

Press Release

February 23, 2021

Changes in index maintenance guidelines, criteria and methodology

The Index Maintenance Sub-Committee (Equity) of NSE Indices Limited has decided to make changes as detailed below. The changes will become effective from March 31, 2021 (close of March 30, 2021).

A. Index reconstitution and rebalancing:

Sr. No.	Description	Existing	Revised
1	Revision in the index reconstitution date	Replacement of stocks resulting from periodic index reconstitution is implemented from the first working day after F&O expiry of March, June, September and December depending upon the review frequency as may be applicable for each index.	Replacement of stocks resulting from periodic index reconstitution will be implemented from the last working day (beginning of day) of March, June, September and December depending upon the review frequency as may be applicable for each index.
2	Stock Capping	In case of capped indices, capping of stocks is currently implemented from the first working day after F&O expiry of March, June, September and December by taking into account closing prices as on T-5 basis.	In case of capped indices, capping of stocks will be implemented from the last working day of March, June, September and December by taking into account closing prices as on T-3 basis, where T day is last working day of March, June, September and December.
3	Quarterly rebalancing of shares and investible weight factors	Quarterly rebalancing of shares and investible weight factors is currently implemented from the first working day after F&O expiry of March, June, September and December.	Quarterly rebalancing of shares and investible weight factors will be implemented from the last working day of March, June, September and December.
4	Calculation of Price to Earnings ratio (P/E Ratio) for indices	Price to earnings ratio (P/E Ratio) is calculated by taking into consideration earnings (including profits and losses) reported by each index constituent in trailing	Price to earnings ratio (P/E Ratio) will be calculated by taking into consideration earnings (including profits and losses) reported by each index constituent in trailing 4 quarters.

		4 quarters (standalone financials).	(consolidated financials). In case, consolidated financials are not available, standalone financials for trailing 4 quarters will be considered.
5	Calculation of Dividend Yield% for indices	Dividend Yield % for indices is calculated by taking into consideration dividend amount as reported in company's annual report.	Dividend Yield % for indices will be calculated by taking into consideration total equity dividend of each company on rolling 12 months (calculated based on ex-dividend date) basis.

B. Revision in criteria for Nifty 100 index:

Parameter	Existing	Revised
Eligible Universe	<p>The eligible universe for NIFTY 100 includes:</p> <ol style="list-style-type: none"> 1. The company should be a constituent of NIFTY 500 <p>AND</p> <p>Investible weight factor (IWF) of stock should be at least 0.10 (10% free float)</p> <p>OR</p> <p>6 month average free float market capitalization of the stock should be at least 25% of the 6 month average full market capitalization of the existing smallest index constituent (prior to index review) by full market capitalization in NIFTY 100 as of the cut-off date</p>	<p>The eligible universe for NIFTY 100 includes:</p> <ul style="list-style-type: none"> • The company should be a constituent of NIFTY 500: <p>AND</p> <ul style="list-style-type: none"> - Investible weight factor (IWF) of stock should be at least 0.10 (10% free float) <p>OR</p> <ul style="list-style-type: none"> - 6 month average free float market capitalization of the stock should be at least 25% of the 6 month average full market capitalization of the existing smallest index constituent (prior to index review) by full market capitalization in NIFTY 100 as of the cut-off date <ul style="list-style-type: none"> • On a prospective basis, non - F&O stocks are eligible for inclusion only if the total instances of the stock hitting the upper or lower circuit* during the past 6 months as of the cut-off date is less than 20% of the number of total trading days over the same period

