

A STUDY ON S&P CNX NIFTY INDEX OF NSE

Term Paper

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Abstract

The S&P CNX Nifty is a well diversified 50 stock index accounting for 22 sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds. S&P CNX NIFTY here is analysed to find out the stock performance of different sectors viz. Power, Banks, Mining, Telecommunication Services by calculating the fluctuations involved & the factors responsible for the same, thus giving the prospective investor a true picture whether to invest or not in the concerned sectors.

Keywords

Index, NSE, VSAT, Online Trading

I. Introduction

S&P CNX Nifty is a well-diversified 50 stock index accounting for 23 sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds. S&P CNX Nifty is owned and managed by India Index Services and Products Ltd. (IISL), which is a joint venture between NSE and CRISIL. IISL is India's first specialized company focused upon the index as a core product. IISL has Marketing and licensing agreement with standard & poor's (S&P), who world leaders are in index services.

- The total traded value for the last six months of all Nifty stocks is approximately 48.16% of the traded value of all stocks on the NSE
- Nifty stocks represent about 64.38% of the Free Float Market Capitalization as on March 31, 2011.
- Impact cost of the S&P CNX Nifty for a portfolio size of Rs.50 lakhs is 0.06%.
- S&P CNX Nifty is professionally maintained and is ideal for derivatives trading.

II. Objectives for Study

To analyse the importance of sectoral analysis in the stock investment.

To calculate the performance of S&P CNX Index of NSE.

To find out two months fluctuations of the index.

To calculate the month wise percentage changes and absolute change in each sector.

III. Scope for the Study

The study is confined to only one index of NSE for the purpose of analysis of data i.e.S&P CNX Nifty.

IV. Research Methodology

Research design is some statement or specification of procedures for collecting and analysing the information required for the solution of some specific problem. Data obtained for the study here is highly concentrated on the use of Secondary data.

Secondary data used here comprises information obtained from reports, files and some important documents maintained by NSE.

V. Limitations of the Study

There are many indices but only S&P CNX NIFTY is considered for the analysis.

There was a time limitation for carrying out analysis of the concerned index.

The time period of the calculation is two months i.e. September and October 2012.

VI. Conceptual Frame Work

The **S&P CNX Nifty**, also called the **Nifty 50** or simply the **Nifty**, is a [stock market index](#), and one of several leading indices for large companies which are listed on [National Stock Exchange of India](#). Index based derivatives and index funds. Nifty is owned and managed by [India Index Services and Products Ltd. \(IISL\)](#), which is a joint venture between [NSE](#) and [CRISIL](#) (Credit Rating and Information Services of India Ltd). [\(IISL\)](#) is India's first specialized company focused upon the index as a core product. [IISL](#) has a marketing and licensing agreement with [Standard & Poor's](#) for co-branding equity indices. 'CNX' in its name stands for 'CRISIL NSE Index'.

S&P CNX Nifty has shaped up as the largest single financial product in India, with an ecosystem comprising: exchange traded funds (onshore and offshore), exchange-traded futures and options (at [NSE](#) in [India](#) and at [SGX](#) and [CME](#) abroad), other index funds and OTC derivatives (mostly offshore).

The S&P CNX Nifty covers 22 sectors of the [Indian economy](#) and offers investment managers exposure to the Indian market in one portfolio. The S&P CNX Nifty stocks represents about 65% of the free float market capitalization of the stocks listed at [National Stock Exchange \(NSE\)](#) as on October 23, 2012.

The S&P CNX Nifty index is a free float market capitalisation weighted index. The index was initially calculated on full market capitalisation methodology. From June 26, 2009, the computation was changed to free float methodology. The base period for the S&P CNX Nifty index is November 3, 1995, which marked the completion of one year of operations of [NSE's](#) Capital Market Segment. The base value of the index has been set at 1000, and a base capital of Rs 2.06 trillion.

VII. Index Mean

A statistical measure of change in an economy or a securities market. In the case of financial markets, an index is an imaginary portfolio of securities representing a particular market or a portion of it. Each index has its own calculation methodology

and is usually expressed in terms of a change from a base value. Thus, the percentage change is more important than the actual numeric value.

In economics and finance, an index is a statistical measure of changes in a representative group of individual data points. These data may be derived from any number of sources, including company performance, prices, productivity, and employment. Economic indices (index, plural) track economic health from different perspectives.

VIII.S&P CNX Nifty calculation method

S&P CNX Nifty is computed using market capitalization weighted method, wherein the level of the index reflects the total market value of all the stocks in the index relative to a particular base period. The method also takes into account constituent changes in the index and importantly corporate actions such as stock splits, rights, etc without affecting the index value. The S&P CNX Nifty closing prices are calculated by taking the last half an hour weighted average closing prices of the Constituents of the index.

