

BE PART OF THE



PUBLIC

SECTOR

UNDERTAKINGS

GROWTH POTENTIAL.

Presenting

ICICI Prudential

PSU Equity Fund

**NFO
DATE**

August 23, 2022

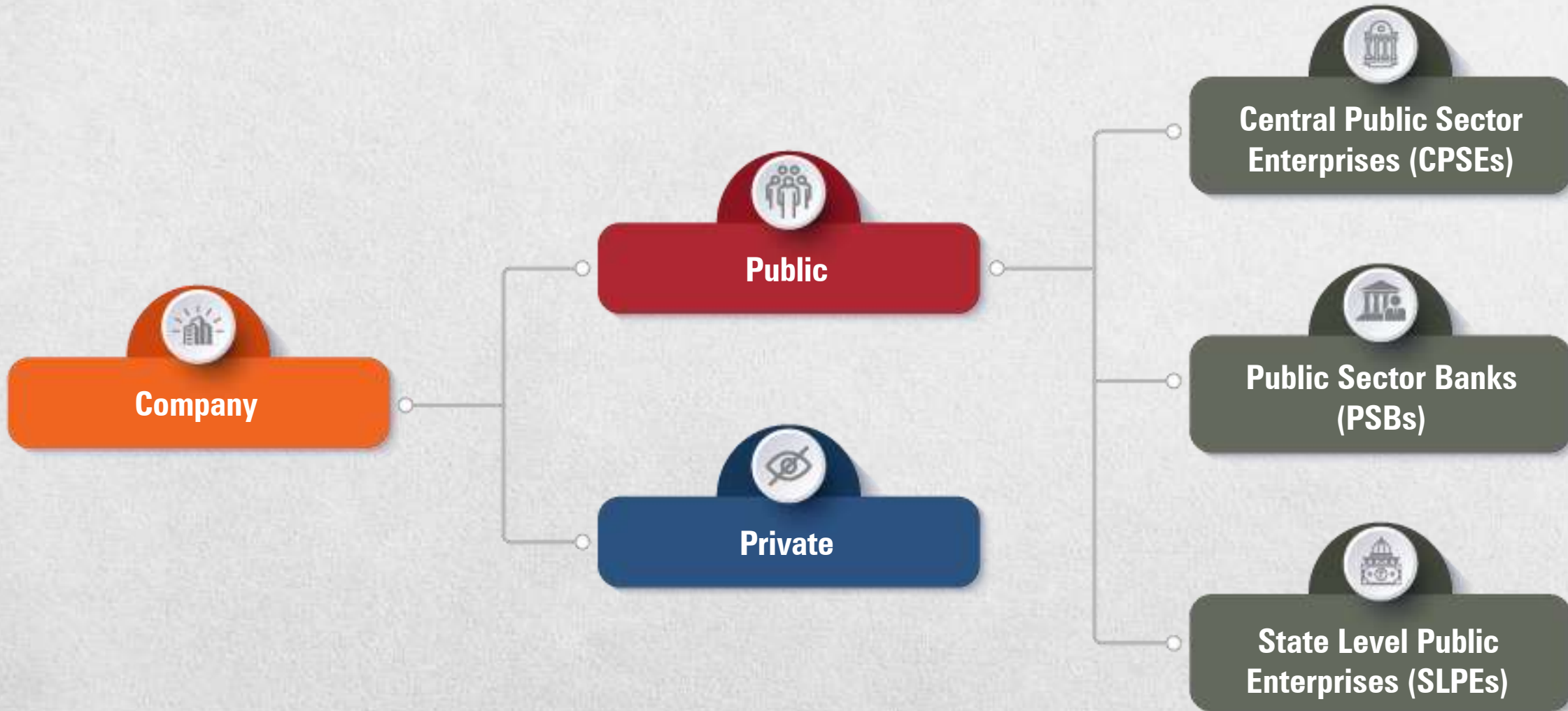
September 6, 2022

ICICI
PRUDENTIAL
MUTUAL FUND

TARAKKI KAREIN!



How are Companies classified?





Decoding Public Sector Undertakings



Central Public Sector Enterprises (CPSEs)

- Companies where the direct holding of the Central Government or of other CPSEs is 51% or more
- Classified further into Maharatna, Miniratna & Navratna basis factors like annual turnover, net worth & net profit



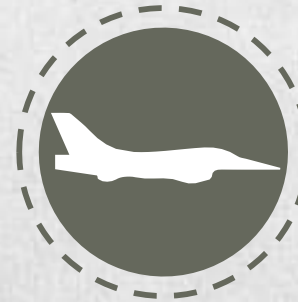
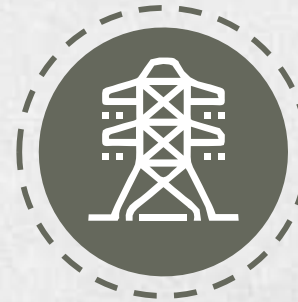
Public Sector Banks (PSBs)

Banks where the direct holding of the Central/State Government or other PSBs is 51% or more



State Level Public Enterprises (SLPEs)

Companies where the direct holding of the State Government or other SLPEs is 51% or more





PSUs an important constituent of Capital Markets

PSUs are present across sectors* thereby providing wide investment opportunities



* The above list is not exhaustive. There are other sectors apart from above where PSUs have presence



Benefits of investing in PSU stocks



Cost of Borrowing



Cost of borrowing is low owing to inherent sovereign comfort leading to better credit rating/standing. This is beneficial during rising interest rate scenario

01

Risk



PSU stocks have relatively less Key Managerial Personnel (KMP) risk from a continuity perspective as compared to promoter run company

02

Line of Business



PSU stocks have lesser risk of diversification into unrelated businesses

03

Tax Advantage*



PSUs usually tend to pay higher dividends. If invested directly, dividends are taxed as per slab rates. When invested through Mutual Fund, such dividends are exempt from tax under Mutual Fund schemes

