



India Index Services & Products Ltd.

NIFTY Fixed Income Indices - Methodology Document

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NIFTY AAA, AA+, AA, AA- and Banking & PSU Bond Indices

Introduction

NIFTY AAA, AA+, AA, AA- and Banking & PSU Bond Indices Bond Indices measures the performance of corporate bonds across 6 duration buckets (Macaulay Duration) and distinct rating segments. Each index may consist up to 14 issuers with each issuer being represented by its most liquid bonds.

Highlights

- The indices have a base date of 03rd September, 2001 and a base value of 1000
- With up to 14 most liquid issuer, the indices are well-diversified, broad based and investible
- Based on a well-defined, market relevant and rules-based framework, the indices are transparent and objective indicator of corporate bond market performance
- The indices are rebalanced and reconstituted on quarterly basis

List of indices across Duration categories

Duration categories	Macaulay Duration Range	Credit Ratings		
		AAA	AA+/AA/AA- Notch Level	Banking and PSU
Ultra Short Duration	3 months – 6 months	NIFTY AAA Ultra Short Duration Bond Index	NIFTY AA+/AA/AA- Ultra Short Duration Bond Index	NIFTY Banking & PSU Ultra Short Duration Bond Index
Low Duration	6 months – 12 months	NIFTY AAA Low Duration Bond Index	NIFTY AA+/AA/AA- Low Duration Bond Index	NIFTY Banking & PSU Low Duration Bond Index
Short Duration	1 to 3 years	NIFTY AAA Short Duration Bond Index	NIFTY AA+/AA/AA- Short Duration Bond Index	NIFTY Banking & PSU Short Duration Bond Index

Medium Duration	3 to 4 years	NIFTY AAA Medium Duration Bond Index	NIFTY AA+/AA/AA- Medium Duration Bond Index	NIFTY Banking & PSU Medium Duration Bond Index
Medium to Long Duration	4 to 7 years	NIFTY AAA Medium to Long Duration Bond Index	NIFTY AA+/AA/AA- Medium to Long Duration Bond Index	NIFTY Banking & PSU Medium to Long Duration Bond Index
Long Duration	Greater than 7 years	NIFTY AAA Long Duration Bond Index	NIFTY AA+/AA/AA- Long Duration Bond Index	NIFTY Banking & PSU Long Duration Bond Index

Issuer selection

- Within each duration bucket, up to 14 issuers are selected based on composite liquidity score with compulsory coverage of Top 5 issuers based on issuance over previous quarter
 - Prior to October 2017, issuers were selected only based on composite liquidity score
- The composite liquidity score is calculated by allocating 80% weights to trading value, 10% weights to number of days traded and 10% to number of trades

Bond selection

- For every selected issuer based on liquidity score, most liquid bonds based on liquidity score during previous one month forms part of the index.
- For every selected issuer based on issuance size, bond with highest in size forms part of the index.

Weight assignment

- Weights to selected bonds are assigned based on time weighted issuer level amount outstanding
 - Prior to April 2018, weights to selected bonds were assigned based on composite liquidity score
- Within each duration bucket, weight of each issuer is capped at 10% (15% prior to April 2016) in line with SEBI's prudential norms of capping the investment limit in bonds of a single issuer.

NIFTY A Bond Indices

Introduction

NIFTY A Bond Indices measures the performance of A rated corporate bonds across 2 Macaulay duration buckets - Short (up to 3 years) and Long (> 3 years).

Highlights

- The Indices have a base date of 03rd September, 2001 and a base value of 1000
- Index consist of all bonds with issuance size greater than Rs. 50 cr. within the respective Macaulay duration range.
- Based on a well-defined, market relevant and rules-based framework, the indices are transparent and objective indicator of A rated corporate bond market performance
- The index is rebalanced and reconstituted on a monthly basis

List of NIFTY A Bond indices across Duration categories

Macaulay Duration Range	Index Name
Up to 3 years	NIFTY A Short-Term Bond
Greater than 3 years	NIFTY A Long-Term Bond

Index Methodology

- Issuers are selected based on primary market issuances
- Within each duration bucket, all securities with issuance of at least Rs. 50 cr are shortlisted.
- Weights to selected bonds are assigned based on issuance size
- Within each duration bucket, weight of each issuer is capped at 10% (15% prior to April 2016) in line with SEBI's prudential norms of capping the investment limit in bonds of a single issuer.

