

Methodology Document

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The objective and criteria of below mentioned indices are created basis discussion(s) with individual asset management companies before the launch. Once the indices are launched, the application of criteria and / or any criteria review thereafter, is carried out by CRISIL Limited independently, without any inputs or intervention of the asset management companies. The detailed methodology of these indices is mentioned below:

CRISIL Select AAA Roll Down Banking and PSU Debt Index

Objective

CRISIL Select AAA Roll Down Banking and PSU Debt Index seeks to track the performance of AAA banking and PSU focused portfolio with issuers shortlisted based on liquidity and rating stability criteria.

Inception Date: 27th January 2021. Methodology revised from 1st Aug 2024

Portfolio Modified Duration (MD) at the time of construction of base index portfolio should be near to 3.5 years and will rolldown. Based on this MD, the maturity date of the index has been set to 31st January 2029.

Construction Methodology

CRISIL Select AAA Roll Down Banking and PSU Debt Index follows a predefined asset allocation (mentioned in the table below). The index and the fund will also have allocation to cash and equivalent investments to the extent of 3%

Issuer type	Allocation
PSU Mfg/ Others	25%
PSU FI	40%
Banks Other	10%
Pvt FI	5%
Pvt Mfg/ Others	2%
Gilt	15%
TREPS	3%

Issuer and security eligibility

The eligible issuers shall have the following characteristics

- Conservative AAA-rated issuers and AAA(CE)-rated issuers with a standalone AAA rating as on the inception date
- Issuers that have seen no rating and rating-outlook actions over the past two years
- Liquid and semi-liquid issuers (illiquid issuers excluded). Liquidity to be determined based on CRISIL's liquidity evaluation framework (Annexure 2)
- Issuers with a 'Stable' outlook as on the inception date as well as in the past two years (issuers with a 'Negative' outlook are excluded)

- The issuers confirming to the above criteria will form a part of investable universe. Top issuers by amount outstanding representing at least 75% of the outstanding of investable universe shall form the part of the index.
- Weights will be based on OS of these issuers in particular sector.
- Issuer cap of 10% is applied, in case of breach of Issuer cap, additional issuer from the same sector will be selected.

Security selection

- Securities in the residual maturity +/-3 months of target maturity closest to the target maturity of the fund shall be selected.

Rebalancing

- During quarterly rebalancing, if there is another eligible security of the same issuer +/- 3 months period, security nearest to target maturity will be selected.
- Securities maturing before the target maturity, new security of the matured issuer will be selected using +/- 3 months nearest to the target maturity.
- As the index includes securities that shall mature during the +/- 3 months 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 the following approach:
- The proceeds are invested in TREPS (Tri-party repo) until month-end. After the month-end, the maturity proceeds are invested in the eligible security of that issuer (having similar residual maturity to that of the customised index). If security is not available, the maturity proceeds will be invested in Gilt Securities in our portfolio.
- Coupon cash flows will be reinvested on the same day in TREPS till month-end.
- Impact cost to be applied for at reconstitution, based on the liquidity classification of corporate bonds, an impact cost (5 - 20 bps) is incorporated to the incoming and outgoing securities based on the liquidity classification of the issuer.

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

- Similarly, impact cost to be applied for Gilt securities (3 bps).
- The issuers/securities which have been downgraded and are part of the index, shall be removed from the index with one month of notice.
- The index will be rebalanced/reconstituted on a quarterly basis.

