SX40 - FAQs OCTOBER - 2025



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1. What is **SX40**?

It is a Adjusted Free float weighted market capitalization based index of 40 large-cap liquid stocks representing diverse sectors of the economy.

2. What are the objectives of creating SX40?

SX40 has been designed with the following objectives:

- To be the true benchmark of the underlying equity market with well diversified representation of overall market sentiments.
- To act as a performance benchmark for fund managers.
- To facilitate accurate replication of the index and be the preferred index for creation of index linked products like index funds, ETFs, etc.
- To uniquely position the index for efficient derivatives trading owing to superior liquidity parameters with a diversified representation of the market.

3. What are the criteria for selection of stocks?

SX40 would comprise of stocks that conform to the below terms and conditions:

- Only common stocks which are of equity in nature will be eligible for inclusion in the index
- The stock must have free float of at least 10%.
- The stock must have a positive net-worth.
- Stocks must be within top 100 ranking when arranged in terms of average trading value for the
 preceding three months (henceforth termed as review period) on the exchange and must have been
 traded on at least 90 percent of the trading days during the review period.
- From the basket of the shortlisted 100 stocks, the top 40 stocks in terms of average free float market capitalization would form the index basket.
- Number of companies representing any specific Industry will be capped at 25%, which limits the number of companies representing any specific industry to 10 (Ten), given that SX40 comprises of 40 stocks.
- Industry level weights in SX40 Index would be capped at 40% at the time of periodic review and rebalancing.

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4. What are the criteria for Industry Capping in SX40?

At each periodic review and rebalancing, if the Industry-level weight in the index is greater than the maximum allowed weight (40%), its weight will be capped at the maximum allowed weight (40%). Within the capped industry, securities will be weighted in proportion to their average free float adjusted market capitalization. The weight of the securities forming part of other industry outside of the capped industry will be increased in proportion to their weight prior to such capping. The factor used for the weight adjustment for both the capped and uncapped industry is known as "free-float adjustment factor". Free-float shares will now be adjusted with the "free float adjustment factor", calculated as a part of the capping process and will be used as Index Free Float shares. The factor arrived at the time of periodic review will be constant till the next periodic review.

5. What are the criteria for inclusion / exclusion of securities into / from SX40

The rules for inclusion or exclusion of a company in / from the index during the semi-annual review process have been designed to provide stability in selection of constituents while ensuring that the index would continue to be representative of the market by including or excluding those companies whose free float market capitalization would have risen or fallen significantly.

Index Replacement Pool:

An index replacement pool is created of top 100 stocks measured in terms of average daily trading value for the preceding three months (Review Period), which have traded on at least 90 percent of the trading days during the Review period.

Exclusion Criteria:

- A stock will be excluded from the index in the semi-annual review, if it does not appear in the Index replacement pool.
- A stock will be excluded from the index in the semi-annual review if it does not appear in top 50 stocks in terms of average free float market capitalization during the Review period. (this would not be applicable if better alternative is not available)

Inclusion Criteria:

- A stock appearing within top 30 in terms of average free float market capitalization during the Review
 period will be automatically included in the index subject to industry capping. As a result a company
 with lowest free float market capitalization in the existing index basket will be excluded.
- A stock with highest free float market capitalization from the replacement pool would be considered to replace the outgoing stock

6. When is the periodic review done?

The Index will be reviewed & rebalanced twice in a calendar year, during April (review period: January – March) and October (review period: July – September). In case of a special situation dictated by corporate events or adverse market movements, intermediate review would be carried out for necessary modification of the index.

7. How is SX40 computed?

SX40 is calculated on real time whenever there is a change in price. SX40 is computed based on the traded prices of the constituent stocks In the absence of trade in the constituent stock(s), the mid-point of best Bid and best Ask quote would be considered for the SX40 computation.

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8. When do weights of individual securities in SX40 change?

The weight of each stock in the index is directly proportional to its Index free-float market capitalization. Hence, whenever there is a change in the price of an individual stock, the weights change. The index movement is dependent on the movement of prices of the stocks in the index.

Apart from this, the weights of individual securities also change whenever there are any corporate actions such as, but not limited to, share changes and stock price adjustments due to restructurings or spin-offs, right issues, etc. In such cases, in order to prevent the value of the index from getting distorted, the divisor adjustment is done.

In other words, the index value moves up or down only when there is a change in price.

9. Who maintains SX40?

The index is maintained by MSE. Index rules are overseen by an independent index committee comprising of leading industry professionals, academicians and financial experts.

10. Where can I find the details of index constituents of SX40?

Details of index constituents and weights are available on the MSEI website URL - http://www.msei.in/Indices/Pages/Index-Report.aspx

11. How is the closing price of SX40 determined?

The closing price of the SX40 is computed based on closing price of the constituents stocks. The closing prices of constituent stocks are calculated by taking the weighted average prices during the last 30 minutes of trading. If there are no trades in last 30 minutes then the last traded price during the day is considered as closing price. If any constituent stock is not traded on the exchange during the day, then closing price of the stock on the reference exchange is considered as the closing price.

12. What are the variants of SX40?

There are two variants of SX40 viz. Price Return Index and Total Returns index. While the exchange would provide Total Returns Index values on a daily basis (end of day), the Price Return Index values would be calculated and disseminated on real time basis.

13. Is there any historical data available for SX40?

Index values for Price Return Index and Total Returns Index are available from 31st March, 2010 onwards.

14. Where can I get more information about SX40?

More information about SX40 is available on the MSEI website

URL: http://www.msei.in/indices/sx40.aspx



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