

ICICI Prudential **Energy Opportunities Fund**

Powering your country
Powering your portfolio

NFO July 02, 2024
DATE July 16, 2024





A WORLD WITHOUT 'ENERGY' WOULD BE DARK



1

You are working on your laptop, when the electricity gets cut off abruptly



2

You fret and fume as your mobile battery is low

Besides, you can't even use electrical appliances like the microwave and television



3

The air-conditioner and electric bulbs stop functioning

The room is filled with darkness; leaving you in despair



4

You step into your car to visit the nearest café

You feel relieved to see the fuel tank full – At least, you can use this form of **ENERGY!**

The inconvenience makes you ponder,
“A World Without Energy would be Dark!”



ENERGY – ESSENTIAL PART OF OUR LIFE !!!

CONSIDERING THE EXAMPLE OF HOUSEHOLDS:

Earlier, necessities of every house were **electric lights, a gas stove and a television**



Lifestyle Change
Increase in Energy Demand

But now, **different electrical appliances**, such as refrigerator, air conditioner, induction stove, microwave, cars, two-wheelers, etc. **have become a necessity for most households**



The above example is only for illustration purpose. The stock(s)/sector(s) mentioned in this slide do not constitute any recommendation and ICICI Prudential Mutual Fund may or may not have any future position in these stock(s)/sector(s).



UNFOLDING THE BROAD COVERAGE OF ENERGY

Energy is NOT restricted to only Households – It plays a key role in diverse segments

ENERGY



Provides Power to houses

- Cooking
- Electrical Appliances, such as Washing Machines, Television, Refrigerator, etc.



Fuels our Transportation

- Cars
- Two-wheelers
- Cargo engines
- Trains
- Airplanes



Key Driver for Industrial Growth

- Healthcare
- FMCG
- Textiles
- Chemicals
- Agriculture
- Financial Services
- Metals
- Oil & Gas
- Consumer Durables
- Information Technology
- Automobile



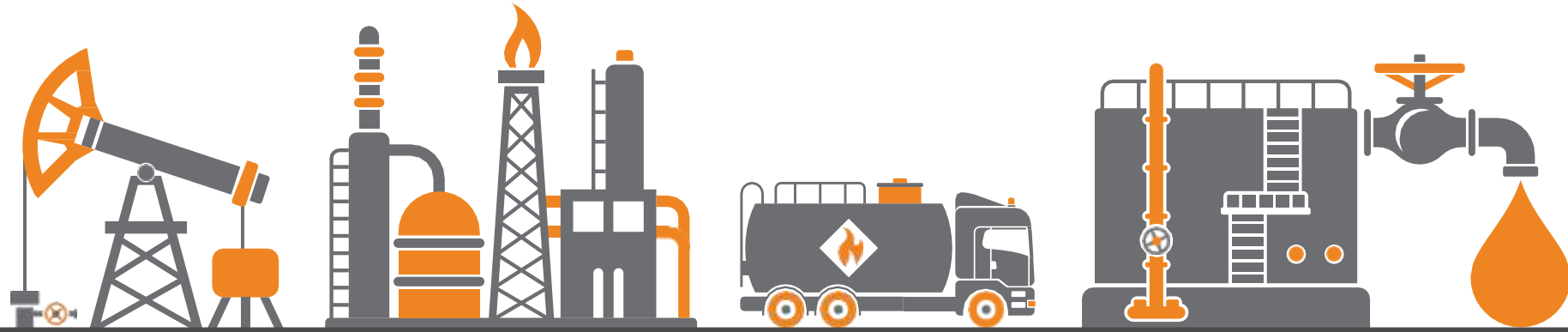
Supports Communication Networks

- Telecommunication
- Broadcasting Stations
- Internet Services
- Data Transmission

FMCG: Fast Moving Consumer Goods, The above list of sectors is not exhaustive. The same is for illustration purpose. The stock/sectors mentioned above are not indicative and not to be construed as the portfolio of the Schemes. The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s). The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme.



OIL & GAS VALUE CHAIN



UPSTREAM

Companies that search for deposits of oil or gas (exploration) and then its extraction through drilling or other methods



MIDSTREAM

Midstream companies concentrates on the processing, transportation, and storage of crude oil and natural gas.



DOWNSTREAM

Companies which are involved in the refining, marketing, and distribution of Oil & Gas



POWER VALUE CHAIN



Companies involved in the generation of Power through Thermal, Gas, Hydro, Nuclear or any other non-conventional sources

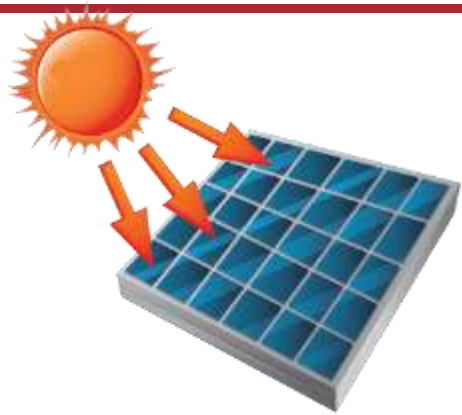


Companies involved in the movement of electrical energy from a generating site to an electrical sub-station



Companies involved in the final process of transmission of electricity from the sub-station to individual consumers

ENERGY TRANSITION VALUE CHAIN – SOLAR & WIND



SOLAR – VALUE CHAIN

Cell & Module Manufacturing

Ancillary equipment

EPC

Developer



WIND – VALUE CHAIN

Nacelle : includes gearbox, shafts, generator, brake etc.

Blade

Tower



ENERGY ANCILLARY COMPANIES

Chemical & Petrochemical companies



Industrial & Cap goods companies engaged in providing energy consultancy



Companies engaged in manufacturing of pipelines to be used in energy sectors



Companies engaged in new energy value chain



Companies manufacturing electrical equipment for production, transmission and distribution of energy



