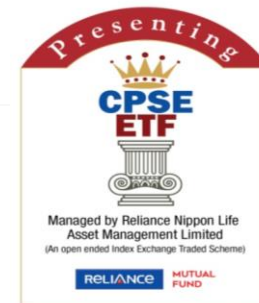




# CPSE ETF Further Fund Offer 5 (FFO 5)

Managed by Reliance Nippon Life Asset Management Limited

(An Open-ended Index Exchange Traded Scheme)



	For Anchor Investors	For Non Anchor Investors
<b>FFO 5 Opens on</b>	<b>July 18, 2019</b>	<b>July 19, 2019</b>
<b>FFO 5 Closes on</b>	<b>July 18, 2019</b>	<b>July 19, 2019</b>

Offer of Units of Rs.10/- each (i.e. face value) for cash (on allotment, the value of each Unit would be approximately 1/100th of the value of Nifty CPSE Index) to be issued at a premium, if any, approximately equal to the difference between face value and FFO 5 Allotment Price during the Further Fund Offer 5 ("FFO 5") and at NAV based prices thereafter. For the existing CPSE ETF the Ongoing Offer Period for the Scheme commenced on April 04, 2014.

Product Label	
<p><b>This product is suitable for investors who are seeking*</b></p> <ul style="list-style-type: none"> <li>• Long-term capital appreciation.</li> <li>• Investment in Securities covered by Nifty CPSE Index.</li> </ul> <p>*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.</p>	<p>Investors understand that their principal will be at High risk</p>

**Not for circulation purpose**



# CPSE Background

# CPSE ETF Background

## Government of India (GOI) used innovative route to divest its holding in CPSEs via ETF

### New Fund Offer (NFO)

- ❑ NFO was first launched in March 2014 and was oversubscribed 1.45 times
- ❑ NFO received overwhelming response with participation across various categories of investors; NFO collection was Rs.4,363 crs., out of which Rs.1,363 crs. was refunded to investors due to limited issue size of Rs.3,000 crs.
- ❑ NFO Units of CPSE ETF were listed on 4th April 2014 on NSE & BSE

### Further Fund Offer (FFO)

- ❑ FFO was launched in January 2017 and was oversubscribed 2.28 times
- ❑ FFO received overwhelming response with participation across various categories of investors; FFO collection was Rs.13,705 crs., out of which Rs.7,705 crs. was refunded to investors due to limited issue size of Rs.6,000 crs.
- ❑ FFO Units of CPSE ETF were listed on 31st January 2017 on NSE & BSE

### Further Fund Offer 2 (FFO 2)

- ❑ FFO 2 was launched in March 2017 and was oversubscribed 4.03 times
- ❑ FFO 2 received overwhelming response with participation across various categories of investors; FFO 2 collection was Rs.10,083 crs., out of which Rs.7,583 crs. was refunded to investors due to limited issue size of Rs.2,500 crs.
- ❑ FFO 2 Units of CPSE ETF were listed on 28th March 2017 on NSE & BSE

### Further Fund Offer 3 (FFO 3)

- ❑ FFO 3 was launched in November 2018 and was oversubscribed 3.90 times
- ❑ FFO 3 received overwhelming response with participation across various categories of investors; FFO 3 collection was Rs.31,203 crs., out of which Rs.14,203 crs. was refunded to investors due to limited issue size of Rs.17,000 crs.
- ❑ FFO 3 Units of CPSE ETF were listed on 10th December 2018 on NSE & BSE

### Further Fund Offer 4 (FFO 4)

- ❑ FFO 4 was launched in March 2019 and was oversubscribed 3.05 times
- ❑ FFO 4 received overwhelming response with participation across various categories of investors; FFO 4 collection was Rs.30,464 crs., out of which Rs.20,464 crs. was refunded to investors due to limited issue size of Rs.10,000 crs.
- ❑ FFO 4 Units of CPSE ETF were listed on 1st April 2019 on NSE & BSE

