

## All you need to know about Bharat 22 ETF

Here is a primer on Further Fund Offer (FFO) of Bharat 22 ETF from ICICI Prudential AMC

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SBI ONGC Bharat Electronics ITC  
Power Grid Corp IOC GAIL Coal India  
L&T BPCL NTPC BOB Axis Bank

Invest in ICICI Prudential Mutual Fund's  
**BHARAT 22**  
EXCHANGE TRADED FUND

6 Core Sectors | 22 Stocks | 2.5% Discount

### What is an Exchange Traded Fund (ETF)?

An ETF is an open-ended mutual fund scheme with an objective to track and reflect the performance of its underlying index. It achieves this through a passive investment strategy of investing in the same stocks and in the same proportion as they constitute the underlying index.

### What are the advantages of an ETF?

Investments in ETFs are highly liquid as they are held through a Demat account and can be traded on a stock exchange like direct equity shares. Also, being passively managed, they have lower expense ratios in comparison to actively managed mutual funds.

### What is Bharat 22 ETF?

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) in November, 2017 was oversubscribed with 3.35 lakh applications, amounting to Rs 32,000 crore. It has now come up with a Further Fund Offer (FFO) to raise Rs 6,000 crore, plus any additional amount, subject to the Government's approval.

Bharat 22 ETF is an open-ended exchange traded fund which will invest in similar composition and weightages as they appear in Bharat 22 Index.

### How is the underlying index (S&P BSE Bharat 22 index) constituted?

The index is collectively comprised of 22 stocks of Central Public Sector Enterprises (CPSE), Public Sector Banks and private companies which are Strategic Holding of Specified Undertaking of Unit Trust of India (SUUTI). The said 22 stocks are spread across six sectors (Basic Materials, Energy, Finance, FMCG, Industrials and Utilities).

The index invests a maximum of 15 per cent in a single stock and 20 per cent in a particular sector. Weights are rebalanced annually.

## S&P BSE Bharat 22 Index Constituents

Company Name	Basic Industry	Weight (%)
National Aluminium Co	Basic Materials	5.47
<b>Total - Basic Materials (%)</b>		<b>5.47</b>
Oil & Natural Gas Corp	Energy	5.97
Indian Oil Corp	Energy	4.23
Bharat Petroleum Corp	Energy	3.66
Coal India	Energy	4.58
<b>Total - Energy (%)</b>		<b>18.44</b>
State Bank of India	Finance	8.87
Axis Bank	Finance	8.78
Bank of Baroda	Finance	1.15
Rural Electrification Corp	Finance	0.85
Power Finance Corp	Finance	0.64
Indian Bank	Finance	0.26
<b>Total - Finance (%)</b>		<b>20.55</b>
ITC	FMCG	15.32
<b>Total - FMCG (%)</b>		<b>15.32</b>
Larsen and Toubro	Industrials	15.82
Bharat Electronics	Industrials	2.15
Engineers India	Industrials	0.86
NBCC (India)	Industrials	0.99
<b>Total - Industrials (%)</b>		<b>19.82</b>
Power Grid Corp of India	Utilities	6.95
NTPC	Utilities	7.71
GAIL India	Utilities	4.54
NHPC	Utilities	0.87
NLC India	Utilities	0.14
SJVN	Utilities	0.19
<b>Total - Utilities (%)</b>		<b>20.40</b>

Data as on May 31, 2018. Source: Asia Index Pvt.. (AIPL)

### Who will manage the scheme?

The government of India has appointed ICICI Prudential AMC to create, launch and manage Bharat 22 ETF. Kayzad Eghlim will manage the fund.

### Who should invest in Bharat 22 ETF?

The scheme is intended for investors who are seeking long-term wealth creation through a diversified portfolio which is largely comprised of high-quality public sector undertakings.

### Is there any lock-in period?

There is a lock-in period of 30 days from the date of allotment for anchor investors. There is no lock-in period for others, including retail investors, retirement funds, qualified institutional buyers (QIBs) and non-institutional investors (NIIIs).

### What are the tax implications?

The taxation treatment for Bharat 22 ETF is in line with other equity mutual fund schemes. Short-term capital gains (STCG), that is, gains on investments held up to one year, is taxed at 15 per cent plus surcharge and cess as applicable. Long-term capital gains (LTCG), that is, gains on an investment held for more than one year are taxed at 10 per cent (only if the gains exceed Rs 1 lakh).

### How can I invest in Bharat 22 ETF?

The FFO is open for subscription from June 20 to June 22, 2018 for retail investors. Applications to invest in Bharat 22 ETF through FFO can be submitted online as well as offline. Offline applications can be submitted to any of the service centre of ICICI Prudential AMC or CAMS. For online application, ICICI Prudential AMC website, IPRUTOUCH mobile app and other platforms like BSE Star MF, MF Utility, CAMSONLINE, etc. may be used.

You need to have a demat account to invest in ETFs. But for the benefit of retail investors without a demat account, the fund house has launched a Fund of Funds (FOF) scheme based on Bharat 22 ETF by the name of ICICI Prudential Bharat 22 FOF. The New Fund Offer (NFO) of ICICI Prudential Bharat 22 FOF will be open from June 19 to June 22, 2018.

Minimum and maximum application amount for retail investors is Rs 5,000 and Rs 2 lakh respectively.

### Is there any extra benefit in investing through the Further Fund Offer (FFO)?

Units of Bharat 22 ETF (as well as Bharat 22 FOF) are being offered at a discount of 2.5 per cent on the basis of the Reference Market Price. Reference Market Price is determined as an average of FVWP (Full Day Volume Weighted Price) on BSE from June 20 to June 22, 2018.

### When are the units allotted?

Units of Bharat 22 ETF will be allotted to the successful applicants (non-anchor investors) in whole numbers within 3 business days from the closure of the FFO period.

### What happens in the case of oversubscription or under subscription?

In case the FFO is oversubscribed, the units will be allotted in proportion to the amount of the applications received. And, in case of under subscription, all the units applied shall be allotted. Refund amount, in case of oversubscription or unsuccessful application, will be directly credited to the registered bank account.

The maximum amount to be raised by BHARAT 22 ETF shall be allocated in the following manner.

Anchor investors: Not exceeding 25% of 'Maximum Amount to be Raised'

Non-Anchor investors:

- RIIs- Not exceeding 25% of 'Maximum Amount to be Raised'
- RFBs - Not exceeding 25% of 'Maximum Amount to be Raised'
- QIBs and NIIIs- Not exceeding 25% of 'Maximum Amount to be Raised'

### How can I liquidate my investments in Bharat 22 ETF?

The units of Bharat 22 ETF will be listed on BSE and NSE within 5 business days from the date of allotment. Units can be freely traded on the stock exchange like direct equity shares, once they are listed.