NIFTY AA Category Bond Indices

Introduction

NIFTY AA Category Bond Indices measure the aggregated performance of AA+, AA and AA- rated corporate bonds across 6 duration buckets (Macaulay Duration). Each index is derived from the underlying AA+, AA and AA- rated indices of the concerned Macaulay duration bucket.

Highlights

- The indices have a base date of 03rd September, 2001 and a base value of 1000
- With up to 14 most liquid issuer from each rating sub category, the indices are well-diversified, broad based and investible
- Based on a well-defined, market relevant and rules-based framework, the indices are transparent and objective indicator of corporate bond market performance

List of NIFTY AA Category Bond indices across Duration categories are:

Duration Categories	Macaulay Duration Range	Index Name
Ultra Short Duration	3 months – 6 months	NIFTY AA Category Ultra Short Bond
Low Duration	6 months – 12 months	NIFTY AA Category Low Duration Bond
Short Duration	1 to 3 years	NIFTY AA Category Short Duration Bond
Medium Duration	3 to 4 years	NIFTY AA Category Medium Duration Bond
Medium to Long Duration	4 to 7 years	NIFTY AA Category Medium to Long Duration Bond
Long Duration	Greater than 7 years	NIFTY AA Category Long Duration Bond

NIFTY G-Sec Indices

Introduction

NIFTY G-Sec Indices represent Government of India bonds across 6 distinct duration buckets. Up to 3 liquid securities, within each duration bucket, shall be eligible to form part of the index.

Highlights

- The Indices have a base date of 03rd September, 2001 and a base value of 1000
- The Index seeks to measure the performance of most liquid Government of India bonds across 6 distinct duration buckets
- Based on a well-defined, market relevant and rules-based framework, the index is a transparent and objective indicator of G-sec market performance.
- The index is rebalanced and reconstituted on a monthly basis

List of NIFTY G-sec indices across duration categories

Duration categories	Macaulay Duration Range	Index Name
Ultra Short Duration	3 months – 6 months	NIFTY G-Sec Ultra Short Duration
Low Duration	6 months – 12 months	NIFTY G-Sec Low Duration
Short Duration	1 to 3 years	NIFTY G-Sec Short Duration
Medium Duration	3 to 4 years	NIFTY G-Sec Medium Duration
Medium to Long Duration	4 to 7 years	NIFTY G-Sec Medium to Long Duration
Long Duration	Greater than 7 years	NIFTY G-Sec Long Duration

Index Methodology

- Up to 3 liquid bonds, within a duration bucket, based on turnover during the previous month shall be eligible to be part of the index.
- The outstanding amount of the bond should be more than Rs. 5,000 crores.
- Each bond is assigned weight based on its amount outstanding.
 - Prior to April 2018, each bond is assigned weight based on turnover (in previous month period) and outstanding amount (latest). Turnover of the bond contributes 40% and outstanding amount contributes 60% in weight calculation of each bond.
- The index is rebalanced and reconstituted on monthly basis

NIFTY T-Bills Indices

Introduction

NIFTY T-Bills Indices consist of 4 indices which individually track the performance of “on-the-run” T-bill representing 3 distinct maturity segment (91 day, 182 day and 1 year) and aggregated performance across maturities through an all maturity index.

Highlights

- 3 distinct maturity based indices represents performance of T-Bill of 91-days, 182-days and 1-year maturity
- NIFTY All Maturity T-Bill Index represents the aggregated performance of 3 distinct maturity based T-Bill indices
- Based on a well-defined, market relevant and rules-based framework, the index is a transparent and objective indicator of Indian T-Bills market performance
- The index is rebalanced and reconstituted on every auction

NIFTY T-Bill Indices

Index Name	Inception Date	Residual Maturity
NIFTY 91 Day T-Bill Index	08 th January, 1993	91 day
NIFTY 182 Day T-Bill Index	07 th April, 2005	182 day
NIFTY 1 Year T-Bill Index	10 th April, 1998	1 year
NIFTY All Maturity T-Bill Index	3rd September, 2001	All Maturity

Index Methodology

- The most recently issued T-Bill is considered as the constituent for the index.

NIFTY CP Indices

Introduction

NIFTY CP Indices consist of 5 indices which individually track the performance of Commercial Papers with short term rating of A1+ in 2 month, 3 month, 6 month & 1 year maturity segment and aggregated performance across maturities through an all maturity index.