# CPSE ETF : NFO, FFO, FFO 2, FFO 3 & FFO 4- Investor Details

## NFO - March 2014

Investor category	No of Clients	Amount (Rs. Crs.)		
		Application Amt	Allotment Amt	Refund
Anchor Investors	7	835	835	0
RII	36743	230	202	29
QIB	19	1716	1020	696
NII	550	999	596	403
FII	3	583	347	236
<b>Total</b>	<b>37322</b>	<b>4363</b>	<b>3000</b>	<b>1363</b>

## FFO - January 2017

Investor category	No of Clients	Amount (Rs. Crs.)		
		Application Amt	Allotment Amt	Refund
Anchor Investors	42	5995	1800	4195
RII	267970	2422	2422	0
Retirement Funds	142	3095	1778	1316
QIB	25	1655	0	1655
NII	2591	539	0	539
<b>Total</b>	<b>270770</b>	<b>13705</b>	<b>6000</b>	<b>7705</b>

## FFO 2 - March 2017

Investor category	No of Clients	Amount (Rs. Crs.)		
		Application Amt	Allotment Amt	Refund
Anchor Investors	26	5692	750	4942
RII	165214	1626	1344	282
Retirement Funds	92	1969	406	1563
QIB	5	757	0	757
NII	1123	39	0	39
<b>Total</b>	<b>166460</b>	<b>10083</b>	<b>2500</b>	<b>7583</b>

## FFO 3 - November 2018

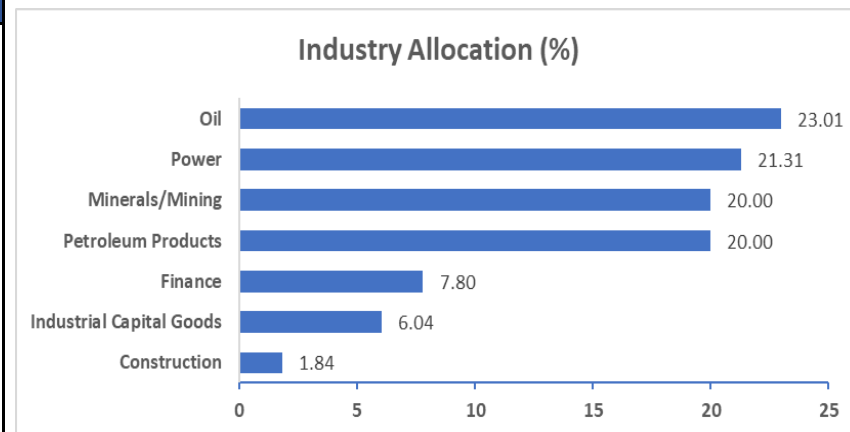
Investor category	No of Clients	Amount (Rs. Crs.)		
		Application Amt	Allotment Amt	Refund
Anchor Investors	30	13362	5100	8262
RII	188109	2575	2575	0
Retirement Funds	50	1813	1813	0
QIB	53	10837	6052	4786
NII	1377	2616	1461	1155
<b>Total</b>	<b>189619</b>	<b>31203</b>	<b>17000</b>	<b>14203</b>

## FFO 4 - March 2019

Investor category	No of Clients	Amount (Rs. Crs.)		
		Application Amt	Allotment Amt	Refund
Anchor Investors	16	6072	3000	3072
RII	210591	3406	3405	0
Retirement Funds	31	1381	1381	0
QIB	53	17433	1969	15464
NII	1454	2173	245	1927
<b>Total</b>	<b>212145</b>	<b>30464</b>	<b>10000</b>	<b>20464</b>

# Proposed Nifty CPSE Index Constituents & Industry Allocation

Proposed Nifty CPSE Index constituents as on June 28, 2019			
No.	Company Name	Industry	Weightages (%)
1	Coal India Ltd.	Minerals/Mining	20.00
2	Indian Oil Corporation Ltd.	Petroleum Products	20.00
3	NTPC Ltd.	Power	20.00
4	Oil & Natural Gas Corporation Ltd.	Oil	20.00
5	Power Finance Corporation Ltd.	Finance	7.80
6	Bharat Electronics Ltd.	Industrial Capital Goods	6.04
7	Oil India Ltd.	Oil	3.01
8	NBCC (INDIA) Ltd.	Construction	1.84
9	NLC India Ltd.	Power	0.73
10	SJVN Ltd.	Power	0.58
<b>Total</b>			<b>100.00</b>



Source: NSE Indices Ltd., AMFI. Data as of 28<sup>th</sup> June 2019.