04

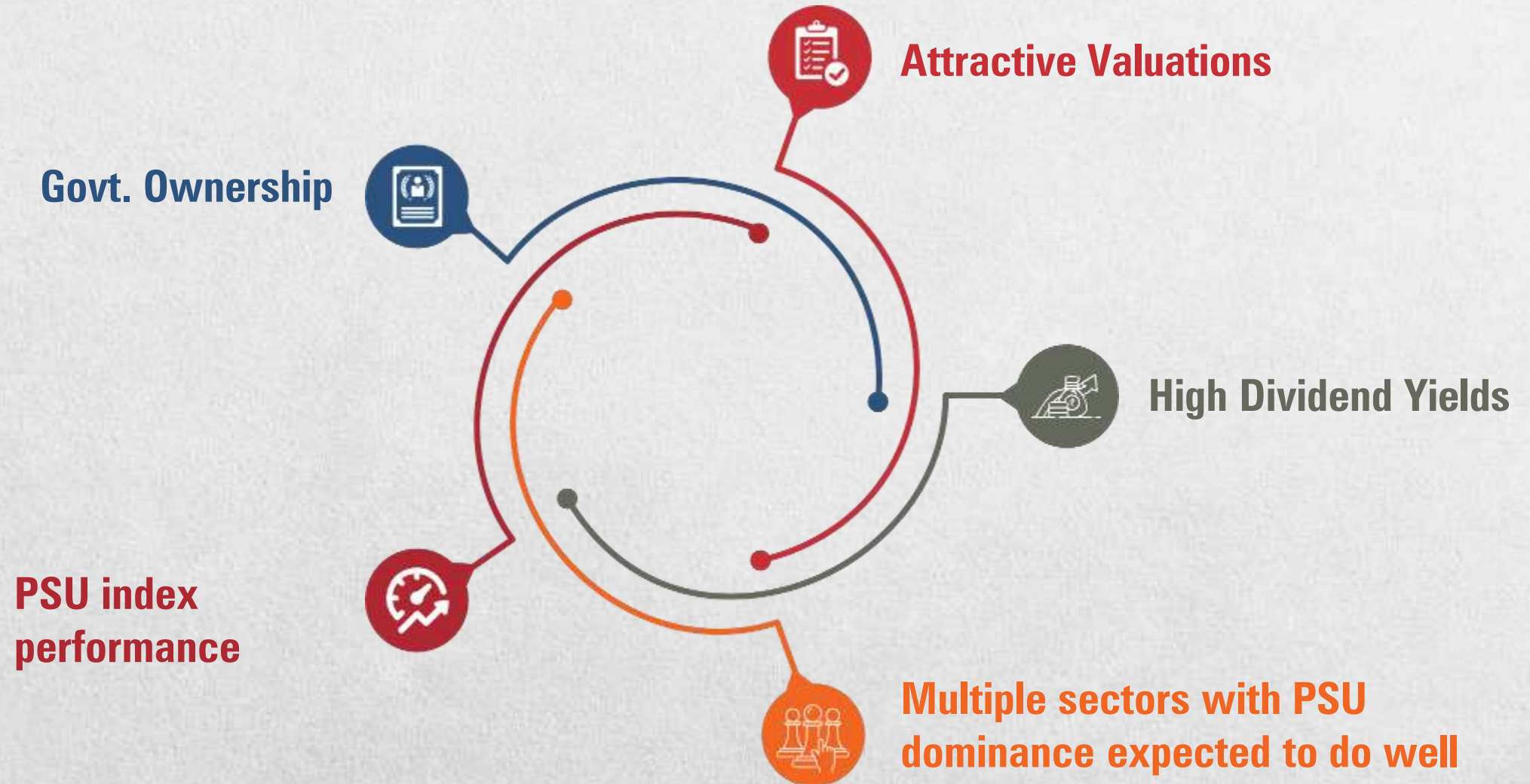
* Please consult tax advisor for more details.



WHY CONSIDER INVESTING IN **PSU** SPACE?



Case for investing in PSUs



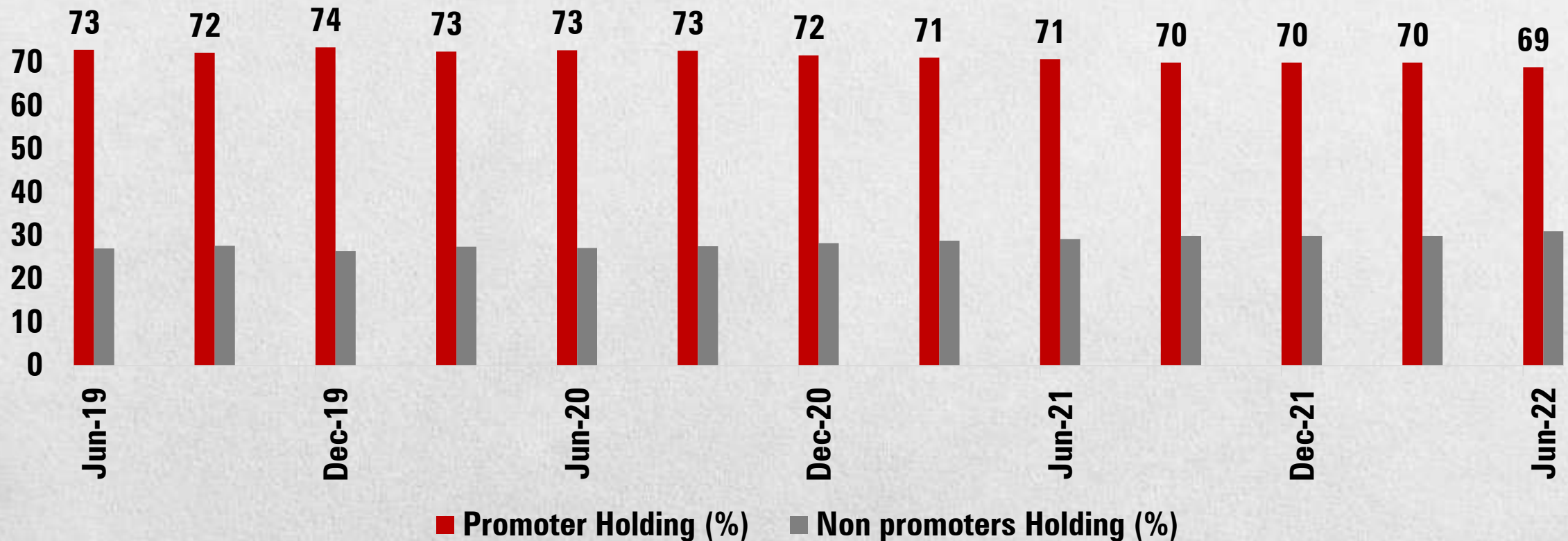


Govt. Ownership



Promoter holding i.e. Govt. ownership in PSU companies is substantial compared to non promoters (FPIs, DIIs & Retail).
As these companies are highly under owned by non promoters, the PSU space provides better Margin of Safety

