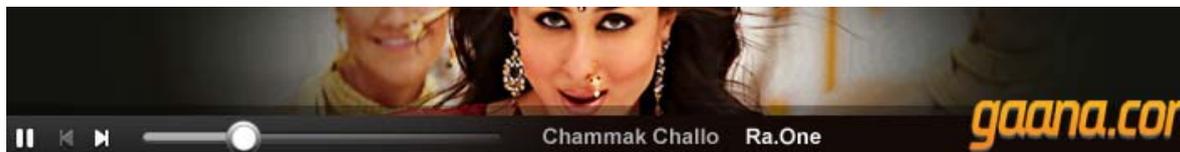


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## MFs bet on companies with rural links

Shailesh Menon, ET Bureau Mar 19, 2010, 01.14am IST

**Tags:** World Bank | Taurus Mutual Fund | Tata Mutual Fund

MUMBAI: Rising budgetary allocations, strong rural consumption, surging food prices and a probable food shortage over the long-term are prompting fund houses to launch schemes with linkages to the agriculture and rural economy.

In the next few months, fund houses such as Deutsche Asset Management, Taurus Mutual, Reliance Mutual, among others, will launch schemes with rural economy and agriculture as investment themes.

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**Kohinoor Foods**

BSE	NSE
<b>36.30 ▲</b>	<b>36.45 ▲</b>
0.00 % 0.00	0.00 % 0.00
Vol: 135 shares traded	Vol: 348 shares traded
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"The rural story is set to grow multi-fold in the next few years. Growth in rural economy will in turn, will benefit companies with linkages to the agriculture and rural economy," said chief executive, Taurus Mutual Fund, which is awaiting Sebi approval to launch a rural India fund.

According to Mr Naqvi, the fund's investment mandate will straddle sectors linked to the rural economy. It could include tractor manufacturers, fertiliser companies, food-processing companies, agri-businesses, rural lenders and financiers, water management companies, waste management companies, renewable energy companies, and in some cases, even micro-finance companies," Mr Naqvi said.

Fund managers, who are planning to launch agri and rural funds, are expecting the farm sector to grow against the backdrop of a looming food crisis. According to World Bank estimates, almost 2 billion people and adults wake up each morning unsure of where their next meal will come from. Global food prices resulted in rising prices of cereals, nearly 20%, and food prices have increased 50% in the past year.

"A food crisis could be the next big global problem in the next few years. Sensing an opportunity, several corporates are diversifying into the food sector," said Suresh Soni, CEO, Deutsche Asset Management, which is planning to launch an India-feeder fund that will invest in its World Agri fund.

"Shortage in food commodities will send prices soaring, which could benefit farmers and corporates in the sector," Mr Soni said.

[surged nine...](#)

June 30, 2011

Rising food prices in local markets have bolstered the stocks of food-processing companies. Such as [ADF Foods](#), [LT Foods](#), [KRBL](#) and [Himalaya International](#) have risen between 150% past one year. Prominent food-processing companies like [Usher Agro](#) and [Kohinoor Foods](#) h 80% and 37%, respectively, during the same period.

According to fund managers, the rural economy will benefit from the huge outlay for social infrastructure development. Under the Bharat Nirman Plan, micro-sectors such as irrigation, roads, water supply and rural electrification will get support from the government.

These micro-sectors would entail huge investments, according to fund managers. "Development of the rural economy will increase income of rural households. Rural spending on personal care, consumer goods, education and other services will grow even better from current levels.

Consumption remains a robust investment story," said Ved Prakash Chaturvedi, managing director of [HDFC Mutual Fund](#), which is awaiting the regulator's nod to launch a consumption opportunities fund.

Though rural economy as an investment theme looks good, there are many market sceptics that focus on the rural economy won't be popular among investors. According to them, schemes like [Birla Sunlife Global Agri Commodities Fund](#), [JM Agri Fund](#) and [Sundaram BNP Rural India Fund](#) performed well.

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