CRISIL Select AAA Liquid Fund Index

Objective

CRISIL Select AAA Liquid Fund Index seeks to track the performance of portfolio that includes TREPS, CPs, CDs and T-bills

Construction Methodology

- Portfolio consist of securities with residual maturity up to 91 days
- CRISIL Select AAA Liquid Fund Index follows a predefined asset allocation (mentioned in the table below).
- The index will be invested in the following asset classes:

Asset Class	PSU/Private	Sector
CP	PSU	Financial Institution
CP	PSU	Non-Financial Institution
CP	Private	Financial Institution
CP	Private	Non-Financial Institution
T-bills		
TREPS		

Issuer rebalancing & Security selection criteria:

- Eligible issuer universe determination shall be done monthly
- Frequency of security and issuer reconstitution shall be fortnightly
- Weight allocation within CPs and CDs:
 1. To be done based on amount outstanding of issuances
 2. Issuer exposure to be capped at 8% and SEBI defined sector allocation guidelines shall be followed.

The sector weights are stated below:

Asset	Weights based on outstanding(Avg)
TREPS	5%
T-Bills	25%
CP PSU-FI	15%
CP PSU- Non FI	
CP- Private FI	35%
CP-Private Non FI	
CD	20%

Total	100%
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- Short term rating to be A1+
- Long term rating to be AAA rating (consistent for 2 years) with stable rating outlook to be looked at it monthly.
- Liquidity classification of issuers having Semi-Liquid and Liquid issuers to be considered.

Inception Date: 22nd April 2021

Initial Portfolio Construction Methodology

- Top 2 issuers will be selected in each of the sub segment viz. CP PSU FI, CP PSU NON-FI, CP Private FI, CP Private Non-FI or CDs. In case where the issuer weight limits are breached, an additional issuer(s) will be selected. Also in case enough issuers are not available for filing the designated allocation to that bucket and sector, the residual weight will be put in CBLO for the remaining of the fortnight.
- The weight of each issue shall be capped at 8%
- For ensuring the 8% issuer cap, allocation in the highest residual maturity bucket shall be done first followed by lower buckets. If the 8% cap is utilized in a particular residual maturity buckets, the buckets below that will not have any allocation to such issuer and the next ranked issuer will be considered in such case.
- T-bills: For the initial portfolio, T-bill ISINs will be selected based on the table given below:

Index	Underlying Security
0-30 days bucket	Security that forms a part of standard CRISIL 1 Month T-Bill Index
31-60 days bucket	Security that forms a part of standard CRISIL 2 Month T-Bill Index
61-90 days bucket	Security that forms a part of standard CRISIL 91 Day T-Bill Index

- CP- CD: For the selected issuers, one security in each residual maturity buckets will be selected. The CP/CDs with maximum residual maturity will be selected. In case of non-availability of security in that bucket next ranked issuer will be considered.

Subsequent Portfolio Construction Methodology

- On each fortnightly rebalancing date, issuers will be ranked sector wise based on their amount outstanding
- All the securities maturing within the portfolio will be replaced on their respective maturity dates with the security in the 60-91-day bucket of the issuer which is top ranked in that sectors based on total outstanding across 91 day period
- In case the issuer cap is getting breached for the top ranked issuer, next ranked issuer will be selected in that sector. In case there are no issuers available in that sector having 61-91 days security, we will select security from 31-60 days or 0-30 days bucket (in order of priority) for that ranked issuer, and if the securities are not available in second and third buckets as well, the weight of the maturing security will be transferred to CBLO from that date till end of fortnight.
- Since, the issuer ranking and security selection that will act as replacements for the maturing securities will be done at the start of the fortnight itself, the market value of the maturing ISINs will be transferred to incoming ISINs in the proportion of the weights at the beginning of the fortnight. This is done to ensure that the

replacement securities are known before the start of the fortnight to ensure transparency.

- For T-Bills: In the beginning of the fortnight maturing T-Bill ISINs will be identified and replaced with the existing 91 Day T-Bill Index ISIN on the maturity date of the T-bill ISIN. The weight for new ISIN will be same as that of the maturing ISIN's weight on beginning of fortnight.

