

THE AUTO SECTOR IS  
FUELING INDIA'S GROWTH.  
BE PART OF IT.



Invest in  
ICICI Prudential  
**Nifty Auto  
Index Fund**

**NFO  
DATE**

September 22, 2022

October 06, 2022

**ICICI**  
**PRUDENTIAL**  
**MUTUAL FUND**

**TARAKKI KAREIN!**

# Sector / Thematic Index Funds

01

Basket of stocks of a particular industry or sector

02

Popular among investors, can be used for individual asset allocation in personal portfolios

03

Participate in sectors contributing towards economic growth

04

Stock research and selection is not required

**Currently ICICI Prudential AMC has 2 Index Funds that fall under the category of investing in particular Sectors/ Themes and we have a new addition to it that tracks the Auto Sector in India**

# Automobile Sector at a Glance

The pandemic has ebbed, the production and sale of passenger vehicles has managed to hit the fast lane in India and it has risen to new levels this August (sharpest year-on-year growth witnessed in FY23)

## Automobile Market

### Two-Wheelers



- Motorcycles,
- Geared Scooters
- Ungearred Scooters

### Commercial Vehicles



Light, Medium and Heavy



### Three-Wheelers

### Auto Ancillary (Supporting Equipment)



- Brakes
- Tyres
- Batteries
- Suspension etc

### Passenger Vehicles



- Cars
- Utility Vehicles



# Automobile Industry: Key Attributes

## Similarities with better Valued Sectors

-  **Good core return ratios**
-  **Net cash balance sheets and negative working capital cycle for all players**
-  **Under-penetration overall compared to relevant markets**
-  **Strong distribution network in place**
-  **Element of brand involved**
-  **High demand expected with growing prosperity amidst larger population**
-  **Strong positive correlation to GDP growth of the country**

## One Big Difference

### Cyclical Nature of the Industry

-  **The stocks of the companies that operate within the Automobile Industry are cyclical nature**
-  **Their profits rise and fall with consumer confidence**
-  **Cyclical stocks are known for following the cycles of an economy through expansion, peak, recession, and recovery.**

# Factor Influencing the Growth of the Automobile Industry

Growing  
Population of India

Growing Individual Income

Greater Availability of Credit  
and financing Option

Availability of Skilled  
Labor at Low Cost

Robust R&D Centres – India  
accounts for 40% of the \$31 Billion  
of global engineering and R&D spend

Higher RoCE and Cash  
Generation

Growing Interest of the  
Companies in Exploring the Rural  
Markets.

India is an emerging global hub  
for auto component sourcing

Atmanirbhar Bharat Abhiyaan –  
Special economic and comprehensive  
package towards promoting  
manufacturing

# Why are we Positive on Auto (OEM) ?

- ❖ As per capita income grows, penetration increases, affordability & income levels rise leading to increased discretionary spend thereby supporting the sector.
- ❖ Auto exports have begun to rise as well.
- ❖ Revenue growth for FY22 though high due to base effect is still on the positive side. Estimates for the coming year too highlights continued strong demand

#1: India has crossed the \$2,000 per capita income mark – which has been an inflection point for non-linear jump in discretionary spend in other countries



#2: Indian Inc. has given 18.7% average salary hike (highest in last 15 years) in 1H FY22, following single-digit salary hike since 2014



# Automobile Industry : Running in the Top Gear

- ✓ India is expected to be the world's third-largest automotive market in terms of volume by 2030.
- ✓ Currently, the automobile industry contributes 7.1% of India's GDP and 49% of its manufacturing GDP.
- ✓ In the Automobile market in India, Two-wheelers and passenger cars accounted for 76% and 17.4% market share, respectively. Passenger car sales are dominated by small and mid-sized cars
- ✓ World's largest two-wheeler and three-wheeler manufacturer
- ✓ World's second largest tractor and bus manufacturer
- ✓ The EV market is expected to grow at CAGR of 49% between 2022-2030 and is expected to hit 10 mn-unit annual sales by 2030. The EV industry will create 50 mn direct and indirect jobs by 2030.

# Automobile Industry: Government Initiatives

- The Government aims to develop India as a global manufacturing center and a Research and Development (R&D) hub
- Under NATRiP, the Government of India is planning to set up R&D centers at a total cost of US\$ 388.5 million to enable the industry to be on par with global standards
- In July 2021, India inaugurated the national automotive test tracks (NATRAX), which is Asia's longest high-speed track to facilitate automotive testing
- In Union Budget 2021-22, the government introduced the voluntary vehicle scrap policy, which is likely to boost demand for new vehicles after removing old unfit vehicles currently plying on the Indian roads.