S&P CNX Nifty and S&P CNX Nifty-TR are available from 3 July 1990 and 6 November 1995 respectively. The historical data is calculated in an intelligent way, i.e. the index set steadily evolves even through the older years. The historical Nifty and Nifty – TR value are very useful for research purposes.

Returns –

S&P CNX NIFTY

YTD: -10.05%

1 Week -5.20%

1 Month: -5.80%

3 Months: 0.70%

6 Months: -9.70%

1 Year: 6.60%

2 Year: 52.30%

3 Year: 7.20%

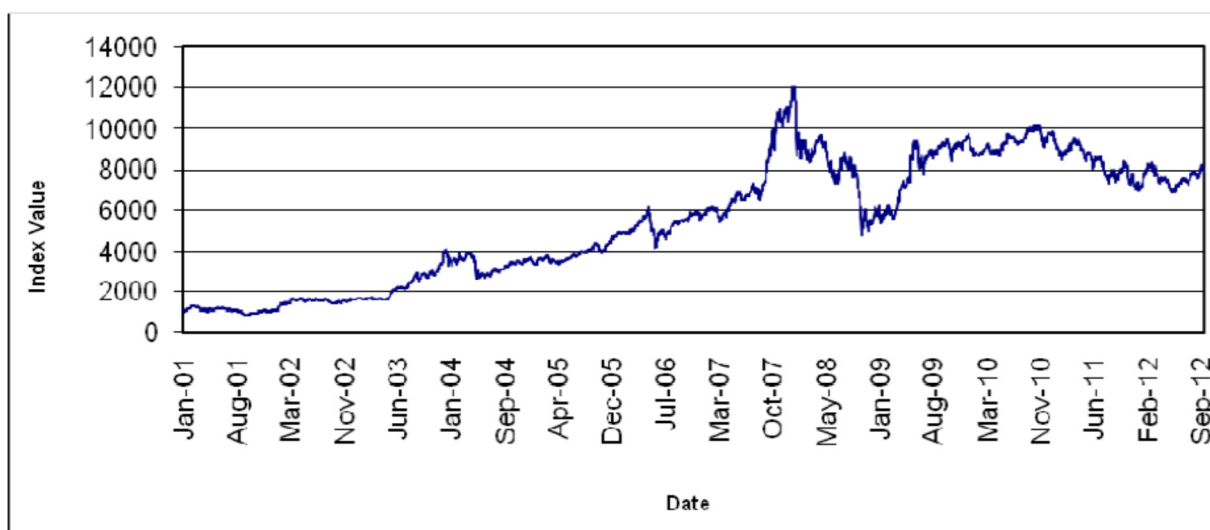
The long-run (10 year) return on S&P CNX Nifty is 21% per annum.

The long-run daily standard deviation is 1.60% per day. In recent times, i.e. over the last calendar year, the daily standard deviation was 1.11% per day.

CNX ENERGY INDEX

CNX Energy sector Index includes companies belonging to Petroleum, Gas and Power sub sectors. The Index comprises of 10 listed companies.

Index Performance:



Statistics:

Period	Returns (%)	Volatility (%)	Avg. Daily Return (%)
1 year	4.34	1.34	0.03
3 years	-13.08	1.21	-0.01
5 years	-3.91	1.94	0.02
Since Inception	707.17	1.80	0.09

*As on September 28, 2012

Company Size:

Largest	138350
Smallest	5393
Average	29599
Median	17126

* As on September 28, 2012

Market Capitalization & Weightage:

Sr. No.	Company Name	Mkt. Cap.* in Rs. Cr.	Weight (%)
1	Reliance Industries Ltd.	138350	46.74
2	Oil & Natural Gas Corporation Ltd.	49694	16.79
3	NTPC Ltd.	21485	7.26
4	Tata Power Co. Ltd.	17321	5.85
5	GAIL (India) Ltd.	17192	5.81
6	Power Grid Corporation of India Ltd.	17059	5.76
7	Cairn India Ltd.	14452	4.88
8	Bharat Petroleum Corporation Ltd.	9011	3.04
9	Indian Oil Corporation Ltd.	6027	2.04
10	Reliance Power Ltd.	5393	1.82
		295986	100.00

* Free Float Market Capitalization as on September 28, 2012

Interpretation:

In the month of September Company with max. Weight % & market capitalization in Energy sector was **Reliance Industries** Ltd. With a market cap. Of Rs.138350 Cr. & weight % of 46.74 followed by **ONGC Ltd.** With market cap. & weight % of 49694 and 16.74 respectively. Both the stock performed well in the past month. RIL registered an all-time High of Sept. as 881.60 falling to a low of 682.35 due to the finger slip blunder at NSE.

