

## CRISIL-IBX AAA NBFC Index – Jun 2027

“CRISIL-IBX AAA NBFC Index – Jun 2027” is a sectoral/thematic target maturity index that seeks to track the performance of AAA issuers from the NBFC sector only, maturing near target date of the index

**Inception date:** September 27, 2024

**Asset Allocation:** 100% Bonds

**Eligible period/lookback period:** The index will have securities maturing between 1<sup>st</sup> January 2027 to 30<sup>th</sup> June 2027.

**Asset Allocation:**

Bonds	100%
-------	------

**Index Construction:**

Parameter	Asset class – Bonds
Eligibility criteria	<ul style="list-style-type: none"> <li>Issuers in the NBFC (as available in the RBI list of Non-Banking Financial Companies (NBFCs)) sector with long term conservative rating of AAA with an issuer-level minimum total amount outstanding of Rs. 400 crores for securities maturing in the eligible period.</li> <li>Minimum security level amount outstanding of Rs. 100 crores.</li> <li>Only listed issuers shall be included in the index. An issuer will be considered to be listed if at least one security of such issuer is listed on NSE and/or BSE as evaluated at the inception date of the index.</li> </ul>
Universe exclusions	<ul style="list-style-type: none"> <li>Perpetual bonds</li> <li>Floating rate bonds</li> <li>Tax-free bonds</li> <li>CE/SO rated bonds</li> <li>Partly paid bonds</li> <li>Partial redemption bonds</li> <li>Single put/call options</li> <li>Embedded put &amp; call options with same exercise date</li> <li>Securitized debt</li> </ul>
Issuer selection at inception	<ul style="list-style-type: none"> <li>All issuers qualifying the eligibility criteria mentioned above will form a part of universe.</li> <li>Up to 20 traded issuers from the universe will be ranked and selected based on liquidity score. If less than 8 issuers are available, then select remaining issuers (to bring the count to 8) based on the highest amount outstanding from the universe of outstanding securities as evaluated at the inception date of the index.</li> <li>Liquidity score will be calculated based on the volume traded (70%), number of trades (15%) and days traded (15%) in the previous quarter.</li> </ul>

Parameter	Asset class – Bonds
Security selection at inception	<ul style="list-style-type: none"> <li>For each selected issuer, the security with highest residual maturity maturing in the eligible period will be selected from the eligible universe. The selected security must have a minimum amount outstanding of Rs. 100 crores.</li> </ul>
No. of constituents	<ul style="list-style-type: none"> <li>Maximum: 20</li> <li>Minimum: 8</li> </ul>
Weighing approach	<ul style="list-style-type: none"> <li>Weights to the issuers will be calculated in the ratio of amount outstanding as on the base date/review date of the index subject to issuer cap and group cap. Since it's a sectoral index sector caps are not applicable.</li> <li>Issuers weights should not exceed 15% for AAA rated issuers. Group cap of 25% will be ensured.</li> <li>Excess weight (if any) will be distributed amongst the remaining issuers of the index in the proportion of their existing weights such that all the caps are maintained</li> <li>When any issuer is excluded, the weight of that issuer will be redistributed proportionally amongst the rest of the issuers of the index in the proportion of their existing weights, subject to issuer &amp; group cap.</li> <li>Weights of the issuers will change with price movement and will be reset during the semi-annual rebalancing period.</li> </ul>
Rating change treatment	<ul style="list-style-type: none"> <li>In case any issuer gets downgraded below AAA, such issuers shall be excluded from the index within the next 5 working days. In that case, the weight of that issuer will be redistributed proportionally in rest of the issuers of the index, subject to issuer cap &amp; group cap. In case of less than 8 issuers are present, then new issuers will be added (to bring the count to 8) from the last reviewed working data as per above mentioned issuer selection criteria at inception.</li> </ul>
Cash flow treatment	<ul style="list-style-type: none"> <li>Any cash flows accruing to the index on account of coupon cash flows, part/full redemption of the security or securities, will be reinvested on the same day in the index in the proportion of existing weights subject to issuer &amp; group cap</li> </ul>
Reconstitution/Rebalancing –	<ul style="list-style-type: none"> <li>In case less than 20 issuers are available in the index then, new issuers will be added based on the latest liquidity score of eligible issuers to bring the count to maximum 20. The index may have less than 20 issuers if sufficient issuers are not available. Amount outstanding based issuer selection will be used if total count falls below 8.</li> </ul>
1. Issuer selection	
2. Treatment of existing issuers	<ul style="list-style-type: none"> <li>Hold till maturity/will not exit the index unless there is a rating downgrade or change in status/classification of the issuer.</li> </ul>
3. Security selection of new issuers	<ul style="list-style-type: none"> <li>Same as the process followed during that on the inception of index.</li> </ul>
4. Treatment of existing securities of existing issuers	<ul style="list-style-type: none"> <li>Existing security will be replaced if there is another security of the issuer maturing nearer to the target date of the index</li> </ul>
Reconstitution frequency	<ul style="list-style-type: none"> <li>Semi-annual (April, October)</li> </ul>

