

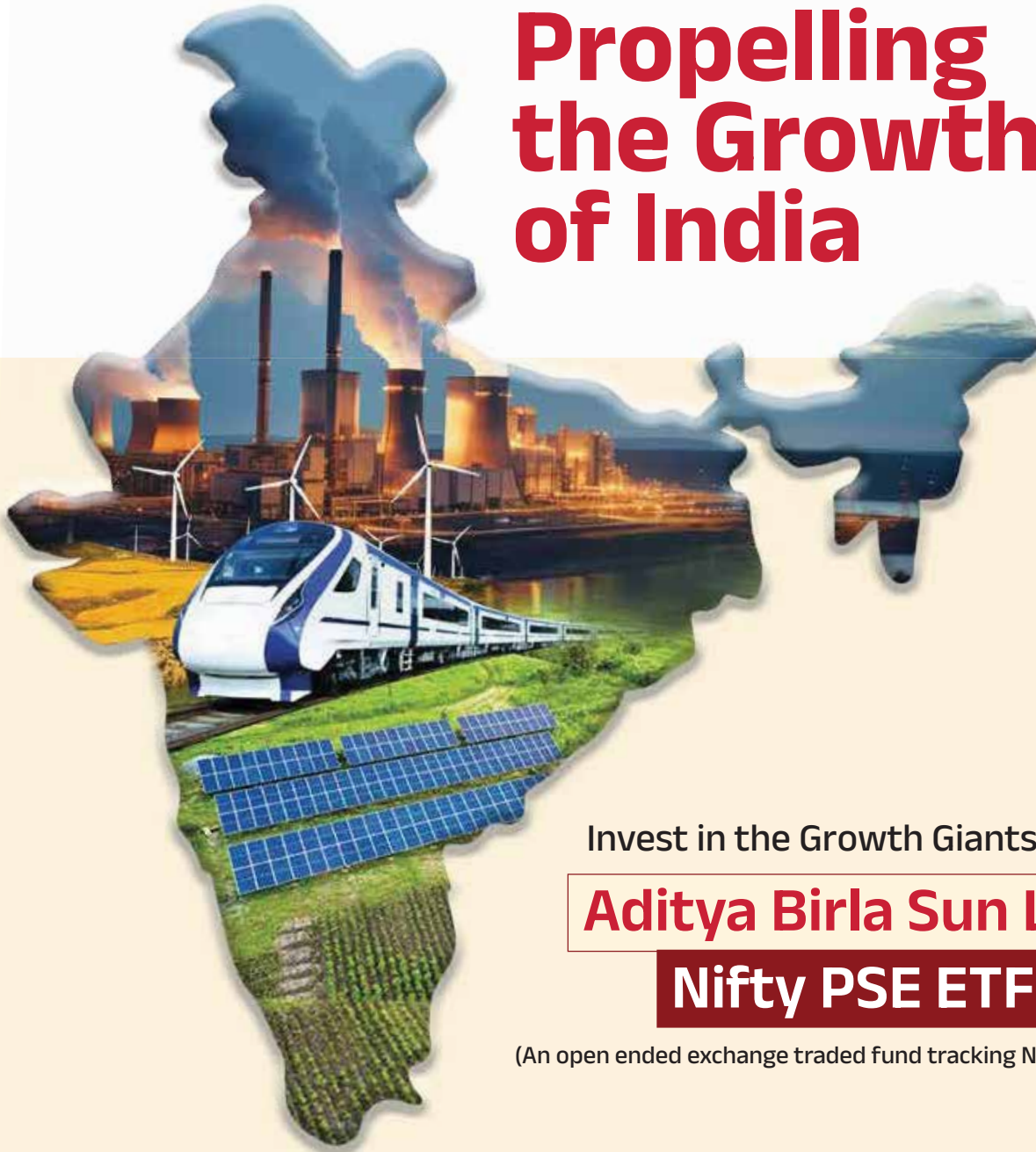


Aditya Birla Sun Life  
Mutual Fund



MUTUAL FUNDS

# Public Sector Enterprises: Propelling the Growth of India



Invest in the Growth Giants with

**Aditya Birla Sun Life**

**Nifty PSE ETF**

(An open ended exchange traded fund tracking Nifty PSE Index)

MAP OF INDIA IS USED FOR ILLUSTRATIVE PURPOSE ALONE AND IS NOT A POLITICAL MAP OF INDIA.

