

WHITE PAPER SERIES #08

NIFTY LargeMidcap **250**

{ Well-diversified portfolio
of large and midcap stocks }

November 2017

Introduction

Large cap stocks represent the top companies categorized based on full market capitalization. Likewise, midcap companies is the next pool of emerging companies right after the large cap companies in terms of full market capitalization. NIFTY 100 and NIFTY Midcap 150 are two popular broad-market indices that individually represent performance of large and midcap stocks respectively.

The newly launched NIFTY LargeMidcap 250 Index reflects the performance of a portfolio of large and midcap companies listed on NSE. The Index consists of 250 companies which are part of the underlying NIFTY 100 and Nifty Midcap 150 indices. Combining large cap and mid cap stocks provides a well-diversified portfolio to investors who intend to track both large and midcap stocks.

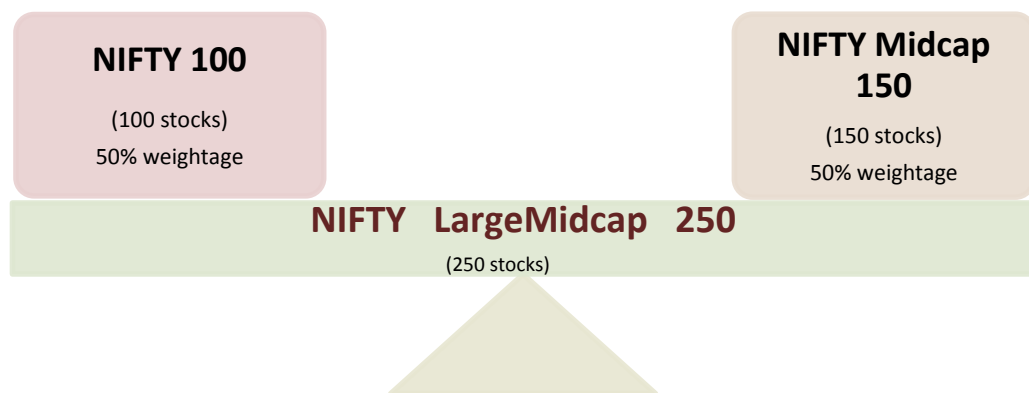


Exhibit 1: Nifty LargeMidcap 250 index - an ideal combination of large and midcap stocks

Of the top 250 stocks (based on full Mcap) that typically represent large and midcap universe in India, large cap stocks (top 100) claim ~85% of total market capitalization with the balance in midcap stocks. In order to address this skew towards large cap and have a more balanced allocation, the NIFTY LargeMidcap 250 has equal weight to large and midcap stocks.

NIFTY LargeMidCap 250 index represents an ideal fit between NIFTY 100 and NIFTY Midcap 150 indices

The below graph and table show the performance of NIFTY 100 (read large-caps), NIFTY Midcap 150 (read mid-caps) and NIFTY LargeMidcap 250 (read large & mid-caps) from April 2005 till Oct 2017.

