ICICI Prudential Value Fund – Series 12

Market Outlook

December quarter Gross Domestic Product for 2016 (GDP) growth of 7% was better considering the demonetisation (November 2016) drive started during the same quarter and it is believed that as demonetisation effect reduces, the economic activity is expected to rebounce quickly.

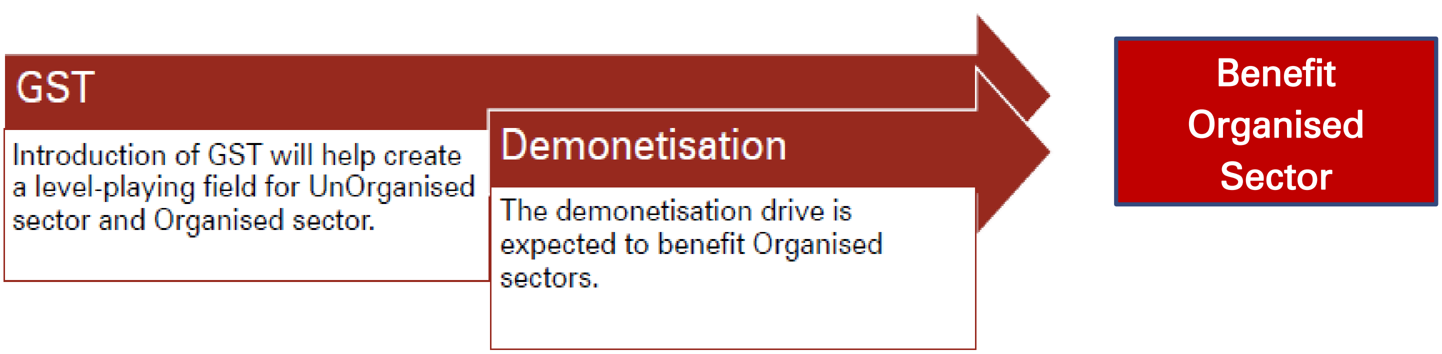
Capacity utilisation in Indian corporate sector is pretty low and over the next two years the capacity utilisation in Indian corporate sector is likely to go up. As incremental output from high capacity utilisation will occur without any capex, thus, the operating leverage will contribute to earnings over the next two years.

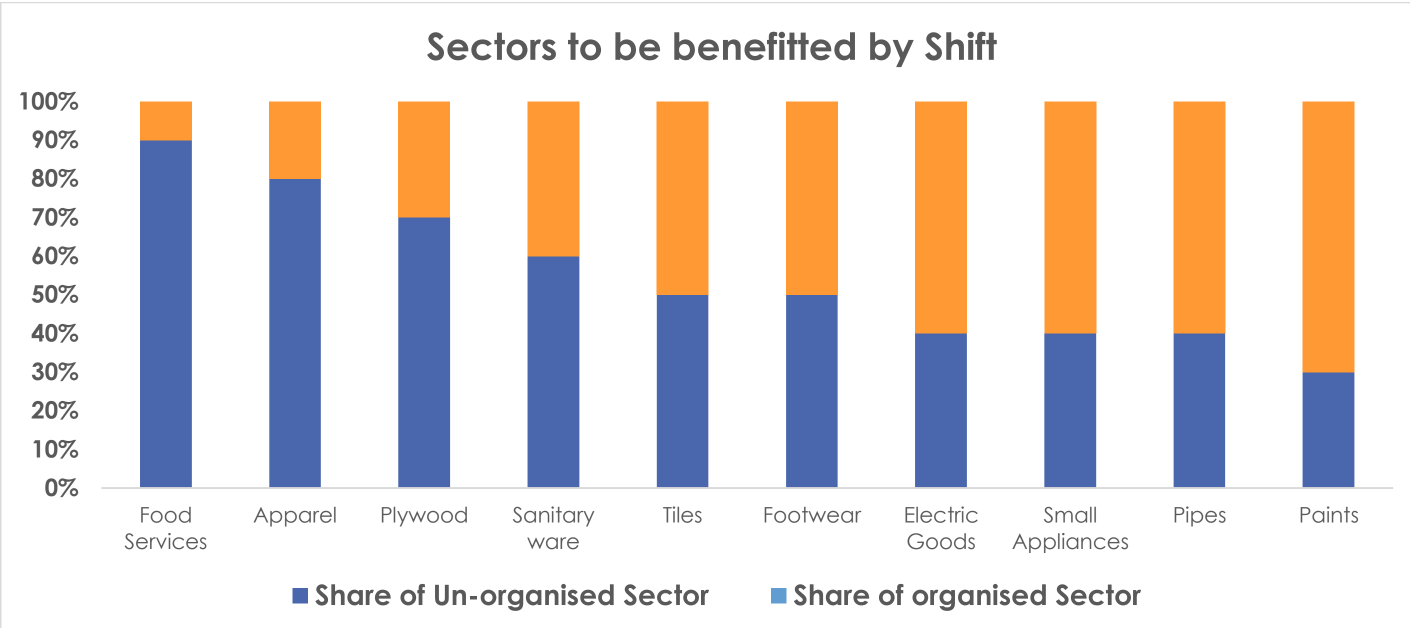
Add to this the government's effort to implement the goods and services tax (GST) this year, we would see a number of organised sector companies benefiting over the next two-three years. This will additionally help earnings growth over the next two years.