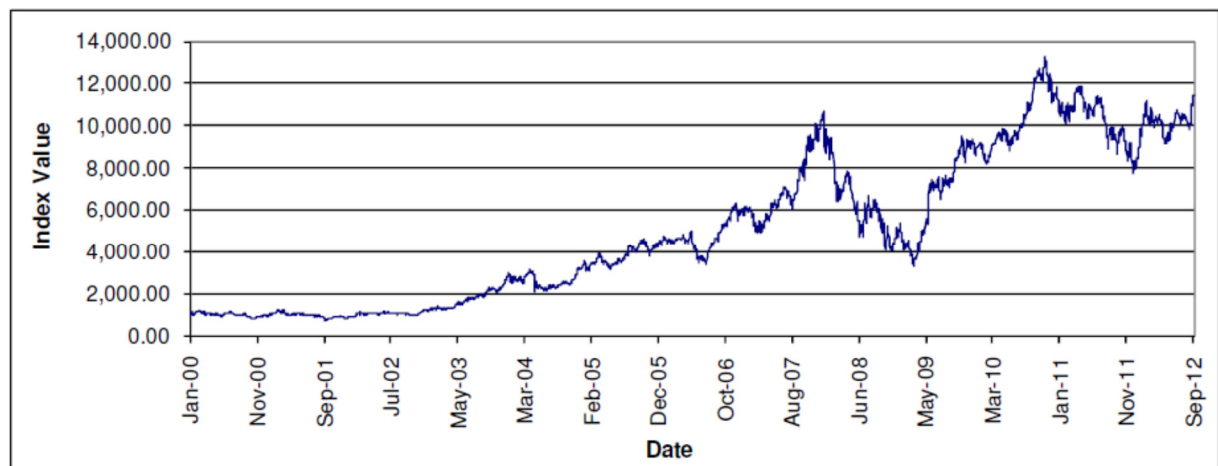
CNX Bank Index

CNX Bank Index is an index comprised of the most liquid and large capitalized Indian Banking stocks. It provides investors and market intermediaries with a benchmark that captures the capital market performance of the Indian banks.

The Index has 12 stocks from the banking sector, which trade on the National Stock Exchange.

The CNX Bank Index represents about 15.37% of the free float market capitalization of the stocks listed on the exchange and 88.11% of the free float market capitalization of the stocks forming part of the Banking sector universe as on September 28, 2012.

Index Performance:



Statistics:

Period	Returns (%)	Volatility (%)	Avg. Daily Return (%)
1 year	21.00	1.70	0.09
3 years	30.01	1.58	0.05
5 years	42.46	2.36	0.06
Since Inception	329.88	2.09	0.10

* As on September 28, 2012

Company Size (Rs. Cr.)

Largest	122051
Smallest	4679
Average	34297
Median	12920

* As on September 28, 2012

Market Capitalization and Weightage:

Company Name	Mkt. Cap.* Rs. Cr.	Weight (%)
ICICI Bank Ltd.	122051	29.66
HDFC Bank Ltd.	114230	27.76
State Bank of India	57761	14.03
Axis Bank Ltd.	29520	7.17
Kotak Mahindra Bank Ltd.	24287	5.90
Bank of Baroda	13424	3.26
IndusInd Bank Ltd.	12415	3.02
Punjab National Bank	11181	2.72
Yes Bank Ltd.	10039	2.44
Canara Bank	6170	1.50
Bank of India	5807	1.41
Union Bank of India	4679	1.14
Total	411563	100.00

* Free Float Market Capitalization as on September 28, 2012

Interpretation:

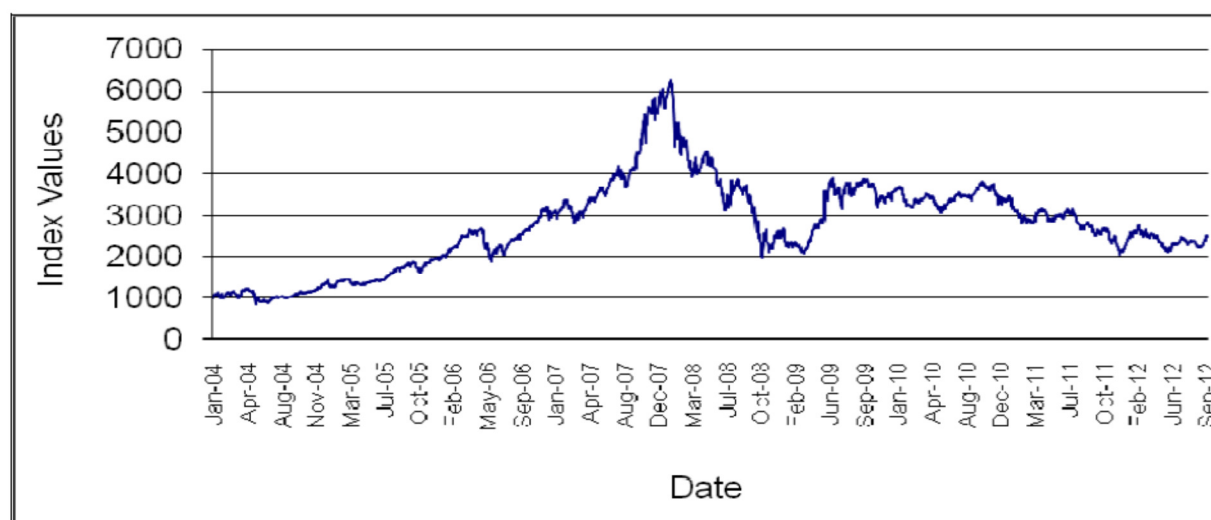
In this sector ICICI Bank Ltd. Leads the trail and is followed by HDFC Bank Ltd. With market cap. Of Rs.122051Cr. and Rs.114230 Cr. & weight % of 29.66 and 27.66 respectively. Both of are tough competitors. ICICI had its High in Sept. with 1100.00 as value and low as 866.25 whereas HDFC had 640.00 as high and 505.05 as lowest value.