# CPSE ETF Value Proposition

# Investment Case - Qualitative

## ❑ Investing in Sector Leaders / Near monopolies

6 out of 10 companies in CPSE are sector leaders

- ✓ **ONGC & Oil India** – Leadership in Oil production
  - ✓ **Coal India** – Monopoly in coal supply
  - ✓ **Indian Oil Corp.** – Leader in fuel distribution & Petrochem
  - ✓ **Bharat Electronics** – Leader in Defence
  - ✓ **NTPC** – Leader in coal-based power generation
- 
- ❑ **Companies aligned to GoI's transformation agenda** – Energy & Fuel supply, security, Defence & Railways

# Investment Case - Quantitative

## ❑ Valuations at a steep discount to broader Indices

Nifty CPSE Index on an aggregate is being offered at a “34% -to- 46% discount to Nifty 50 Valuations”

**Est. FY21 PB(x) :** Nifty 50 2.4x vs CPSE 1.3x, ~46% lower

**Est. FY21 PE(x) :** Nifty 50 15.4x vs CPSE 8.5x, ~46% lower

**Est. FY21 EV/Ebitda (x) :** Nifty 50 9.3x vs CPSE 6.2x, ~34% lower

**Dividend Yield % :** Nifty 50 1.24% vs CPSE 4.89%, 3.9x times

**RoE % :** Nifty 50 12% -15% vs CPSE 13% - 14%

(RoE % of CPSE Basket almost same as Nifty 50, even though valuations at a steep-discount)



# CPSE Composition : Weight % & Market Cap

## Large market capitalization & sector leaders

Name	Sector	Weight	Market Cap. ( In Crs. )
Oil & Natural Gas Corp Ltd	Energy	20.00%	211,034
Indian Oil Corp Ltd	Other Oil PSUs	20.00%	146,767
Coal India Ltd	Energy	20.00%	156,410
NTPC Ltd	Energy	20.00%	139,860
Power Finance Corp Ltd	PSU Financials	7.80%	35,430
Bharat Electronics Ltd	Infra. & Engineering	6.04%	27,412
Oil India Ltd	Energy	3.01%	19,302
NBCC India Ltd	Infra. & Engineering	1.84%	10,728
NLC India Ltd	Energy	0.73%	9,082
SJVN Ltd	Energy	0.58%	9,785

Source : Bloomberg, NSE Indices Limited

Data as on 28th June, 2019

# CPSE Sector Composition & Valuations

Diversified sector composition at attractive valuations

Sector	Weight	Market Cap ( In Crs. )	Est. FY21 PB(x)	Est. FY21 PE(x)	Est. FY21 EV / Ebitda (x)	Est. FY20 RoE %	FY18 Net Debt / Equity
Energy	64%	545,474	1.2	8.7	5.5	14%	36%
Other Oil PSUs	20%	146,767	1.0	8.3	5.8	13%	54%
Infra. & Engineering	8%	38,140	1.5	14.1	8.2	11%	Net Cash
PSU Financials	8%	35,430	0.8	5.0	NA	15%	NA
<b>CPSE</b>			<b>1.3</b>	<b>8.5</b>	<b>6.2</b>	<b>14%</b>	<b>34%</b>
<b>Nifty 50</b>			<b>2.4</b>	<b>15.8</b>	<b>9.3</b>	<b>15%</b>	<b>51%</b>

*Valuation Discount %*

*-46%*

*-46%*

*-34%*

Source : RMF Research, Broker Estimates, NSE Indices Limited

Data as on 28th June, 2019

# Energy Companies : Cyclical Trough & Attractive Valuations

Sector	Weight	Market Cap ( In Crs. )	Est. FY21 PB(x)	Est. FY21 PE(x)	Est. FY21 EV / Ebitda (x)	Est. FY20 RoE %	FY18 Net Debt / Equity
Energy	64%	545,474	1.2	8.7	5.5	14%	36%