Each bull market is all about leadership, and the current bull market in India is partly led by Public Sector Enterprises (PSE) stocks. The Nifty PSE Index has experienced a turnaround after a decade of lacklustre performance, surging by 351% since October 2020, outpacing Nifty 50 Index (+103%). Year-to-date, the Index has already risen by 17%, compared to the Nifty 50's gain of 3%.

The average market cap in 2023 has grown by more than 2.6x of its pre-covid levels in 2019.

Source: NSE Historical Data, as on 28th March 2024. Returns calculated are Absolute returns. Total Returns Index values have been used for returns calculation purpose. Past Performance may or may not be sustained in the future.

## WHY ARE PSE COMPANIES GROWING FAST?



**Government Focus and Support:** Being leaders in key sectors like power, energy, and defence, PSEs are vital for India's expected \$7 trillion economy by 2030.

Source: <https://www.livemint.com/economy/india-to-be-a-usd-7-trillion-economy-by-2030-finance-ministry-nirmala-sitharaman-11706525095022.html>



**Rise in Profitability:** PSEs' ROCE has risen by 33% in the past decade, with ~35% of profits paid as dividends in last 5 years\*. Dividend rate have been stable across most companies.

| Average   | 2013  | 2019  | 2023  |
|-----------|-------|-------|-------|
| ROA (%)*  | 7.38  | 6.66  | 6.54  |
| ROCE (%)* | 9.26  | 13.82 | 12.42 |
| ROE (%)*  | 17.32 | 19.40 | 23.15 |

\*Source: Bloomberg | Latest data available as on 31st December 2023 / Data pertains to All Nifty PSE Index companies | ROA - Return on Asset, ROE - Return on Equity, ROCE - Return on Capital Employed



**Value unlocking through Capex:** The recent rally is linked to a notable **increase in Capital expenditure (INR 11.11 Lakh crore)** in 2024 - 2025 Interim Budget. PSE companies are among the primary beneficiaries of government capex initiatives, leading to an expected uptick in their stock performance.



**Focus on Growth:** PSEs have seen strong growth driven by significant order inflows, showcasing the government's focus on initiatives like **AtmaNirabhar Bharat and Make in India**, PM Awaas Yojana, emphasis on Solar Power, bolstering National Security, and efforts to enhance defence exports, alongside ongoing improvements in railways and roadways.

## Presenting

# Aditya Birla Sun Life Nifty PSE ETF

(An open ended exchange traded fund tracking Nifty PSE Index)

### Nifty PSE Index



Comprises of companies in which 51% of outstanding share capital is held by the Central Government and/or State Government, directly or indirectly.

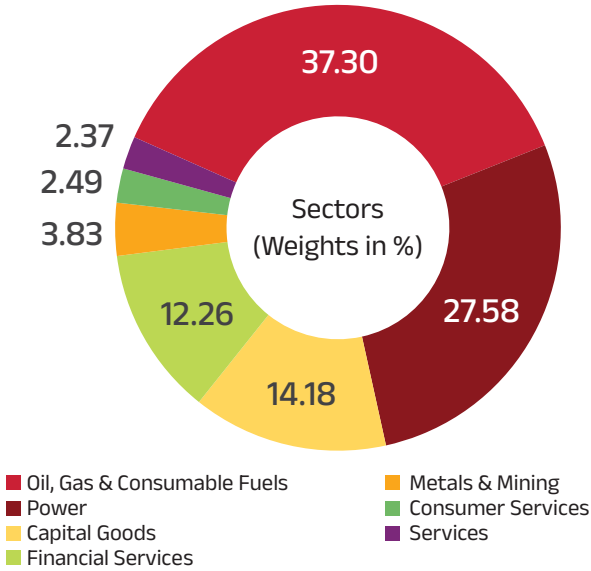
### Index Construction



The Index is limited to a maximum of 20 companies, with each stock's weight determined by its free-float market capitalization, ensuring that no single stock exceeds 33% and the combined weight of the top 3 stocks does not surpass 62%.

