



NSE Indices Limited

(Formerly known as India Index Services & Products Limited-IISL)

NIFTY Fixed Income Indices - Methodology Document

February 2019

Table of Contents

NIFTY AAA, AA+, AA, AA- and Banking & PSU Bond Indices	2
NIFTY A Bond Indices	5
NIFTY AA Category Bond Indices	6
NIFTY G-Sec Indices	7
NIFTY T-Bills Indices.....	9
NIFTY CP Indices	10
NIFTY CD Indices.....	12
NIFTY Aggregate Indices	14
NIFTY Hybrid Indices	17
About Us	20

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 derived from aggregate trading value, number of days traded and number of trades of all the eligible bonds of issuers during the previous quarter.
- 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, most liquid bonds based on liquidity score during previous one month 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 was 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 5 indices which individually track the performance of T-bill representing 5 distinct maturity segments (30 day, 60 day, 91 day, 182 day and 1 year) and 1 all maturity index tracking aggregated performance across maturities. The indices are reconstituted on a weekly basis.

Highlights

- 5 distinct maturity based indices represents performance of T-Bill of 30-days, 60-days, 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 30 Day T-Bill Index	12th March, 1993	30 Day
NIFTY 60 Day T-Bill Index	05th February, 1993	60 Day
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

- For 91 Day T-Bill, 182 Day T-Bill & 1 Year T-Bill, the most recently issued T-bill is considered as the constituent for the Index.
- For 30 Day T-Bill & 60 Day T-bill, security with residual maturity closest to 30 day & 60 day respectively 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 1 month, 2 month, 3 month, 6 month & 1 year maturity segment and 1 all maturity index tracking aggregated performance across maturities. Each index consists of up to 14 issuers. The indices are rebalanced and reconstituted on fortnightly basis.

Highlights

- The Indices have a base date of 03rd September, 2001 and a base value of 1000
- 5 distinct maturity based indices represents performance of CP of 1 month, 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 1 Month CP Index	20-40 days
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 1 month, 2 month, 3 month, 6 month & 1 year maturity segment and 1 all maturity index tracking aggregated performance across maturities through an all maturity index. Each index consists of up to 14 issuers. The indices are rebalanced and reconstituted on fortnightly basis.

Highlights

- The Indices have a base date of 03rd September, 2001 and a base value of 1000
- 5 distinct maturity based indices represents performance of CD of 1 month, 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 1 Month CD Index	20-40 days
NIFTY 2 Month CD Index	45-60 days
NIFTY 3 Month CD Index	85-95* days
NIFTY 6 Month CD Index	165-195 days
NIFTY 1 Year CD Index	300-375 days
NIFTY All Maturity CD 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 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 Aggregate Index Series	Sub-Indices
NIFTY Liquid Index	NIFTY 1D Rate Index
	NIFTY 2 Month CP Index
	NIFTY 3 Month CP Index
	NIFTY 2 Month CD Index
	NIFTY 3 Month CD Index
NIFTY Money Market Index	NIFTY All Maturity T-Bill Index
	NIFTY All Maturity CP Index
	NIFTY All Maturity CD Index
NIFTY Ultra Short Debt Index	NIFTY 3 Month CP Index
	NIFTY 3 Month CD Index
	NIFTY 6 Month CP Index
	NIFTY 6 Month CD Index
	NIFTY AAA Ultra Short Duration Bond Index
	NIFTY AA Category Ultra Short Duration Bond Index

NIFTY Low Duration Debt Index	NIFTY 6 Month CP Index
	NIFTY 1 Year CP Index
	NIFTY 6 Month CD Index
	NIFTY 1 Year CD Index
	NIFTY AA Category Low Duration Bond Index
	NIFTY AAA Low Duration Bond Index
NIFTY Short Duration Debt Index	NIFTY Short Duration G-Sec Index
	NIFTY AAA Short Duration Bond Index
	NIFTY AA Category Short Duration Bond Index
	NIFTY All Maturity CP Index
	NIFTY All Maturity CD Index
NIFTY Medium Duration Debt Index	NIFTY Medium Duration G-Sec Index
	NIFTY AAA Medium Duration Bond Index
	NIFTY AA Category Medium Duration Bond Index
	NIFTY AAA Short Duration Bond Index
	NIFTY AA Category Short Duration Bond Index
NIFTY Medium to Long Duration Debt Index	NIFTY Medium to Long Duration G-Sec Index
	NIFTY AAA Medium to Long Duration Bond Index
	NIFTY AA Category Medium to Long Duration Bond Index
	NIFTY AAA Medium Duration Bond Index
	NIFTY AA Category Medium Duration Bond Index
NIFTY Long Duration Debt Index	NIFTY Long Duration G-Sec Index
	NIFTY AAA Long Duration Bond Index
	NIFTY AAA Medium to Long Duration Bond Index
	NIFTY AA Category Medium to Long Duration Bond Index
NIFTY Composite Debt Index	NIFTY All Duration G-Sec Index
	NIFTY AAA Short Duration Bond Index
	NIFTY AAA Medium Duration Bond Index
	NIFTY AAA Medium to Long Duration Bond Index
	NIFTY AAA Long Duration Bond Index
	NIFTY AA Category Short Duration Bond Index
	NIFTY AA Category Medium Duration Bond Index
	NIFTY AA Category Medium to Long Duration Bond Index
NIFTY Corporate Bond Index	NIFTY AAA Short Duration Bond Index
	NIFTY AAA Medium Duration Bond Index
	NIFTY AAA Medium to Long Duration Bond Index
	NIFTY AAA Long Duration Bond Index
	NIFTY AA Short Duration Bond Index
	NIFTY AA Medium Duration Bond Index
	NIFTY AA Medium to Long Duration Bond Index
	NIFTY AA- Short Duration Bond Index
	NIFTY AA- Medium Duration Bond Index
	NIFTY AA- Medium to Long Duration Bond Index
	NIFTY AA+ Short Duration Bond Index
	NIFTY AA+ Medium Duration Bond Index