PRESENTING  
ICICI PRUDENTIAL  
**NIFTY AUTO**  
**INDEX FUND**

First Auto Index Fund in India  
The newest addition to our Product Bouquet

# Investment Approach

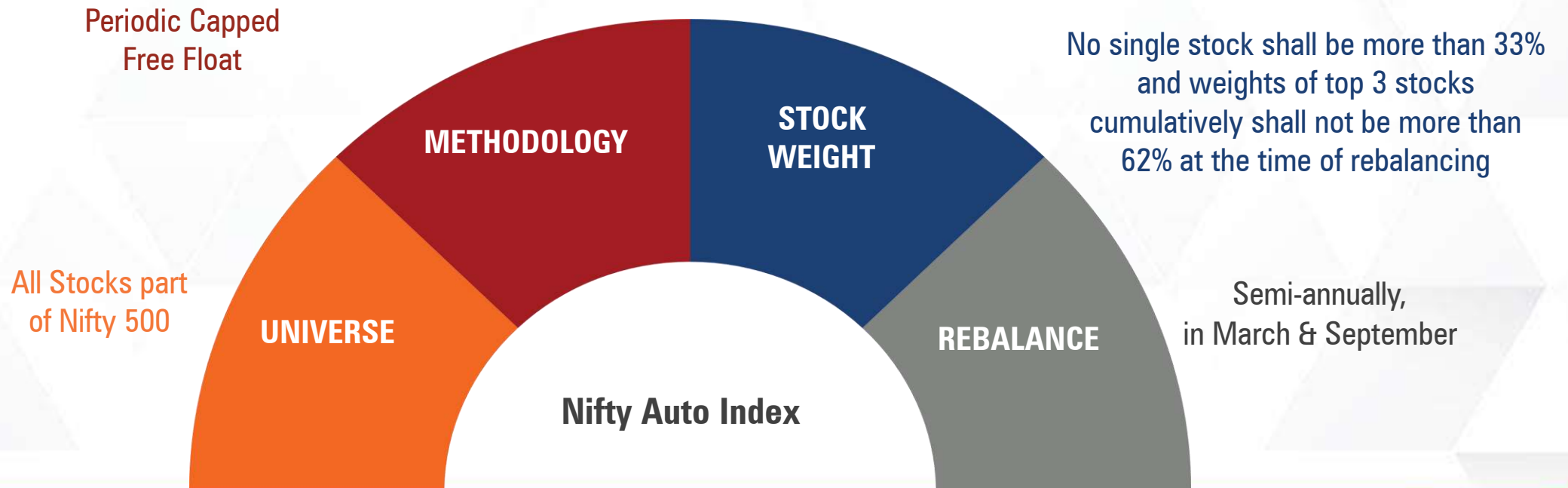
## ICICI Prudential Nifty Auto Index Fund (The Scheme)

An open-ended Index scheme replicating Nifty Auto Index

INVESTS IN

## Nifty Auto Index (Underlying Index)

The Index is designed to reflect the behavior and performance of the Automobiles segment of the financial market



# Index: Portfolio Snapshot

## Top 10 Holdings (%)

Mahindra & Mahindra Ltd.	19.93
Maruti Suzuki India Ltd.	19.20
Tata Motors Ltd.	13.44
Bajaj Auto Ltd.	8.46
Eicher Motors Ltd.	7.45
Hero Motocorp Ltd.	5.86
Tube Investments of India Ltd.	3.75
TVS Motor Company Ltd.	3.65
Ashok Leyland Ltd.	3.52
Bharat Forge Ltd.	3.02

Quantitative Indicators	P/E Ratio	P/B Ratio	Dividend Yield
Nifty Auto Index	48.09	5.31	1.0
Nifty 50 Index	21.2	4.12	1.41

Standard Deviation (%)	1 Year	5 Year	Since Inception
Nifty Auto Index	23.85	25.29	24.25
Nifty 50 Index	17.61	19.27	23.52