Companies engaged in bio energy value chain





INDIA & ENERGY FUTURE IS INTERTWINED



• India current energy needs



• India's future growth story dependent on energy



• Premiumization to drive energy demand



• Energy demand for various upcoming segments



• Climate changes would increase pressure on energy demand



• Government Reforms for Energy Sector



• India Transition



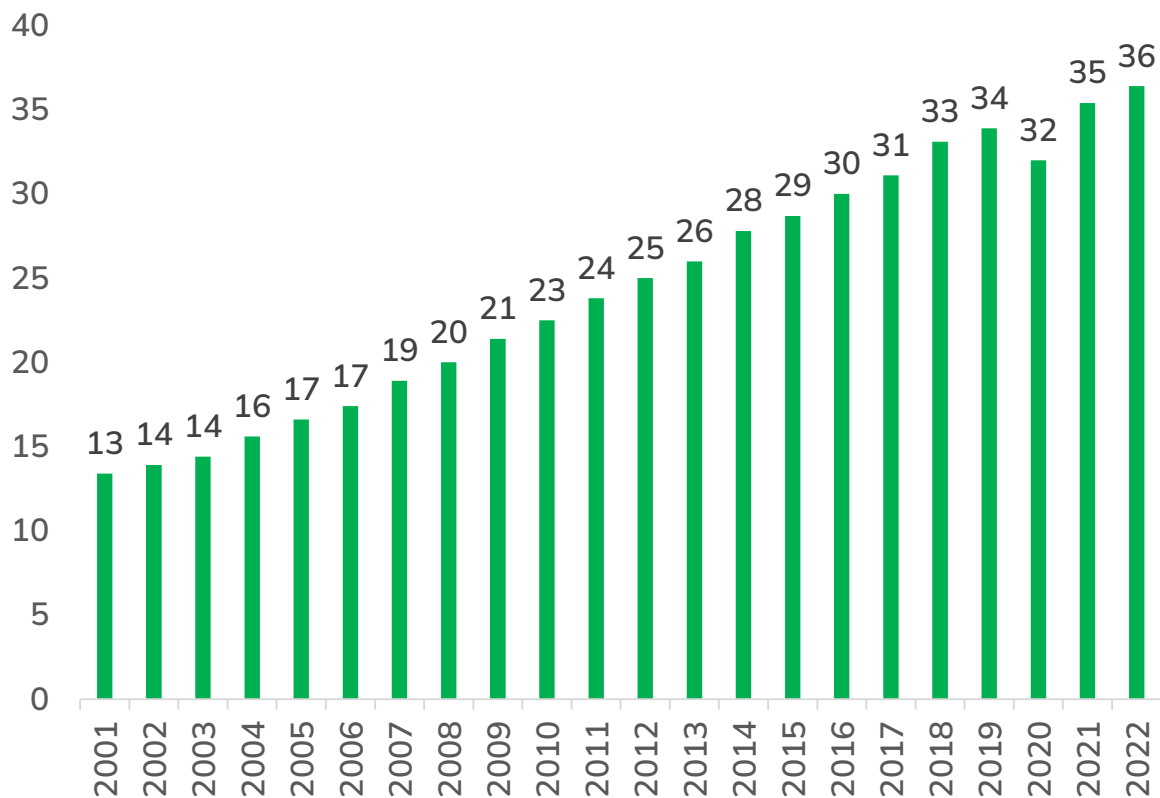
INDIA & ENERGY



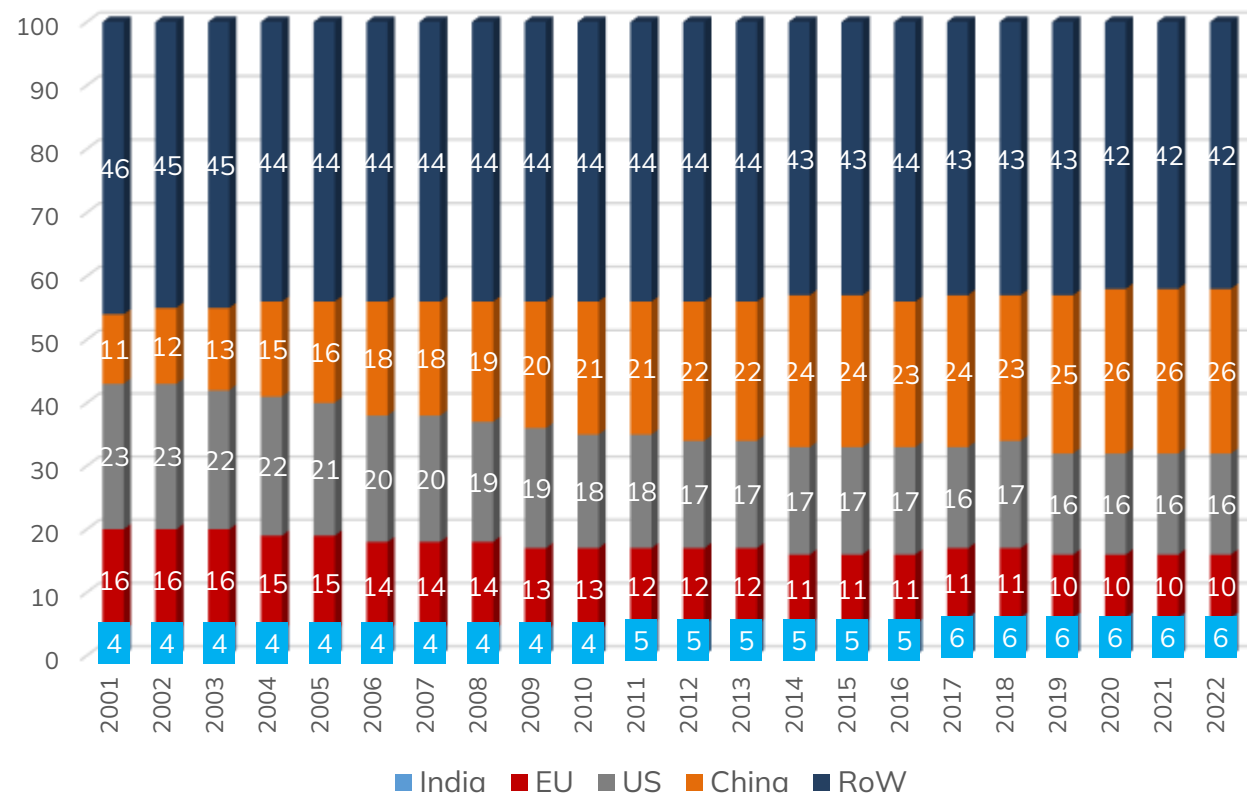
India's primary energy consumption has more than doubled in the last two decades

India is the fourth largest energy consumer globally

Energy Consumption (Exajoules)



Share of Energy Consumption (%)



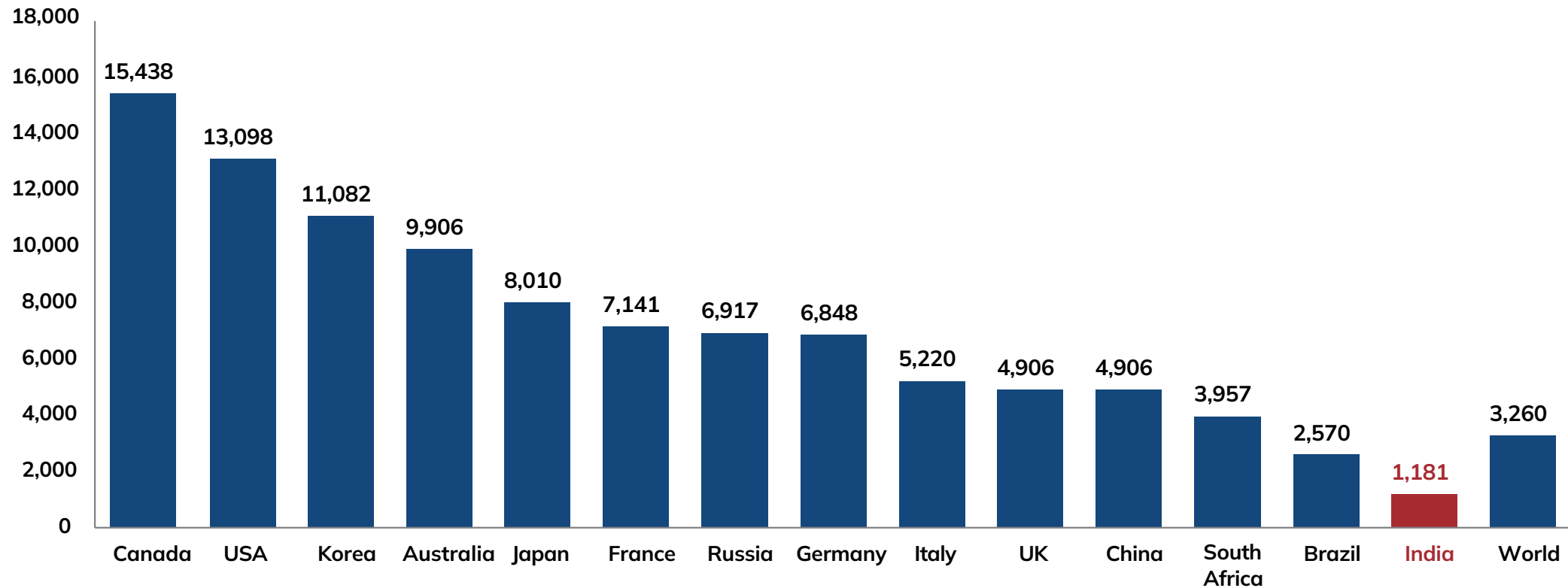
Data as on Dec 31, 2022, Avendus Spark Research. EU: European Union. Row: Rest of the world, US: United States. Exajoules is a unit of energy in the international system corresponding to 2.78 kilo watt per hour.



GLOBAL CONTEXT: COMPARISON OF PER CAPITA POWER CONSUMPTION

India's per capita energy consumption is 1/3rd of global average. China's consumption is 4.4x of India and Korea is 9.5x of India. With India expected to be the third largest economy in the world, its per capita energy consumption could also witness significant rise

Per Capita Consumption (KWhr) = (Gross Electrical Energy Availability/ Midyear Population).



Data as on Dec 31, 2023, Aventus Spark Research. KWhr: Kilowatt hour. UK: United Kingdom. USA: United States