Ownership in PSU space



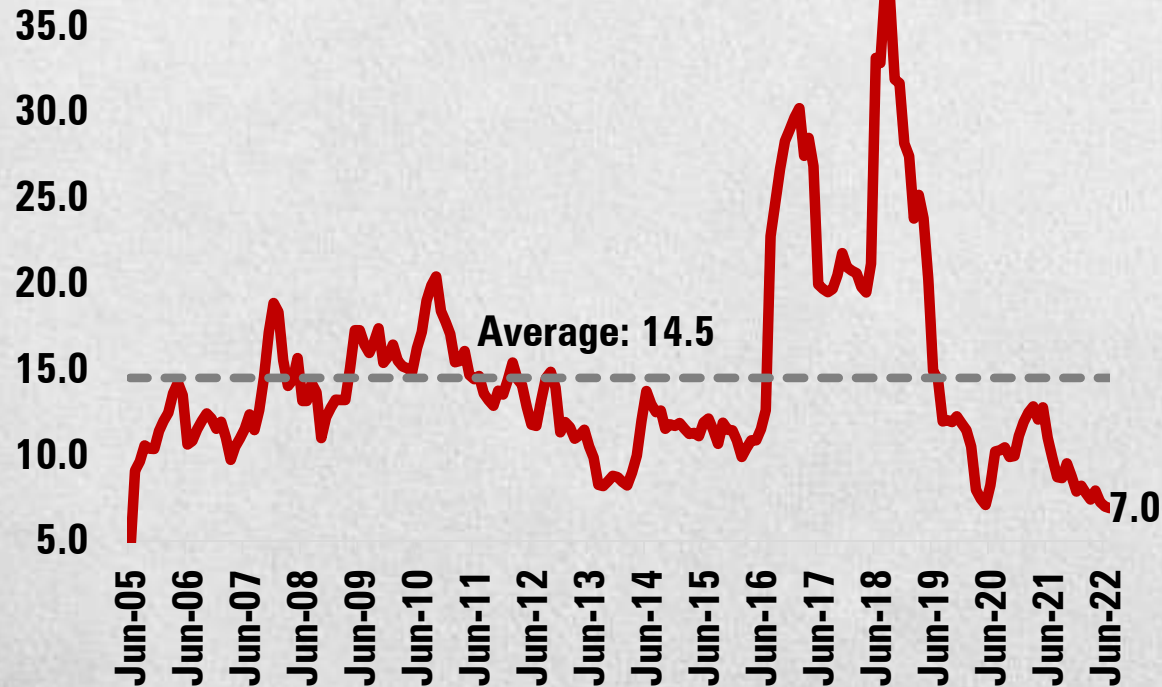


Attractive Valuations

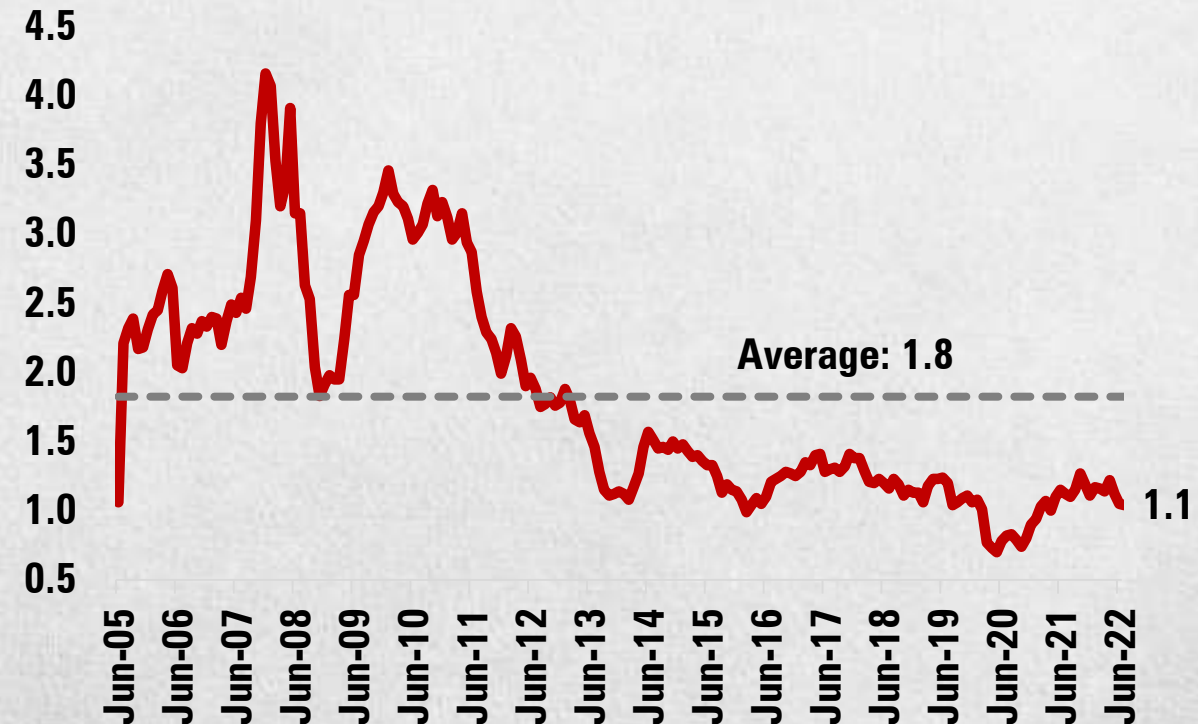


Starting point i.e. valuations in PSU space have been attractive for a while now again indicating that companies have better Margin of Safety

S&P BSE PSU Index P/E



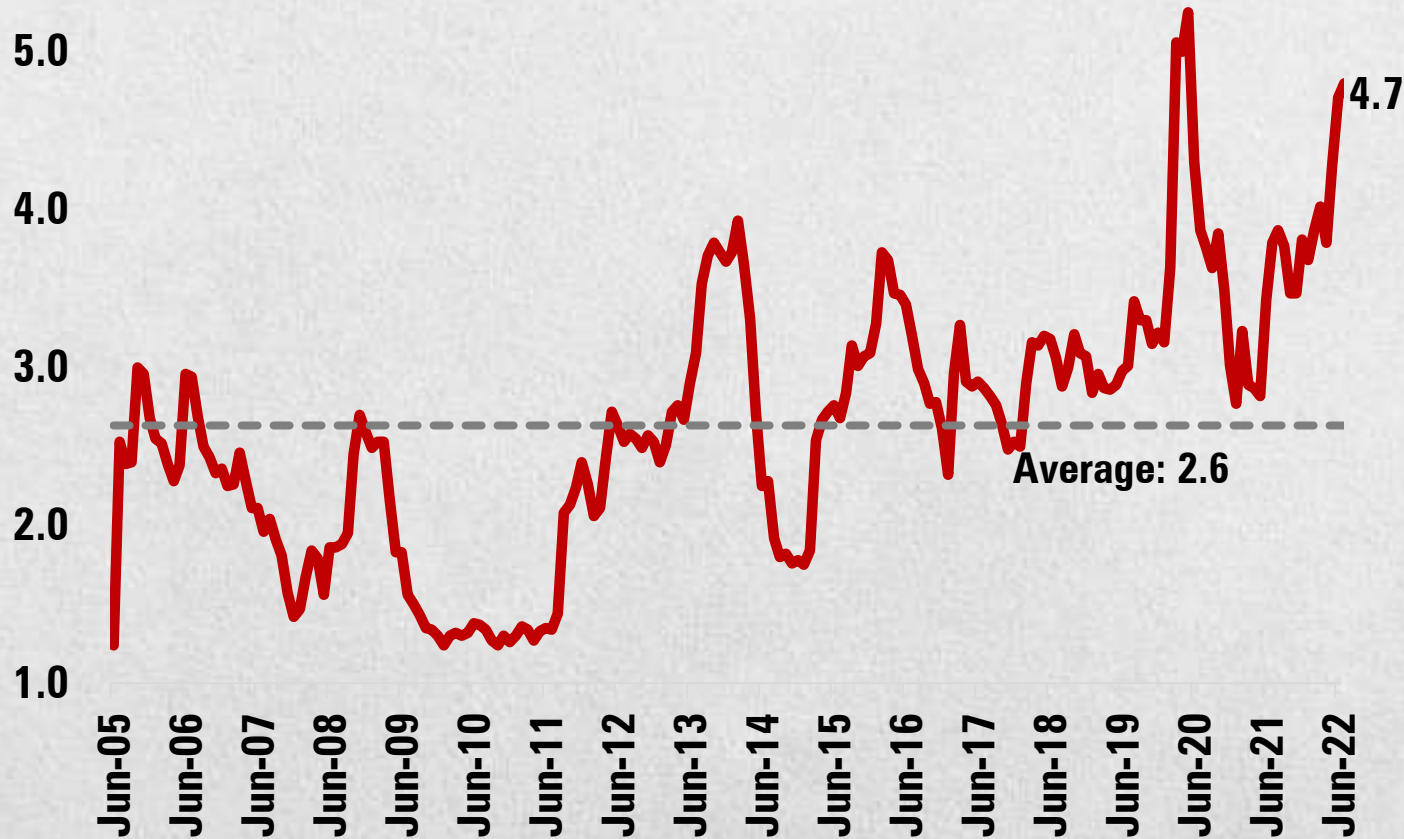
S&P BSE PSU Index P/B



Source – BSE. P/E – Price to Earnings, P/B – Price to Book



S&P BSE PSU Index Dividend Yield



- PSUs tend to offer better dividend yield than broader markets
- Average dividend yield of S&P BSE PSU Index (last 17 years) is 2.6 whereas that of S&P BSE Sensex is 1.3
- In a volatile environment, companies providing high dividend yield tend to have higher demand resulting in capital appreciation



