

# **BSE Select IPO Index** *Methodology*

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# Table of Contents

Introduction	3
<b>Index Objective and Highlights</b>	<b>3</b>
<b>Index Family</b>	<b>3</b>
<b>Supporting Documents</b>	<b>3</b>
Eligibility Criteria	4
<b>Eligibility Factors</b>	<b>4</b>
Index Construction	5
<b>Data Sources</b>	<b>5</b>
<b>Company Data Points.</b>	<b>5</b>
<b>Constituent Selection</b>	<b>5</b>
<b>Constituent Weightings</b>	<b>6</b>
<b>Index Calculations</b>	<b>6</b>
Index Maintenance	7
<b>Rebalancing</b>	<b>7</b>
<b>Ongoing Maintenance</b>	<b>7</b>
<b>Additions</b>	<b>7</b>
<b>Deletions</b>	<b>7</b>
<b>Graded Surveillance Measure (GSM)</b>	<b>8</b>
<b>Corporate Actions</b>	<b>8</b>
<b>Currency of Calculation and Additional Index Return Series</b>	<b>9</b>
<b>Base Date and History Availability</b>	<b>9</b>
Index Data	10
<b>Calculation Return Types – Equity Indices</b>	<b>10</b>
Index Governance	11
<b>Index Oversight Committee</b>	<b>11</b>
Index Policy	12
<b>Announcements</b>	<b>12</b>
<b>Pro-forma Files</b>	<b>12</b>
<b>Holiday Schedule</b>	<b>12</b>
<b>Rebalancing</b>	<b>12</b>
<b>Unexpected Exchange Closures</b>	<b>12</b>
<b>Recalculation Policy</b>	<b>12</b>

<b>Real-Time Calculation</b>	<b>13</b>
<b>End-of-Day Calculation</b>	<b>13</b>
<b>Contact Information</b>	<b>13</b>
Index Dissemination	14
<b>Tickers</b>	<b>14</b>
<b>Index Data</b>	<b>14</b>
<b>Web site</b>	<b>14</b>
Disclaimer	15

# Introduction

## Index Objective and Highlights

The BSE Select IPO Index is designed to measure the performance of companies listed via initial public offerings and spin-offs. The Index composition is reviewed quarterly.

## Index Family

The BSE Select IPO Index is part of the strategy family of BSE Indices.

For more information on other BSE Indices, please refer to [www.bseindia.com](http://www.bseindia.com) or [www.asiaindex.co.in](http://www.asiaindex.co.in).

## Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
AIPL Equity Index Policy	<a href="#">AIPL Equity Index Policy</a>
AIPL Index Mathematics Methodology	<a href="#">AIPL Index Mathematics Methodology</a>
AIPL Indices' Float Adjustment Methodology	<a href="#">AIPL Indices Float Adjustment Methodology</a>

This methodology was created by Asia Index Private Limited to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of Asia Index Private Limited so that the index continues to achieve its objective.

# Eligibility Criteria

## Eligibility Factors

**Index Universe.** For Day 1 inclusion in the Index, the Index Universe is drawn from the list of IPOs and Spin-offs/demergers listed between 2011 and 2014. Thereafter, for each quarterly reconstitution, the Index Universe is drawn from the list of IPOs and Spin-offs/demergers listed in the past one year from the reference date. The Index should have a minimum count of 20 stocks and a maximum of 100 stocks.

**Listing History.** Stocks must have a listing history of at least three months on the BSE as of the rebalancing reference date.

**Security Type.** Only common stocks are eligible.

# Index Construction

## Data Sources

1. Market Capitalisation. Market capitalization is calculated using the BSE Ltd. prices.
2. Value Trade. Traded value is calculated using composite volumes of Indian Exchanges.
3. Impact Cost. Impact Cost is sourced from BSE Ltd.
4. Trading Frequency. This data is assessed based on trading information on BSE Ltd.

## Company Data Points.

As part of the constituent selection process, the following are calculated for each eligible company:

1. Average daily total market capitalization
2. Annualized traded value
3. Trading Frequency
4. Impact Cost

The data points are calculated based on an observation period defined as the prior 3-month period (unless otherwise stated), as of the rebalancing reference date. Annualized traded value is calculated by taking the median of the monthly medians of the daily traded values over the observation period. The annualization is calculated using 250 trading days in a year.

## Constituent Selection

At each quarterly rebalancing, eligible companies must meet the following criteria:

1. Stocks must have a minimum listing history of 3 months.
2. Stocks having an Average Market Capitalisation greater than the 200<sup>th</sup> stock in the BSE AllCap Index are eligible for direct inclusion.
3. Stocks having Average Market Capitalisation greater than the 500<sup>th</sup> stock in the BSE AllCap Index as well as an Annualised traded value greater than the 475<sup>th</sup> stock in the BSE AllCap Index are eligible for inclusion.

Companies that do not satisfy the above criteria are not considered for inclusion in the Index. Those companies meeting the criteria detailed above are selected and form the index.