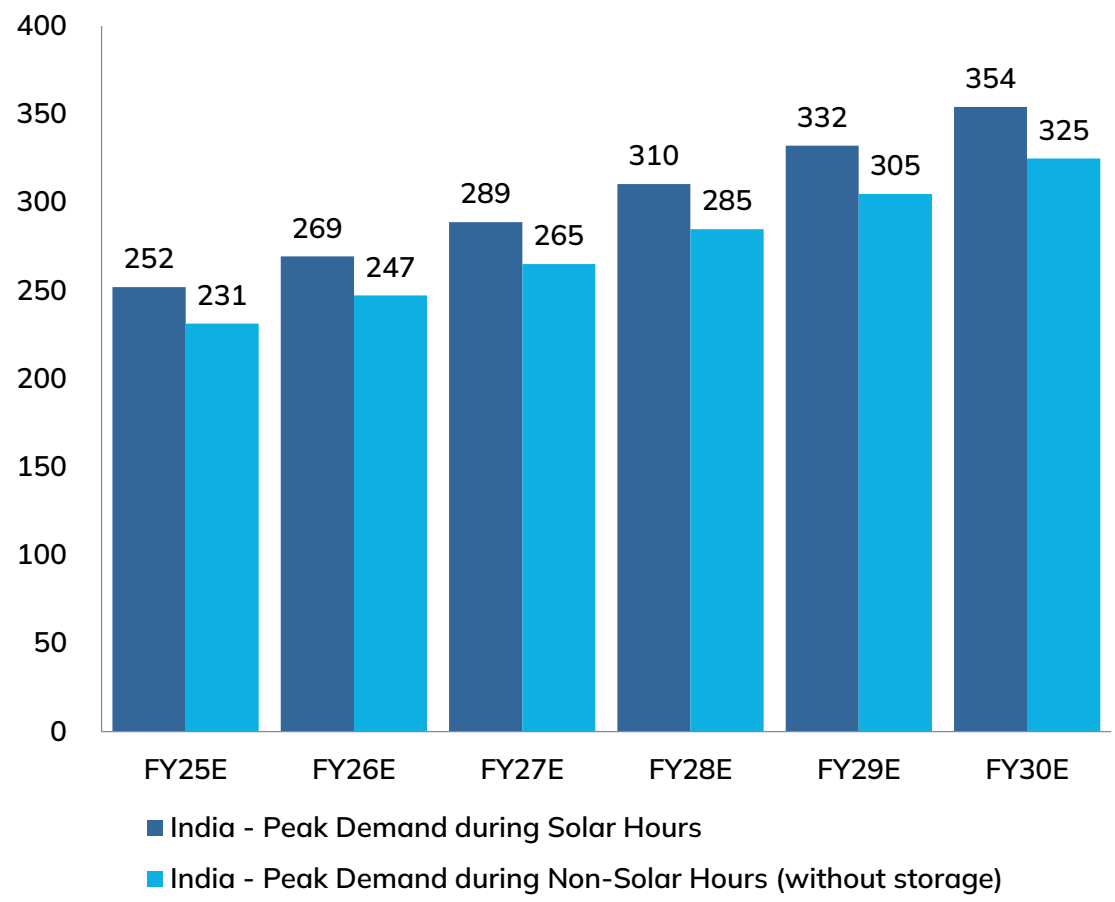


INDIA ENERGY – DEMAND & SUPPLY GAP

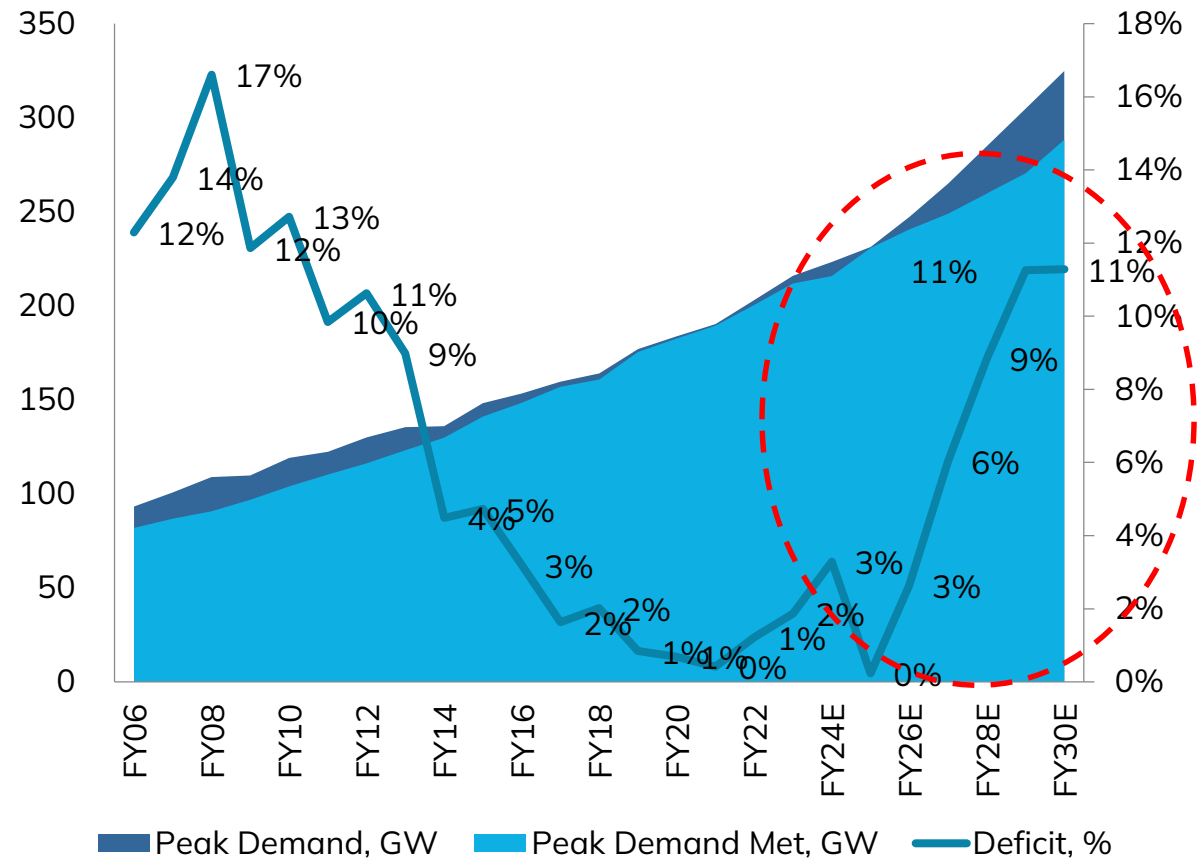


Power demand expected to grow strongly in future and expected shortages maybe observed mainly during non-solar hours. This may warrant continued focus towards the sector by the Government to reduce the deficit gap

India Peak Demand, GW



India - Peak Demand during Non-Solar Hours (without storage)



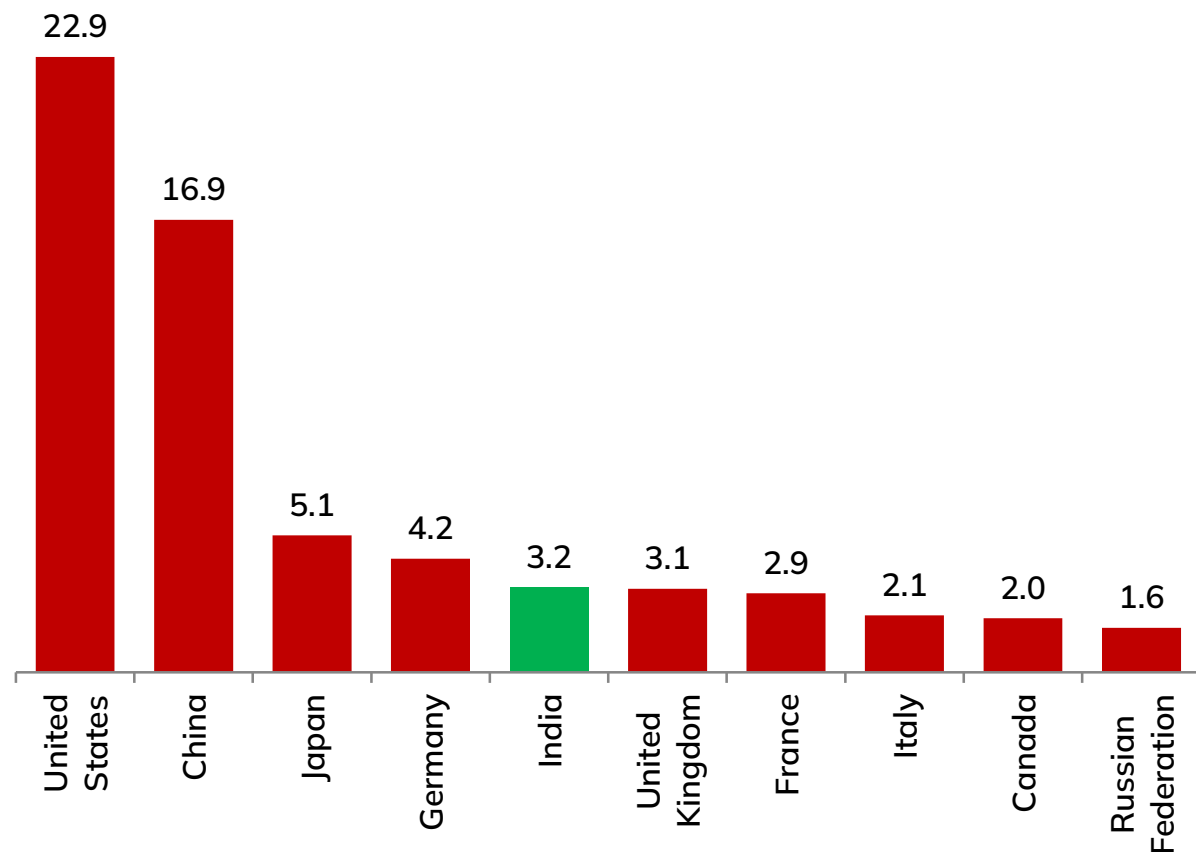
Source: CEA, Govt. of India, Aventus Spark Research, FY: Financial year, Gw: Gigawatt



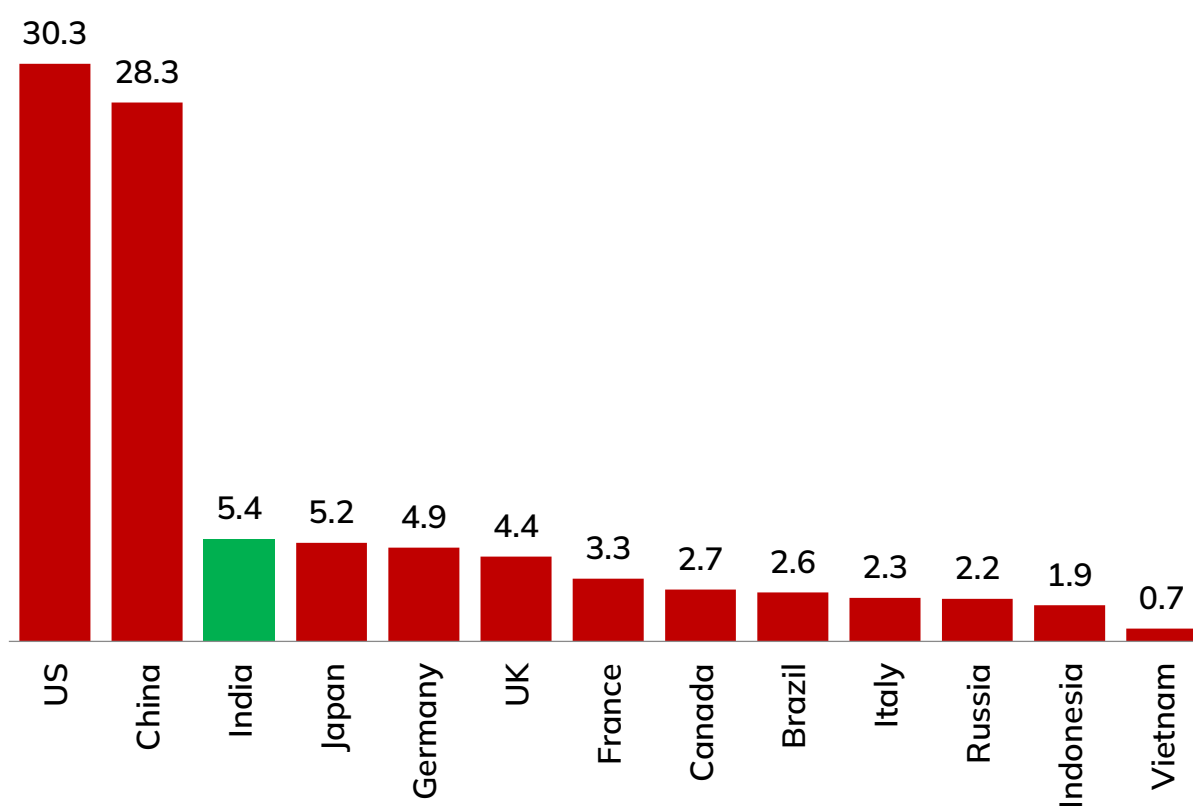
INDIA'S GROWTH STORY

India is the largest EM after China and is expected to become 3rd largest economy by 2027 as per IMF estimate

GDP in 2021 (\$ tn)



GDP in 2027 (\$, tn)