Parameter	Asset class – Bonds												
Impact cost on reconstitution	<ul style="list-style-type: none"> <li>At reconstitution, an impact cost is incorporated to the incoming and outgoing securities based on the liquidity classification of the issuer.</li> </ul> <table border="1"> <thead> <tr> <th>Impact cost based on liquidity</th> <th>Total impact cost (in bps)</th> <th>Impact cost on each leg (buy or sell) in bps</th> </tr> </thead> <tbody> <tr> <td>Liquid</td> <td>5</td> <td>2.5</td> </tr> <tr> <td>Semi-liquid</td> <td>10</td> <td>5</td> </tr> <tr> <td>Illiquid</td> <td>20</td> <td>10</td> </tr> </tbody> </table>	Impact cost based on liquidity	Total impact cost (in bps)	Impact cost on each leg (buy or sell) in bps	Liquid	5	2.5	Semi-liquid	10	5	Illiquid	20	10
Impact cost based on liquidity	Total impact cost (in bps)	Impact cost on each leg (buy or sell) in bps											
Liquid	5	2.5											
Semi-liquid	10	5											
Illiquid	20	10											
Weight reset frequency	<ul style="list-style-type: none"> <li>Semi-annual (April, October)</li> <li>The weights of securities/issuer will float based on the price movement and will be reset during the semi-annual review.</li> </ul>												
Maturity proceeds	<ul style="list-style-type: none"> <li>As the index includes securities that shall mature during the six-month period ending on the final maturity date of the index, any proceeds from the redemption of securities prior to the final maturity date of the index shall be reinvested according to following waterfall approach: -                             <ul style="list-style-type: none"> <li>The proceeds from security redemption will be reinvested in the longest maturity outstanding security issued by the same issuer (SDL in case of state/UT and Bond/money market instrument in case of corporate bond) and maturing on or just before the index maturity date with the same weightage. This will be subject to single issuer limit in compliance with the Norms for Debt Exchange Traded Funds (ETFs)/Index Funds announced by SEBI vide circular no. SEBI/HO/IMD/DOF2/P/CIR/2022/69 on May 23, 2022.</li> <li>In case a replacement in the form of outstanding security of the same issuer cannot be found for reinvestment then the proceeds from such redemption shall be reinvested in the remaining portfolio on the same date in the proportion of the existing weights. This will be subject to single issuer limit in compliance with the Norms for Debt Exchange Traded Funds (ETFs)/Index Funds announced by SEBI vide circular no. SEBI/HO/IMD/DOF2/P/CIR/2022/69 on May 23, 2022</li> <li>In case due to any reason, it is not possible to meet any norms as prescribed by SEBI vide circular no. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022, then the proceeds from such redemption shall be reinvested in a T-Bill maturing on or just before the index maturity date</li> <li>If the last outstanding security (including T-Bill) in the index matures before the final index maturity date, all redemption proceeds shall be re-invested in The Clearing Corporation of India Ltd.'s (CCIL) TREPS overnight rate tracked by CRISIL Overnight index for any subsequent days till the maturity of the index.</li> </ul> </li> <li>The effective date of rebalancing shall be the first working day of the rebalancing period.</li> <li>Any index having maturity date on a weekend (Saturday or Sunday), on a holiday, or on an unplanned market off, will mature on the next working day.</li> </ul>												

**Portfolio as on 27 August 2024**

Asset Class	ISIN	Issuer	Date of Maturity	Weight
Bonds	INE976I07CT9	Tata Capital Ltd.	10-May-27	15.0%
	INE296A08847	Bajaj Finance Ltd.	22-Jun-27	15.0%
	INE774D07VE1	Mahindra & Mahindra Financial Services Ltd.	25-Mar-27	15.0%
	INE916DA7SO7	Kotak Mahindra Prime Ltd.	21-Apr-27	8.96%
	INE891K08042	Axis Finance Ltd.	11-May-27	7.86%
	INE860H07IY4	Aditya Birla Finance Ltd.	19-May-27	15.0%
	INE756I07EY1	HDB Financial Services Ltd.	10-May-27	10.31%
	INE498L07038	L&T Finance Holdings Ltd.	16-Jun-27	7.10%
	INE975F07IR8	Kotak Mahindra Investments Ltd.	21-Jun-27	5.77%