

NDEX & FINNDEX Equity Indices

Prelims: Current events of national and international importance | Economy

Why in news?

The National Commodities and Derivatives Exchange (NCDEX) will launch NDEX and FINNDEX new Equity Indices to track Indian Stocks.

- **National Commodity and Derivatives Exchange (NCDEX)** - It is India's premier, technology-driven agricultural commodity exchange.
- **Regulated by** - Securities and Exchange Board of India (SEBI).
- NCDEX serves as the primary national marketplace for transparent price discovery and risk mitigation (hedging) for India's vast agricultural sector.
- **Headquarter** - Mumbai.
- **Objective** - The move marks an expansion beyond its traditional focus on agricultural commodities and aims to provide investors with new ways to track the Indian stock market.
- **NDEX** - It tracks 20 large and actively traded Indian companies.
- **FINNDEX** - It will focus on 15 companies from the financial sector, excluding insurance companies.
- **Working** - NDEX will include 20 large and actively traded stocks selected from a group of the top 60 companies. FINNDEX, meanwhile, will track 15 financial sector companies, excluding insurers.
- **Launch** - NCDEX is targeting the first quarter of FY28 for the official launch of the indices. This corresponds to April-June 2027, assuming the timeline follows India's financial year.
- **Rule-based system** - Both indices will use a rule-based system to select stocks and decide their weight in the index.
- The exchange is also exploring the launch of mutual funds, exchange-traded funds (ETFs) and, later, futures and options contracts linked to these indices.
- **Unique Multi-Factor Methodology** - Both indices will follow a multi-factor approach - means the selection and weighting of stocks will depend on four factors rather than mainly on the size of a company in the stock market.

Factor	Weight
Free-float market capitalisation	30%
Average daily traded value	30%
Beta	20%
Volatility	20%

- Free-float market capitalisation helps measure the market value of shares of a company that are available for trade.
- Average daily traded value helps measure the average value of the shares traded daily.
- Beta helps measure how much a stock is expected to react to the market, and
- Volatility measures how much a stock's price fluctuates.
- The combination of all four helps NCDEX to take into account a company's market value, average traded value while developing its indices.
- **Reason for introducing new indices** - NCDEX believes that traditional benchmarks such as the Nifty 50 and Sensex are largely driven by free-float market capitalization.
- The new indices aim to provide a broader measure of market activity by also considering trading volume, price sensitivity (beta), and volatility.

Reference

[IIFL | NCDEX Launches NDEX and FINNDEX](#)