# Opportunity to Invest in the Top 4 Stocks of the Nifty Auto Index

**Demand momentum to sustain on back of strong recovery in macro activities and opening up of the economy**

## **Mahindra & Mahindra Ltd. (M&M)**

- ❖ The company operates through various segments - automotive, farm equipment, financial services related to financing, leasing and hire purchase of automobiles.
- ❖ M&M was among the pioneers in the EV passenger vehicle segment, starting off with the mini compact category, to the newly unveiled SUVs with contemporary designs.
- ❖ The XUV400 model has been developed at an investment of Rs. 5- 6 billion. Bookings and dispatches are expected to commence in Q4 FY23. Post its launch, four more electric models under XUV and BE brands, are scheduled for launch in the coming years.
- ❖ M&M will collaborate with Volkswagen for components such as electric drivetrain, battery system, and battery cells

## **Maruti Suzuki India Ltd.**

- ❖ Maruti Suzuki (MSIL) is the market leader in domestic passenger vehicle space.
- ❖ It is a key player in the mini and compact cars segment with a dominant market share and has enjoyed success in the executive segment on the back of the Ciaz and Brezza launches.
- ❖ Robust demand in SUV space aided by exciting product launches and sequential uptick in ASPs.
- ❖ Leadership position in the CNG space with CNG penetration now at ~20% of sales volume.

# Opportunity to Invest in the Top 4 Stocks of the Nifty Auto Index

**Demand momentum to sustain on back of strong recovery in macro activities and opening up of the economy**

## Tata Motors Ltd.

- ❖ Eyeing opportunities in the EV space
- ❖ 3 products in its portfolio and has captured 71% of domestic EV market share
- ❖ Its EV products have reached 60 cities and have 150 touch points which is a key growth driver for the company
- ❖ Plans to create 2 subsidiaries- one for traditional PVs and the other for EVs