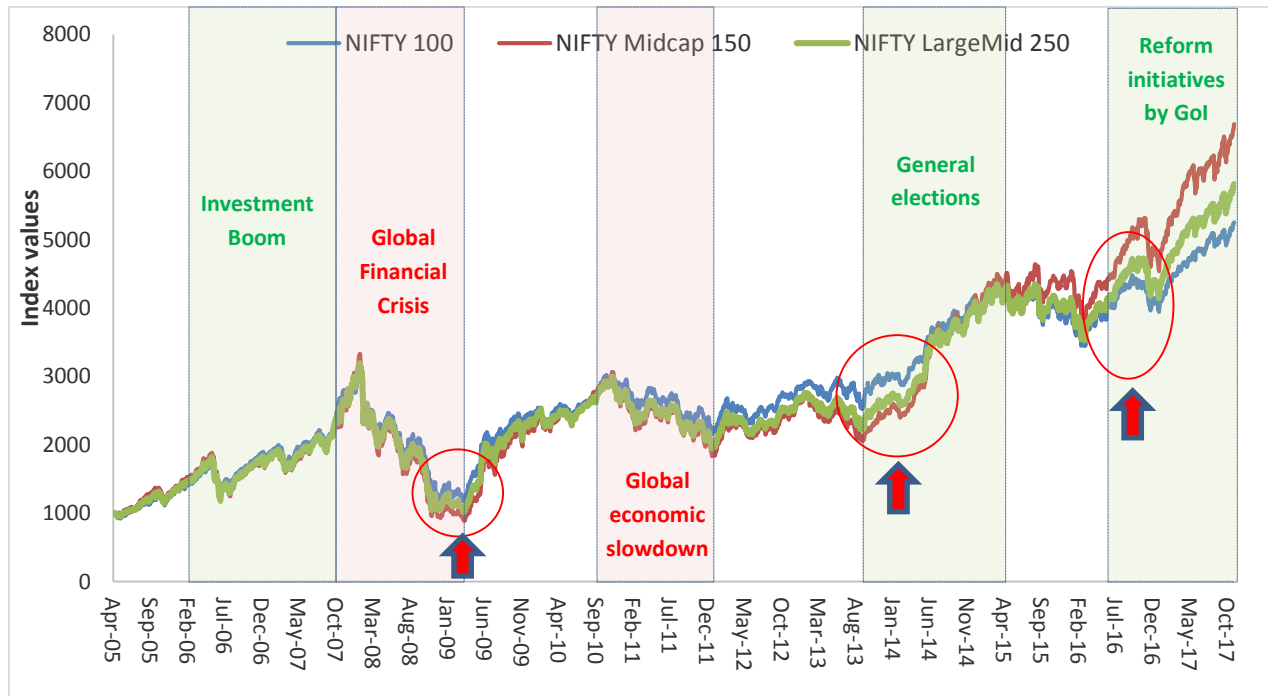


Exhibit 2: Performance of NIFTY 100, NIFTY Midcap 150 and NIFTY LargeMidcap 250 indices during various phases

Period	Calendar year returns (%)			Annualized volatility (%)			Return to Risk ratio		
	NIFTY LargeMidcap 250	NIFTY 100	NIFTY Midcap 150	NIFTY LargeMidcap 250	NIFTY 100	NIFTY Midcap 150	NIFTY LargeMidcap 250	NIFTY 100	NIFTY Midcap 150
2005	38.2	35.8	41.4	15.6	16.7	16.4	2.5	2.1	2.5
2006	31.3	38.0	26.9	25.7	26.3	26.8	1.2	1.4	1.0
2007	69.4	57.5	76.1	23.0	25.1	22.5	3.0	2.3	3.4
2008	-60.4	-53.7	-65.5	42.4	44.6	42.0	-1.4	-1.2	-1.6
2009	97.3	82.7	110.6	31.5	34.3	31.5	3.1	2.4	3.5
2010	15.7	17.9	18.5	15.5	16.0	16.7	1.0	1.1	1.1
2011	-29.0	-25.8	-32.1	19.0	20.3	18.9	-1.5	-1.3	-1.7
2012	36.8	30.6	44.3	14.9	15.0	15.7	2.5	2.0	2.8
2013	1.7	6.5	-3.0	15.9	17.7	15.2	0.1	0.4	-0.2
2014	46.2	33.2	60.3	14.1	13.0	16.8	3.3	2.6	3.6
2015	2.8	-2.4	8.4	16.1	16.1	17.0	0.2	-0.1	0.5
2016	4.7	3.6	5.4	15.8	15.2	17.3	0.3	0.2	0.3
2017 YTD	34.8	28.1	41.5	10.3	9.2	12.4	3.4	3.0	3.3
Since 2005	15.0	14.1	16.3	21.9	23.0	22.5	0.7	0.6	0.7

Exhibit 3: Return & risk profile of NIFTY LargeMidcap 250, NIFTY 100 and NIFTY Midcap 150

As can be seen in Exhibit 2 & 3, large cap and mid cap stocks behave differently during different phases of the market.

Large caps, typically characterized by stable returns and lower volatility, tend to tide over phases of economic downturn relatively better as compared to mid-caps. Stability in performance of large cap stocks (represented through the NIFTY 100) can be observed for periods such as global financial crisis (2008) and during global economic slowdown (2011) where large caps fell less as compared to midcaps (represented through NIFTY Midcap 150). The NIFTY LargeMidCap 250, being a composite of the two segments, witnesses returns that are in-between the large and mid caps.

On the other hand, large caps tend to underperform their mid-cap counterparts during phase of economic recoveries and mega bull runs. As can be seen, during rising market phases of 2007, 2009, 2012 and 2014, mid-cap stocks delivered returns significantly higher than large caps. Again, the NIFTY LargeMidCap 250 delivers returns that are averages of the large and mid-caps.

Similarly, NIFTY LargeMidCap 250 has displayed volatility and 'return to risk' ratio that are in-between the NIFTY 100 and NIFTY Midcap 150 across years.