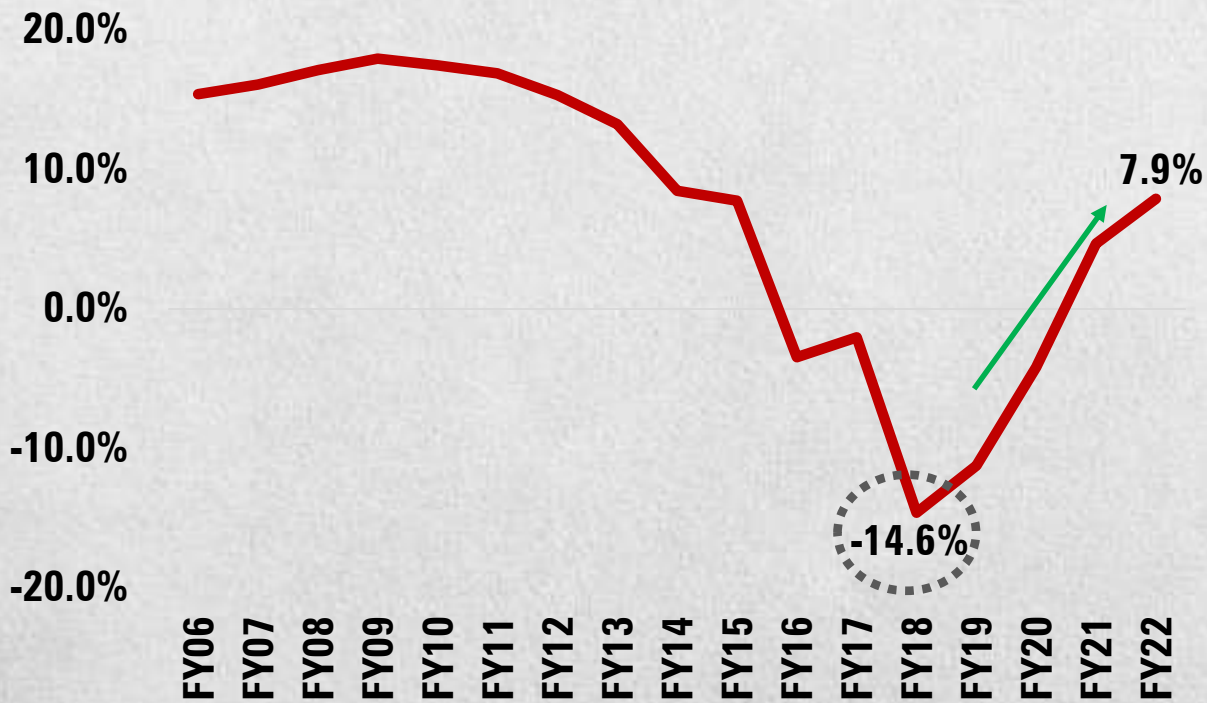
Sectors with PSU dominance which may do well



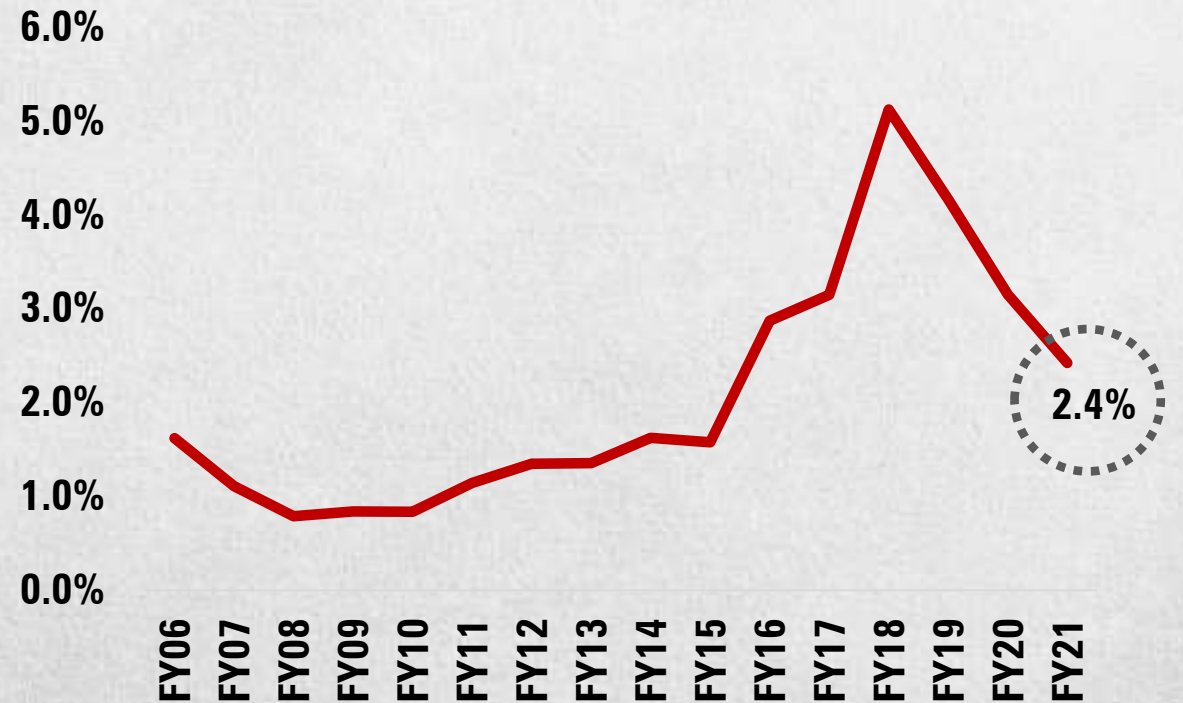
PSU BANKS EXPERIENCING CYCLE CHANGE –

Public Sector Banks are in the middle of a cycle change wherein RoE has just begun to pick up and credit cost appears to have bottomed out with better asset quality

PSU Banks RoE



PSU Banks Credit Cost

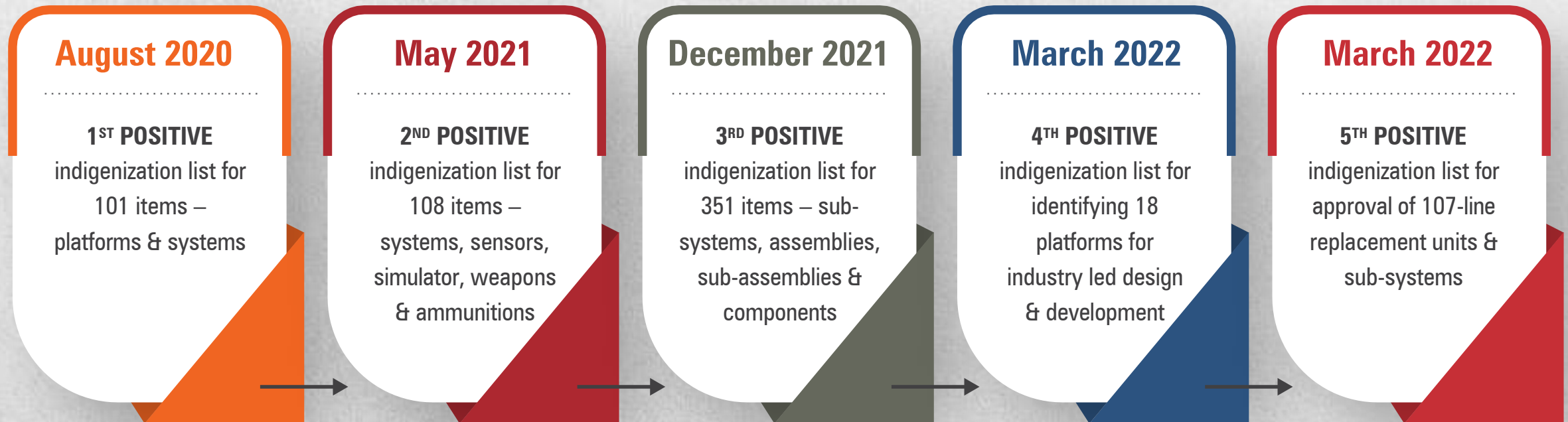


Source: Spark Capital. RoE – Return on Equity. The sector(s)/stock(s) mentioned in this slide do not constitute any recommendation and ICICI Prudential Mutual Fund may or may not have any future position in this sector(s)/stock(s).