	NIFTY AA+ Medium to Long Duration Bond Index
NIFTY Credit Risk Bond Index	NIFTY AAA Short Duration Bond Index
	NIFTY AAA Medium Duration Bond Index
	NIFTY AAA Medium to Long Duration Bond Index
	NIFTY AAA Long Duration Bond Index
	NIFTY AA Short Duration Bond Index
	NIFTY AA Medium Duration Bond Index
	NIFTY AA Medium to Long Duration Bond Index
	NIFTY AA- Short Duration Bond Index
	NIFTY AA- Medium Duration Bond Index
	NIFTY AA- Medium to Long Duration Bond Index
	NIFTY AA+ Short Duration Bond Index
	NIFTY AA+ Medium Duration Bond Index
	NIFTY AA+ Medium to Long Duration Bond Index
	NIFTY A Long-Term Bond Index
NIFTY A Short-Term Bond Index	
NIFTY Banking & PSU Debt Index	NIFTY Banking & PSU Short Duration Bond Index
	NIFTY Banking & PSU Medium Duration Bond Index
	NIFTY Banking & PSU Medium to Long Duration Bond Index
	NIFTY Banking & PSU Long Duration Bond Index
	NIFTY All Maturity CD Index
NIFTY All Duration G-Sec Index	NIFTY Ultra Short Duration G-Sec Index
	NIFTY Low Duration G-Sec Index
	NIFTY Short Duration G-Sec Index
	NIFTY Medium Duration G-Sec Index
	NIFTY Medium to Long Duration G-Sec Index
	NIFTY Long Duration G-Sec Index

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 25%

Index Policy

The NIFTY indices uses transparent, researched and publicly documented rules for index maintenance. These rules are applied regularly to manage changes to the index. Index reviews are carried out semi-annually to ensure that each security in the index fulfils eligibility criteria.

Announcements

All index-related announcements are posted on the websites of NSE Indices Limited and NSE. Changes impacting the constituent list are also posted on the Web site. Please refer to the www.niftyindices.com and www.nseindia.com.

Holiday Schedule

For the calculation of indices, the NSE Indices Limited follows the official holiday schedule. A complete holiday schedule for the year is available on the NSE Indices Limited and NSE website. Please refer to the www.niftyindices.com and www.nseindia.com.

Index Precision

Index values are disseminated up to two decimal places.

Index Recalculations

All NIFTY family of indices are recalculated whenever errors occur. Users of the NIFTY indices are notified through appropriate channel of communication.

Market Feedback & Index Methodology Review

NSE Indices Limited is committed to ensure that all NIFTY indices are relevant for the market participants. In order to ensure this, NSE Indices Limited on an on-going basis interacts with the stakeholders inviting the feedback through various channels of communication. The feedback received from the market participants forms a key input for all index related aspects.

Review of methodology of NIFTY indices is carried out on an annual basis. Additionally, NSE Indices Limited also considers any feedback that it may receive with regards to index methodology as part of on-going market interactions. Any changes to the index methodology is approved by the Committee and the same is announced through a press release.

Other

In case of a market stress or disruption, NSE Indices Limited will review and deal with the situation on consultative basis with the respective source of price data for computation of these indices.

All indices are expected to reflect the performance of a basket of stocks selected based on the defined guidelines and theme. Every index user is advised to evaluate the benefits of index and take an informed decision before using the index for self or creation of index-linked products. NSE Indices Limited does not accept any liability for any losses, claims, expenses etc. that may be incurred by any person as a result of usage of NIFTY family of indices as a result of reliance of the ground rules, any errors or inaccuracies.

About Us

About National Stock Exchange of India Limited (NSE):

The National Stock Exchange of India Ltd. (NSE) is the leading stock exchange in India and the third largest in the world by nos. of trades in equity shares in 2017, according to World Federation of Exchanges (WFE) report. 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 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 NSE Indices Limited:

(Formerly known as India Index Services & Products Limited-IISL)

NSE Indices Limited, a subsidiary of NSE, provides a variety of indices and index related services for the capital markets. The company focuses on the index as a core product. The company owns and manages a portfolio of indices under the NIFTY brand of NSE, including the flagship index, the NIFTY 50. NIFTY equity indices comprises broad-based benchmark indices, sectoral indices, strategy indices, thematic indices and customised indices. NSE Indices Limited also maintains fixed income indices based on Government of India securities, corporate bonds, money market instruments and hybrid indices. Many investment products based on NIFTY indices have been developed within India and abroad. These include index based derivatives traded on NSE, Singapore Exchange Ltd. (SGX) and 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

Contact Details

Analytical Contact

Aman Singhanian, CFA, FRM
Vice President & Head-Products
+ 91-22-26598214
asinghanian@nse.co.in

Business Development contact

Rohit Kumar, FRM
Vice President & Head of Sales-Index & Market Data
+ 91-22-26598386
rohitk@nse.co.in

Contact:

NSE Indices Limited

(Formerly known as India Index Services & Products Limited-IISL)

Exchange Plaza, Bandra Kurla Complex, Bandra (East),

Mumbai- 400 051, India.

Email: iisl@nse.co.in

Tel: +91 22 26598386