



India Index Services & Products Ltd.

NIFTY SME EMERGE Index

Methodology Document

November 2017

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Introduction

India Index Services & Products Ltd. (IISL), a NSE group company provides a variety of indices and index related services and products for the Indian capital markets.

Small and Medium Enterprises (SME) play a crucial role in growth of the Indian economy by producing diverse range of products & services and creating employment opportunities.

'NIFTY SME EMERGE Index' is designed to reflect the performance of a portfolio of eligible small and medium enterprises that are listed on NSE EMERGE platform.

Highlights

- The index has a base date of December 01, 2016 and a base value of 1000
- The index captures the performance of select liquid SMEs listed on NSE EMERGE platform
- Constituents are weighted based on free float market capitalization
- Index is reconstituted on a quarterly basis

Methodology

Eligibility criteria

- To form part of the NIFTY SME EMERGE Index, stocks should qualify the following eligibility criteria:
 - Stocks should be listed under NSE EMERGE platform.
 - At the time of quarterly review, stocks should have traded for a minimum of 25% of trading days subject to a minimum of 10 trading days during the previous 3 months
 - Minimum number of constituents in the index is 20. In case less than 20 stocks are available to form part of the index, the minimum trading frequency threshold of 25% is lowered by 1% at a time till minimum of 20 stocks are available to form part of the index.
- Constituents are weighted based on free float market capitalization

Reconstitution criteria

- Index is reconstituted on a quarterly basis
 - 2 out of the 4 quarterly reviews is aligned with semi-annual review of NIFTY broad market Indices, effective next working day post the last Thursday of March and September.
 - Remaining 2 quarterly reviews shall be effective next working day post the last Thursday of June and December
- An existing index constituent is excluded if its trading frequency calculated using the above mentioned method falls below 10%
- Apart from scheduled reviews, additional ad-hoc reconstitution of the index shall be initiated in case any index constituent undergoes suspension/delisting/scheme of arrangement or is moved to NSE Mainboard

Calculation Frequency:

The index is calculated on end of day basis for all NSE trading days.

Corporate Actions:

Maintaining the index include monitoring and completing the adjustments for company additions and deletions, stock splits, stock dividends etc. Some corporate actions, such as stock splits and stock dividends, require changes only in the stock prices and shares of the companies in the index. Other corporate actions, such as special dividend require a divisor adjustment to prevent the value of the index from changing.

Adjusting the divisor for a change in market value leaves the value of the index unaffected by the corporate action. This helps keep the value of the index accurate as a barometer of stock market performance, and ensures that the movement of the index does not reflect the corporate actions of the companies in it. Divisor adjustments are made after the close of trading and after the calculation of the closing value of the index.

Index Governance:

A professional team at IISL manages the NIFTY indices. There is a three-tier governance structure comprising the board of directors of IISL, the Index Policy Committee, and the Index Maintenance Sub-committee. IISL has constituted the Index Policy Committee, which is involved in devising policy and guidelines for managing the NIFTY indices. The Index Maintenance Sub-committee decides on index rebalancing based on the index methodology. The NIFTY indices have fully articulated rules governing index revisions, corporate actions, etc.

Index Policy

Announcements:

All index-related announcements are posted on the websites of IISL 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 IISL follows the official holiday schedule. A complete holiday schedule for the year is available on the IISL and NSE website. Please refer to the www.niftyindices.com and www.nseindia.com.

About National Stock Exchange of India Limited (NSE)

The National Stock Exchange (NSE) is the leading stock exchange in India and the fourth largest in the world by equity trading volume in 2015, according to World Federation of Exchanges (WFE). 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.

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 and money market instruments. 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

Contact Details

Analytical Contact

Aman Singhanian, CFA, FRM

Head – Products (IISL)

+ 91-22-26598214

asinghanian@nse.co.in

Business Development contact

Rohit Kumar, FRM

Chief Manger– Business Development

+ 91-22-26598386

rohitk@nse.co.in

Contact:

Email: iisl@nse.co.in

Tel: +91 22 26598386

Address: Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai- 400 051 (India)