

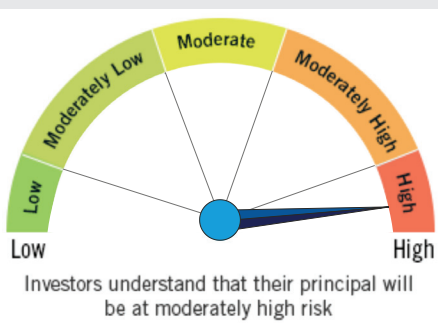
# Exchange Traded Fund (ETF)

## Further Fund Offer

### BID

#### Key Data

Issue Opens	June 20, 2018
Issue Closes	June 22, 2018
Issue open & closes for Anchor	June 19, 2018
Nature of Scheme	An open-ended Index Scheme ETF
Benchmark	S&P BSE Bharat 22 Index
Minimum Investment	Minimum of Rs 5000/- & in multiple of Re 1/- thereafter
Face Value	Rs 10/-
Maximum Issue Size	Rs 6000cr plus additional amount (if any)
Registrar	Computer Age Management Services Pvt Ltd (CAMS)
Managed by	ICICI Prudential AMC Ltd
Fund Manager	Kayzad Eghlim



## BHARAT 22 EXCHANGE TRADED FUND - (ETF)

Bharat 22 is an open-ended exchange traded fund investing in the S&P Bharat 22 Index. It is a well-diversified portfolio with focus on six different sectors - Basic Materials, Energy, Finance, FMCG, and Industrials and Utilities. ICICI Prudential AMC Ltd. has been appointed by the GoI to manage the BHARAT 22 ETF. This exchange traded fund mirrors the S&P BSE Bharat 22 Index, which comprises select companies from the CPSE Universe, stakes held under the Specified Undertaking of the Unit Trust of India (SUUTI) and public sector banks (PSBs).

#### Key highlights of the index:

- S&P Bharat 22 Index is designed to measure the performance of select companies divested by the GoI.
- The index values are to be calculated on free float market capitalization methodology.
- Weights of index constituents to be capped at 15% on stock level and 20% on sector level.
- The Bharat 22 Index will be rebalanced annually in March.

#### Investment Objective:

The investment objective of the scheme is to invest in constituents of the underlying index in the same proportion as in the underlying index, and endeavor to provide returns before expenses, which closely correspond to the total returns of the underlying index. An upfront discount of 2.5% will be offered to all categories of investors. We recommend to **bid** for the offer.

#### Fund Structure:

The Bharat 22 is an open-ended exchange scheme, which is listed on exchanges in the form of an exchange traded fund (ETF) tracking the S&P BSE Bharat 22 Index. The scheme invests in securities, which are constituents of the CPSE Universe and other corporate entities.

S&P BSE Bharat 22 - Index Constituents			
No	Company Name	Industry	Weightage (%)
1	National Aluminium Co Ltd	Basic Materials	5.47
		<b>Total - Basic Materials (%)</b>	<b>5.47</b>
2	ONGC Ltd	Energy	5.97
3	IOC Ltd	Energy	4.23
4	BPCL Ltd	Energy	3.66
5	Coal India	Energy	4.58
		<b>Total - Energy (%)</b>	<b>18.44</b>
6	State bank of India	Finance	8.87
7	Axis bank	Finance	8.78
8	Bank of Baroda	Finance	1.15
9	REC Ltd	Finance	0.85
10	PFC Ltd	Finance	0.64

#### Distribution Team

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11	Indian Bank	Finance	0.26
		<b>Total - Finance (%)</b>	<b>20.55</b>
12	ITC	FMCG	15.32
		<b>Total - FMCG (%)</b>	<b>15.32</b>
13	Larsen & Toubro	Industrials	15.82
14	Bharat Electronics Ltd	Industrials	2.15
15	Engineers India	Industrials	0.86
16	NBCC	Industrials	0.99
		<b>Total - Industrial (%)</b>	<b>19.82</b>
17	Power Grid	Utilities	6.95
18	NTPC Ltd	Utilities	7.71
19	GAIL India	Utilities	4.54
20	NHPC Ltd	Utilities	0.87
21	NLC India	Utilities	0.14
22	SJVN	Utilities	0.19
		<b>Total - Utilities (%)</b>	<b>20.40</b>

Source: Scheme Information Documents

#### S&P BSE Bharat 22 - Index Constituents

Category	Count	Weight (%)
<b>CPSEs</b>	<b>16</b>	<b>49.8</b>
Maharatna	6	30.7
Miniratna I	2	1.1
Navratna	8	18
<b>PSU Bank</b>	<b>3</b>	<b>10.3</b>
<b>SUUTI A Group</b>	<b>3</b>	<b>39.9</b>
<b>Total</b>	<b>22</b>	<b>100</b>

Source: Scheme Information Documents

#### Investment Rationale:

##### Well-diversified fund

Bharat 22 ETF comprises six sectors, which provides diversification to market volatility and improve risk adjusted returns. Mix of leaders from different sectors balances stability and growth well with an option of rebalancing annually. It is a highly liquid index since more than 99% of indexconstituents are available under the F&O segment.

##### Government reforms and initiatives

The constituents of the index capture the various keyreforms and initiatives of the GoI such as financial inclusion, digital and cashless economy, Make in India, GST, and infrastructure reforms, etc. In the long run, these reforms would increase the earning potential of the fund. Outlook on sectors forming part of the fund:

- Banks (19.1%)- Government's ongoing initiatives to recover NPAs and improve the asset quality will be positive for banks.
- Oil Companies (19.3%)- OPEC countries are considering increasing oil production, which will cool down crude prices.
- Power Companies (15.9%) - Government's push for all homes to be electrified by 2019 is positive for power companies.
- Infrastructure (16.8%) - Upturn in the infrastructure sector with GoI's emphasis on road and highway construction and housing for all augurs well for infra companies.
- Basic Materials (5.5%) - Recovery in the global metal market is positive for the sector.

## Better dividend yield

The dividend yield of the S&P BSE Bharat 22 Index is approximately 2.5%. Many PSUs have increased their dividends, which makes this ETF a good investment option for defensive investors. Moreover, the ETF has an expense ratio of less than 1 basis point, which is among the lowest in the Indian ETF funds.

## S&P BSE Bharat 22 Index Past Performance

Index	Total Returns (CAGR %)			
	1 Year	3 Year	5 Year	10 Year
S&P BSE Bharat 22 Index	0.2	8.0	13.0	11.8
S&P BSE SENSEX (TRI)	15.1	9.8	13.9	9.5

Source: Scheme Information Documents

Index	Earnings Growth (FY20E)	P/E		P/BV		Dividend Yield
		FY19E	FY20E	FY19E	FY20E	May 2018
S&P BSE Bharat 22 Index	22 %	17	14	2.8	2.5	2.5
S&P BSE SENSEX (TRI)	19 %	18	15	2.6	2.3	1.1

Source: Scheme Information Documents

## Why invest via an ETF?

- Low cost as compared to actively managed mutual fund schemes
- Diversification
- Trading at real time NAV
- Index is based on research and back tested data
- Transparency in holdings and price
- Periodic portfolio rebalancing
- Adequate liquidity with AMC and on stock exchange

# Asit C. Mehta

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