RISING GOVT. FOCUS ON DEFENCE –

- With Govt. focusing on indigenization by allocating ~ Rs. 764 Bn for the Armed forces to bolster defence capabilities & reduce foreign spend on systems/equipment, defence is expected to do well.
- Within the sector, PSU players may benefit given rising contribution in the overall production share



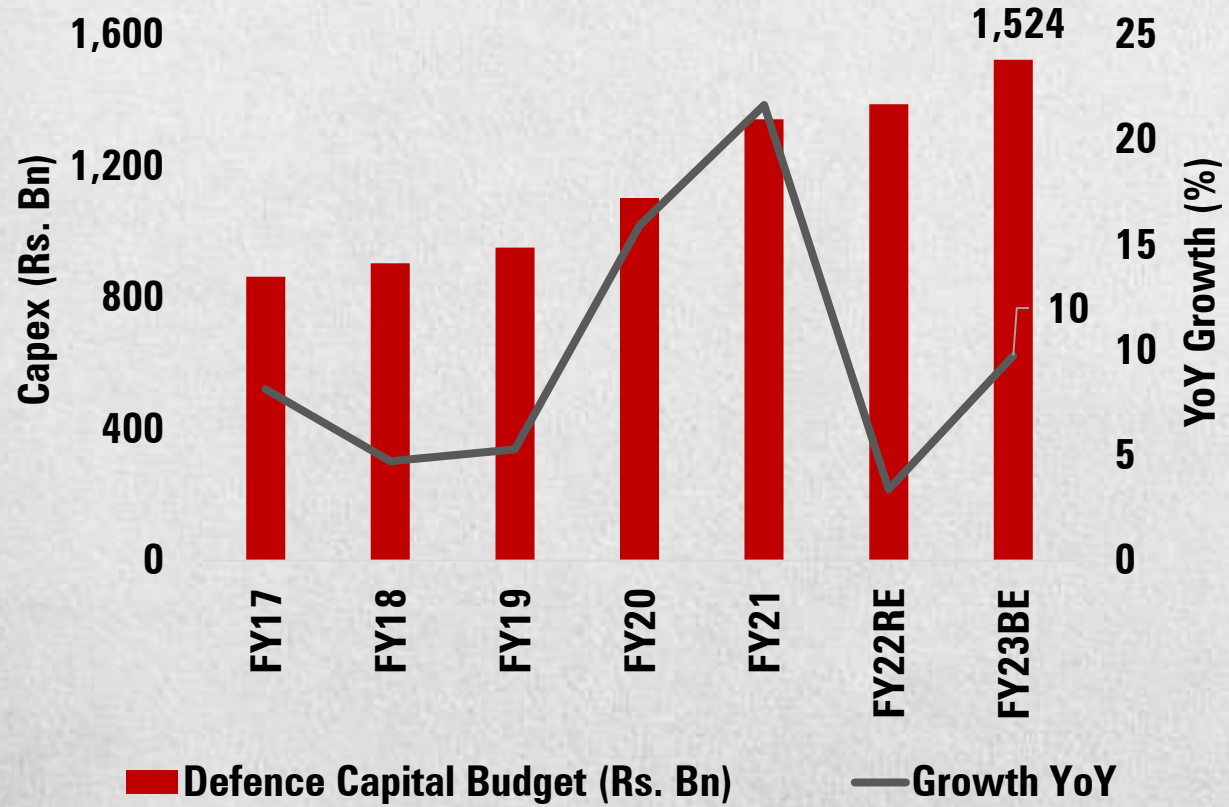


Rising Govt. focus on Defence



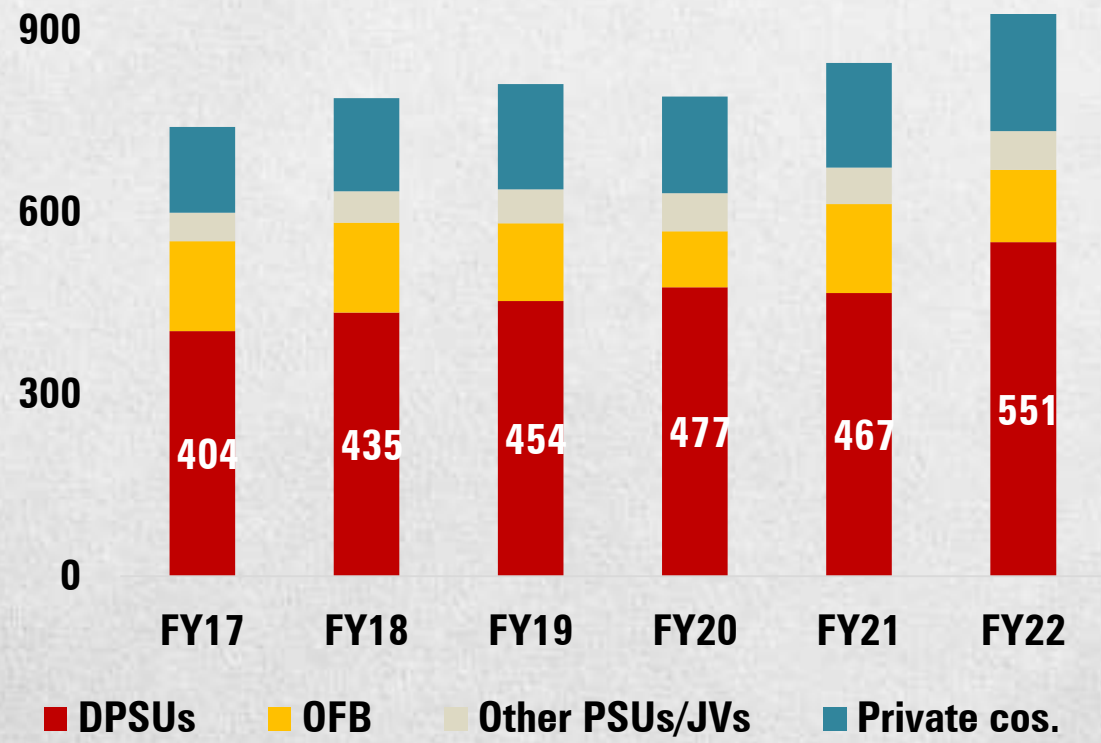
Allocation to Defence Capital Budget has risen by 10% for FY23

Defence Capital Expenditure (Rs. Bn)



Defence PSU production share rose to 59% in FY22 from 55% in FY21

Defence Production (Rs. Bn)