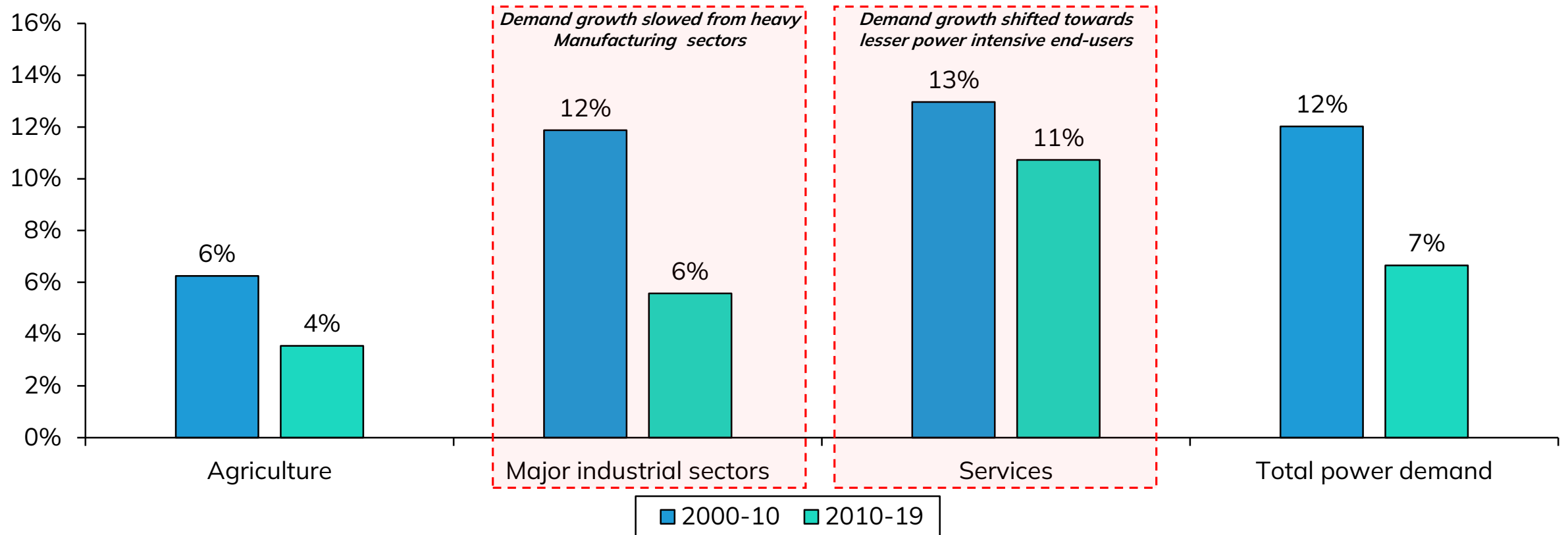
Source: IMF (International Monetary Fund), Spark Capital Research, EM: Emerging Market, UK: United Kingdom, US: United States, GDP: Gross Domestic Product



INDIA'S GROWTH STORY DEPENDENT ON ENERGY: EXAMPLE CHINA

China's shift from Agriculture to Manufacturing during 2000-10 period created massive demand for Power and now the same is normalized due to their focus on service oriented industries. India's journey was different, wherein we moved from Agri to services and now shifting towards Manufacturing, which may warrants for higher demand for energy

China power demand CAGR by sector (%)



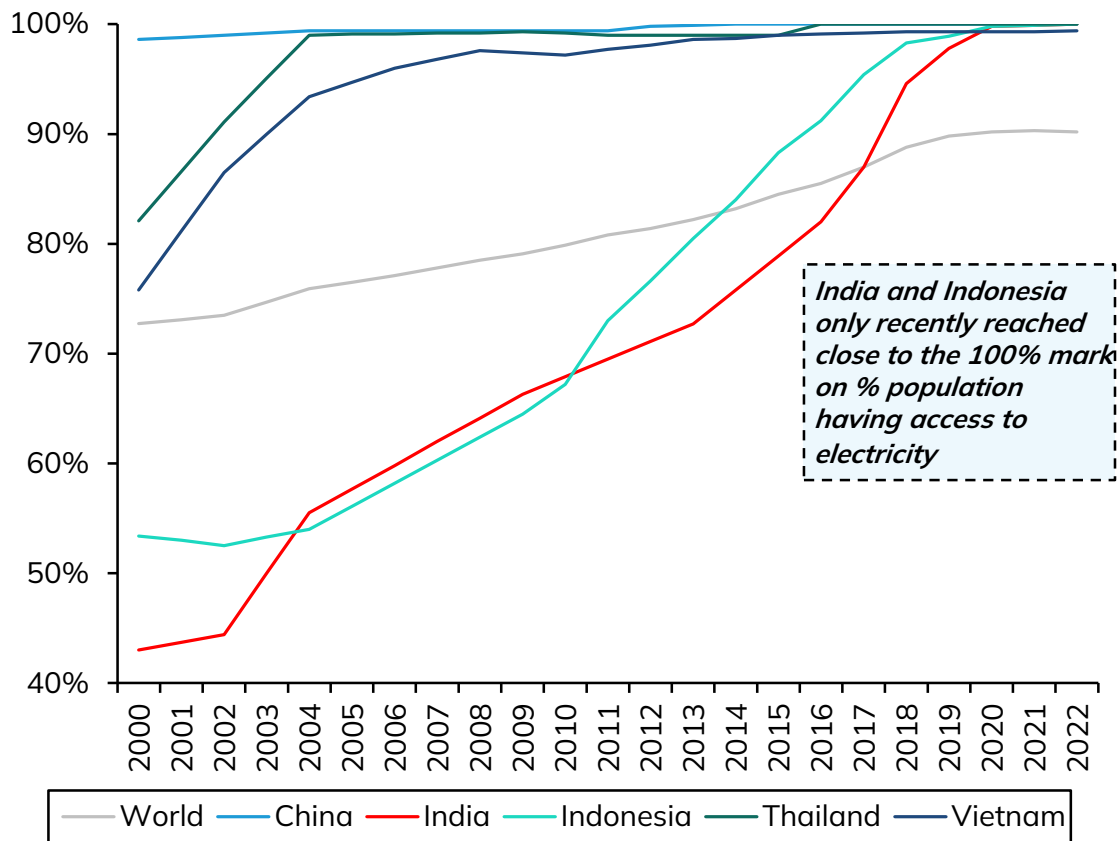
Source: Bernstein Research, Agri : Agriculture



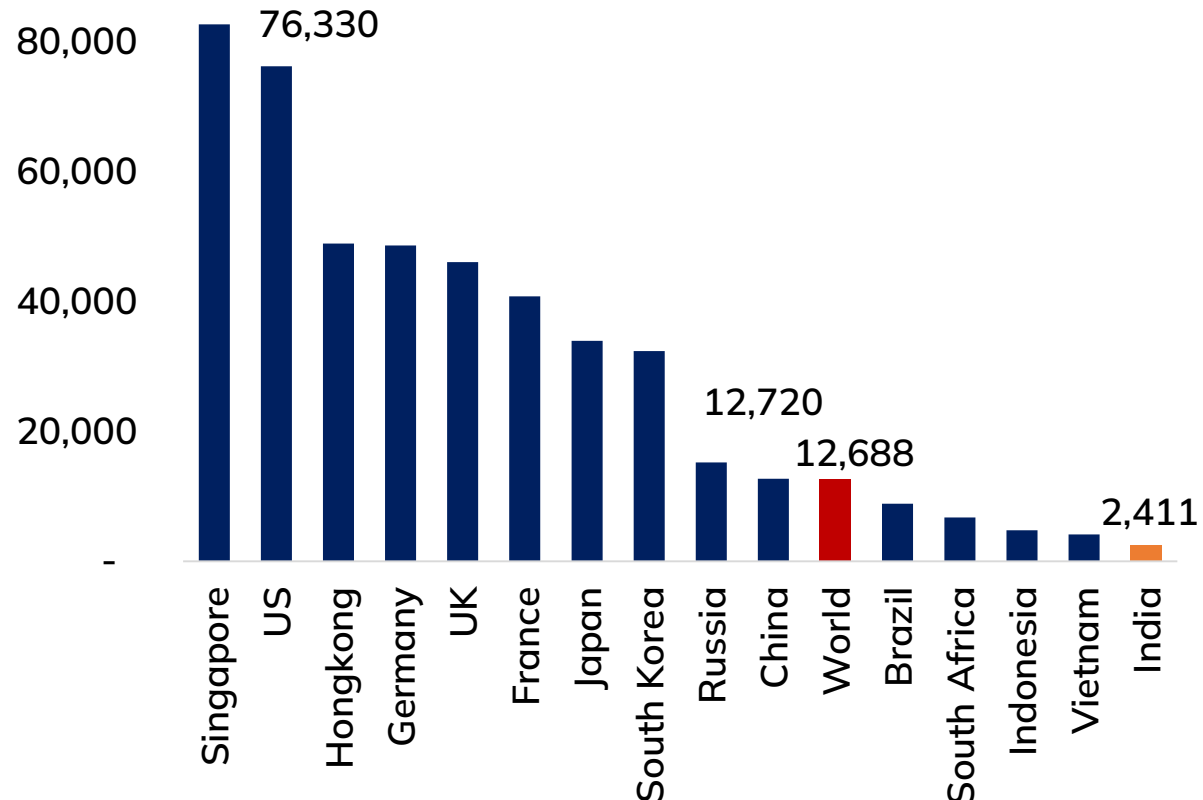
PREMIUMIZATION

Higher penetration of electricity coupled with growth in per capita income would result in higher demand for energy

% population with access to electricity



Per Capita GDP 2022 (USD, Current Prices)



