



**NSE Indices Limited**

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

**NIFTY SME EMERGE Index**

**Methodology Document**

September 2019

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## Introduction

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NSE Indices Limited (formerly known as India Index Services & Products Limited-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) plays 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

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- 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

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### Eligibility criteria

- To form part of the NIFTY SME 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 shall be reconstituted a quarterly basis
  - 2 out of the 4 quarterly reviews are 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 in 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 constituents undergoes suspension/delisting/scheme of arrangement or if they move to NSE Mainboard

### Calculation Frequency:

The index is calculated on an end of day basis for all days National Stock Exchange of India is open for trading in equity shares.

## Corporate Actions:

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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. Special dividend refers to a dividend that's more than 5% of close price of a stock declaring dividend and all cases of dividends (irrespective of the dividend amount), where the listed entity has sought exemption from the timeline prescribed under the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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:

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A professional team at NSE Indices Limited manages the index. NSE Indices Limited has constituted the Index Advisory Committee (Equity), which provides guidance on macro issues pertaining to equity indices. The Index Maintenance Subcommittee makes all decisions on additions and deletions of companies in equity indices and Index Advisory Committee (Debt) provides guidance on macro issues pertaining to fixed income indices. The Committees comprises of representatives from financial market such as Asset Management Company, insurance company, rating agency etc. In order to maintain transparency, the names of the committee member are publicly displayed on the website. None of the member in the above committee except the exchange representative(s) (who co-ordinates between the Index Advisory Committee - Equity and IMSC) represent more than one committee and thereby the independence of each of the committees is maintained.

## Index Policy

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### **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](http://www.niftyindices.com) and [www.nseindia.com](http://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](http://www.niftyindices.com) and [www.nseindia.com](http://www.nseindia.com).

## About Us

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### **About National Stock Exchange of India Limited (NSE):**

National Stock Exchange of India Ltd. (NSE) is the leading stock exchange in India and the second largest in the world by nos. of trades in equity shares from January to December 2018, 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](http://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](http://www.niftyindices.com)

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