## Constituent Exclusion

At each quarterly rebalancing, the existing constituents are excluded if any one of the following criteria is met:

1. Stocks having an Average Market Capitalisation less than the 600<sup>th</sup> stock in the BSE AllCap Index.
2. Stocks having an Annualised Traded Value less than the 600<sup>th</sup> stock in the BSE AllCap Index.
3. Stocks that have completed 5 years in the BSE Select IPO Index

4. In case the number of constituents drops below 20, then the 5 years condition will be relaxed. Further, if the number goes to below 20 for any other reason, then the 5% stock capping condition will be replaced with 10% stock capping.
5. In case the number of stocks crosses 100, exclusions will be applied through a scoring system depicted below:

<b>Vintage in years</b>	<b>Vintage points</b>	<b>Average Market Capitalisation Details</b>	<b>Average Market Capitalisation points</b>
Less than 1 year	5	Top 20% in the Index	5
Less than 2 years	4	Next 20% in the Index	4
Less than 3 years	3	Next 20% in the Index	3
Less than 4 years	2	Next 20% in the Index	2
Less than 5 years	1	Bottom 20% in the Index	1

In case of a tied score, constituent with lowest Average market capitalisation will be excluded.

### **Constituent Weightings**

Index constituents are weighted by their float-adjusted market capitalization, subject to an individual stock weight cap of 5%. applied at each quarter effective as of market open on the Monday following the third Friday of March, June, September, and December, respectively. Constituent weights are calculated using closing prices on the Wednesday prior to the second Friday of the rebalancing month as the reference price. Index shares are calculated and assigned to each stock to arrive at the weights determined on the reference date.

### **Index Calculations**

The indices are calculated by means of the divisor methodology used in all Asia Index Pvt, Ltd, equity indices.

# Index Maintenance

## Rebalancing

The index is rebalanced and reconstituted quarterly, effective as of market open on the Monday following the third Friday of March, June, September and December, respectively. The rebalancing reference date is after the close of market on the last trading day of February, May, August and November, respectively. The reference universe for the index is drawn from the list of IPOs and Spin-offs/demerger listed in the past one year from the reference date.

Index shares are assigned based on prices after the close of market on the Wednesday prior to the second Friday of the rebalancing month. The actual weight of each stock at the rebalancing differs from these weights due to market movements.

**Share Updates.** For more information, please refer to AIPL Equity Index Policy.

**Float Adjustment.** Investable Weight Factors (IWFs), which define the available float for a company, are reviewed on a quarterly basis and are implemented at market open on the Monday following the third Friday of March, June, September & December. Changes to a company's IWF of five percentage points or more (for example from 0.80 to 0.85) are made as soon as reasonably possible after the data has been verified.

Foreign investment limits are not applied while calculating the IWF for BSE index constituents.

*For a detailed description of float adjustment and Investable Weight Factors, please refer to AIPL Indices' Float Adjustment Methodology.*

## Ongoing Maintenance

The index is also reviewed on an ongoing basis to account for corporate events such as mergers, takeovers, delistings, group changes, suspensions, spin-offs/demergers or bankruptcies. Changes to index composition and related weight adjustments are made as soon as they are effective. These changes are typically announced one to five business days prior to the implementation date.

## Additions

No companies are added to the index between quarterly rebalancing.

## Deletions

A company can be deleted from the index between quarterly rebalancing due to corporate events such as mergers, takeovers, delistings, group changes, suspensions, surveillance objections, graded surveillance measure objections, spin-offs/demergers, or bankruptcies.

- Whenever possible, changes in the index's components are announced at least one to five business days prior to the implementation date.
- Whenever practicable, Asia Index Private Limited Indices uses the day's closing price for all deletions.



## Graded Surveillance Measure (GSM)

On a monthly basis, companies added to the GSM list are dropped from the indices. The effective date of the drop begins at market open on the Tuesday following the first Monday of each month. The reference date for the GSM list data is the third Friday of the previous month.

Any company dropped due to inclusion on the GSM list must remain off the list for six consecutive months prior to the rebalancing reference date to be reconsidered for index inclusion.

## Corporate Actions

Corporate Action	Adjustment to Index	Divisor Adjustment?
Spin Off	In general, the parent company is dropped from the index. However, if information regarding price adjustment is available, the parent company may remain in the index with an adjusted price, at the discretion of the Index Committee.	Yes
Rights Offering	The price is adjusted to the Price of the Parent Company minus the Price of the Rights Offering/ Rights Ratio. Index shares change so that the company's weight remains the same as its weight before the rights offering.	No
Stock Dividend (Bonus), Stock split, Reverse Stock Split	Index shares are multiplied by, and price is divided by, the split factor.	No
Special Dividend	Price of stock making special dividend is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes
Constituent Change	No intraday rebalancing.	No
	Deletions due to delisting, acquisition or any other corporate event resulting in the deletion of the stock from the index will cause the weights of the rest of the stocks in the index to change.	Yes
	Stocks that are reclassified into Z group between rebalancings are removed from the index as soon as practicable.	Yes
	Rebalancing changes including additions, deletions, and weight changes	Yes

### **Currency of Calculation and Additional Index Return Series**

The index is calculated in Indian rupees.

