

Methodology

CRISIL – Aggressive Credit Debt Term Index

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Features and Methodology

Objective

CRISIL - Aggressive Credit Debt Term Index seeks to track the performance of debt portfolio that includes, AA+/AA-/AA and A rated credit indices.

Features

- Base date for the Index: 31st March, 2002
- Total Return Index seeking to capture coupon and price returns of the underlying portfolio
- Index portfolio marked-to-market on a daily basis using CRISIL debt valuations

Construction Methodology

CRISIL - Aggressive Credit Debt Term Index follows a predefined asset allocation (mentioned in the table below).

Sub Index name	Weight
CRISIL AA and AA+ Medium Term Bond Index	30%
CRISIL AA and AA+ Short Term Bond Index	3%
CRISIL AA- Medium Term Bond Index	12%
CRISIL AA- Short Term Bond Index	5%
CRISIL A Short Term Bond Index	42%
CRISIL A Medium Term Bond Index	8%

Weighing Approach

- Monthly floating weight approach is being used for securities/asset classes.
- Weights shall move with the prices of underlying securities/asset classes and shall be reset monthly.
- The cash generated due to coupon payment or part redemption will be carried and reinvested along with the monthly reset date of weights as this would mean no transactions between rebalancing periods and would improve replicability.

Methodology for Standard sub-indices

CRISIL AAA/AA+ Short Term and AAA Medium Term Bond Index

Features

- Total Return Index seeking to capture coupon and price returns of the underlying portfolio
- Index portfolio marked-to-market on a daily basis using CRISIL debt valuations

Maturity Buckets:

AAA/AA+ rated indices

- Medium Term: Securities with residual maturity between 3 to 5 years
- Short Term: Securities with residual maturity up to 3 years

Key Characteristics

- **Rich history:** CRISIL AAA rated bond indices have inception date of March 31, 2002. Thus the indices have been in existence for over a decade and have seen multiple interest rate cycles
- **Liquidity:** The indices seeks to capture the movement of a portfolio comprising liquid AAA/AA+ rated corporate bonds, thereby ensuring appropriate market representation
- **Replicability:** The indices constituents are valued on a daily basis. This lends the indices a realistic approach by having the valuations close to market levels.

Methodology

- Top 12* issuers subject to buffers are identified by using a consistent liquidity score based on the following parameters analysed for the previous one quarter:
 - Volume traded: 70%
 - No of days traded: 15%
 - No of trades: 15%
- A buffer is the rank up to which an issuer which was a part of the index for the previous quarter but has a liquidity score lower than top n issuers (where n is maximum number of issuers that can be a part of index) in the current quarter would continue to be the part of the index. This means that even if the rank of a particular issuer deteriorates to the buffer rank it will not be sold from the index. A buffer of rank 15 would be used for all the indices having 12 securities, during issuer selection. Apart from applying buffers, the following conditions will always be met:
 - The issuers with Ranks 1 to 3 would compulsorily form a part of the index.
 - If an issuer is a part of top n issuers but ignored due to buffers for 3 consecutive quarters, the same will be considered if it appears in top n for the 4th quarter.

**Upto 12 Issuers will be selected*

- Only listed issuers shall be included in all CRISIL bond indices. An issuer will be considered to be listed if at least one security of such issuer is listed.

Research

- Rating considered for a bond is the conservative rating of all the bonds for that particular issuer (except for SO/CE rated bonds)
- The weights to the eligible bonds are allocated on the basis Amount outstanding of issuer
- Most liquid bond for each of the shortlisted issuers is selected
- Weight to each bond is subject to a cap of 10%. Excess weight is redistributed proportionately among other bonds
- The index constituents are valued on a daily basis using CRISIL Valuations
- Perpetual bonds, Floating rate bonds, Tax free bonds and bonds with single option (call/put) are excluded from the universe of bonds
- For cases where there are less than 3 issuers in a particular index during any period, a fall-back criteria will be followed:
 - Carry forward the existing issuers if they meet the rating and maturity criteria (select based on amount outstanding to complete 3 issuers)
 - 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.
- The index is rebalanced on the 1st business day of every quarter.

About CRISIL Market Intelligence & Analytics

CRISIL Market Intelligence & Analytics, a division of CRISIL, provides independent research, consulting, risk solutions, and data & analytics. Our informed insights and opinions on the economy, industry, capital markets and companies drive impactful decisions for clients across diverse sectors and geographies.

Our strong benchmarking capabilities, granular grasp of sectors, proprietary analytical frameworks and risk management solutions backed by deep understanding of technology integration, make us the partner of choice for public & private organisations, multi-lateral agencies, investors and governments for over three decades.

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong, UAE and Singapore.

It 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.

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