Sector level diversification of NIFTY LargeMidcap 250 remains comparable with NIFTY 100 and NIFTY Midcap 150

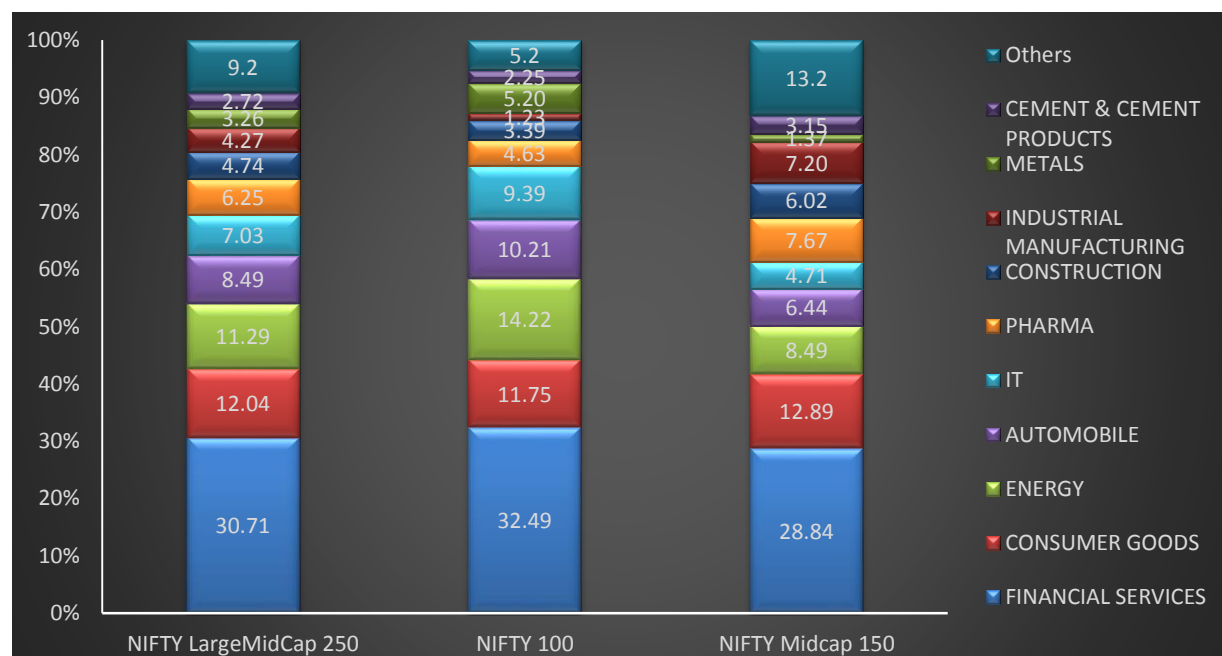


Exhibit 4: Portfolio comparison of NIFTY LargeMidcap 250, NIFTY 100 and Nifty Midcap 150 - As on October 31, 2017

Sector level weight exposures in NIFTY LargeMidcap 250 index remains comparable with NIFTY 100 and NIFTY Midcap 150 indices. Of the 17 sectors to which all the three indices are exposed to, if we look at sectors having individual weight lesser than 10%, the NIFTY 100 has 13 such sectors, the NIFTY Midcap 150 has 15 of them and the NIFTY LargeMidcap 250, being an equal-weighted composite, has a count of 14 such sectors.

Aggregate weight of top 5 sectors in NIFTY LargeMidcap 250 is 69.5%, represented by Financial Services (30.7%), Consumer Goods (12.0%), Energy (11.3%), Automobile (8.5%) and IT (7.0%), quite synonymous with NIFTY 100 and NIFTY Midcap 150 which stand at 78.1% and 61.4% respectively.

Stock level diversification of NIFTY LargeMidcap 250 is better than NIFTY 100 and is comparable with NIFTY Midcap 150

