

Exchange Traded Fund (ETF) Additional Offering

BID

Key Data	
Issue Opens	14-Feb-2019
Issue Closes	14-Feb-2019
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 3500cr plus additional amount (if any)
Registrar	Computer Age Management Services Pvt Ltd (CAMS)
Managed by	ICICI Prudential AMC Ltd

“ Government of India has offered 5% discount on the “Reference Market Price” of the underlying index shares to the investors of Bharat 22 ETF ”

BHARAT 22 EXCHANGE TRADED FUND - (ETF)

After an overwhelming response to Bharat ETF FFO, the Government of India (GoI) has announced its additional offering of Bharat 22 ETF, to support its disinvestment program of current fiscal. Bharat 22 ETF is a well-diversified portfolio with focus on six different sectors – Basic Materials, Energy, Finance, FMCG, and Industrials & Utilities

ICICI Prudential AMC Ltd. has been appointed by the GoI to launch and manage the BHARAT 22 ETF and Asia Index Private Ltd (JV BSE & S&P Global) for Index Provider. Bharat 22 is an open-ended exchange traded fund investing in S&P Bharat 22 Index.

The foundation of Bharat 22 ETF was laid by government in the Union Budget 2017 as a vehicle to achieve its divestment target. It's New Fund Offer (NFO) & Further Fund Offer(FFO) was massively oversubscribed with Government of India raised Rs 22900cr cumulatively. It has now come up with an additional offering of divestment & to raise Rs 3,500 crore, plus any additional amount, subject to the Government's approval.

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).

Other key highlights of Index:

- S&P Bharat 22 Index is designed to measure the performance of select companies divested by the Government of India.
- 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
- Government of India has offered 5% discount on the “Reference Market Price” of the underlying index shares to the investors of Bharat 22 ETF.

Key Features of Bharat 22 Index:

- Bharat 22 ETF is a well diversified portfolio with focus on 6 different sectors namely Basic Materials, Energy, Finance, FMCG, and Industrials & Utilities
- Portfolio diversification through investment in blue-chip Maharatna & Navratna CPSE stocks & other corporate entities, which are sector leaders
- Highly liquid index since more than 99% of index constituents are available under F&O segment
- Bharat 22 ETF to consist of diversified portfolio of 22 Blue Chip Stocks
- This Index also consists of companies where Government of India includes partial stakes in companies like Axis Bank, L&T & ITC
- This ETF NAV would go up or down based on the share prices of 22 underlying stocks under this ETF.

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.

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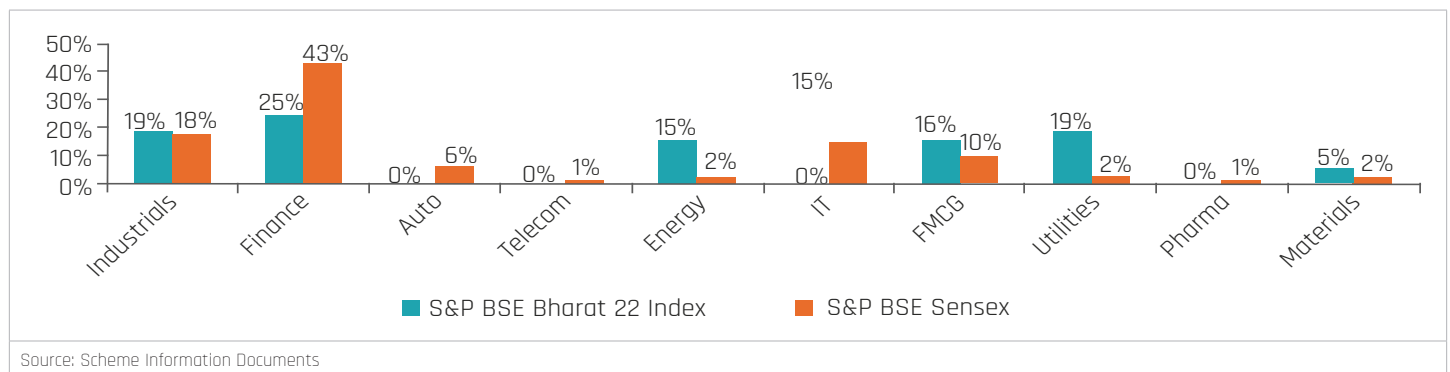
S&P BSE Bharat 22 - Index Constituents							
No	Company Name	Industry	Weightage (%)	No	Company Name	Industry	Weightage (%)
1	National Aluminium Co Ltd	Basic Materials	4.85	12	ITC	FMCG	16.45
		Total - Basic Materials (%)	4.85			Total - FMCG (%)	16.45
2	ONGC Ltd	Energy	4.99	13	Larsen & Toubro	Industrials	15.91
3	IOC Ltd	Energy	3.49	14	Bharat Electronics	Industrials	1.65
4	BPCL Ltd	Energy	3.28	15	Engineers India	Industrials	0.77
5	Coal India	Energy	3.66	16	NBCC	Industrials	0.66
		Total - Energy (%)	15.43			Total - Industrial (%)	18.99
6	State bank of India	Finance	10.12	17	Power Grid	Utilities	6.57
7	Axis bank	Finance	12.23	18	NTPC Ltd	Utilities	6.76
8	Bank of Baroda	Finance	0.99	19	GAIL India	Utilities	4.50
9	REC Ltd	Finance	0.94	20	NHPC Ltd	Utilities	0.85
10	PFC Ltd	Finance	0.86	21	NLC India	Utilities	0.11
11	Indian Bank	Finance	0.18	22	SJVN	Utilities	0.16
		Total - Finance (%)	25.33			Total - Utilities (%)	18.95