- In last 3 years, government has not passed any subsidy burden on upstream oil co. This mitigates the subsidy overhang
- ONGC is large proxy to rising crude price. OPEC decision to cut the oil production can boost oil prices
- Gas trading hub can lead to better realization for gas prices. Furthermore, ONGC gas production is likely to increase by ~30% in next 3 years from KG/ Eastern offshore
- Total installed capacity of power stations in India stood at 358.50 GW as of May 2019. Coal-based power generation capacity in India, which currently stands at 194.4 GW is expected to reach 330-441 GW by 2040. India's per capita power consumption is 1/4th of the world average and thus there is a lot of scope for growth
- Valuations attractive at Est. FY21 PE 8.7x and PB 1.2x
- Play on rising energy consumption in an rapidly growing economy

Data as of June 28, 2019

## Other Oil PSUs : Consumption at Attractive Valuations

Sector	Weight	Market Cap ( In Crs. )	Est. FY21 PB(x)	Est. FY21 PE(x)	Est. FY21 EV / Ebitda (x)	Est. FY20 RoE %	FY18 Net Debt / Equity
Other Oil PSUs	20%	146,767	1.0	8.3	5.8	13%	54%

- The marketing business is turning more resilient with stable government. Don't expect any under recovery sharing even at high crude prices
- Daily pricing mechanism has obviated the need for daily approval on pricing + plus micro level pricing can aid to the marketing margins
- Is a play on Petroleum products consumption i.e. Petrol / Diesel, where demand continues to remain strong and is structural
- Company may benefit from IMO in next 12-18 months due to high diesel cracks. Leading to higher refining margins
- Well diversified business portfolio – refining, marketing, petrochemicals and pipeline
- Stocks remain attractively priced at Est. FY21 PE 8.3x and Est. FY21 PB 1.0x

Data as of June 28, 2019

# Infra. & Engineering : Leadership with MOAT

Sector	Weight	Market Cap ( In Crs. )	Est. FY21 PB(x)	Est. FY21 PE(x)	Est. FY21 EV / Ebitda (x)	Est. FY20 RoE %	FY18 Net Debt/ Equity
Infra. & Engineering	8%	38,140	1.5	14.1	8.2	11%	Net Cash

All 3 companies poised for high growth - aligned to Gol focus and goals

**I. Big opportunity in Government Capex, Logistics & Defence**

**II. Market leaders in respective sectors**

**III. Excellent balance sheet with net cash, with ability to grow significantly**

**IV. Big growth opportunity going forward**

Data as of June 28, 2019

# PSU Financials : Trough Valuations

Sector	Weight	Market Cap ( In Crs. )	Est. FY21 PB(x)	Est. FY21 PE(x)	Est. FY21 EV / Ebitda (x)	Est. FY20 RoE %	FY18 Net Debt / Equity
PSU Financials	8%	35,430	0.8	5.0	NA	15%	NA

## I. Companies impacted by woes of the power sector

## II. Recent reform initiatives by government to benefit over next 3 years

Slew of measures including

- Cutting distribution losses from 22% to 15%
- Reducing cost of power generation
- Introducing realistic tariffs to discourage theft
- States accountable for losses & debt prospectively
- Banks will not be allowed to issue loans for financial

## III. Valuations at all time low. On Est. FY21 – PE 5.0x and PB 0.8x

Data as of June 28, 2019

# CPSE : Growth vs Valuations

**Nifty CPSE Index priced at a significant discount to Nifty 50 Index  
for comparable growth & RoE**

										Return Ratio		
	PE(x)			PB(x)			EV / Ebitda ( X-Fin. )			RoE %		
	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>
<b>CPSE</b>	9.1	9.0	8.5	1.4	1.3	1.3	7.9	7.0	6.2	13.0%	14.5%	14.0%
<b>Nifty 50</b>	23.6	18.6	15.8	2.9	2.7	2.4	11.8	11.2	9.3	12.3%	14.6%	15.2%
<i>Valuation Discount %</i>	<i>-62%</i>	<i>-51%</i>	<i>-46%</i>	<i>-53%</i>	<i>-51%</i>	<i>-46%</i>	<i>-33%</i>	<i>-37%</i>	<i>-34%</i>			