CRISIL Select AAA Short Duration Fund Index

Construction Methodology: -

Key characteristics:

- Credit: Issuers forming the part of the index on the bimonthly rebalancing date should have bonds with AAA rating (AA+ for perpetual bonds), stable or positive outlook in the past 2 years to be eligible
- Liquid and semi liquid issuers will be forming the part of the index on bimonthly rebalancing dates (Ref Annexure 1 for details)
- The Macaulay's Duration range for the index on the bimonthly rebalancing shall be in the range of 1.7 to 2.30
- Issuer cap of 8% and sector cap of 20% shall be maintained

Inception Date: 01st August 2021

Index Approach

The Index portfolio will have bonds with residual maturity of up to five years. The index will be investing in corporate bonds, government securities (excluding SDLs) and Treasury bills. The index will be rebalanced on a bi-monthly basis.

The fund Mac Duration will be kept between 1 and 3 years as defined by the SEBI for the short duration funds category. The sector allocation as defined by the AMC will be as follows:

Sectoral category	Weights
PSU – Manufacturing and others	13%
PSU – FI	35%
Private – Manufacturing and others	9%
Private – NBFC and other FI	17%
Private – HFC	8%
G-Sec / SOV*	15%
Overnight fund	3%

Issuer and Security Eligibility:-

Issuer Selection:

- The entire residual maturity spectrum shall be broken down into the following three buckets and their bucket

wise concentration:

- - 0 to 1 years : 25%
 - - 1 to 3 years : 50%
 - - 3 to 5 years : 25%
- The allocation to each sector will be broken down within these 3 buckets in equal proportion.
 - The top 2 issuers in each residual maturity bucket in each sector shall be selected based on maximum amount outstanding and on rebalancing date the top two issuers shall be rebalanced and replaced with the new issuer
 - For ensuring the 8% issuer cap, issuer allocation in the highest residual maturity bucket shall be done first followed by lower buckets. If the 8% cap is utilised in a particular residual maturity buckets, the buckets below that will not have any allocation to such issuer and additional issuers will be added till the caps are maintained

Security Selection:

- Security to be selected in the residual maturity buckets of 3 months to 1 year, 1 to 3 years and 3 to 5 years. Security with maximum residual maturity of the selected issuers to be chosen from each of the above residual maturity bucket.
- Single option bonds, non-bank perpetual bonds, and bank perpetual bonds are not taken explicitly (they shall be considered only if the form the part of the criteria), partly paid bonds, floating rate bonds and tax free bonds shall not form the part of the index or model portfolio
- If there is no churn in the issuers on the bi-monthly rebalancing date and if the securities of the previous portfolio still stay eligible in their respective bucket they will be carried forward
- If a security rolls down to the lower maturity bucket and if the issuer is also eligible in that lower bucket, then the security shall be carried forward. In such case, the security of such issuer in that lower bucket which was carried forward from previous portfolio shall be sold. In any case, there shall only be one security of an issuer in each bucket
- If a security in the lowest bucket matures before the end of the second month, a new security having the highest available RM of that issuer in that bucket will also be added on the rebalancing date. And after the security is matured the weight of that security will be transferred to the complimentary security that was added
- In case no complimentary ISINs are found, the cash generated will be invested in TREPS till portfolio end date
- Tolerance limits on both side of base weights has been given, which will be the range for model portfolio
- The Macaulay's Duration target at the beginning of the portfolio rebalancing date shall be 1.7 to 2.30. The adjusted Macaulay duration of the securities has been taken into account whose Macaulay Duration is not available.
- Three and five-year G-sec benchmark and 1-year T-Bill shall be used for representing 15% to sovereign instruments
- Issuer weights to be in the ratio of amount outstanding of all the eligible ISIN available for the issuer in a particular sector and bucket.

CRISIL Select AAA Corporate Bond Fund Index

Objective

The index seeks to track the performance of corporate bonds & sovereign bonds portfolio with corporate issuers shortlisted based on residual maturity bucket and rating stability criteria as defined by Trust Mutual Fund.