Source: IEA, Bernstein analysis

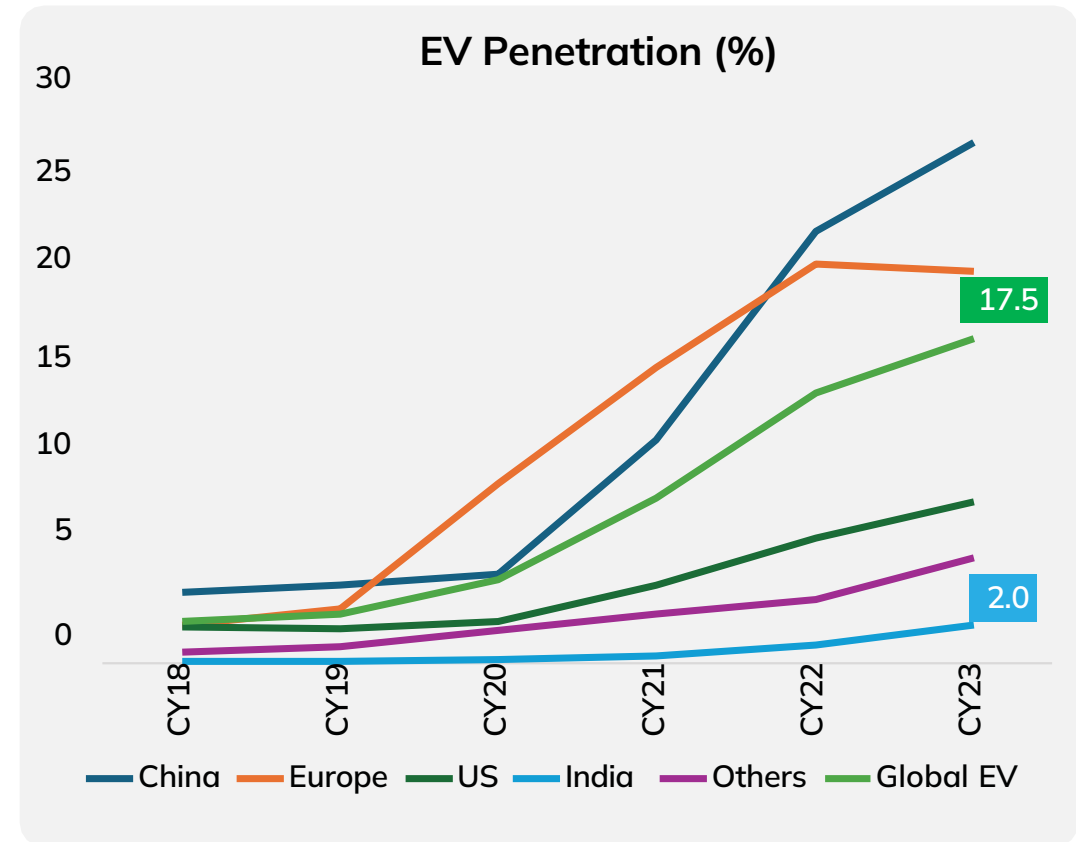
Source: Data Source: World Bank (<https://www.worldbank.org/en/home>). UK: United Kingdom, US: United States, GDP: Gross Domestic Product, USD: US Dollar



INCREASING PREMIUMIZATION

With rising income levels and room for higher penetration, energy consumption may go higher

Products	India	China	USA
Auto	4%	15%	81%
Outbound Trips	6%	9%	42%
Air Conditioners	8%	60%	90%
Refrigerators	18%	94%	100%
Smartphone Users	37%	54%	83%
Internet Users	58%	60%	95%

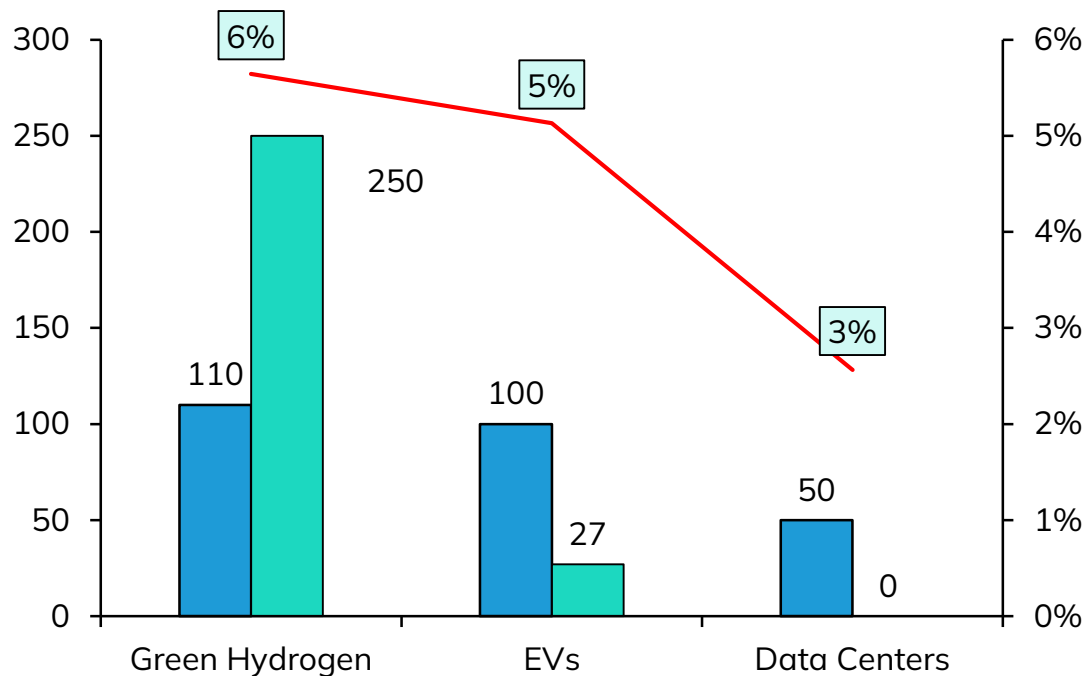


Source: Avendus Spark and Elara capital Research. USA: United States, EV: Electric Vehicle, CY: Calendar Year



ENERGY DEMAND FOR UPCOMING SEGMENTS

Energy consumption by emerging technologies by FY30



■ Bernstein Estimate
 ■ CEA Estimate*
 — Bernstein estimate as a % of Total consumption

Source : CEA, Bernstein analysis and estimates



- One of the most famous chatbot and virtual assistant's daily power usage is equal to 1,80,000 U.S Households



- The chatbot query needs nearly 10 times as much electricity to process as a google search



- By 2028, AI tasks could be using more power than the entire country of Iceland



- Data centres which are used by organization for storage & processing of data at present uses 1-2% of global power and by this decade end would use 3-4% of global power

Source : Goldman Sachs - AI is poised to drive 160% increase in data center power demand (goldmansachs.com), Forbes - ChatGPT And Generative AI Innovations Are Creating Sustainability Havoc (forbes.com). AI: Artificial Intelligence



Hot tropical country like India, the power demand is strongly co-related by weather conditions. The World Meteorological Organization predicts "The annual mean global near-surface temperature for each year between 2023 and 2027 is predicted to be between 1.1°C and 1.8°C higher than the 1850-1900 average.

Skies are raining fire, Delhi on red alert: When will the heatwave end?

The India Meteorological Department has issued a red alert for June 18, asking Delhiites to stay indoors with the predicted heavy rain.

Chhattisgarh extends school summer vacation until June 25 due to extreme heat

The Chhattisgarh government has extended the summer vacation for all schools until June 25 due to extreme heat conditions. This decision aims to protect students' health amidst soaring temperatures.

NEWS EXPLAINER | 29 May 2024

Chance of heatwaves in India rising with climate change

Not only are these extreme events increasing in frequency, they are lasting longer and becoming hotter, too.

By [Jude Coleman](#)

Severe heat wave conditions persist over parts of Uttar Pradesh, Delhi, Haryana, Chandigarh: Met Department

Updated: Jun 18, 2024, 02:48:00 PM IST



WORLD

At least 50 deaths blamed on India heat wave in just a week as record temperatures scorch the country

By Arshed R. Zargar
Updated on: June 3, 2024 / 12:10 PM EDT / CBS News





GOVT. REFORMS IN THE ENERGY SECTOR – OIL & GAS SECTOR



- Remunerative realisation for domestic Oil and Gas along with favourable exploration and production policy
- Gas pricing reforms – KP committee report on gas realization linked to crude, ensured better gas realization than the past.
- Windfall taxes – Abolition of auto fuel subsidy, capping of upstream oil realization instead of adhoc subsidy when oil prices spike ensured policy stability.
- Capital allocation – improved as compared to the past decade
- OMCs allowed to re-coup losses
- How Govt. handled oil going up during crisis
- Unified tariff – one nation one grid so that gas consumption can be improved for far off places
- GoI target to increase share of gas from 6.5% currently to 15% by 2030
- Sizable capex towards gas transmission lines, LNG terminals and city gas distribution network

Source: Citi Research. GOI: Govt. of India. LNG: Liquefied Natural Gas, OMC: Oil Marketing Companies, Capex: Capital Expenditure. The stock(s)/sector(s) mentioned in this slide do not constitute any recommendation and ICICI Prudential Mutual Fund may or may not have any future position in these stock(s)/sector(s)



