

CRISIL Indices Semi-Annual Criteria Review - 2020

CRISIL Funds and Fixed Income Research

September 2020

Background

CRISIL currently maintains 98 standard indices that track various aspects of the fixed-income market in India. These indices are used as performance benchmarks by asset managers, including mutual funds, insurance companies, wealth advisors, banks, and corporate entities.

In our endeavour to keep the indices representative and replicable, we undertake a semi-annual criteria review and have completed the review for mid -2020.

While the asset allocation of all the composite indices are reviewed annually that of short term indices is done semi-annually. Accordingly, we have reviewed the asset allocation and changed the weights to the sub-indices of our short term composite indices.

We have also introduced fall-back criteria for our liquidity based corporate bond indices, to avoid instances with low number of issuers.

Please refer to the section below for the changes, which will be incorporated with effect from October 1, 2020.

For more details on our indices, kindly visit <http://www.crisil.com/capital-markets/indices.html>

Review of asset allocation of composite indices towards the shorter end

The table below summarises the changes in weights to sub-indices with effect from October 1, 2020

Index	Sub- Index/ Asset Class	Sub-indices Weights (Existing)	Sub-indices Weights (New)
		April 2020	October 2020
CRISIL Short Term Bond Fund Index	CRISIL Short Term Gilt Index	15%	15%
	CRISIL AAA up to 1 Year Short Term Bond Index	13%	13%
	CRISIL AAA 1 to 3 Year Short Term Bond Index	19%	19%
	CRISIL AA and AA+ up to 1 Year Short Term Bond Index	3%	3%
	CRISIL AA and AA+ 1 to 3 Year Short Term Bond Index	5%	5%
	CRISIL AAA Medium Term Bond Index	29%	29%
	CRISIL AA and AA+ Medium Term Bond Index	1%	1%
	CRISIL Composite CD Index	5%	4%
	CRISIL Composite CP Index	10%	11%
CRISIL Liquid Fund Index	CRISIL Overnight Index	20%	20%
	CRISIL Upto 91 Day CD Index	26%	20%
	CRISIL Upto 91 Day CP Index	54%	60%
CRISIL Low Duration Debt Index	CRISIL AAA up to 1 Year Short Term Bond Index	8%	11%
	CRISIL AAA 1 to 3 Year Short Term Bond Index	24%	21%
	CRISIL AA and AA+ up to 1 Year Short Term Bond Index	2%	3%
	CRISIL AA and AA+ 1 to 3 Year Short Term Bond Index	6%	5%
	CRISIL Composite CD Index	18%	15%
	CRISIL Composite CP Index	42%	45%
CRISIL Ultra Short Term Debt Index	CRISIL Composite CD Index	23%	20%
	CRISIL Composite CP Index	55%	58%
	CRISIL Composite T-Bill Index	10%	10%
	CRISIL AAA Short Term Bond Index	9%	-
	CRISIL AA and AA+ Short Term Bond	3%	-

Research

Index	Sub- Index/ Asset Class	Sub-indices Weights (Existing)	Sub-indices Weights (New)
		April 2020	October 2020
	Index		
	CRISIL AAA up to 1 Year Short Term Bond Index	-	5%
	CRISIL AAA 1 to 3 Year Short Term Bond Index	-	4%
	CRISIL AA and AA+ up to 1 Year Short Term Bond Index	-	2%
CRISIL Money Market Index	CRISIL Composite CD Index	23%	20%
	CRISIL Composite CP Index	55%	58%
	CRISIL Composite T-Bill Index	22%	22%

Note : The revised weight account for recent changes in market supply of CP/CDs and to bring the Mac Duration range for CRISIL Ultra Short Term Debt Index and CRISIL Low Duration Debt Index near to the centre of the SEBI mandated Macaulay Duration range. The above changes will see a one time Mac-duration shift towards the center of the SEBI defined bucket when the criteria becomes effective and post that it is expected to be stable.

Additional criteria for liquidity based corporate bond indices to capture instances where there are less than 3 issuers during any period

The liquidity based corporate bond indices are rebalanced on a quarterly basis on the basis of secondary trades. The issuer selection for these indices happens on the basis of liquidity score -volume traded, number of trades and days traded for issuers in the previous quarter. Based on the liquidity score, up to 12 liquid issuers are selected to be a part of the index. There may be instances where in a particular rating and maturity segment less numbers of issuers are traded resulting in lower number of issuers in the indices during that period (specially in lower rating categories).

From 01 October 2020, these corporate bond indices will have a fall-back criteria for cases where there are less than 3 issuers in a particular index during any period. In such cases following steps will be followed:

- 1) Carry forward the existing issuers if they meet the rating and maturity criteria (select based on amount outstanding to complete 3 issuers)
- 2) Select the issuer from primary data in the preceding month of the rebalancing with the maximum issue size in that month to complete the deficit to reach 3 issuers. If this is also not resulting in 3 issuers, keep on going back month at a time in primary to select the issuers till 3 issuers are found.

List of corporate bond indices for which this criteria change will be made effective:

1. CRISIL AAA Long Term Bond index
2. CRISIL AAA Medium Term Bond index
3. CRISIL AAA Short Term Bond index
4. CRISIL AA and AA+ Long Term Bond index
5. CRISIL AA and AA+ Medium Term Bond index
6. CRISIL AA and AA+ Short Term Bond index
7. CRISIL AA+ Long Term Bond index
8. CRISIL AA+ Medium Term Bond index
9. CRISIL AA+ Short Term Bond index
10. CRISIL AA Long Term Bond index
11. CRISIL AA Medium Term Bond index
12. CRISIL AA Short Term Bond index
13. CRISIL AA- Long Term Bond index
14. CRISIL AA- Medium Term Bond index
15. CRISIL AA- Short Term Bond index
16. CRISIL AAA up to 1 Year Short Term Bond Index
17. CRISIL AAA 1 to 3 Year Short Term Bond Index
18. CRISIL AA and AA+ up to 1 Year Short Term Bond Index
19. CRISIL AA and AA+ 1 to 3 Year Short Term Bond Index

Research

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

About CRISIL Research

CRISIL Research is India's largest independent integrated research house. We provide insights, opinion and analysis on the Indian economy, industry, capital markets and companies. We also conduct training programs to financial sector professionals on a wide array of technical issues. We are India's most credible provider of economy and industry research. Our industry research covers 86 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our network of more than 5,000 primary sources, including industry experts, industry associations and trade channels. We play a key role in India's fixed income markets. We are the largest provider of valuation of fixed income securities to the mutual fund, insurance and banking industries in the country. We are also the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today the country's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgements and forecasts with complete objectivity. We leverage our deep understanding of the macro-economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. Our talent pool comprises economists, sector experts, company analysts and information management specialists.

CRISIL Privacy

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfil your request and service your account and to provide you with additional information from CRISIL and other parts of S&P Global Inc. and its subsidiaries (collectively, the "Company") you may find of interest.

For further information, or to let us know your preferences with respect to receiving marketing materials, please visit www.crisil.com/privacy. You can view the Company's Customer Privacy at <https://www.spglobal.com/privacy>

Last updated: April 2016

Disclaimer

CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this Report based on the information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a recommendation to invest / disinvest in any company / entity covered in the Report and no part of this report should be construed as an investment advice. CRISIL especially states that it has no financial liability whatsoever to the subscribers/ users/ transmitters/ distributors of this Report. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Limited (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL's Ratings Division / CRIS. No part of this Report may be published / reproduced in any form without CRISIL's prior written approval.