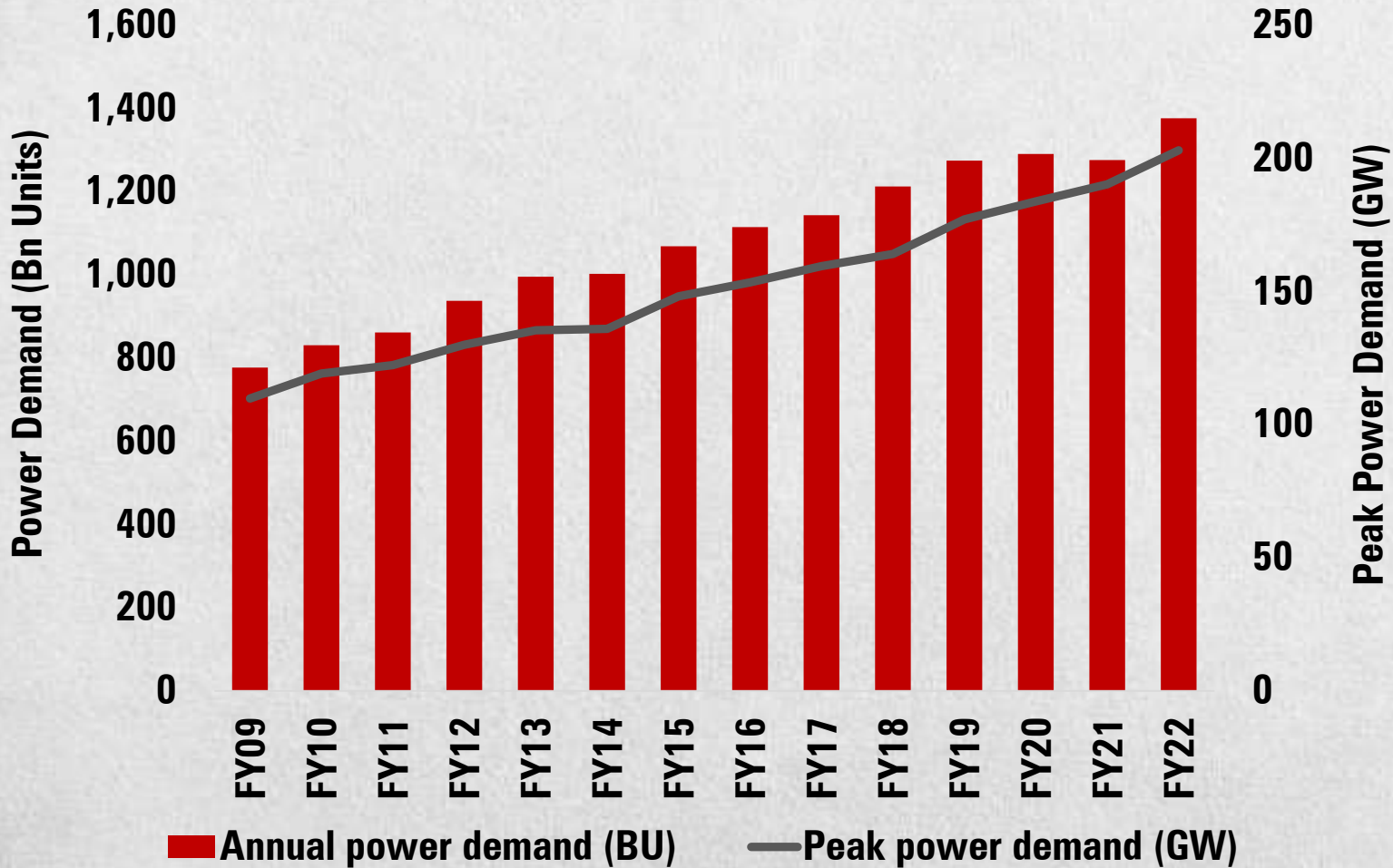


Source: Elara Securities Research. DPSU – Defence PSU, OFB - Ordnance Factory Board, JV – Joint Venture. The sector(s)/stock(s) mentioned in this slide do not constitute any recommendation and ICICI Prudential Mutual Fund may or may not have any future position in this sector(s)/stock(s).



Sectors with PSU dominance which may do well

All India Power Demand

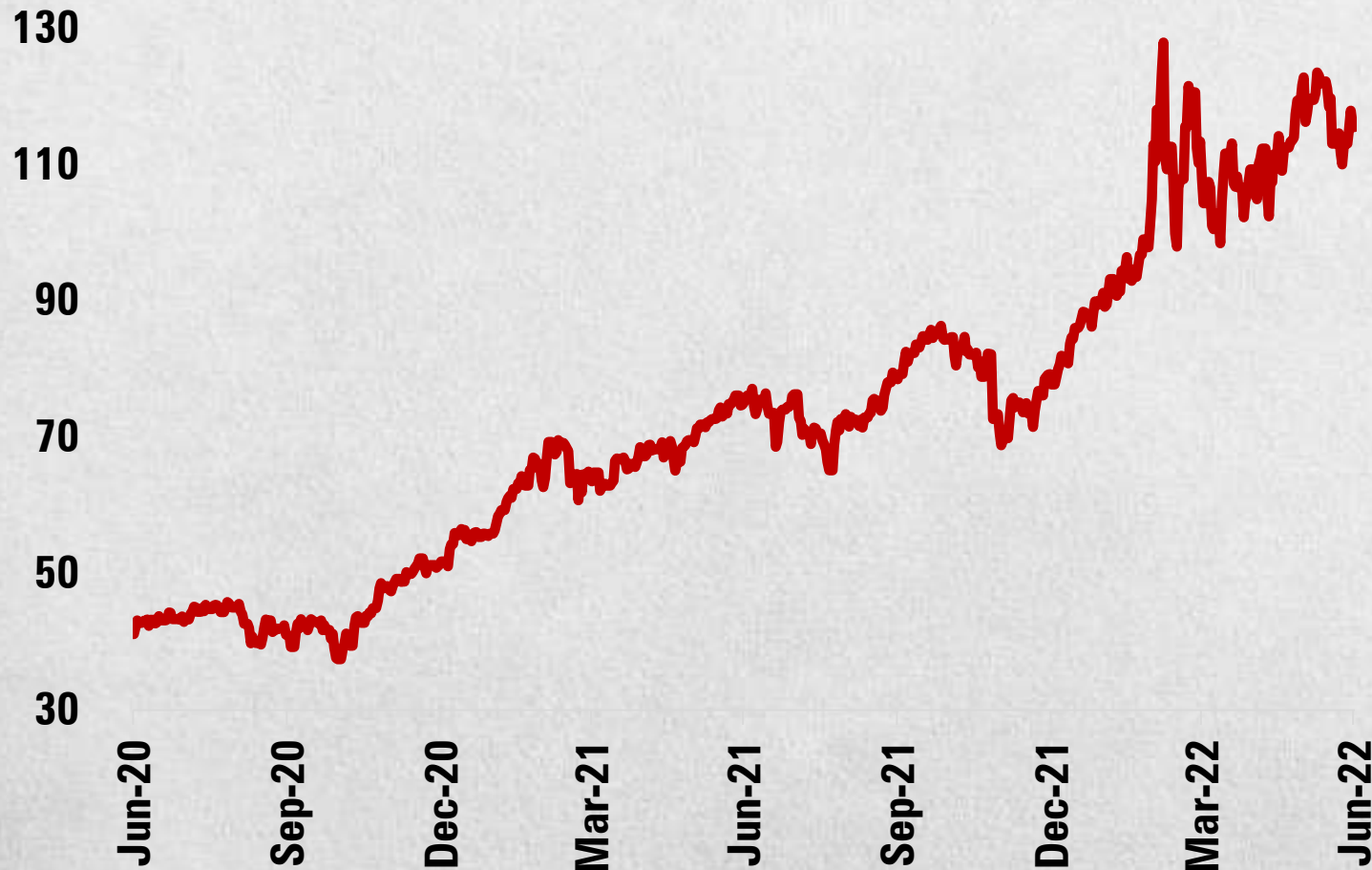


POWER

- Power generation is a space that is mainly dominated by PSU players
- Power demand has been on a rise despite COVID impact
- This, coupled with fixed ROE for power generating stations, bodes well for the sector



Brent Crude Index (\$/bbl)