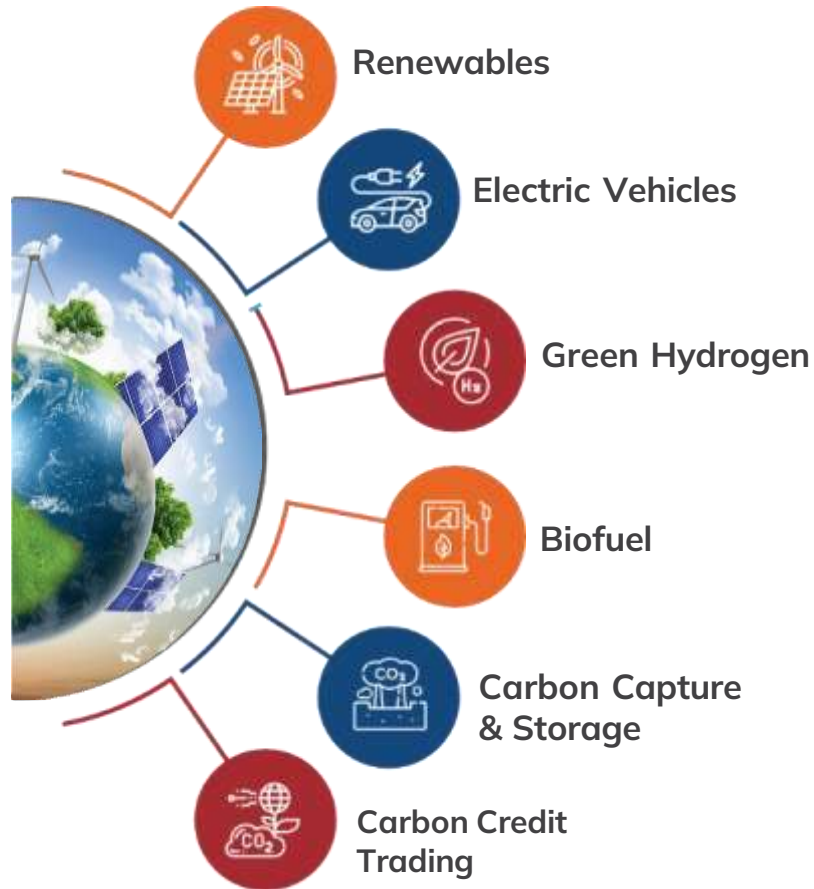
GOVT. REFORMS IN THE ENERGY SECTOR - POWER



- Govt. selling stake in PSUs has moderated over the last decade
- Receivables from DISCOMs has come down due to Late Payment Surcharge rules (Jun 2022) and Revamped Distribution Scheme enabling DISCOMs to borrow from Power financing companies and to fast-track implementation of Smart Metering.
- Focus on domestic coal production
- Reforms in power transmission with imposition of General Network Access
- Discom privatization

Source: Citi Research. Discom: Distribution Companies, PSU: Public Sector Undertaking, The stock(s)/sector(s) mentioned in this slide do not constitute any recommendation and ICICI Prudential Mutual Fund may or may not have any future position in these stock(s)/sector(s)

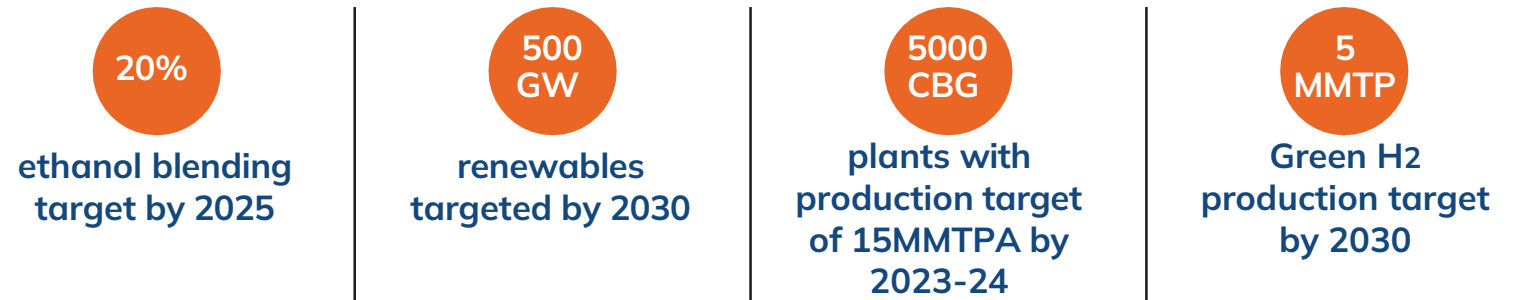
India's Road to 'net zero' by 2070



Key overall targets

- Reducing emission intensity of GDP by **45%** by 2030, compare to 2005 level.
- Non-fossil fuel based generation capacity to **50%** by 2030.
- Increasing carbon sink coverage by **2.5 -3.bn tonnes** of CO2 equivalent, by 2030.
- Reducing projected emissions by **1 billion tonnes** from 2021 till 2030.

Key initiative specific targets



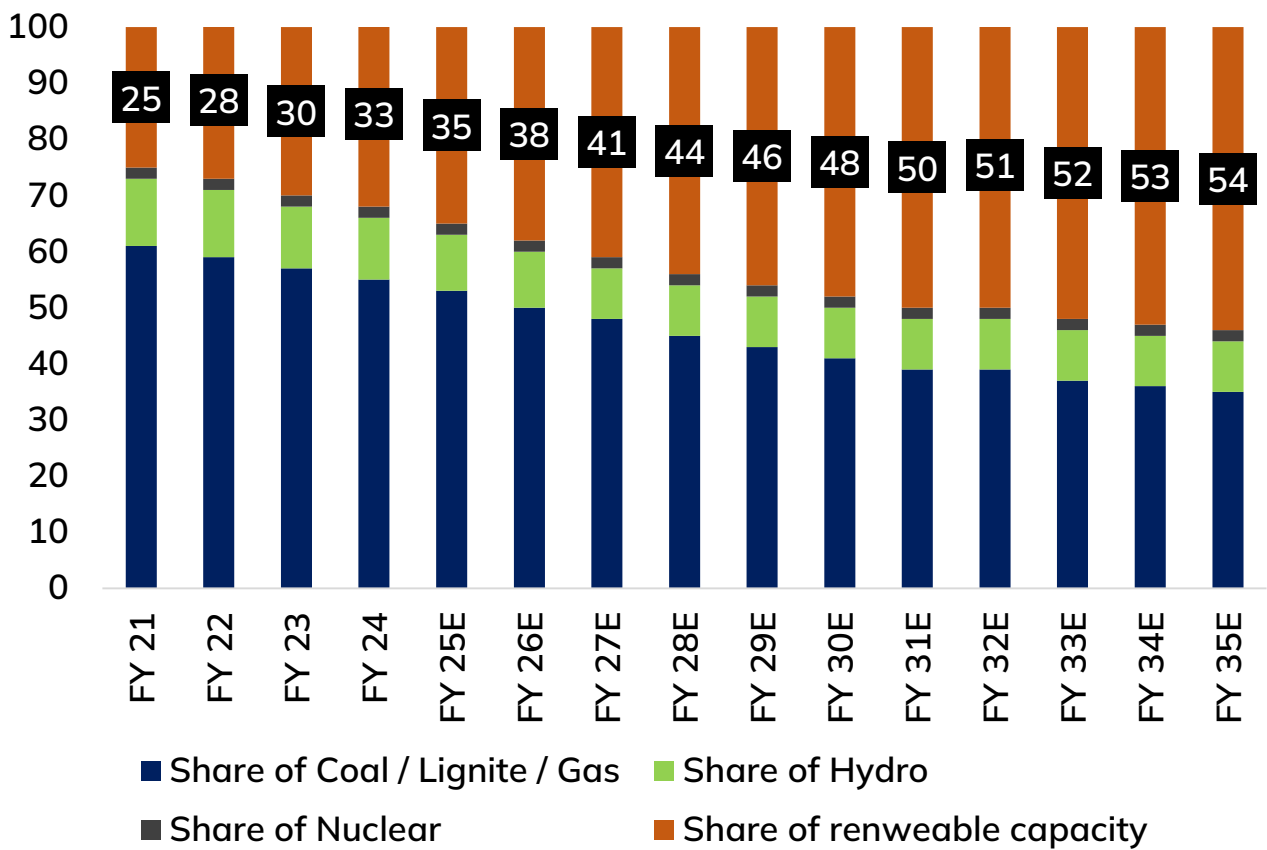
Source: Citi Research. GW: Gigawatt, GDP: Gross Domestic Product, CB: Compressed Biogas, MMTPA: Million Metric Tonne Per Year, Bn: Billion. The stock(s)/sector(s) mentioned in this slide do not constitute any recommendation and ICICI Prudential Mutual Fund may or may not have any future position in these stock(s)/sector(s).



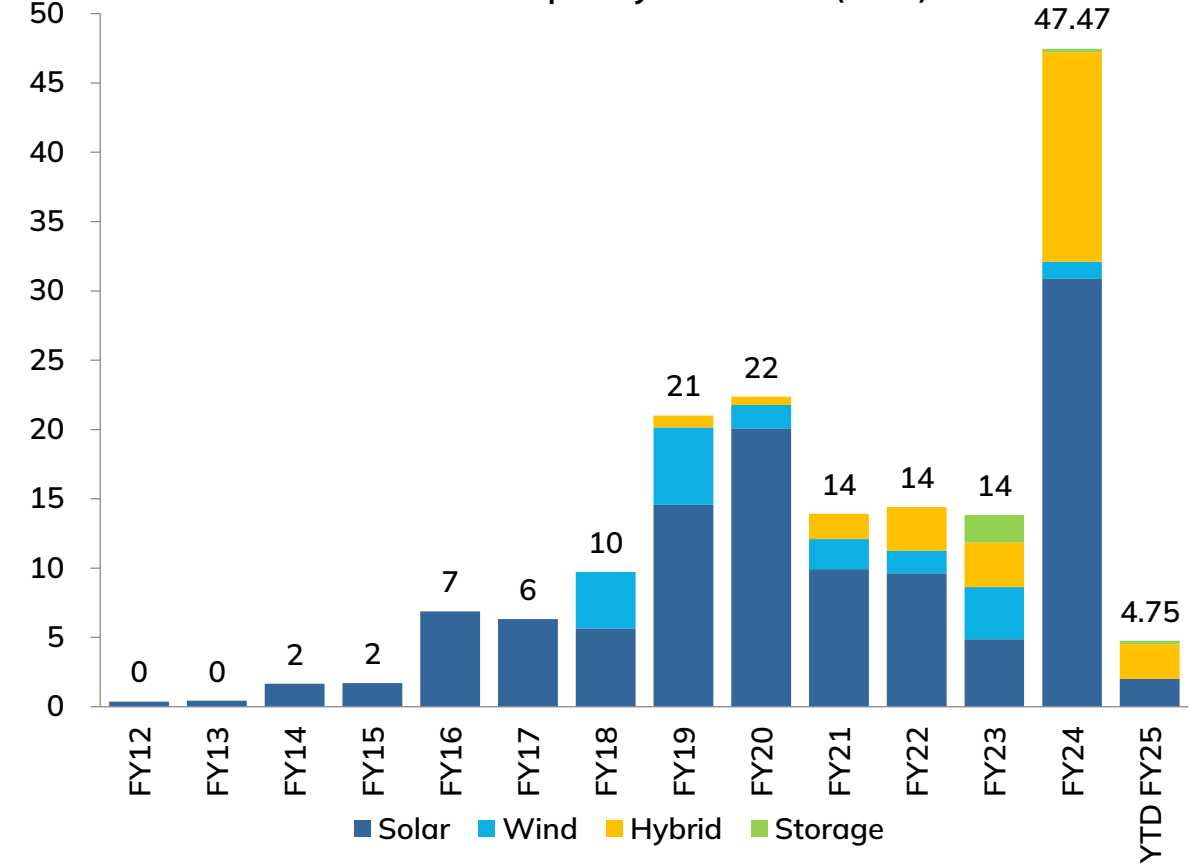
INDIA TRANSITION

India target of Net Zero by 2070, would require massive push for renewables which is likely open up opportunity for existing and new players in Energy Value chain. Plus Govt. has awarded higher capacity addition for renewables