Unorganised to Organised

Unorganised players' contribution to India's GDP is pegged at 50% however, the stage has been set for the tables to turn and the baton to pass to the organised segment at an accelerated pace. The game changer is the government's various policy initiatives—streamlining of corporate taxes & business regulations, implementing GST, among others—that are bound to propel this shift. These reforms, in conjunction with burgeoning urbanisation, booming e-commerce and an expanding aspirational middle class, will undoubtedly move the pendulum emphatically in favour of organised players, offering them humongous opportunities.

Due to the factors mentioned above, below mentioned sectors are expected to benefit the most as the have maximum exposure to unorganized market.



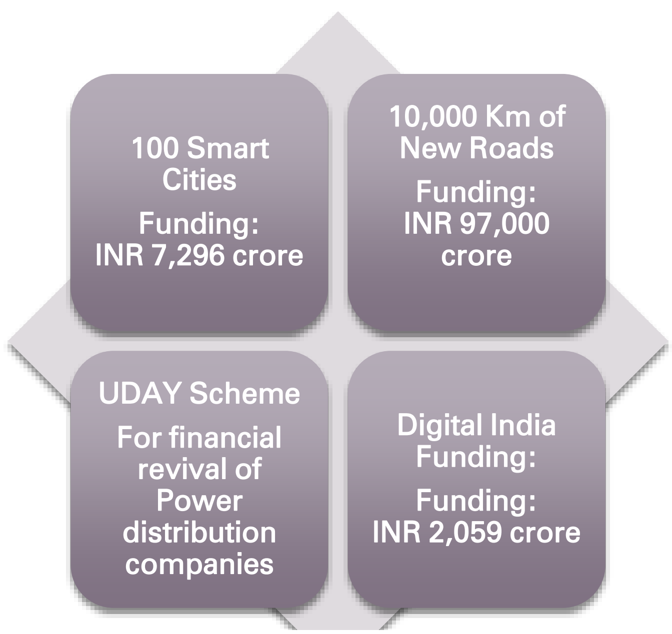


Data Source: Company Data, Credit Suisse estimates

Infrastructure Sector

Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. Ministry of Road Transport and Highways, and Shipping, has announced the government's target of Rs 25 trillion (US$ 376.53 billion) investment in infrastructure over a period of three years, which will include Rs 8 trillion (US$ 120.49 billion) for developing 27 industrial clusters and an additional Rs 5 trillion (US$ 75.30 billion) for road, railway and port connectivity projects.

Infrastructure sector includes power, bridges, dams, roads and urban infrastructure development.



Source: CLSA

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Below are the reasons for the boost of Indian infrastructure sector.

- Higher Government expenditure on infrastructure projects
- Government revenues might increase from taxes as the accountable income might increase after demonetization
- Stable Government & Policy initiatives
- Goods and Services Tax
- Strong Macroeconomic base as India is at reasonable lower current account deficit & low inflation
- The government's vision for India to provide 24*7 power. For this target the government plans to spend USD 50 bn on transmission infrastructure. It aims for 1bn tons of domestic coal production.

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The Product is suitable for investors who are seeking*	**Riskometer**
Long term wealth creation solution A close ended diversified equity fund that aims to provide capital appreciation by investing in well diversified portfolio of stocks through fundamentals analysis.	
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.	

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