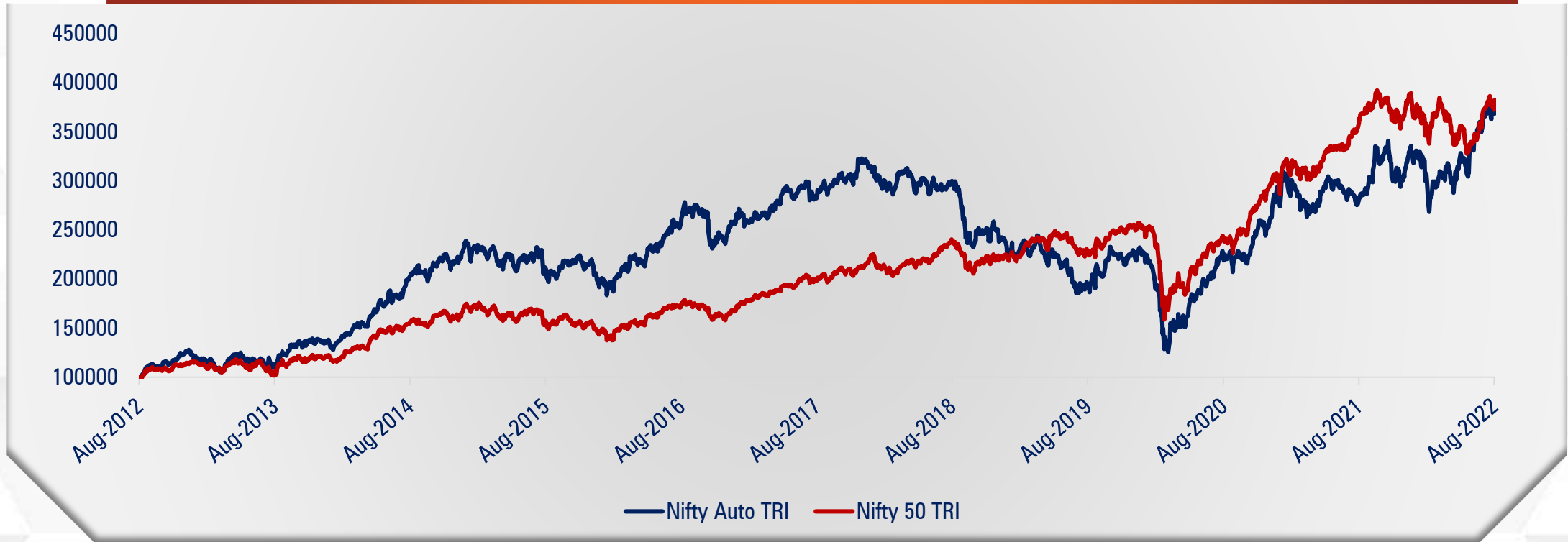
## Bajaj Auto Ltd

- ❖ Second largest motorcycle manufacturer and largest 3 Wheeler OEM domestically (FY21 market share at 18%, 50.6% respectively).
- ❖ Despite a dip in exports the company witnessed more than half of its motorcycle sales coming from international markets. Bajaj Auto currently sells its motorcycles in 70 countries over the world
- ❖ The company had announced an investment of ₹300 crore and had commenced work at a brand-new unit at Akurdi for manufacturing electric vehicles. This unit will have a production capacity of 500,000 EVs per annum
- ❖ It will have hi-tech R&D competencies, world class supply chain synergies, automated manufacturing systems for everything from logistics and material handling to painting and quality assurance.

# Performance of the Index: Snapshot

Nifty Auto Index has grown at 14.21% annually since August 2012. Rs.1,00,000 invested in Nifty Auto Index in 2012 would be worth Rs. 3,77,713.6 by end of August 2022