Trends of rising share of Renewable Energy



Renewable Capacity awarded (MW)



Source: Aventus Spark Research. Data is on Financial Year (FY) basis. E: Estimates. YTD: Year Till Date



VALUATION UPDATE

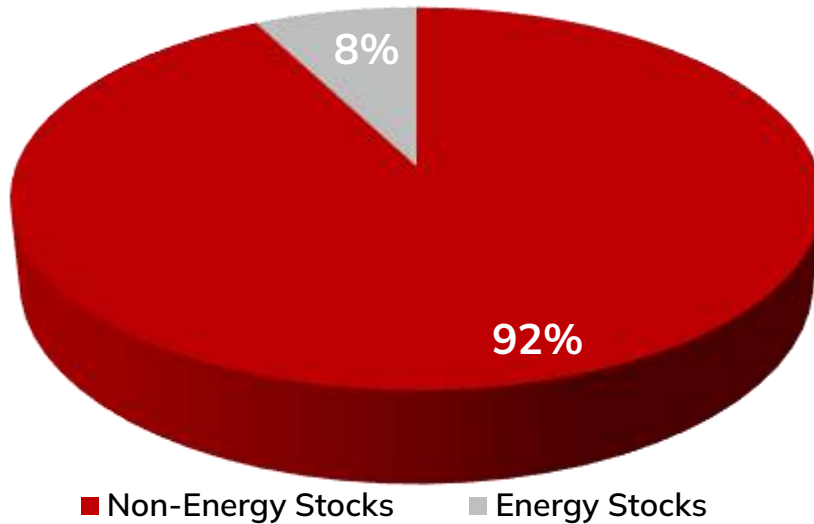




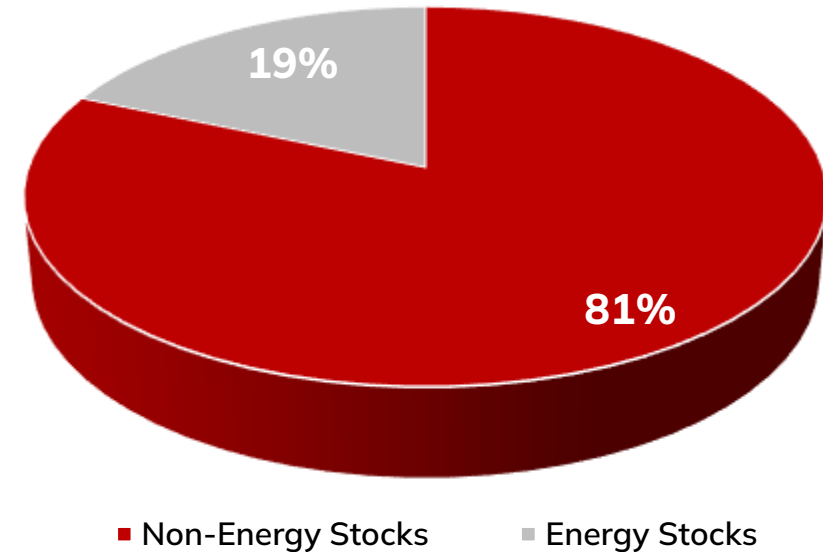
ENERGY SECTOR REPRESENTATION IN THE BROADER MARKET INDICES

Energy Theme's Marketcap exposure is lower in the broader market indices compared to their profit pool

Share of Energy companies (Ex- RIL) as per Market Cap (Cr.) as on 31st May'24



Share of Energy companies (Ex- RIL) as per Profit (Cr.) as on 31st May'24



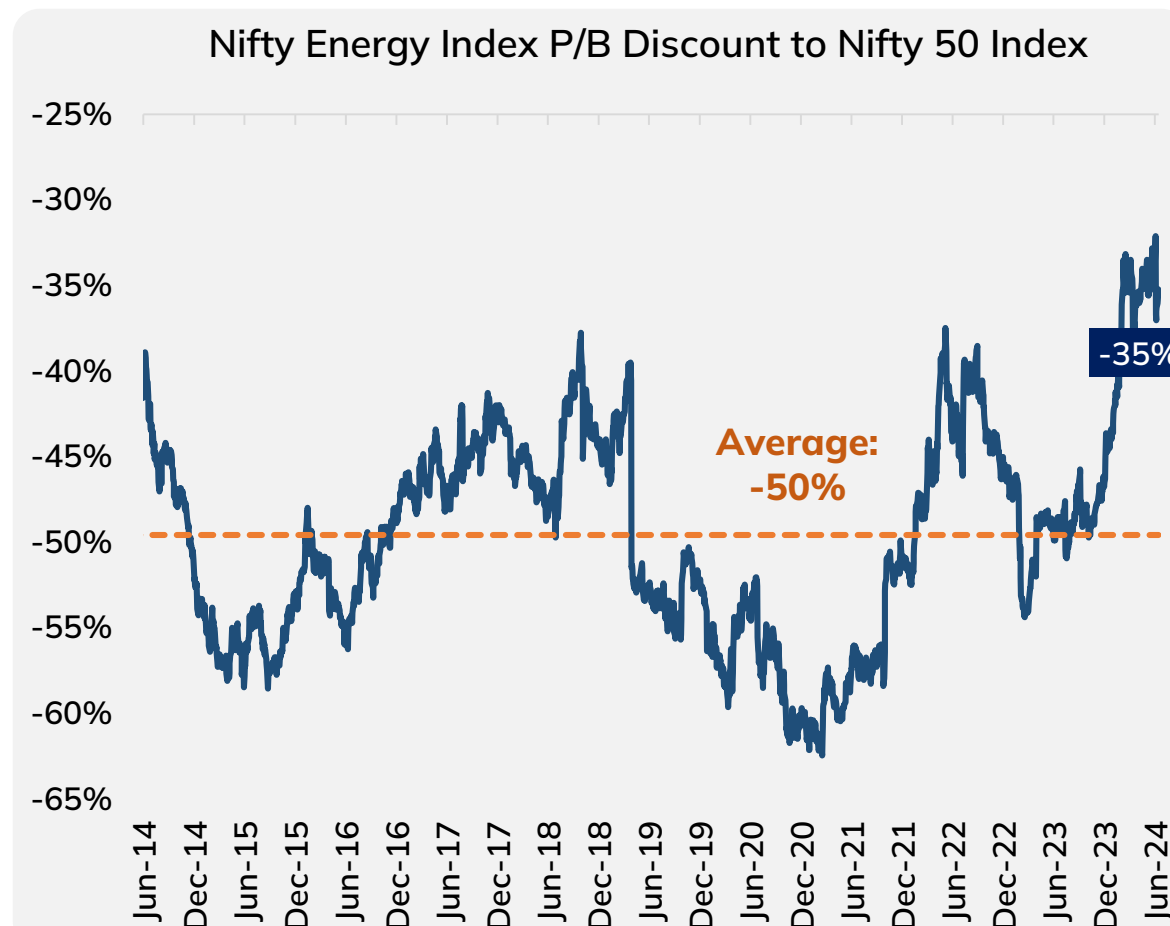
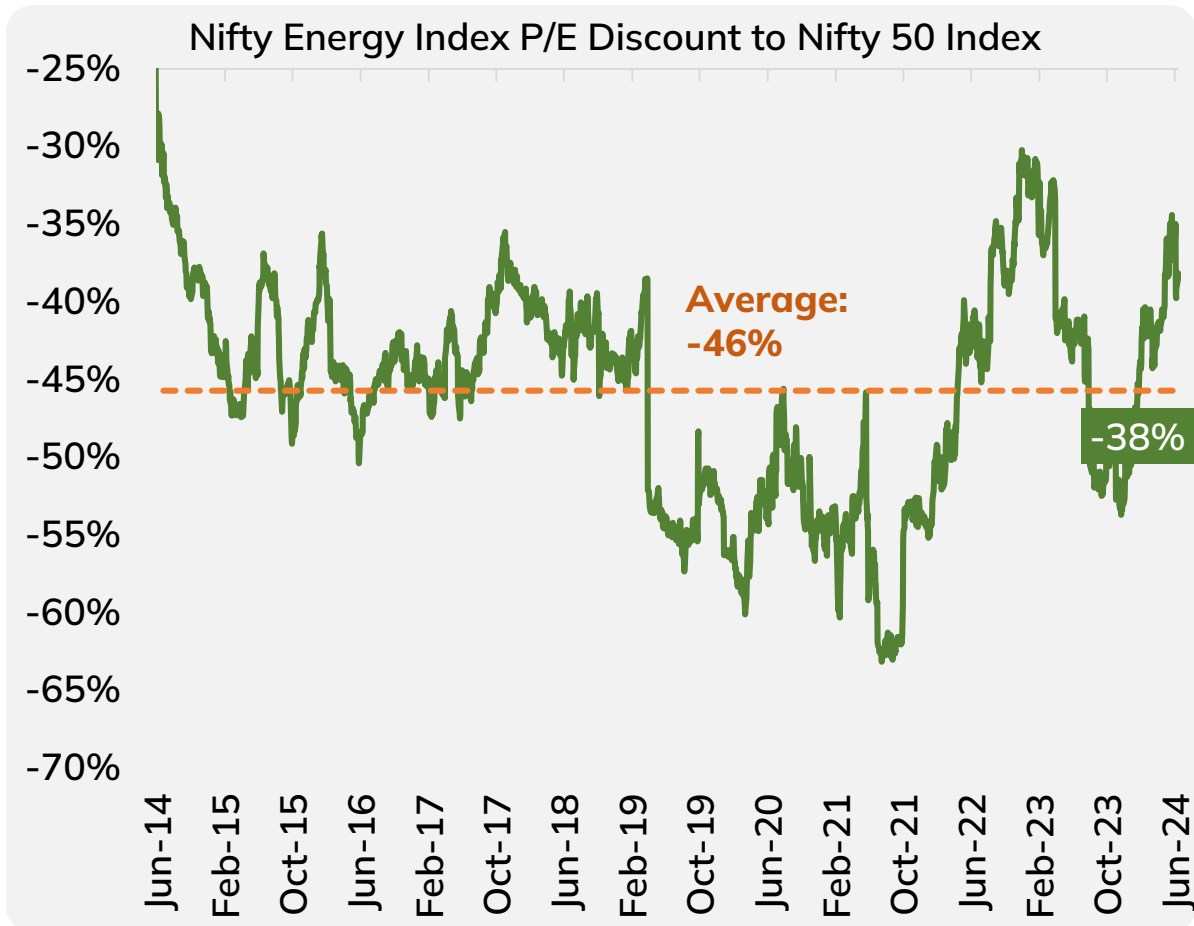
No of energy companies in Nifty 50	31 st May 2024
Energy Stocks	5
Non-Energy Stocks	45