Highlights

- The Indices have a base date of 03rd September, 2001 and a base value of 1000
- 4 distinct maturity based indices represents performance of CP of 2 month, 3 month, 6 month and 1 year with up to 14 issuers
- NIFTY All Maturity CP Index represents the aggregated performance of 4 distinct maturity based CP indices
- Based on a well-defined, market relevant and rules-based framework, the index is a transparent and objective indicator of CP market performance
- The index is rebalanced and reconstituted on a fortnightly basis

NIFTY CP Indices

Index Name	Residual Maturity
NIFTY 2 Month CP Index	45-60 days
NIFTY 3 Month CP Index	80-95* days
NIFTY 6 Month CP Index	165-195 days
NIFTY 1 Year CP Index	300-375 days
NIFTY All Maturity CP Index	All Maturity

* 85 – 105 days prior to March 2018

Index Methodology

- Based on the size of issuances during the previous fortnight, maximum of 14 issuers are identified.
 - For each of the shortlisted issuers, the security with higher issuance size is selected to be a part of the index
- In case the number of issuers shortlisted using primary issuance data falls short of 14, remaining issuers are identified based on the traded data for the previous fortnight.
 - Issuers are shortlisted based on the traded volume size
 - For each of the shortlisted issuers, the security with a higher traded volume is selected
- In case the number of issuers shortlisted using primary issuance and secondary trades data above falls short of 10:
 - Remaining issuers are shortlisted based on total outstanding amount
 - Securities within each issuer are shortlisted based on issue size.
- Weight assigned to each security based on its issuance size
 - Prior to March 2018, equal weightage is assigned to each security forming part of the index.
- From March 2018, within each maturity bucket, weight of each issuer is capped at 10% in line with SEBI's prudential norms of capping the investment limit in bonds of a single issuer.

NIFTY CD Indices

Introduction

NIFTY CD Indices consist of 5 indices which individually track the performance of Certificate of Deposits with short term rating of A1+ in 2 month, 3 month, 6 month & 1 year maturity segment and aggregated performance across maturities through an all maturity index.

Highlights

- The Indices have a base date of 03rd September, 2001 and a base value of 1000
- 4 distinct maturity based indices represents performance of CD of 2 month, 3 month, 6 month and 1 year with up to 14 issuers
- NIFTY All Maturity CD Index represents the aggregated performance of 4 distinct maturity based CD indices
- Based on a well-defined, market relevant and rules-based framework, the index is a transparent and objective indicator of CD market performance
- The index is rebalanced and reconstituted on a fortnightly basis

NIFTY CD Indices

Index Name	Residual Maturity
NIFTY 2 Month CD Index	45-60 days
NIFTY 3 Month CD Index	85-105 days
NIFTY 6 Month CD Index	165-195 days
NIFTY 1 Year CD Index	300-375 days
NIFTY All Maturity CD Index	All Maturity

Index Methodology

- Based on the size of issuances during the previous fortnight, maximum of 14 issuers are identified.
 - For each of the shortlisted issuers, the security with higher issuance size is selected to be a part of the index

- In case the number of issuers shortlisted using primary issuance data falls short of 14, remaining issuers are identified based on the traded data for the previous fortnight.
 - Issuers are shortlisted based on the total traded volume size
 - For each of the shortlisted issuers, the security with a higher traded volume is selected

- In case the number of issuers shortlisted using primary issuance and secondary trades data falls short of 10:
 - Remaining issuers are shortlisted based on total outstanding amount
 - Securities within an issuer are shortlisted based on issue size.

- Weight assigned to each security based on its issuance size
 - Prior to March 2018, equal weightage is assigned to each security forming part of the index.

- From March 2018, within each maturity bucket, weight of each issuer is capped at 10% in line with SEBI's prudential norms of capping the investment limit in bonds of a single issuer.

NIFTY Aggregate Indices

Introduction

NIFTY Fixed Income Aggregate Indices consist of 13 indices which measure the performance of various fixed income portfolios covering Government securities, Corporate bonds of different credit rating categories, Commercial papers, Certificate of deposits, T-Bills and Overnight rate.