# NIFTY PSE INDEX COMPOSITION

## Nifty PSE Index Sector Allocation



Source: NiftyIndices.com/Nifty PSE Factsheet | Data as on March 28, 2024

Index Methodology: [https://niftyindices.com/Methodology/Method\\_NIFTY\\_Equity\\_Indices.pdf](https://niftyindices.com/Methodology/Method_NIFTY_Equity_Indices.pdf) | Latest Index Constituents: <https://www.niftyindices.com/indices/equity/thematic-indices/nifty-pse>

## Nifty PSE Index Top 10 Constituents

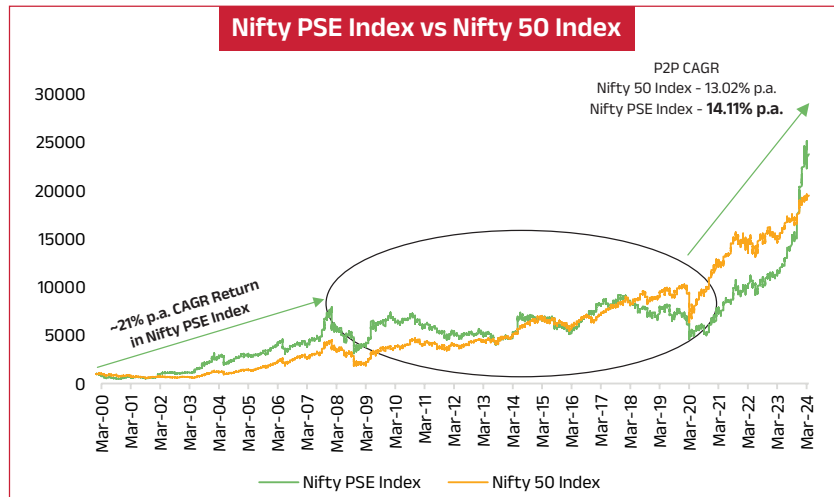
| Company's Name                       | Weight (%) |
|--------------------------------------|------------|
| NTPC Ltd.                            | 14.07      |
| Power Grid Corporation of India Ltd. | 11.13      |
| Oil & Natural Gas Corporation Ltd.   | 9.22       |
| Coal India Ltd.                      | 8.73       |
| Bharat Electronics Ltd.              | 6.37       |
| Hindustan Aeronautics Ltd.           | 5.49       |
| Indian Oil Corporation Ltd.          | 5.43       |
| Bharat Petroleum Corporation Ltd.    | 5.07       |
| Power Finance Corporation Ltd.       | 5.00       |
| REC Ltd.                             | 4.92       |

## WHY INVEST IN NIFTY PSE INDEX?



**Historic Performance and High Dividend Yielding Stocks:** Nifty PSE Index has outperformed Nifty 50 Index Since Jan 2000 with CAGR return of 13.95%<sup>^</sup> p.a. compared to Nifty 50 with 13.02%<sup>^</sup> p.a.

Index level dividend payout has increased and kept stable since the last 3 years with better cash flow accruals.