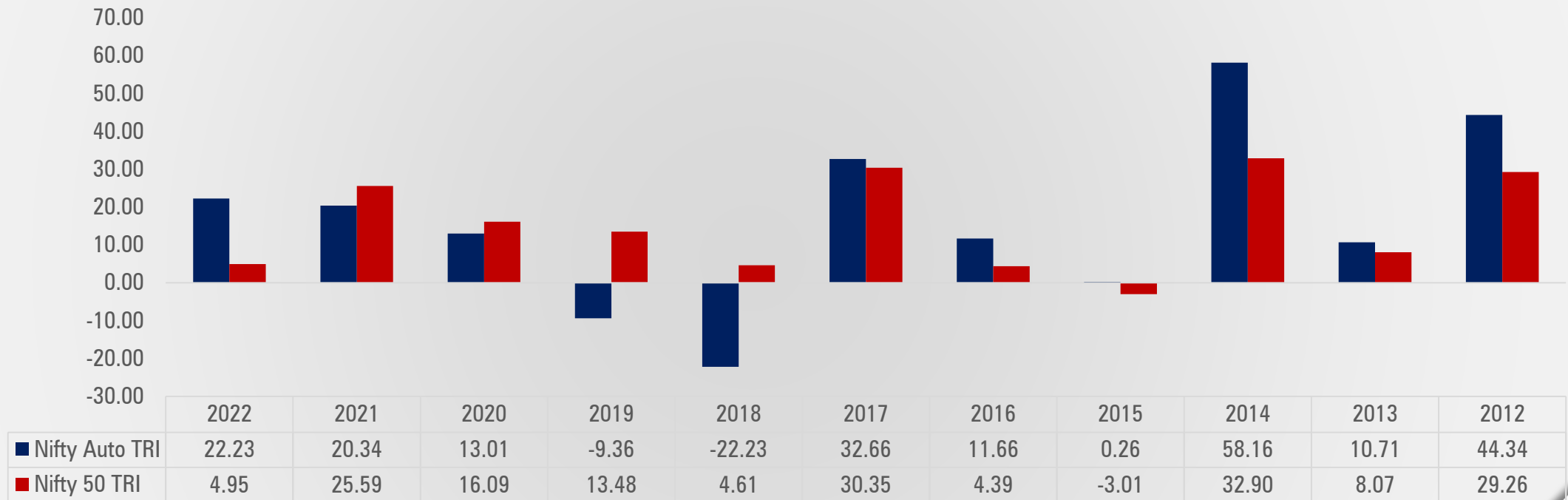
## 10 Year Performance



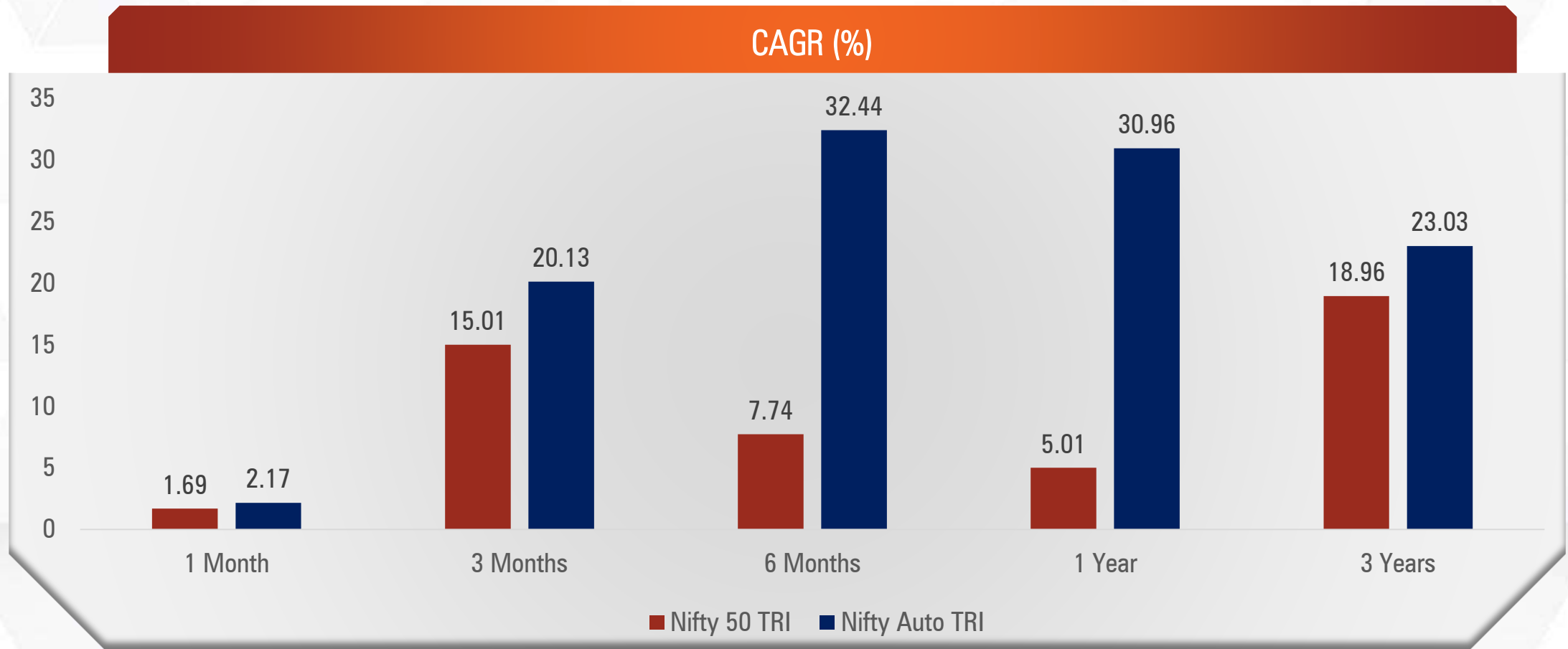
Data as on 30<sup>th</sup> August 2022 . Data source: MFI Explorer. Figures in the chart are rebased to 100000. Past performance may or may not be sustained in the future.. The performance of the indices is the Total Return variant of the Index. The performance of the index does not signify performance of the scheme