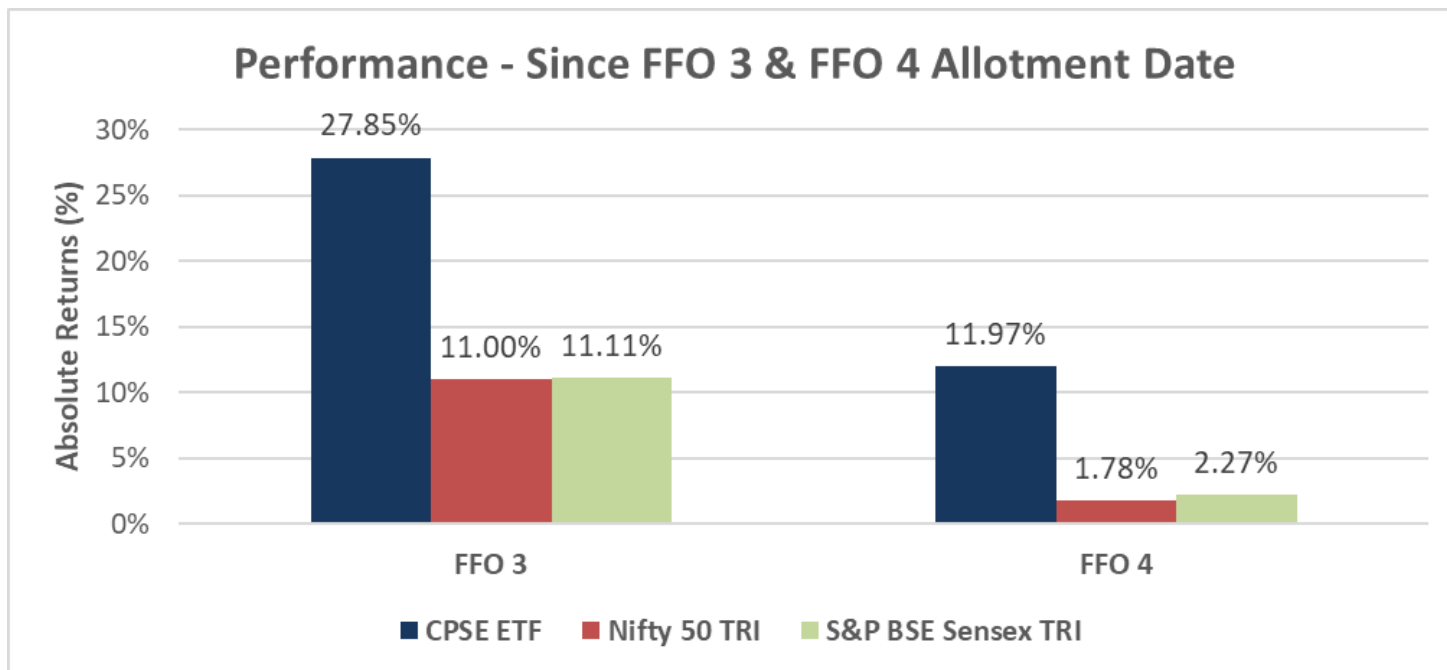
Source : RMF Research, Broker Estimates and NSE Indices Limited