CNX Infra Index

CNX Infrastructure Index includes companies belonging to Telecom, Power, Port, Air, Roads, Railways, shipping and other Utility Services providers. The Index comprises of 25 companies listed on National Stock Exchange of India.

The traded value for the last six months ending September 2012 of all CNX Infrastructure Index constituents is approximately 12.23% of the traded value of all stocks on NSE and 64.08% of the traded value of the companies forming part of the infrastructure sector universe.

Index Performance:



* Since beginning till date.

Statistics:

Period	Returns (%)	Volatility (%)	Avg. Daily Return (%)
1 year	-2.43	1.56	0.00
3 years	-34.57	1.34	-0.05
5 years	-43.90	2.12	-0.02
Since Inception	152.60	1.97	0.06

* As on September 28, 2012

Company Size (Rs. Cr.):

Largest	86112
Smallest	1139
Average	10692
Median	4507

* As on September 28, 2012

Market Capitalization and Weightage:

Sr. No.	Company Name	Mkt. Cap.* in Rs. Cr.	Weight (%)
1	Larsen & Toubro Ltd.	86112	32.22
2	Bharti Airtel Ltd.	31759	11.88
3	NTPC Ltd.	21485	8.04
4	Bharat Heavy Electricals Ltd.	19510	7.30
5	Tata Power Co. Ltd.	17321	6.48
6	Power Grid Corporation of India Ltd.	17059	6.38
7	Jaiprakash Associates Ltd.	9318	3.49
8	Reliance Infrastructure Ltd.	7277	2.72
9	Idea Cellular Ltd.	6816	2.55
10	Siemens Ltd.	6032	2.26
11	Adani Ports and Special Economic Zone Ltd.	5748	2.15
12	Reliance Power Ltd.	5393	2.02
13	Crompton Greaves Ltd.	4717	1.76
14	Reliance Communications Ltd.	4298	1.61
15	ABB Ltd.	4242	1.59
16	NHPC Ltd.	3237	1.21
17	Voltas Ltd.	2888	1.08
18	GMR Infrastructure Ltd.	2758	1.03
19	JSW Energy Ltd.	2319	0.87
20	Adani Power Ltd.	1847	0.69
21	Tata Communications Ltd.	1654	0.62
22	IRB Infrastructure Developers Ltd.	1640	0.61
23	Suzlon Energy Ltd.	1490	0.56
24	IVRCL Ltd.	1230	0.46
25	Punj Lloyd Ltd.	1139	0.43
		267291	100.00

* Free Float Market Capitalization as on September 28, 2012

Interpretation:

In this sector L&T Ltd. And Bharti Airtel Ltd. Represent the top two position in terms of Market cap. and Weight % with L&T Ltd. Having a market cap. of Rs.86112 cr. And Weight % equal to 32.22 whereas Bharti Airtel Ltd. Have the same as Rs.31759 cr. & weight% equals to 11.88

Conclusions:

From the study S&P CNX Nifty for the month of September it is observed that it closed at 5703.30 points on September 28, 2012 representing an increase of 444.80 points (8.46 %), as compared to the closing value of 5258.50 points on August 31, 2012. During the month of September 2012, S&P CNX Nifty touched a high of 5735.15 points on September 28, 2012. The free float market capitalization of S&P CNX Nifty increased from Rs.16,45,120.44 crores on August 31, 2012 to Rs.18,01,491.33 crores on September 28, 2012, i.e. an increase of Rs.156370.89 crores (9.51 %).

Suggestions:

It is suggested that as the equities trading at S&P CNX Nifty as make the market to grow tremendously well. And the script like Reliance Industries Ltd., ICICI Bank Ltd. and L&T Ltd. are earning good returns. It is suggested to invest in such script and get benefits.

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