Is Nifty 50 out of style??

For the unversed Nifty 50 is a benchmark Indian stock market index that represents the weighted average of 50 of the largest Indian companies listed on the National Stock Exchange (NSE), this is equivalent to Nasdaq Composites of the US.

India is on a massive bull run for the next few decades, India's stock market is expected to double in value to $10 trillion by 2030. This is due to India's continuous growth, which has outperformed both its emerging-market counterparts and the S&P 500 index for the past 20 years. S&P Global also predicts India will overtake Japan and Germany to become the third-largest economy by 2030.

As India is now on the runway, seems like its index might be a bit outdated. And here's why:

Limited Coverage

During its inception, Nifty 50 managed to cover the handful of companies listed in that era, even 10 years ago, it covered 60% of the market. But now about 2226 companies are listed in NSE and it covers only 51% of India's listed market.

On the other hand, Nifty 500 (consisting of the top 500 companies in terms of weighted average listed in NSE) covers around 90% of the market cap.

Lacks Diversification

India has 21 listed sectors out of which only 14 make their way to the Nifty 50 hence the growth of the remaining sectors stays camouflaged, this is in contrast to the Nifty 500 which has all 21 sectors in it.

Stark inequality

The top 10 stocks account for 58% of the Nifty 50, which is more than half and extremely volatile to these top companies. Nifty 500 accounts for 37% of these top 10 companies hence giving a more balanced approach.

Growth Potential

While the Nifty 50 includes the largest and most liquid stocks, the Nifty 500 encompasses a wider range of companies, including mid and small-cap stocks, which may offer higher growth potential.

Considering all these facts, Nifty 500 seems a better balanced and reliable benchmark than the old Nifty 50. What are your thoughts, would you agree or disagree, do share it, I would love to have a discussion.