Key characteristics:

- Rating stability criteria
 - Conservative AAA-rated issuers and AAA(CE)-rated issuers with a standalone AAA rating as on the inception date shall be considered
 - Issuers that have seen no rating action over the past two years and the latest outlook should be positive/stable
- Liquid and semi-liquid issuers (illiquid issuers excluded) will be considered. Liquidity to be determined based on CRISIL's liquidity evaluation framework (See Annexure 1)
- The issuers confirming to the above criteria will form a part of eligible universe
- Inception Date of Index: 18th January 2022

Construction Methodology

- **Asset allocation:** The asset allocation shall be reset to the below on quarterly rebalancing dates

Sectoral category	Asset Allocation	Bucket
Corporate Bonds	75%	Up to 2 Years
T-Bills	10%	3 months benchmark
Government securities	15%	Up to 2 Years

- **Sector allocation:** The following sector allocation shall be followed by the index

Sectoral category	Weights
PSU – Manufacturing and others	13.5%
PSU – FI	47%
Private – Manufacturing and others	7%
Private – NBFC and other FI	15.5%
Private – HFC	17%

Selection Methodology:-

- **AAA rated Corporate Bonds:**

Issuer & Securities Selection:

The following criteria shall be applied on the data as evaluated during the inception date and each rebalancing dates:

1. All outstanding bonds as on the last day of the preceding month at the time of rebalancing shall be considered.
2. Within each sector, top 2 securities with highest residual maturity, each of a unique issuer, shall be selected.
3. An additional issuer shall be selected within a sector incrementally if required, to meet issuer caps (8% at composite index level).
4. Securities maturing within the index shall be excluded.
5. Perpetual bonds, Floating rate bonds, Tax free bonds, GOI service bonds, GOI guaranteed bonds, CE Rated, Partly Paid, Partial Redemption and bonds with embedded call/put options, subordinated debt securities, strips securities are excluded from the universe of bonds.

Weighing Approach:

6. Weights to the issuers will be calculated in the ratio of amount outstanding of issuers within each sector
7. Weights will be reset during every rebalancing.
8. Issuer weight will be capped at 8% in the composite index. Excess weights shall be redistributed among other issuers proportionally

Rebalancing and Downgrade:

9. The index constituents will be reconstituted on quarterly basis.
10. Any cash flows accruing to the index on account of coupon cash flows, part redemption of the security or securities, will be reinvested on the same day in the index in the proportion of existing weights.

The effective date of the above rebalancing shall be first working day of the quarter.

- **T-Bills:**

Security Selection:

1. The latest on-the-run 91 day T-Bill at the time of rebalancing shall be used to represent the T-bill 3 month benchmark
2. The security will be reconstituted every month
3. On a daily basis, the return for the index is computed using market returns due to change in price of the security in addition to the holding period return

Rebalancing: Monthly

The effective date of the above rebalancing shall be first working day of the month

- **Government securities:**

Securities Selection:

1. The 2-year G-sec benchmark security based on CRISIL SLV valuation methodology shall be used to represent the 0 to 2 years G-sec maturity bucket

Rebalancing:

2. The security in the index shall be reviewed every quarter. Only the latest benchmark as per CRISIL SLV valuation methodology will form part of the single-security index.
3. Any cash flows accruing to the index on account of coupon cash flows, part redemption of the security or securities, will be reinvested on the same day in the index in the proportion of existing weights.

The effective date of the above rebalancing shall be first working day of the quarter

CRISIL Long Term Debt Solution Index

The index follows a roll down strategy and seeks to track the performance of Gilt/T-bill and AAA PSU securities maturing between 9.5 to 10.5 years from date of inception of index.

Inception date: 1st December 2023

Asset Allocation: 70% G-sec 20% AAA PSU corporate bonds 10% 365 Day T-Bill

Eligible period/lookback period (The period in which underlying securities will mature): 9.5 to 10.5 years residual maturity at date of inception of index.