ENERGY

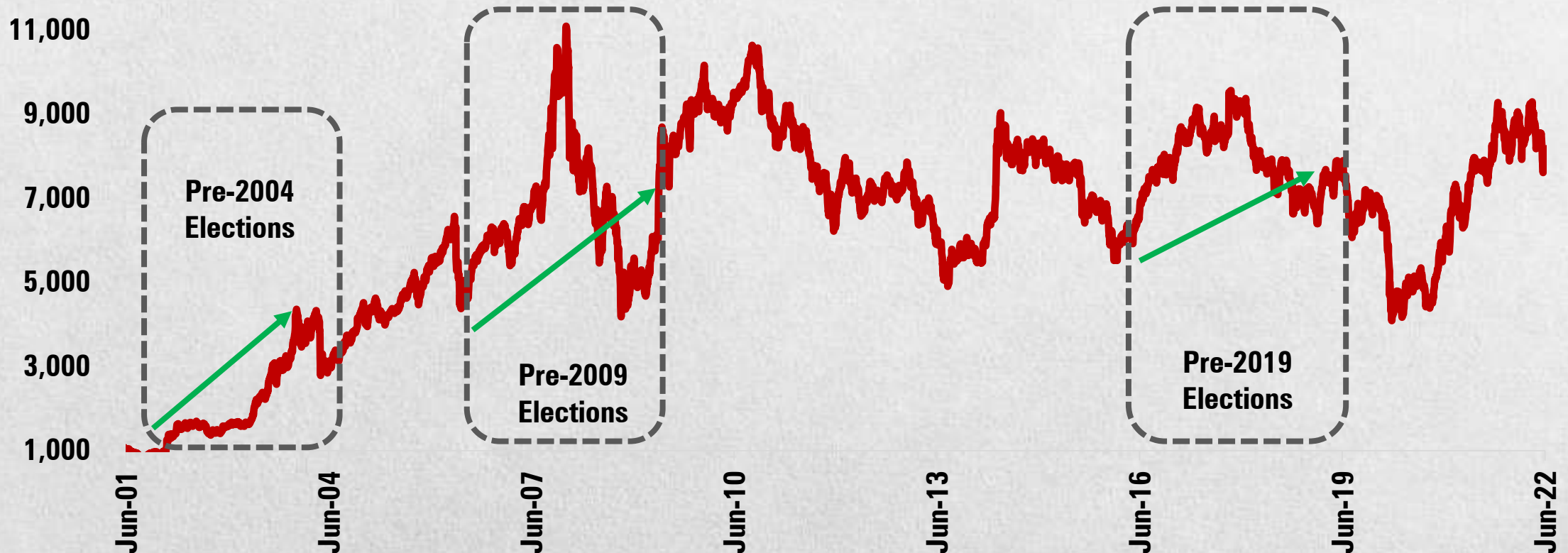
- Oil prices moving from the lows of 2020 during COVID has helped in the improvement of GRM (Gross Refining Margins)
- Oil prices may remain sticky due to continued geopolitical tensions and supply-demand mis-match
- Net realizations still remains healthy even after the impact of windfall tax, compared to last decade of \$45/bbl Oil



Past performance

Historically, in the run up to elections, PSUs tend to perform well on optimism around reforms.
PSUs could do well over next 2 years given pre-election period

S&P BSE PSU Index



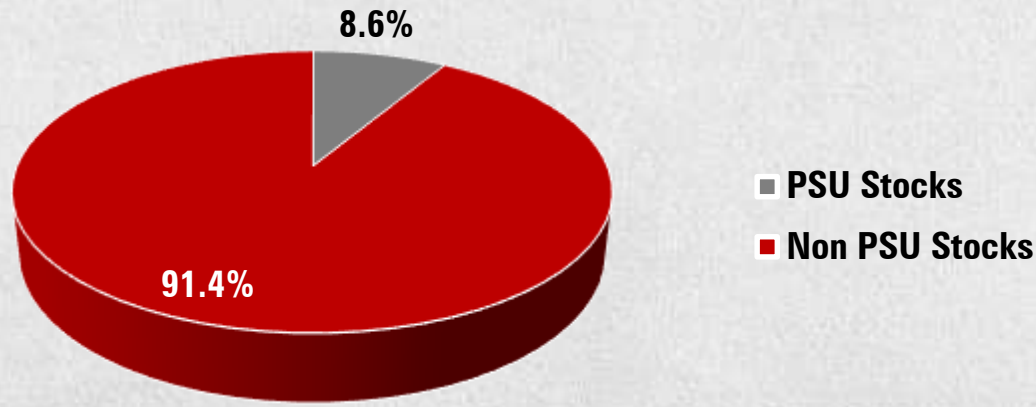


Why PSU space now?

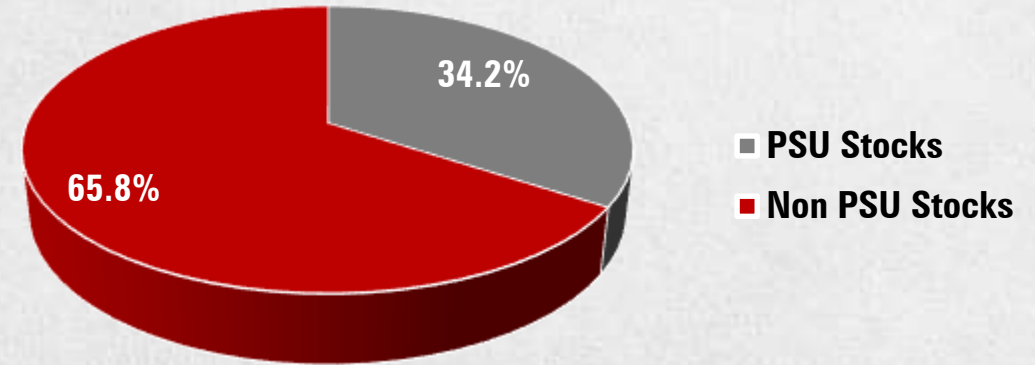


Weak sentiments in this space has led to a decline of PSU share in Market Cap of Top 100 companies v/s their share in profitability (Profit After Tax)

Share of PSU in Top 100 companies as per Market Cap (Cr.) as on 31st Mar'22



Share of PSU in Top 100 companies as per PAT (Cr.) as on 31st Mar'22



Few PSUs are amongst the ones which form a part of top companies as per profitability but not as per Market Cap

No. of PSU stocks in top 100 companies	31-Mar-12	31-Mar-22
As per PAT	30	29
As per Marketcap	29	13



Recent underperformance



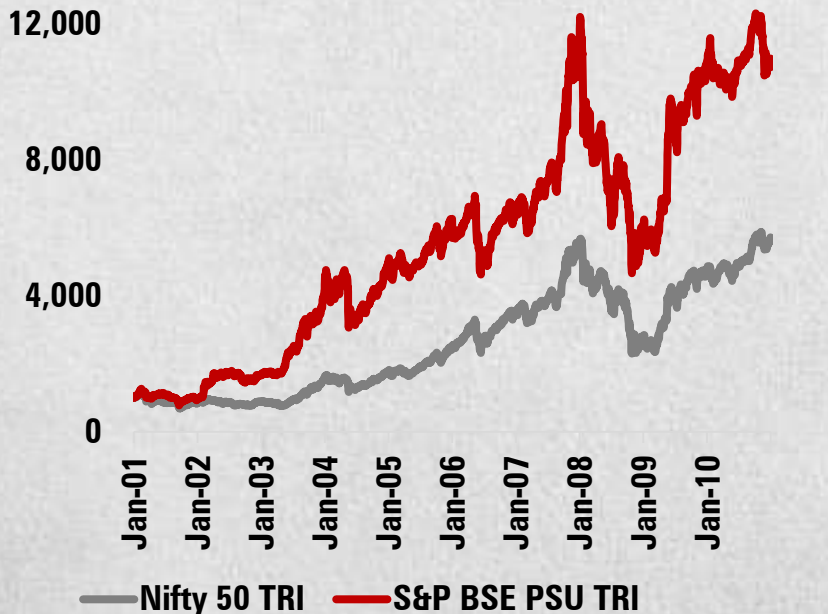
After a decade of underperformance, PSU Index has recently begun witnessing an upward trend and the same is expected to continue