Highlights

- The indices have a base date of 3rd September, 2001 and a base value of 1000
- The Index seeks to measure the performance of aggregate debt portfolio
- Weights of the fixed income sub-indices can drift between monthly reset dates due to underlying asset price movement. These weights are reset to their pre-defined levels on a monthly basis.
- Based on a well-defined, market relevant and rules-based framework, the indices are transparent and objective indicator of corporate bond market performance

List of NIFTY Fixed Income Aggregate indices:

NIFTY Index	NIFTY Sub-Indices	Weights
NIFTY Liquid Index	NIFTY 1D Rate Index	20%
	NIFTY 91 Day T-Bill Index	10%
	NIFTY 2 Month CP Index	40%
	NIFTY 2 Month CD Index	10%
	NIFTY 3 Month CP Index	12%
	NIFTY 3 Month CD Index	8%
NIFTY Ultra Short Duration Debt Index	NIFTY 3 Month CP Index	31%
	NIFTY 3 Month CD Index	19%
	NIFTY 6 Month CP Index	17%
	NIFTY 6 Month CD Index	8%
	NIFTY AAA Ultra Short Duration Bond Index	15%
	NIFTY AA+ Ultra Short Duration Bond Index	7%
	NIFTY AA Ultra Short Duration Bond Index	3%
NIFTY Low Duration Debt Index	NIFTY 3 Month CP Index	15%

	NIFTY 3 Month CD Index	10%
	NIFTY 6 Month CP Index	7%
	NIFTY 6 Month CD Index	3%
	NIFTY 1 Year CP Index	6%
	NIFTY 1 Year CD Index	19%
	NIFTY AAA Low Duration Bond Index	33%
	NIFTY AA+ Low Duration Bond Index	5%
	NIFTY AA Low Duration Bond Index	2%
NIFTY Money Market Index	NIFTY All Maturity T-Bill Index	15%
	NIFTY All Maturity CP Index	64%
	NIFTY All Maturity CD Index	21%
NIFTY Short Duration Debt Index	NIFTY Short Duration G-Sec Index	15%
	NIFTY AAA Short Duration Bond Index	47%
	NIFTY AA+ Short Duration Bond Index	12%
	NIFTY AA Short Duration Bond Index	6%
	NIFTY All Maturity CP Index	15%
	NIFTY All Maturity CD Index	5%
NIFTY Medium Duration Debt Index	NIFTY Medium Duration G-Sec Index	30%
	NIFTY AAA Medium Duration Bond Index	45%
	NIFTY AA+ Medium Duration Bond Index	6%
	NIFTY AA Medium Duration Bond Index	4%
	NIFTY AAA Short Duration Bond Index	11%
	NIFTY AA+ Short Duration Bond Index	3%
	NIFTY AA Short Duration Bond Index	1%
NIFTY Medium to Long Duration Debt Index	NIFTY Medium to Long Duration G-Sec Index	35%
	NIFTY AAA Medium to Long Duration Bond Index	27%
	NIFTY AA+ Medium to Long Duration Bond Index	6%
	NIFTY AA Medium to Long Duration Bond Index	2%
	NIFTY AAA Medium Duration Bond Index	17%
	NIFTY AA+ Medium Duration Bond Index	2%
	NIFTY AA Medium Duration Bond Index	1%
	NIFTY 10 Year SDL Index	10%
NIFTY Long Duration Debt Index	NIFTY Long Duration G-Sec Index	45%
	NIFTY AAA Long Duration Bond Index	15%
	NIFTY AAA Medium to Long Duration Bond Index	23%
	NIFTY AA+ Medium to Long Duration Bond Index	5%
	NIFTY AA Medium to Long Duration Bond Index	2%
	NIFTY 10 Year SDL Index	10%
NIFTY Composite Debt Index	NIFTY All Duration G-Sec Index	35%
	NIFTY AAA Short Duration Bond Index	18%
	NIFTY AA+ Short Duration Bond Index	5%
	NIFTY AA Short Duration Bond Index	2%
	NIFTY AAA Medium Duration Bond Index	8%
	NIFTY AA+ Medium Duration Bond Index	1%
	NIFTY AA Medium Duration Bond Index	1%

	NIFTY AAA Medium to Long Duration Bond Index	15%
	NIFTY AA+ Medium to Long Duration Bond Index	4%
	NIFTY AA Medium to Long Duration Bond Index	1%
	NIFTY 10 Year SDL Index	10%
NIFTY Corporate Bond Index	NIFTY AAA Short Duration Bond Index	45%
	NIFTY AA+ Short Duration Bond Index	11%
	NIFTY AAA Medium Duration Bond Index	21%
	NIFTY AA+ Medium Duration Bond Index	3%
	NIFTY AA Short Duration Bond Index	10%
	NIFTY AA- Short Duration Bond Index	4%
	NIFTY AA Medium Duration Bond Index	4%
	NIFTY AA- Medium Duration Bond Index	2%
NIFTY Credit Risk Bond Index	NIFTY AAA Short Duration Bond Index	15%
	NIFTY AA Short Duration Bond Index	29%
	NIFTY AA- Short Duration Bond Index	11%
	NIFTY AA+ Short Duration Bond Index	20%
	NIFTY A Short-Term Bond Index	25%
NIFTY Banking & PSU Debt Index	NIFTY Banking & PSU Short Duration Bond Index	40%
	NIFTY Banking & PSU Medium Duration Bond Index	15%
	NIFTY Banking & PSU Medium to Long Duration Bond Index	20%
	NIFTY All Maturity CD Index	25%
NIFTY All Duration G-Sec Index	NIFTY Ultra Short Duration G-Sec Index	1%
	NIFTY Low Duration G-Sec Index	1%
	NIFTY Short Duration G-Sec Index	9%
	NIFTY Medium Duration G-Sec Index	7%
	NIFTY Medium to Long Duration G-Sec Index	33%
	NIFTY Long Duration G-Sec Index	49%