Source – MFIE. RIL: Reliance Industries Ltd. Past performance may or may not sustain in future. Past Performance may or may not sustain in the future. The stock(s)/sector(s) mentioned in this slide do not constitute any recommendation and ICICI Prudential Mutual Fund may or may not have any future position in these stock(s)/sector(s)



NIFTY ENERGY INDEX VALUATION V/S BROADER MARKET

Even after the theme outperforming the broader market, valuation remain reasonable. Nifty Energy Index Trailing PE is at 13.5x compared to Nifty 50 Index Trailing PE at 21.4x



Data as on June 14, 2024. Source: NSE. P/E: Price to Earnings, P/B: Price to Book Value



WHAT WE BRING TO THE TABLE?





WHAT WE BRING TO THE TABLE?

Investment analyst for on – going monitoring

**Our expertise
in this theme**



**Our experience
in identifying
ideas**





TEAM OF INVESTMENT ANALYSTS

Agriculture & Agriculture Input	Auto & Auto Anc	Banks & Finance	Building Materials	Cement
Chemicals	Commercial Services	Construction	Consumer Durables	Consumer Non Durables
Education	Pharmaceuticals	Hotels & Leisure	Capital Goods	IT
Media & Entertainment	Metals & Mining	Oil & Gas	Paper	Power & Utilities
Real Estate	Retail	Telecom	Textiles	Transportation

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OUR EXPERIENCE IN IDENTIFYING IDEAS



2018-19

Theme/Sector based fund

Launched Pharma, Manufacturing, Consumption, Commodities etc., post narrow rally



2021-22

Broad theme based fund

Launched PSU Equity, Transportation, Housing, Innovation etc. post COVID, due to attractive valuations



2021-23

Positioning change in ESF

Markets expensive & Taxation impact, parking solution



Special Situation Theme

Launched Special situation fund, post NBFC Crisis in 2018

2019

Business Cycle & Flexicap Theme

Launched pure Macro fund & Flexi Fund, due to rapid macro challenges (COVID, Geo-political tensions, Energy shortage etc.)

2021



ABOUT THE SCHEME





POWER ANCILLARIES

Energy EPC, Power T&D value, Heavy Electrical Equipment, Energy efficiency plays (manufacturing electrical equipment's for production, transmission & distribution of energy)



OIL VALUE CHAIN

Upstream (Oil Exploration & Production), Integrated refining and marketing (Refineries & Marketing), Standalone refining (Refineries & Marketing), downstream petrochemicals (Chemicals & Petrochemicals companies) and base oil processors (companies engaging in activities such exploration, production, distribution, transportation and processing of traditional & new energy), lubricants, oil field services (Oil Equipment & Services)



GREEN ENERGY / NEW ENERGY

Companies undergoing energy transition, Solar value chain, Wind power value chain, Hydrogen value chain, Bio energy value chain (companies involved bio energy value chain), alternate fuel (companies making components of new energy)



GAS VALUE CHAIN

Gas transmission (Gas Transmission/Marketing), LNG terminal (LPG/CNG/PNG/LNG Supplier), City gas distribution (LPG/CNG/PNG/LNG Supplier)



POWER VALUE CHAIN

Coal producer (Coal), power generation, power transmission



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PROPOSED PORTFOLIO CONSTRUCT – THOUGHTS & PHILOSOPHY

- Conventional sources of energy companies - like Oil & Gas, Coal or Thermal or Gas generation companies
- Strong FCF & Balance Sheet Strength
- Focus towards companies which are also venturing into green energy space
- Companies with re-rating potential

- Allied Sectors like manufacturing of pipelines for energy, bio-energy value chain, manufacturing of electrical equipment, energy automation & consultancy services etc
- Innovative companies
- Strong execution



ENERGY

Predominantly taking exposure in companies involved in the traditional & new energy sectors



OPPORTUNITIES

Investing in companies which are supporting the energy companies (allied business activities)

OTHER ASPECTS:



Largecap biased*



Investing in companies with long-term bias

FCF: Free Cashflow Generation. The asset allocation and investment strategy will be as per the SID. * The benchmark (Nifty Energy TRI) has 100% exposure to large cap companies.



BENCHMARK CONSTITUENTS: NIFTY ENERGY TRI



Company's Name	Industry	Weight(%)
Reliance Industries Ltd.	Refineries & Marketing	31.0
NTPC Ltd.	Power Generation	14.3
Power Grid Corporation of India Ltd.	Power - Transmission	11.8
Coal India Ltd.	Coal	9.4
Oil & Natural Gas Corporation Ltd.	Oil Exploration & Production	8.6
Tata Power Co. Ltd.	Integrated Power Utilities	6.2
Adani Green Energy Ltd.	Power Generation	5.8
Bharat Petroleum Corporation Ltd.	Refineries & Marketing	5.0
Indian Oil Corporation Ltd.	Refineries & Marketing	5.0
Adani Energy Solutions Ltd.	Power Distribution	2.8

Data as on May 31, 2024, Source: NSE. The stock(s)/sector(s) mentioned in this slide do not constitute any recommendation and ICICI Prudential Mutual Fund may or may not have any future position in these stock(s)/sector(s)



SUMMARY

- India's structural story remains strong and expected to grow at a robust pace

- Energy remains major catalyst for India to realize its growth target

- Energy demand is expected to grow over the decade and would remain a key theme for long-term

- Various factors like Climate change, premiumization, India's focus on manufacturing, Growth in per capita income etc. remains factors that propel growth in India's energy demand

- There are various companies involved in the value chain of Energy, this would help in creating a diversified portfolio

- Decadal theme with Long-term bias and hence, investors with long-term horizon should invest in the scheme



PORTFOLIO FEATURES

Type of Scheme	An open-ended equity scheme following the energy theme.	
Plans	ICICI Prudential Energy Opportunities Fund – Regular Plan & ICICI Prudential Energy Opportunities Fund – Direct Plan	
Options	Growth & IDCW*	
Minimum Application Amount	Rs. 5,000 (plus in multiples of Re.1)	
Minimum Additional Application Amount	Rs. 5,000 (plus in multiples of Re.1)	
Minimum Redemption Amount	Any Amount	
Entry Load	Not applicable	
Exit Load	Less than 3 months	1% of applicable NAV
	More than 3 months	Nil
Benchmark Index	Nifty Energy TRI	
SIP / SWP / STP	Available	
Fund Managers	Sankaran Naren and Nitya Mishra. The overseas investment will be managed by Sharmila D'Mello	

*IDCW – Income Distribution cum Capital Withdrawal Option. Payment of dividend is subject to availability of distributable surplus and Trustee approval. Pursuant to payment of IDCW, the NAV of the scheme falls to the extent of dividend payout. When units are sold and sale price (NAV) is higher than face value of the unit, a portion of sale price that represents realized gains is credited to an Equalization Reserve Account and which can be used to pay dividend. Dividend can be distributed out of investors capital (Equalization Reserve), which is part of sale price that represents realized gains. In case the unit holder has opted for dividend payout option, the minimum amount for dividend payout shall be 100 (net of dividend distribution tax and other statutory levy, if any), else the dividend would be mandatorily reinvested



RISKOMETER & DISCLAIMER



ICICI Prudential Energy Opportunities Fund (An open-ended equity scheme following the energy theme.) is suitable for investors who are seeking*:

- Long Term Wealth Creation
- An equity scheme that predominantly invests in instruments of companies engaged in and/or expected to benefit from the growth in traditional & new energy sectors & allied business activities

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



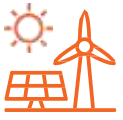
Investors understand that their principal will be at **Very High Risk**

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

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It may be noted that the scheme risk-o-meter specified above is based on the internal assessment of the scheme characteristics and may vary post NFO when the actual investments are made. The same shall be updated on ongoing basis in accordance with clause 17.4 of the Master Circular.



THANK YOU