Asset Allocation:

G-sec	70%
AAA PSU	20%
T-Bill	10%

- The weights between asset classes may drift due to price movement which will be reset during quarterly rebalancing review.

Maturity proceeds: any proceeds from the complete redemption of securities shall be reinvested according to following waterfall approach –

- a. The proceeds from such redemption shall be reinvested in the remaining portfolio on the same date in the proportion of the existing weights, subject to 15% issuer cap for corporate bonds.
- b. In case it is not possible to reinvest as per the point number a above, then the proceeds from such redemption shall be reinvested in the above 365 day T-Bill.
- c. After all other securities have matured, the index will continue to exist as 100% T-bill index, and it will follow the rebalancing criteria for the T-bill asset class as mentioned below.

Index Construction:

Parameter	Asset class 1 – G-sec	Asset class 2 – AAA PSU	Asset class 3 – T-Bill
Eligibility criteria	<ul style="list-style-type: none"> Fixed coupon bearing plain vanilla G-sec Minimum amount outstanding 15,000 crores 	<p>Issuing entity should be domiciled in India and should satisfy either of the following:</p> <ol style="list-style-type: none"> Central Public Sector Enterprises (CPSEs) as listed on DPE & DIPAM website. Maharatna, Navratna and Miniratna as listed on DPE website, if not included in CPSEs list as mentioned in point 1. Public Financial Institutions (PFIs) owned and managed by GOI and not included in points 1 and 2 above. Statutory body set-up by Act of Parliament, and included among others in the list of public enterprises sourced from https://www.indiabudget.gov.in/ <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Government of India issued Treasury bills
Universe exclusions	<ul style="list-style-type: none"> Special securities - <ol style="list-style-type: none"> Food bonds (namely Food Corporation of India bonds) Oil bonds Fertilizer bonds UTI/SBI special bonds Floating rate bonds Inflation indexed bonds STRIP securities Recapitalisation bonds Sovereign gold bonds Sovereign green bonds 	<ul style="list-style-type: none"> Perpetual bonds Floating rate bonds Tax-free bonds GOI service bonds GOI guarantee bonds CE rated bonds Partly paid bonds Partial redemption bonds Bonds with embedded put/call options 	NA
Issuer selection at inception	NA	<ul style="list-style-type: none"> All eligible PSU issuers with a conservative rating of AAA maturing in the eligible period will be shortlisted Up to 8 most liquid issuers with a minimum total amount outstanding of Rs. 1,000 crores in the eligible period will be selected on the basis of 	NA

		liquidity score. If less than 8 issuers are available, all issuers will be selected.	
Security selection at inception	<ul style="list-style-type: none"> Securities maturing in eligible period, with minimum amount outstanding of Rs. 15000 crores will be considered. 	<ul style="list-style-type: none"> Securities maturing in eligible period, with minimum amount outstanding of Rs. 100 crores will be considered. For each issuer selected, security having highest maturity within the lookback period will be selected. 	<ul style="list-style-type: none"> On-the-run (most recently issued) 365 day T-Bill security will be selected
Weighing approach	<ul style="list-style-type: none"> Weights to the securities will be distributed in the ratio of the amount outstanding. 	<ul style="list-style-type: none"> Weights to the issuers will be divided equally as on the base date of the index. Each issuer will be subject to issuer cap of 15% When any issuer is excluded, the weights of the particular issuer will be redistributed proportionally in rest of the issuers of same asset class, subject to 15% issuer cap. 	<ul style="list-style-type: none"> Entire weight will be given to the single T-bill security
Rating change treatment	NA	<ul style="list-style-type: none"> In case if any issuer gets downgrade for the PSU AAA issuers, such issuers shall be excluded from the index within the next 5 working days. 	NA
Removal from index	NA	<ul style="list-style-type: none"> If government gives 'in principal approval' to disinvest its stake in any government owned entity, such entity will not be a part of the index at the time of inception of the index. If any existing constituent of the index gets in principal approval for disinvestment, such issuer, will be excluded from the index, only after the process of disinvestment is completed, during the quarterly rebalancing of the index. 	NA
Cash flow treatment	<ul style="list-style-type: none"> Any cash flows accruing to the index on account of coupon cash flows, part redemption of the security or securities, will be reinvested on the same day in the index in the proportion of existing weights 	<ul style="list-style-type: none"> Any cash flows accruing to the index on account of coupon cash flows, part redemption of the security or securities, will be reinvested on the same day in the index in the proportion of existing weights 	<ul style="list-style-type: none"> Any cash flows accruing to the index on account of coupon cash flows, part redemption of the security or securities, will be reinvested on the same day in the index in the proportion of existing weights
Rebalancing – 1. Issuer selection	NA	<ul style="list-style-type: none"> Only if the total number of AAA PSU issuers fall below 2, when issuers are excluded on the basis of downgrade/disinvestment, new issuers will be added as per the criteria stated above to bring the count to 3. 	NA