NIFTY Hybrid Indices

Introduction

The NIFTY Hybrid Index series comprises 6 indices that blend NIFTY 50 TR and the aggregate fixed income indices in various proportions to reflect performance of hybrid portfolios investing in both asset classes.

Highlights

- The Indices have a base date of 3rd September, 2001 and a base value of 1000
- The indices are derived from the total return versions of the NIFTY 50 index and fixed income aggregate indices
- Weights of the equity and fixed income sub-indices can drift between monthly reset dates due to underlying asset price movement. These weights are reset to their pre-defined levels on a monthly basis.

List of NIFTY Hybrid indices include the following indices:

Index Name	Equity Allocation	Debt Allocation
NIFTY 50 Hybrid Composite Debt 70:30 Index	NIFTY 50 70%	NIFTY Composite Debt Index 30%
NIFTY 50 Hybrid Composite Debt 65:35 Index	NIFTY 50 65%	NIFTY Composite Debt Index 35%
NIFTY 50 Hybrid Composite Debt 50:50 Index	NIFTY 50 50%	NIFTY Composite Debt Index 50%
NIFTY 50 Hybrid Composite Debt 15:85 Index	NIFTY 50 15%	NIFTY Composite Debt Index 85%
NIFTY 50 Hybrid Short Duration Debt 40:60 Index	NIFTY 50 40%	NIFTY Short Duration Debt Index 60%
NIFTY 50 Hybrid Short Duration Debt 25:75 Index	NIFTY 50 25%	NIFTY Short Duration Debt Index 75%

About Us

About National Stock Exchange of India Limited (NSE):

The National Stock Exchange (NSE) is the leading stock exchange in India and the fifth largest in the world by equity trading volume Year to Date (YTD), according to World Federation of Exchanges (WFE) data as on August 2017. NSE was the first exchange in India to implement electronic or screen-based trading. It began operations in 1994 and is ranked as the largest stock exchange in India in terms of total and average daily turnover for equity shares every year since 1995, based on SEBI data.

NSE has a fully-integrated business model comprising our exchange listings, trading services, clearing and settlement services, indices, market data feeds, technology solutions and financial education offerings. NSE also oversees compliance by trading and clearing members with the rules and regulations of the exchange.

NSE is a pioneer in technology and ensures the reliability and performance of its systems through a culture of innovation and investment in technology. NSE believes that the scale and breadth of its products and services, sustained leadership positions across multiple asset classes in India and globally enable it to be highly reactive to market demands and changes and deliver innovation in both trading and non-trading businesses to provide high-quality data and services to market participants and clients.

For more information, please visit: www.nseindia.com

About India Index Services & Products Ltd. (IISL):

India Index Services & Products Ltd. (IISL), a subsidiary of NSE, provides a variety of indices and index related services for the capital markets. IISL focuses on the index as a core product. IISL owns and manages a portfolio of indices under the NIFTY brand of NSE, including the flagship index, the NIFTY 50. IISL equity Indices comprises broad-based benchmark indices, sectoral indices, strategy indices, thematic indices and customised indices. IISL also maintains fixed income indices based on Government of India securities, corporate bonds, money market instruments and hybrid indices. Many investment products based on IISL indices have been developed within India and abroad. These include index based derivatives traded on NSE, Singapore Exchange Ltd. (SGX), Chicago Mercantile Exchange Inc. (CME), Osaka Exchange Inc. (OSE), Taiwan Futures Exchange (TAIFEX) and a number of index funds and exchange traded funds. The flagship 'NIFTY 50' index is widely tracked and traded as the benchmark for Indian Capital Markets.

For more information, please visit: www.niftyindices.com

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