Data as of June 28, 2019

# Performance



# Performance of CPSE ETF



Data as of 28<sup>th</sup> June, 2019

CPSE ETF FFO 3 Allotment Date – 7<sup>th</sup> December, 2018

CPSE ETF FFO 4 Allotment Date – 29<sup>th</sup> March, 2019

Source: MFI

# CPSE ETF FFO 5 - Details

Scheme Features	For Anchor Investors	For Non Anchor Investors	
FFO 5 Opens on	18-July-19	19-July-19	
FFO 5 Closes on	18-July-19	19-July-19	
Benchmark Index	Nifty CPSE Index		
Pricing	1/100 <sup>th</sup> of Nifty CPSE Index		
Fund Manager	Vishal Jain		
Load Structure	Entry & Exit Load : Nil		
Category of Investors (during FFO 5)	<ul style="list-style-type: none"> <li>▪Retail Individual Investor</li> <li>▪Qualified Institutional Buyers or QIB</li> <li>▪Non Institutional Investors</li> <li>▪Anchor Investors</li> </ul>		
Minimum application amount (during FFO 5)	<b><u>Retail Individual Investor:</u></b> Minimum amount of Rs.5,000/- and in multiples of Re.1/- thereafter	<b><u>Non Institutional Investors / QIB</u></b> Minimum amount of Rs.2,00,001/- and in multiples of Re.1/- thereafter	<b><u>For Anchor Investor:</u></b> Minimum amount of Rs.10 Crores and in multiples of Re.1/- thereafter
Minimum application amount (during ongoing offer period) (Ongoing Offer commenced on April 04, 2014)	<b><u>Directly with the Mutual Fund:</u></b> Create / Redeem in exchange of Portfolio Deposit and cash component in Creation Unit Size of 1 lakh units of the Scheme.	<b><u>On the Exchange:</u></b> 1 (one) Unit and in multiples thereof.	
Plans	Growth		
Listing	FFO 5 Units offered pursuant to the FFO 5, listed on NSE and BSE on or before August 02, 2019. However Units of the existing CPSE ETF Scheme were listed on 04 <sup>th</sup> April 2014 on NSE & BSE.		
Maximum Amount to be Raised during FFO 5	Rs.8,000 crores Plus Additional Amount (if any) to be decided by GOI post closure of Non Anchor Investors FFO 5 Period		
Discount Offered by GOI	Discount of 3% (Three percent) on the "FFO 5 Reference Market Price" of the underlying shares of Nifty CPSE Index shall be offered to FFO 5 by GOI. No discount will be offered on purchase of index constituents from open market		

# Disclaimers

**Scheme Risk Factors:** Since the CPSE companies are substantially owned by the GOI, the GOI may take actions with respect to the CPSE sector that may not be in the best interests of Unit holders. There can be no assurance that such incidents would not result in a fall in price of the underlying securities constituting the Nifty CPSE Index and correspondingly the NAV of the Scheme. Further trading volumes and settlement periods may restrict liquidity in equity and debt investments. Investment in Debt is subject to price, credit, and interest rate risk. The NAV of the Scheme may be affected, inter alia, by changes in the market conditions, interest rates, trading volumes, settlement periods and transfer procedures. The NAV may also be subjected to risk associated with tracking error, investment in derivatives or script lending as may be permissible by the Scheme Information Document (SID). Past performance may or may not be sustained in future. For further details please refer SID.

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MUTUAL  
FUND



NISSAY

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Nippon Life Insurance Company

**Thank you**

## Performance : CPSE ETF vs Nifty 50 Index & Large Caps

Performance of CPSE ETF as of 28th June, 2019						
Scheme	Absolute Return %			CAGR %		
	1 month	3 months	6 months	1 year	3 years	Since Inception*
CPSE ETF	0.88	4.20	16.57	10.67	10.80	9.81
Nifty 50 TRI	-0.90	1.78	9.20	11.42	13.93	12.80
Average Large Cap Category#	-0.55	2.32	7.95	8.20	11.29	13.28

Less than 1 year Absolute returns, Greater than or Equal to 1 year Compound Annualized returns

\*Since Inception Date of CPSE ETF - 28th March, 2014

#Large Cap Schemes with Regular Plan option

Source: MFI

# Calendar Performance : CPSE ETF vs Nifty 50 TR Index

Calendar Year Return %		
Year	CPSE ETF	NIFTY 50 TRI
2014*	44.1%	24.9%
2015	-14.3%	-3.0%
2016	17.4%	4.4%
2017	19.4%	30.4%
2018	-18.9%	4.6%
2019**	16.6%	9.2%

\*Returns from inception date of CPSE ETF, i.e. 28th March, 2014

\*\*Data ended 28<sup>th</sup> June 2019

Calendar year Returns are point to point

Nifty 50 returns are based on total returns index

Source: MFI