\*Source - MFIE | Data till March 2024. Index return based on Nifty PSE Factsheet. CAGR returns are point to point returns. Total Returns Index values have been used for returns calculation purpose. Past performance may or may not sustain in future



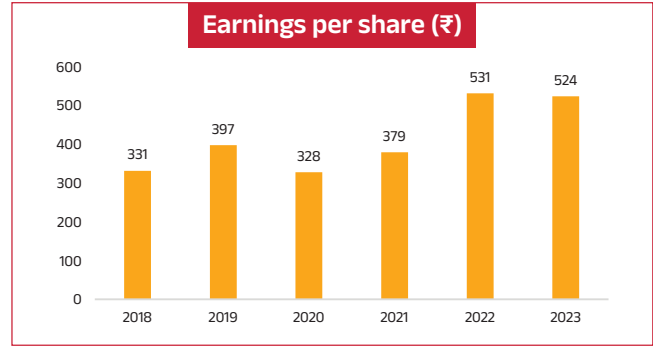
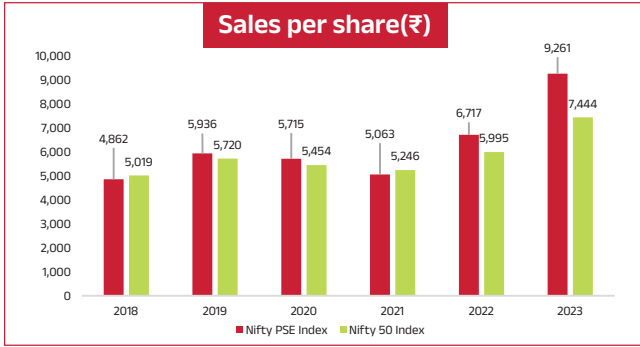
**Entry Barrier for Private Companies:** PSU stocks enjoy quasi-monopolistic status and enjoy government support.



**Promising Financials:** There has been a sharp improvement in margins for Nifty PSE Index - moving from 4.5% in 2020 to peak of 9% in 2023.

Source: Bloomberg, Bernstein Analysis, Latest Available data as on 21st Feb 2024

## Nifty PSE Index



Source - Bloomberg | Latest Available Data as on 31st December 2023



**Attractive Valuations:** Despite the Nifty PSE Index showing strong performance over the past year, it currently appears relatively expensive compared to its historical average. However, when compared to the broader market, the Nifty PSE Index still trades at a discount and remains below its historical mean.



**Low Foreign Participation helps in Reducing Volatility:** Foreign Institutional Investors have always preferred the Private names in India over PSU names. Aggregate FII ownership in non-PSUs is at 20.5% vs. 10yr average of 21.5% and in PSUs at 9.3% vs. 10yr average of 9.8%.

Source: ET BSFI, Latest Available data as on 26th Feb 2024

## THIS FUND IS SUITABLE FOR INVESTORS WHO:



Have a long-term investment horizon



Seek investments in government-backed companies with low volatility



Seek to invest in potentially high dividend yielding companies



Wish to diversify their portfolios through sectoral / thematic allocation

| Scheme Name   | This product is suitable for investors who are seeking*:   | Riskometer   | Benchmark Riskometer<br>Nifty PSE Index                                |
|---|--|--|--|
| <b>Aditya Birla Sun Life Nifty PSE ETF</b><br>(An open ended exchange traded fund tracking Nifty PSE Index) | <ul style="list-style-type: none"> <li>Investors seeking returns that are in line with the performance of Nifty PSE Index, subject to tracking errors</li> <li>Investments in the stocks belonging to Nifty PSE Index</li> </ul> | <p><b>RISKOMETER</b><br/>Investors understand that their principal will be at Very High risk</p> | <p><b>RISKOMETER</b><br/>Benchmark Riskometer is at Very High risk</p> |

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

Note - The product labelling assigned during the NFO is based on internal assessment of the Scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.

Past performance may or may not be sustained in the future. For more details, please refer the SID / KIM of the scheme.

Issuer(s) / Stock(s) and Sector(s) mentioned in the document are for the purpose of disclosure of the portfolio of the Scheme(s) and should not be construed as recommendation. The fund manager(s) may or may not choose to hold the stock mentioned, from time to time.

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# Aditya Birla Sun Life Mutual Fund



# ADITYA BIRLA CAPITAL

## MUTUAL FUNDS

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



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<https://mutualfund.adityabirlacapital.com>