*For information on the index calculation, please refer to AIPL Index Mathematics Methodology.*

### **Base Date and History Availability**

Index history availability, base date, and base value are shown in the table below.

<b>Index</b>	<b>Launch Date</b>	<b>First Value Date</b>	<b>Base Date</b>	<b>Base Value</b>
BSE Select IPO Index	18/Nov/24	30-May-14	30-May-14	1000

# Index Data

## Calculation Return Types – Equity Indices

Asia Index Pvt. Ltd. calculates multiple return types which vary based on the treatment of regular cash dividends. The classification of regular cash dividends is determined by Asia Index Pvt. Ltd.

- Price Return (PR) versions are calculated without adjustments for regular cash dividends.
- Gross Total Return (TR) versions reinvest regular cash dividends at market close on the ex-date.

In the event there are no regular cash dividends on the ex-date, the daily performance of the above two indices will be identical.

For a complete list of indices available, please refer to the daily index levels file (“.SDL”).

*For more information on the classification of regular versus special cash dividends, please refer to AIPL Equity Index Policy.*

*For more information on the calculation of return types, please refer to AIPL Index Mathematics Methodology.*

# Index Governance

## **Index Oversight Committee**

The Asia Index Pvt. Ltd.'s Index Oversight Committee oversees the index. The Index Oversight Committee meets regularly. At each meeting, the Index Oversight Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the index to the market, companies that are being considered as candidates for addition to the index, and any significant market events. In addition, the Index Oversight Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts, or other matters.

Asia Index Private Limited considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Oversight Committee discussions are confidential.

Asia Index Pvt. Ltd.'s Index Oversight Committee reserves the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Oversight Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, AIPL may publish a consultation inviting comments from external parties.

*For information on Quality Assurance and Internal Reviews of Methodology, please refer to AIPL Equity Index Policy.*

# Index Policy

## Announcements

All index constituents are evaluated daily for data needed to calculate index levels and returns. All events affecting the daily index calculation are typically announced in advance via the Index Corporate Events report (.SDE), delivered daily to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

## Pro-forma Files

In addition to the corporate events file (.SDE), Asia Index Private Limited provides constituent pro-forma files each time the index rebalances. The pro-forma file is typically provided daily days in advance of the rebalancing date and contains all constituents as well as their corresponding weights and index shares effective for the upcoming rebalancing. Since index shares are assigned based on prices prior to the rebalancing, the actual weight of each stock at the rebalancing differs from these weights due to market movements.

Please visit [www.asiaindex.co.in](http://www.asiaindex.co.in) for a complete schedule of rebalancing timelines and pro-forma delivery times.

## Holiday Schedule

The index is calculated on all business days when the BSE is open.

A complete holiday schedule for the year is available on the BSE Ltd. Web site at [www.bseindia.com](http://www.bseindia.com).

**Special Trading Sessions.** The index will be calculated on special trading sessions as declared by the BSE Ltd. Some examples include, but are not limited to, special trading sessions on Saturday and Mahurat trading. Asia Index Private Limited will issue a notice to apprise market participants of such special trading sessions.

If the special trading session falls on the Saturday following the third Friday of any rebalancing month, the new portfolio will be effective at the discretion of the Index Oversight Committee. Asia Index Private Limited will issue a notice to inform market participants of the new portfolio's effective date.

## Rebalancing

The Index Oversight Committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

## Unexpected Exchange Closures

For information on Unexpected Exchange Closures, please refer to AIPL Equity Index Policy.

## Recalculation Policy

For information on the recalculation policy, please refer to AIPL Equity Index Policy.

**Real-Time Calculation**

Real-time, intra-day index calculations are executed for certain BSE Indices on the BSE real-time platform, "EPIC". Real-time indices are not restated.

*For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to AIPL Equity Index Policy.*

**End-of-Day Calculation**

End of day index calculations are executed on an Asia Index Pvt. Ltd. proprietary platform.

**Contact Information**

For questions regarding an index, please contact: [bseindex@bseindia.com](mailto:bseindex@bseindia.com)

# Index Dissemination

Index levels are available through BSE Ltd. Web site at [bseindia.com](http://bseindia.com), Asia Index Private Limited's Web site at [www.asiaindex.co.in](http://www.asiaindex.co.in), major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

## Tickers

The table below lists headline indices covered by this document. All versions of the below indices that may exist are also covered by this document.

Index (Currency)	Bloomberg	RIC
BSE Select IPO Index	---	---
BSE Select IPO Index TR	---	---

## Index Data

Daily constituent and index level data are available via subscription.

For product information, please contact Asia Index Pvt. Ltd., [www.asiaindex.co.in/contact-us](http://www.asiaindex.co.in/contact-us).

## Web site

For further information, please refer to Asia Index Pvt. Ltd. Web site at [www.asiaindex.co.in](http://www.asiaindex.co.in)

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