# Performance of the Index : Calendar Year Returns (%)

**Nifty Auto TRI has outperformed Nifty 50 TRI 7 times till 31<sup>st</sup> August 2022**



# Performance of the Index : CAGR (%)





# Performance of the Index : Rolling Returns (%)

Since 30-August-2009  
(First Observation on 30-August-2012) till 30-August-2022

3 Years Rolling Returns		
	Nifty 50 TRI	Nifty Auto TRI
Minimum	-4.46	-21.97
Maximum	23.55	37.19
Average	11.52	11.83

Total Number of Observations: 2476

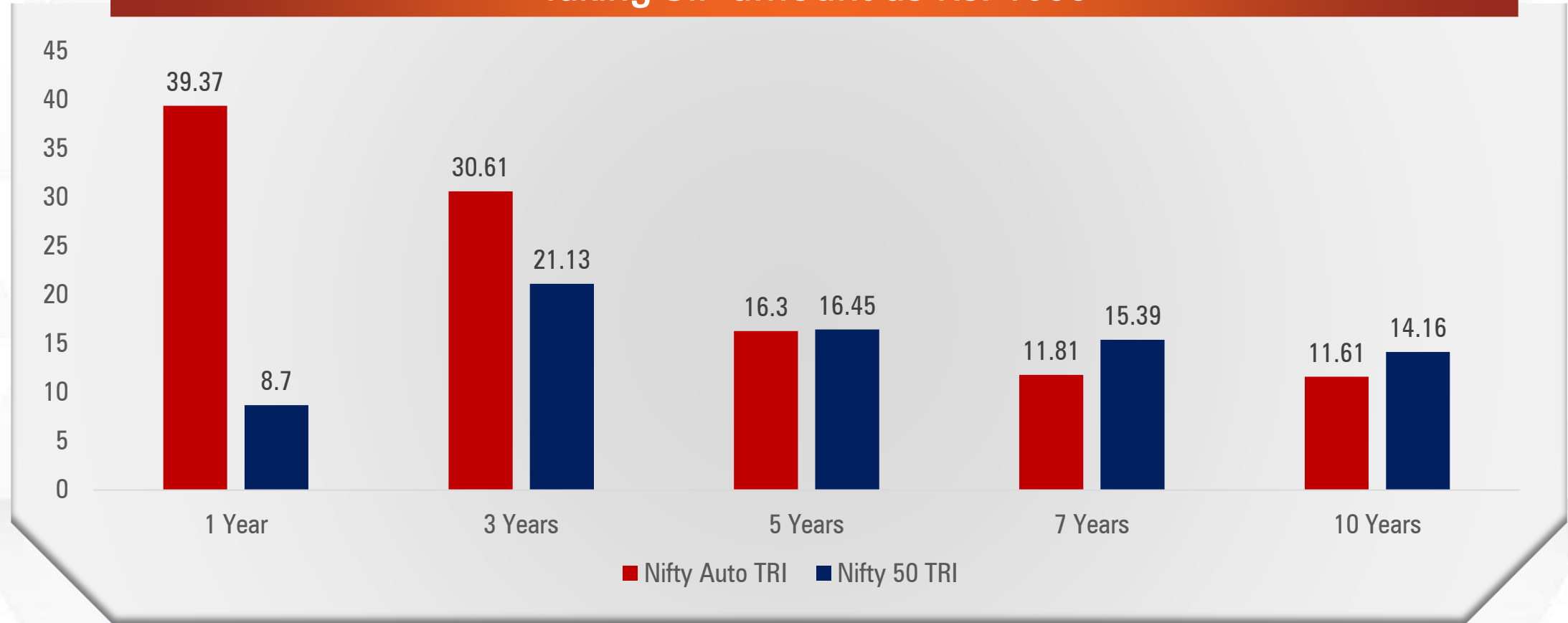
Since 30-August-2007  
(First Observation on 30-August-2012) till 30-August-2022

