Ministry of Finance

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The Government of India launched today the BHARAT-22 Exchange Traded Fund (ETF) managed by ICICI Prudential Mutual Fund targeting an initial amount of about Rs.8,000 crore. This New Fund Offer is open till November 17, 2017. The Units of the Scheme will be allotted 25% to each category of investors. In this ETF, the Retirement Fund has been made separate category of Investors. In case of spill-over, additional portion will be allocated giving preference to retail and retirement funds. There is a 3% discount across the board.

The strength of this ETF lies in the specially created Index S&P BSE BHARAT-22 INDEX. This Index is a unique blend of shares of key CPSEs,Public Sector Banks (PSBs) and also the Government owned shares in blue chip private companies like Larsen & Tubro (L&T), Axis Bank and ITC. The shares of the Government companies represent 6 core sectors of the economy - Finance, Industry, Energy, Utilities, Fast Moving Consumer Goods (FMCG) and Basic Materials. This combination makes the Index broad-based and diversified. The Sector and Stock exposure limits help in risk management and reduction of concentration, providing stability to the Index. The strength of the Index has been demonstrated in its performance from the time of its launch in August 2017 wherein it has out-performed the NIFTY-50 and Sensex.

The Index constituents include leading Maharatanas and Navratanas such as Coal India, GAIL, Power Grid Corporation of India Ltd. (PGCIL), National Thermal Power Corporation (NTPC), Indian Oil Corporation Ltd., Oil & Natural Gas Corporation (ONGC), Bharat Petroleum, and National Aluminum Company (NALCO), three Public Sector Banks such as SBI, Bank of Baroda apart from the 3 private sector companies mentioned earlier.

The Government of India is undertaking a number of Key Economic Reforms which is driving growth in these sectors of economy. The major reforms such as mentioned below for which market expert believe will fuel the growth in the economy and may benefit the underlying stocks in ETF.

Finance: Insolvency and Bankruptcy Code 2016, Digital and Cashless Economy, Listing of Insurance companies, Bank recapitalization and Goods and Services Tax (GST).

Commerce: Liberalization of Foreign Director Investment (FDI) in India

Oil: Direct Benefit Transfer of LPG subsidies, Introduction of Daily Fuel pricing, Consolidation of Govt. run oil companies.

Energy: Revival package for electricity distribution companies of India (DISCOMs).

Through this instrument, the Government of India is divesting multiple stocks spread across various sectors in one bundled instrument thereby reducing over hang on individual stocks and maximizing sale proceed for the Government. This is expected to benefit long term and retail investors by providing an opportunity of participation in equity stocks of the Government run companies and earn stable returns.

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