		<p>* an instance is counted each time the stock hits the upper or lower price circuit on a given trading day. If the stock hits the upper and lower price circuit on the same trading day, it will be counted as two instances</p>
Compulsory inclusions	<ul style="list-style-type: none"> • Rank based on average full market capitalization is among top 90 • Average full market capitalization is 1.5 times the average full market capitalization of the smallest index constituent (based on full market capitalization) in NIFTY 100 as of the cut-off date • In case the number of compulsory exclusions exceed those of compulsory inclusions in the steps above, the replacements to fill up the deficit are identified based on below: <ul style="list-style-type: none"> - Within the eligible replacement pool of stocks sorted based on their full market capitalization, companies that are available for trading in NSE's Futures & Options segment will be first selected based on their average full market capitalization • Additional replacement stocks, if required, will be selected from the remaining eligible replacement pool stocks (ranked 91 to 110 based on Average Full MCap) based on their Average Daily Turnover (ADT) 	<ul style="list-style-type: none"> • Rank based on average full market capitalization is among top 90: <p>AND</p> <ul style="list-style-type: none"> - stock is available for trading in NSE's Futures & Options segment (F&O) <p>OR</p> <ul style="list-style-type: none"> - such stock's Average Daily Turnover (ADT) is greater than the ADT of the 90th stock of the Nifty 100 ranked by ADT (prior to review), as on the cut-off date <ul style="list-style-type: none"> • Average full market capitalization is at least 1.5 times the average full market capitalization of the smallest index constituent (based on full market capitalization) in NIFTY 100 as of the cut-off date: <p>AND</p> <ul style="list-style-type: none"> - stock is available for trading in NSE's Futures & Options segment (F&O) <p>OR</p> <ul style="list-style-type: none"> - such stock's Average Daily Turnover (ADT) is greater than the ADT of the 90th stock of the Nifty 100 ranked by ADT (prior to review), as on the cut-off date <ul style="list-style-type: none"> • In case the number of compulsory exclusions exceeds those of compulsory inclusions in the steps above, the replacements to fill up

		<p>the deficit are identified based on below:</p> <ul style="list-style-type: none"> - Within the eligible replacement pool of stocks (ranked 91 to 110 based on Average Full MCap) sorted based on their full market capitalization, companies that are available for trading in NSE's Futures & Options segment will be first selected based on their average full market capitalization • Additional replacement stocks, if required, will be selected from the remaining eligible replacement pool stocks (ranked 91 to 110 based on Average Full MCap) based on their Average Daily Turnover (ADT)
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C. Revision in methodology for Nifty Next 50 Index:

Parameter	Existing	Revised
Capping for companies that are not available for trading in NSE's Futures & Options segment	No capping	<p>Cumulative weight of Non-F&O stocks will be capped at 15% on quarterly rebalance dates</p> <p>Non-F&O stocks individually will be capped at 4.5% on quarterly rebalance dates</p>

D. Revision in criteria for Nifty Financial Services:

Parameter	Existing	Revised
F&O Eligibility	-	At the time of index reconstitution, a preference within each sub-sector would be given to stock which is available for trading under F&O segment at NSE

E. Limits on maximum replacements per review for broad market indices:

Description	Existing	Revised
Limits on maximum replacements per index review	<p>Currently different limits on maximum number of permissible replacements per index review for broad market indices are defined.</p> <p>Limits on replacement are not applicable for exclusion of stocks from parent index and corporate events such as merger, spin-offs, delisting, trading suspension etc.</p>	<p>No changes are being made to the existing limits.</p> <p>Additionally, the existing limits on replacement will not be applicable for exclusion of stocks on account of stocks not meeting the minimum eligibility criteria.</p>

For detailed methodology, please refer to the methodology document on www.nseindia.com/ www.niftyindices.com.

About National Stock Exchange of India Limited (NSE):

National Stock Exchange of India Ltd. (NSE) is the world's largest derivatives exchange by trading volume as per the statistics published by Futures Industry Association (FIA) for 2019 and ranked 3rd in the world in the cash equities segment by number of trades as per the statistics published by the 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 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:

NSE Indices Limited (formerly known as India Index Services & Products Ltd. - IISL), 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 of 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, NSE IFSC and Singapore Exchange Ltd. (SGX) 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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