5 Years Rolling Returns		
	Nifty 50 TRI	Nifty Auto TRI
Minimum	-1.03	-11.27
Maximum	21.84	43.76
Average	11.48	15.36

Total Number of Observations: 2476

# SIP Returns (%)

Taking SIP amount as Rs. 1000

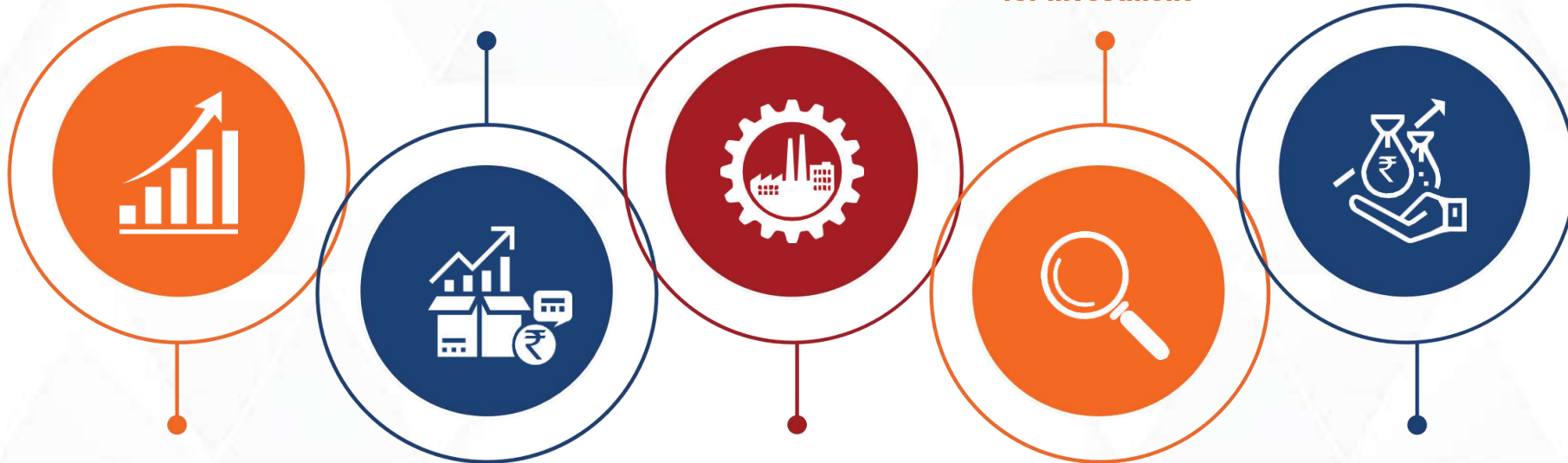


Data as on 30 August 2022. Returns are in XIRR %. Source MFIE. Returns are in Percentage terms. Past performance may or may not be sustained in future. The above calculation is considering the SIP date as beginning of each month. The Total Return Variant of the Index has been used. The performance figures pertain to the Index and do not in any manner indicate the returns/performance of the Scheme Source.

# Reasons to Invest in ICICI Prudential Nifty Auto Index Fund

Good time to invest in the auto sector, as it is the festive season (Raksha Bandhan till Diwali) and automobile sales are on the rise across India

Skilled labour at low cost, robust R&D centres, and low-cost steel production provides great opportunities for investment



Rising individual income has potential to grow and boost the auto industry

The Sector is cyclical in nature and the ICICI Prudential Nifty Auto Index Fund aims to perform when opportunities arise and market demand rises

Companies in the index are focused on producing Electric vehicles. Industry is likely to witness positive sales in the future

# Scheme Details

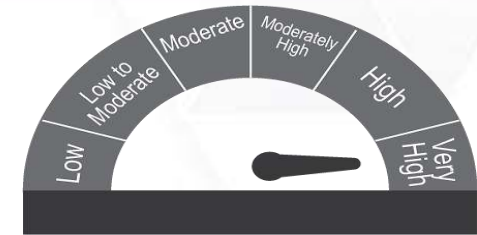
<b>Type of Scheme</b>	An open-ended Index scheme replicating Nifty Auto Index	
<b>Benchmark Index</b>	Nifty Auto TRI	
<b>NFO Period</b>	22 <sup>nd</sup> September, 2022 to 6 <sup>th</sup> October 2022	
<b>Plans/ Options</b>	Plans: Regular & Direct Options: Growth & IDCW (IDCW Payout & IDCW Reinvestment)	
<b>Fund Manager Details</b>	Kayzad Eghlim and Nishit Patel	
<b>Minimum Application Amount</b>	<b>DURING NEW FUND OFFER PERIOD/ DURING ONGOING OFFER PERIOD:</b> <b>Rs. 1000/- (plus in multiple of Re. 1)</b> <b>Minimum application amount for switch-ins: Rs. 1000/- and any amount thereafter.</b>	
<b>Exit Load</b>	Nil	
<b>SIP Amount</b>	<b>DURING NEW FUND OFFER PERIOD/ DURING ONGOING OFFER PERIOD:</b> Daily, Weekly, Fortnightly, Monthly SIP <sup>\$</sup> : Rs. 1,000/- (plus in multiple of Re. 1/-)    Minimum installments: 6 Quarterly SIP <sup>\$</sup> : Rs. 5,000/- (plus in multiple of Re. 1/-)    Minimum installments – 4	
<b><sup>\$</sup>The applicability of the minimum amount of installment mentioned is at the time of registration only</b>		

# Riskometer and Disclaimer

## This scheme is suitable for investors who are seeking\*:

- Long term wealth creation solution
- An index fund that seeks to track returns by investing in a basket of Nifty Auto Index stocks and aims to achieve returns of the stated index, subject to tracking error

\*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

#It may be noted that the scheme risk-o-meter specified above is based on the internal assessment of scheme characteristics and may vary post NFO, when the actual investments are made. The same shall be updated in accordance with provisions of SEBI circular dated October 5, 2020 on Product labelling in mutual fund schemes on ongoing basis.

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

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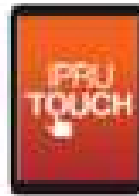
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