2. Treatment of existing issuers	NA	<ul style="list-style-type: none"> Hold till maturity/will not exit the index. 	NA
3. Security selection	<ul style="list-style-type: none"> NA 	<ul style="list-style-type: none"> In case there are less than 2 issuers and new issuer is selected based, the selection approach at inception will be followed to bring the count to 2. New eligible security of new issuers will be added to the index if they fulfil the criteria. 	<ul style="list-style-type: none"> Same as that on inception.
4. Treatment of existing securities	<ul style="list-style-type: none"> Hold till maturity/will not exit the index 	<ul style="list-style-type: none"> Hold till maturity/will not exit the index 	<ul style="list-style-type: none"> Remove at the next reconstitution date (quarterly) such that only 1 security is part of the index at all times.
Reconstitution frequency	<ul style="list-style-type: none"> NA 	<ul style="list-style-type: none"> Quarterly (January, April, July, October) 	<ul style="list-style-type: none"> Quarterly (January, April, July, October)
Weight reset frequency	<ul style="list-style-type: none"> Quarterly ((January, April, July, October) 	<ul style="list-style-type: none"> Quarterly ((January, April, July, October) 	<ul style="list-style-type: none"> Quarterly ((January, April, July, October)

ANNEXURE 1:

LIQUIDITY CLASSIFICATION CRITERIA

Liquidity classification criteria – Liquid, Semi-liquid and Illiquid definition -

Valuation agencies shall use standard criteria for classifying trades as Liquid, Semi-liquid and Illiquid basis the following two criteria

- Trading Volume
- Spread over reference yield

Such criteria shall be reviewed on periodic basis in consultation with AMFI.

Trading Volume (Traded days) based criteria:

Number of unique days an issuer trades in the secondary market or issue a new security in primary market in a calendar quarter.

- Liquid $\geq 50\%$ of trade days
- Semi Liquid $\geq 10\%$ to 50% trade days
- Illiquid $< 10\%$ of trade days

Spread based criteria

Spread over the matrix shall be computed and based on thresholds defined, issuer shall be classified as liquid, semi liquid and illiquid. For bonds thresholds are defined as up to 15 bps for liquid; 15-75 bps for semi-liquid; >75 bps illiquid. (Here, spread is computed as average spread of issuer over AAA Public Sector Undertakings/Financial Institutions/Banks matrix), For CP/CD – up to 25 bps for illiquid; >25 – 50 bps for semiliquid; >50 bps for illiquid. (Here, spread is computed as average spread of issuer over A1+/AAA CD bank matrix).

The threshold should be periodically reviewed and updated having regards to the market.

The best classification (liquid being the best) from above two criteria (trading volume and spread based) shall be considered as final liquidity classification of the issuer. The above classification shall be carried out separately for money market instrument (CP/CDs) and Bonds.

About CRISIL Market Intelligence & Analytics

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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.

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