

August 12, 2025

Steady Rains could aid Rural Gains

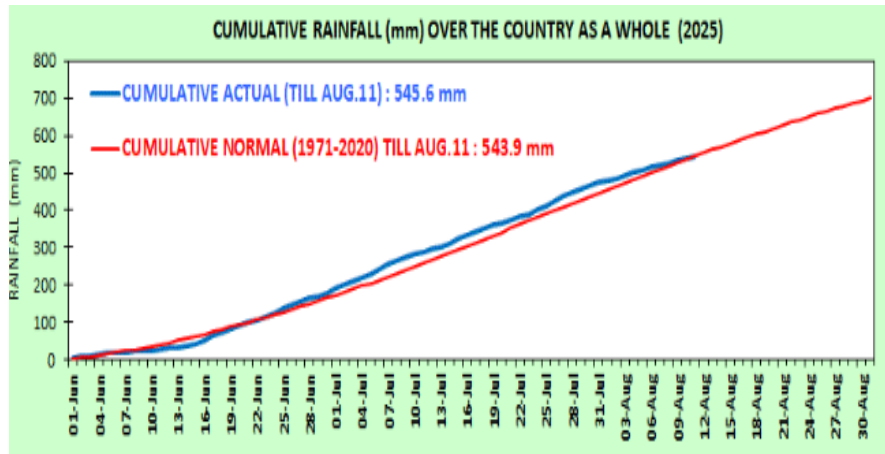
What's the Point?

- **Above Average Rainfall:** The cumulative rainfall till date has been above the long period average, with favourable spatial distribution
- **Crop Sowing:** Favourable monsoon has led to better kharif sowing across crops, which bode well for agricultural output, lower inflation and rising rural incomes. Higher reservoir levels are also positive for rabi crop (winter) sowing
- **Softening inflation** - Inflation has softened, primarily due to a sharp decline in food prices, driven by improved agricultural activity.
- **Corporate India commentary** – suggest that there has been an uptick in rural demand with above average monsoons being one of the reasons

The southwest monsoon plays a vital role in India's economy, particularly in supporting the agricultural sector, which provides livelihoods for nearly half of the population. It accounts for around 75% of the country's annual rainfall, helping replenish rivers, lakes, and groundwater.

Monsoon Metrics: Above-Average Rainfall and Well-Distributed Across India

As of the first week of August, the cumulative rainfall stands 3% above the long-period average (LPA). More importantly, the spatial distribution has been largely favourable, with most regions recording normal to excess rainfall. Out of 38 sub-divisions, only 5 have experienced deficient rainfall till date.



Meteorological sub-divisions	Excess/Normal	Deficient /Scanty	Total
Aug-20	30	6	36
Aug-21	27	9	36
Aug-22	30	6	36
Aug-23	28	8	36
Aug-24	29	7	36
Aug-25	31	5	36

Sowing status: higher acreage than last year

The most tangible impact of the monsoon this year has been on kharif sowing. So far, total kharif acreage is 5% higher compared to the same period last year. This uptick is broad-based across key crops, indicating a strong and healthy sowing season. Better Kharif sowing plays a vital role in boosting agricultural output, raising rural incomes, and stimulating consumption across sectors like FMCG and two-wheelers. It also helps ease food inflation. The ripple effects support economic stability, rural demand, and growth momentum.

Acreage for major crops (mn hectares)

As on August 1, 2025	2025	2024	Change
Rice	31.9	27.4	16%
Pulses	10.1	10.2	-1%
Coarse cereals	17.3	16.5	5%
Oilseeds	17.1	17.8	-4%
Sugarcane	5.7	5.6	2%
Jute & Mesta	0.6	0.6	0%
Cotton	10.6	10.8	-2%
Total	93.3	88.9	5%

Inflation under Control with softening food prices

The above normal southwest monsoon has also kept inflation under control. CPI headline inflation declined for the eighth consecutive month to a 77-month low of 2.1 per cent (y-o-y) in June 2025. This was driven primarily by a sharp decline in food inflation led by improved agricultural activity and various supply side measures. Food inflation recorded its first negative print since February 2019 at (-) 0.2 per cent in June. **The RBI governor also mentioned in the recently concluded Monetary Policy Committee meeting “The inflation outlook for 2025-26 has become more benign than expected in June”.** Lower inflation bodes well for growth in consumption and overall economy.

Basin/reservoir levels: Large surplus bode well for Rabi sowing

As of July 24, 2025, water storage in key reservoirs stood at 61% of their total capacity—more than double the 29% recorded during the same period in 2024. With reservoirs well-stocked, farmers will have ample water supply for rabi sowing (winter crops such as wheat, mustard, and pulses), which will help keep food inflation in check.

Rural Demand Revival: Green Shoots Visible

What is management saying?

Leading tractor company – “Looking ahead, with timely and widespread above-normal monsoon rain and improved reservoir levels, rural sentiment remains positive and farmer cash flows are strengthening”.

One of the largest FMCG company - “Now with substantial amount of easing on inflation including food inflation, continued government support on schemes, good agriculture last year and a promising monsoon this year ... So, the signs that we are seeing is that overall there is recovery in the industry and we see that coming from rural as well.”

Two-wheeler major – “Multi-year low inflation recorded in June, coupled with significant RBI rate cuts and favourable monsoon, should help in demand sentiment as the year progresses.”

Conclusion:

Above average monsoon, better sowing season and lower inflation all bode well for increase in disposable income of rural population. Keeping this in mind, investors could consider investing in **HDFC Non-Cyclical Consumer Fund** that aims to invest in companies/sectors that are likely to benefit from growth in consumption. This Fund endeavours to invest in companies, which are (a) Across different market cap segments, (b) Leaders and/or are gaining market shares due to better execution, scale, better adoption of technology etc., while focussing equally on companies which are likely to witness steady and secular growth, and (c) Likely to see a turnaround in profitability and have potential of being re-rated.

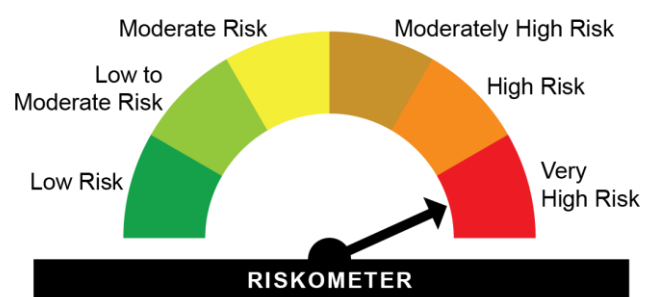
^Sources: Kotak Institutional Equities, CMIE, IMD and other publicly available information

About Tuesday's Talking Point (TTP): TTP is an effort by HDFC AMC to guide key conversations in the Indian financial markets and investing ecosystem. We aspire to do this by providing relevant facts, along with our perspective on the issue at hand. Please provide your feedback at this link: <https://forms.office.com/r/Cr8JNjMGWk>

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HDFC Non-Cyclical Consumer Fund (An open-ended equity scheme following non-cyclical consumer theme) is suitable for investors who are seeking*:	<div style="text-align: center;"> Riskometer#  RISKOMETER <i>The risk of the scheme is very high</i> </div>
<ul style="list-style-type: none"> To generate long-term capital appreciation Investment in equity and equity related securities of companies with a focus on non-cyclical consumer theme 	
<p>*Investors should consult their financial advisers, if in doubt about whether the product is suitable for them.</p> <p>#For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. www.hdfcfund.com.</p>	

The Scheme being thematic in nature carries higher risks versus diversified equity mutual funds on account of concentration and sector specific risks.