PSU Index generated ~11x return v/s
~5.7x return generated by Nifty 50

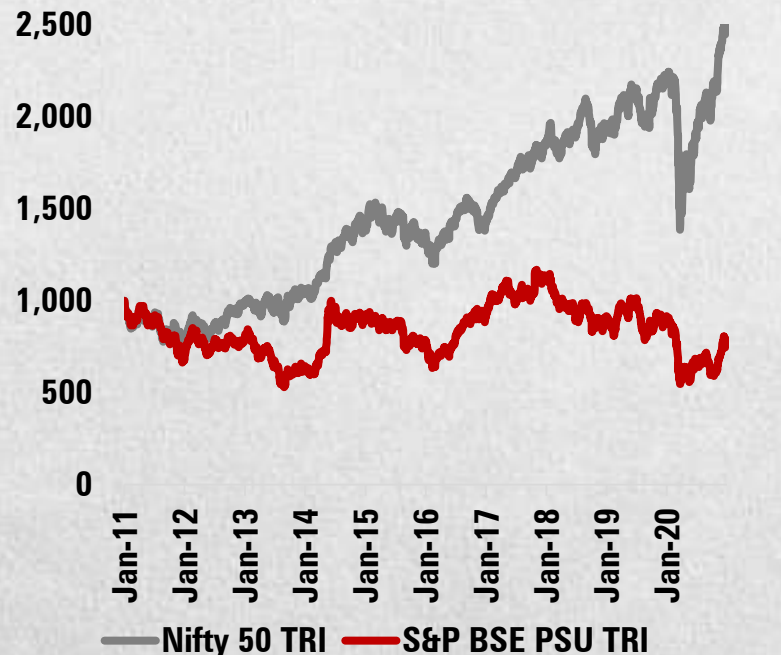
Nifty 50 generated ~2.6x return v/s
negative ~21% return in PSU Index

PSU Index has again started to outperform
with ~59% return v/s ~25% in Nifty 50

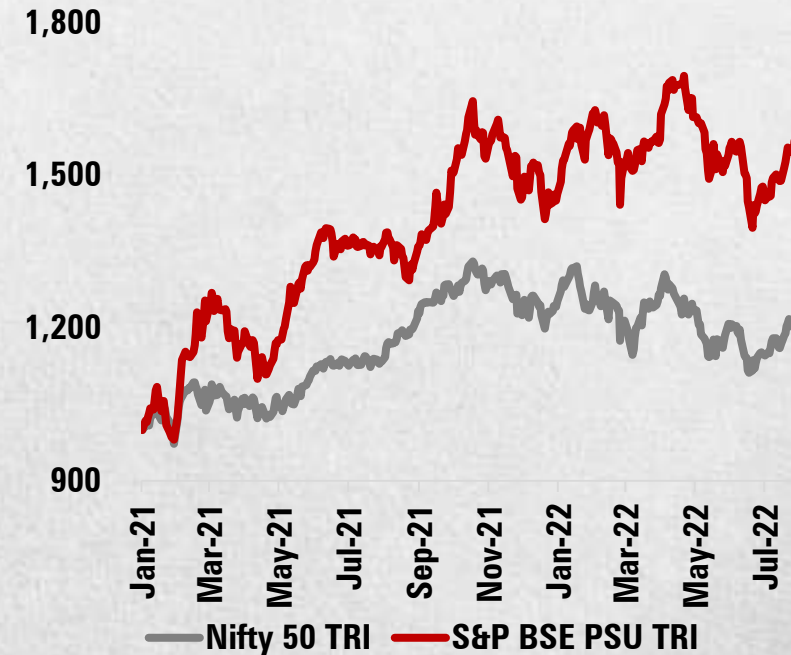
2001-2011:
Decade of PSU Outperformance



2011-2021:
Decade of PSU Under performance



2021-till date:
PSU Outperformance has just started again





PRESENTING

ICICI Prudential

PSU EQUITY FUND



About the scheme



- **Open ended thematic fund investing predominantly in equity & equity related securities of PSU companies**
- **The scheme may track the benchmark universe for investment opportunities**
- **The scheme may invest in opportunities across market cap i.e. large, mid or small cap**
- **With min 80% in PSU stocks, the scheme may invest upto 20% in other equities & equity related securities**
- **Suitable for investors looking for opportunities to participate in the potential growth story of PSUs**



The scheme may invest in sectors/stocks that form a part of S&P BSE PSU Index

TOP 10 SECTORS

Sector	Weight (%)
Public Sector Bank	32%
Utilities	26%
Energy	21%
Aerospace & Defence	6%
Logistics	2%
Railways	2%
Finance	2%
Steel	1%
Metals & Mining	2%
Minerals	1%

TOP 10 STOCKS

Stocks	Weight (%)
State Bank of India	24%
Power Grid Corp of India Ltd	10%
NTPC Ltd	9%
Oil & Natural Gas Corp Ltd	6%
Coal India Ltd	5%
Bharat Petroleum Corp Ltd	4%
Bharat Electronics Ltd	4%
Indian Oil Corp Ltd	4%
Gail India Ltd	3%
Bank of Baroda	3%



Amongst sectors that form a part of benchmark, below sectors with major PSU dominance can be considered



PUBLIC SECTOR BANKS

ENERGY



UTILITIES

DEFENCE





Summary & Recommendation



PSU theme appears lucrative given market uncertainties



Valuations & dividend yields are attractive



Sectors with PSU dominance are experiencing turnaround, e.g. PSBs, Defence, Energy, etc.



Tax efficient dividend payouts



Lower risk & hence lower cost of borrowing compared to promoter run company



ICICI Prudential PSU Equity Fund coupled with ICICI Prudential Dividend Yield Equity Fund is recommended in current volatile scenario



Former provides good exposure to dividend yielding PSUs and whereas the latter gives exposure to quality companies with high dividend yields along with small exposure to PSUs



Portfolio Features



Type of Scheme	An open-ended equity scheme following the PSU theme	
Plans	ICICI Prudential PSU Equity – Regular Plan & ICICI Prudential PSU Equity Fund – Direct Plan	
Options	Growth & IDCW*	
Minimum Application Amount	Rs. 5,000 (plus in multiples of Re.1)	
Minimum Additional Application Amount	Rs. 1,000 (plus in multiples of Re.1)	
Minimum Redemption Amount	Any Amount	
Exit Load	Not applicable	
Exit Load	Less than 1 month	1% of applicable NAV
	More than 1 month	Nil
Fund Manager	Mittul Kalawadia, Anand Sharma	
Benchmark Index	S&P BSE PSU TRI	
SIP / SWP / STP	Available	

*IDCW – Income Distribution cum Capital Withdrawal Option. Payment of dividend is subject to availability of distributable surplus and Trustee approval. Pursuant to payment of dividend, the NAV of the scheme falls to the extent of dividend payout. When units are sold and sale price (NAV) is higher than face value of the unit, a portion of sale price that represents realized gains is credited to an Equalization Reserve Account and which can be used to pay dividend. Dividend can be distributed out of investors capital (Equalization Reserve), which is part of sale price that represents realized gains. In case the unit holder has opted for dividend payout option, the minimum amount for dividend payout shall be 100 (net of dividend distribution tax and other statutory levy, if any), else the dividend would be mandatorily reinvested



Riskometer & Disclaimer



ICICI Prudential PSU Equity Fund (An open-ended equity scheme following the PSU theme) is suitable for investors who are seeking*:

- Long Term Capital Appreciation
- An open-ended equity scheme following the PSU theme

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.



Investors understand that their principal will be at **Very High** risk

Mutual Fund investments are subject to market risks, read all scheme related documents carefully

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WITH THANK YOU