Source: Scheme Information Documents

Investment Rationale:

Well Diversified Portfolio

Unlike CPSE Index which comprises of only 10 -11 PSU companies primarily focus on energy stocks like ONGC, IOCL, Coal India, NTPC and so on. Bharat 22 Index is more diversified and includes companies from 6 different sectors (Industrials, Finance, Basic Materials, Energy, FMCG & Utilities). Further, Bharat 22 has a mix of secular growth sectors like (FMCG & Utilities) as well as cyclical sectors like (Financial, Energy, Metals & Industrials). Also sector wise, Bharat 22 Index has given adequate weightage to financial sector i.e. 25% v/s 43% i.e. overweight exposure given to single indices i.e. banking & finance under S&P BSE Sensex.



Source: Scheme Information Documents

Current Government Reforms & Initiatives augur well for Bharat 22 companies

BJP Led Modi Government has successfully kick started the reform process especially in government oriented sectors like Oil & Gas, Banking, Infrastructure sector etc. We believe, all companies of the Bharat 22 Index will be large beneficiaries of the government's initiatives on the reform process. Following are the key government reforms & initiatives that augur well for growth of Bharat 22 companies going ahead.

Reforms / Initiatives	Key Highlights	Company to benefit
Financial Sectors	Reforms like change in management, consolidation & turnover of NPA cycle	Axis Bank, Bank of Baroda, Indian bank & State Bank of India
Taxation Reforms	(GST) - Single Indirect tax structure aimed at eliminating cascading effect of indirect taxes.	All companies forming part of the Index
Infrastructure Reforms	Increasing push by the government for infrastructure & housing sector	Larsen & Toubro & NBCC
Basic Materials	Recovery of metal prices	Nalco
Oil & Gas Sector Reforms	Sharp fall in oil prices, better gross refining margins	BPCL, ONGC
Energy Sector Reforms	Providing 24*7 affordable power supply, Increasing CGD investment, Revival package for electricity distribution companies of India (DISCOMs).	GAIL, Coal India, NTPC, Power Grid, REC, PFC, NHPC & SJVN

Source: Scheme Information Documents

Strong fundamentals

Government owned companies are fundamentally strong companies with many of these are market leaders or the only players in their sectors. We believe, government companies have a virtual advantage of enjoying monopoly situation in various businesses like Coal Mining, Oil & Gas, Power & Defence etc. We believe, such company also commands pricing power in their respective sector like OMC's, Coal Mining etc & thus helps in improving margins. With gradual recovery in economy & better economic policies, we believe, BHARAT 22 companies to perform well in coming years.

Attractive Index Valuation & Dividend Yield

All stocks in the Bharat 22 Index are high dividend paying companies. The current weighted average dividend yield of the Bharat 22 index is around 2.55%, which is better than benchmark index such as Sensex. Further, these companies are trading at lower valuation in terms of PE & P/B Value as compared to benchmark indices.

Particular	PE Ratio	P/B Ratio	Indicative Dividend Yield
S&P BSE Bharat 22 Index	18.44	1.83	2.55%
S&P BSE Sensex	23.70	3.06	1.16%

Source: Scheme Information Documents

Also, Bharat 22 constitutes 6.73% of midcap companies as compared to nil for benchmark indices like Nifty 50, Sensex & Nifty 100.

Market Capitalization Break-up

Market Cap	S&P BSE Bharat 22 Index (%)	Nifty 50/ S&P BSE Sensex (%)	Nifty 100 (%)
Large Cap	93.27	100	100
Mid Cap	5.96	-	-
Small Cap	0.77	-	-
Total	100	100	100

Source: Scheme Information Documents

Historical Performance of Bharat 22 Index

Below table indicates historical performance of Bharat 22 Index. However, past performance may or may not sustain in the future.

Name of the Index	Total Return (CAGR %)			
	1 year	3 years	5 years	10 years
S&P BSE Bharat 22 Index (TRI)	-9.1	12.8	14.2	14.5
S&P BSE Sensex (TRI)	2.1	14.9	13.6	16.1

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

SCHEME FEATURES	
Additional offering period	February 14, 2019.
Underlying Index	S&P BSE Bharat 22 Index.
Category of Investors	<ul style="list-style-type: none">• Retail Individual Investors (excluding ICICI Prudential Bharat 22 FOF)• Retirement Funds• Other than Retail Individual Investors and Retirement Fund
Minimum Amount for Application Subscription during Additional Offering Period	<ul style="list-style-type: none">• Retail Individual Investors (excluding ICICI Prudential Bharat 22 FOF) Rs 5,000/- & in multiples of Rs 1/.• Retirement Funds: Rs 200,001/- and in multiples of ₹1/-• Other than Retail Individual Investors and Retirement Funds: Rs 200,001/- & in multiples of Rs1/-
Maximum Amount to be raised	"An 'Initial Amount' of Rs 3,500 crores plus an "Additional Amount" -The Government of India, shall notify the Additional Amount to the investors vide public notification/addendum post closure of Additional Offering Period"
Application Size for Determining Investment Category	<ul style="list-style-type: none">• Retail Individual Investors - 34% of the Maximum Amount to be raised.• Retirement Funds - 33% of the Maximum Amount to be raised.• Other than Retail Individual Investors and Retirement Funds - 33% of the Maximum Amount to be raised"

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