NIFTY LargeMidcap 250		NIFTY 100		NIFTY Midcap 150	
Company Name	Weight (%)	Company Name	Weight (%)	Company Name	Weight (%)
HDFC Bank Ltd.	3.9	HDFC Bank Ltd.	7.8	Federal Bank Ltd.	2.7
Reliance Industries Ltd.	3.3	Reliance Industries Ltd.	6.6	Bharat Forge Ltd.	2.0
Housing Development Finance Corporation Ltd.	2.9	Housing Development Finance Corporation Ltd.	5.8	Vakrangee Ltd.	2.0
I T C Ltd.	2.4	I T C Ltd.	4.8	Bajaj Holdings & Investment Ltd.	1.9
ICICI Bank Ltd.	2.1	ICICI Bank Ltd.	4.1	TVS Motor Company Ltd.	1.7
Infosys Ltd.	2.0	Infosys Ltd.	3.9	Voltas Ltd.	1.5
Larsen & Toubro Ltd.	1.6	Larsen & Toubro Ltd.	3.2	Tata Chemicals Ltd.	1.5
Kotak Mahindra Bank Ltd.	1.5	Kotak Mahindra Bank Ltd.	2.9	Bharat Financial Inclusion Ltd.	1.4
Tata Consultancy Services Ltd.	1.4	Tata Consultancy Services Ltd.	2.8	Edelweiss Financial Services Ltd.	1.4
State Bank of India	1.2	State Bank of India	2.4	Sundaram Finance Ltd.	1.4
Weight of top 10 stocks	22.4	Weight of top 10 stocks	44.5	Weight of top 10 stocks	17.7
Herfindahl - Hirschman Index (HHI) value	94	Herfindahl - Hirschman Index (HHI) value	281	Herfindahl - Hirschman Index (HHI) value	95

Exhibit 5: Weightage of top 10 stocks as on October 31, 2017

As on October 31, 2017, top 10 stocks in NIFTY LargeMidcap 250 contribute 22.4% weight (with individual weights ranging between 3.9% to 1.2%), significantly better than NIFTY 100 (where top 10 stocks contribute 44.5% weight) and comparable to NIFTY Midcap 150 (where top 10 stocks contribute 17.7% weight).

The Herfindahl - Hirschman Index (HHI)¹ value explains the degree of diversification in a portfolio, where a lower value signifies a more diversified portfolio. The HHI value of NIFTY LargeMidcap 250 at 94, is significantly better than NIFTY 100 (which has an HHI of 281) and is comparable with NIFTY Midcap 150 (which has an HHI of 95).

Range in Full Market Capitalization of stocks (Rs. Cr)			
Parameter	NIFTY LargeMidcap 250	NIFTY 100	NIFTY Midcap 150
Largest Stock	Reliance Industries Ltd.	Reliance Industries Ltd.	L&T Finance Holdings Ltd.
Smallest Stock	Reliance Communications Ltd.	Tata Motors Ltd DVR	Reliance Communications Ltd.
Median Stock	Motilal Oswal Financial Services Ltd.	Titan Company Ltd.	Reliance Infrastructure Ltd.

Exhibit 6: Full market capitalization as on October 31, 2017

NIFTY LargeMidcap 250 portfolio covers the spectrum of large and midcap stocks with its largest stock (in terms of full market capitalization) being Reliance Industries Ltd. (which is also the largest stock in NIFTY 100) and smallest stock being Reliance Communications Ltd. (which is also the smallest stock in NIFTY Midcap 150).

¹: Herfindahl Hirschman Index (HHI) measures of concentration. Calculated as sum of squares of percentage weight of each stock in the portfolio

Signing off...

NIFTY LargeMidcap 250 consists of 250 companies which are part of the underlying NIFTY 100 and Nifty Midcap 150 indices. With equal aggregate weight to large and midcap stocks, it addresses the weight skew towards large cap and has a more balanced allocation to both the segments. By delivering returns that are averages of large and mid-cap stocks, the NIFTY LargeMidCap 250 index is an ideal fit between NIFTY 100 and NIFTY Midcap 150 indices. The sector level diversification of this index remains comparable with NIFTY 100 and NIFTY Midcap 150 and the stock level diversification is better than NIFTY 100 and comparable with NIFTY Midcap 150. The NIFTY LargeMidcap 250 represents the investable universe of stocks for funds that invest in both large and mid-cap categories and is thus expected to strongly appeal to the investment community as an ideal benchmark for such funds.

For information on Index methodology and factsheet, please visit us at www.niftyindices.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 upon 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 of 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.

Contact Details

Analytical contact

Aman Singhania, CFA, FRM

Head – Products (IISL)

+91-22-26598214

asinghania@nse.co.in

Business Development contact

Rohit Kumar, FRM

Chief Manager – Business Development

+91-22- 26598386

rohitk@nse.co.in

Disclaimer: All information contained herewith is provided for reference purpose only. IISL ensures accuracy and reliability of the above information to the best of its endeavors. However, IISL makes no warranty or representation as to the accuracy, completeness or reliability of any of the information contained herein and disclaim any and all liability whatsoever to any person for any damage or loss of any nature arising from or as a result of reliance on any of the information provided herein. The information contained in this document is not intended to provide any professional advice.

Contact:

Email: iisl@nse.co.in

Tel: +91 22 26598386

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