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How Nifty 50 has changed since its inception in 1995

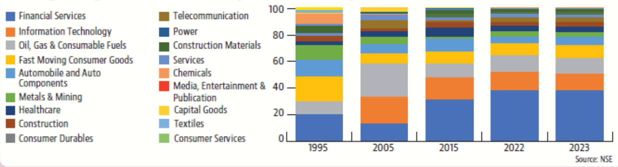
By Ashokamithran T

Nifty 50, NSE's list of 50 companies with the highest market capitalization, crossed 20,000 points for the first time on September 12, 2023. The index came into existence in 1995. The Nifty 50 has changed over this period and the changes in the index roughly mirror major changes in the economy. To be sure, analysing stock exchange data is not the best method to study economic change as indices represent only a small bunch of big companies. Having said this, it does tell us about the changing fortunes of the some of the most important sectors and companies in India. Here are four charts which explain some of the important changes.

1 The weightage of financial services has almost doubled from 1995

A comparison of the Nifty in 1995 with that now shows that the financial services sector has broadly made the biggest gains in terms of share in total market capitalization of the index. This is keeping with the increase in share of financial and professional services sub-sector in Gross Value Added (GVA) -- from 17.4% to 22.5% between 1995-96 and 2022-23 according to data from Centre for Monitoring Indian Economy (CMIE). Share of other sectors such as consumer products and automobiles in Nifty 50 have fallen in this period.

Weightage of sectors by market cap

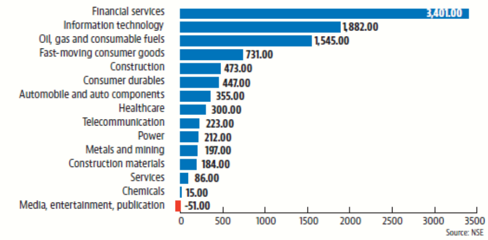


Source: NSE

2 A fall in weightage need not necessarily mean a loss in market cap

It is important to understand that a fall in overall weightage of a particular sector need not necessarily entail a loss in market cap, which is the total value of a company's shares. Data on the contribution of each sector in Nifty50's growth from 10,000 to 20,000 points proves this point. Even sectors which have seen a fall in their weightage in Nifty 50 between 2015 and 2023 – the Nifty 50 crossed 10000 points in 2017 – made positive contribution to the index's growth.

Contribution of each sector from 10,000 to 20,000

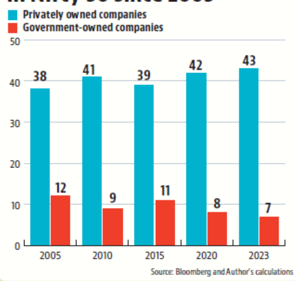


Source: NSE

3 The number of government companies in the index has fallen

In 2005, there were 12 government-owned companies in the index. This number reduced to seven in 2023. State Bank of India was part of the first set of 50 companies in Nifty 50 in 1995. It is also the only public sector company in the set of companies that have been part of the index since its inception. Companies such as Mahanagar Telephone Nigam Ltd, Oriental Bank of Commerce, and Shipping Corporation of India Ltd, once part of the index, are no longer there in it.

Number of public and private sector companies in Nifty 50 since 2005



Source: Bloomberg and Author's calculations

List of public sector companies in the index from 2005 to 2023

2005 GAIL India Ltd, Steel Authority of India Ltd, Hindustan Petroleum Corp Ltd, Mahanagar Telephone Nigam Ltd, State Bank of India, Oriental Bank of Commerce, Bharat Petroleum Corp Ltd, Punjab National Bank, Bharat Heavy Electricals Ltd, Shipping Corp of India Ltd, Punjab National bank, National Aluminium Co Ltd

2010 Punjab National Bank, Bharat Heavy Electricals Ltd, Power Grid Corp of India Ltd, Steel Authority of India Ltd, GAIL India Ltd, Oil & Natural Gas Corp Ltd, Bharat Petroleum Corp Ltd, State Bank of India, NTPC Ltd

2020 NTPC Ltd, Bharat Heavy Electricals Ltd, Power Grid Corp of India Ltd, GAIL India Ltd, Oil & Natural Gas Corp Ltd, State Bank of India, Punjab National Bank, Bharat Petroleum Corp Ltd, Coal India Ltd, Bank of Baroda

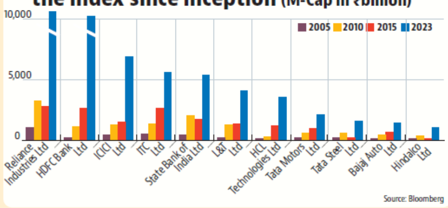
2023 Bharat Petroleum Corporation Ltd, Coal India Ltd, NTPC Ltd, Oil & Natural Gas Corporation Ltd, Power Grid Corporation of India Ltd, SBI Life Insurance Company Ltd, State Bank of India

Source: Bloomberg

4 Emergence of new entrants and new businesses into Nifty

There are 11 companies that have been part of the index since its inception. These are companies that are leaders in their corresponding sectors or those that have consistently outperformed. The market capitalization of these 11 companies has increased since 2005, according to data from Bloomberg. The latest entry into the Nifty 50 are the two Adani companies -- Adani Enterprises, and Adani Ports and SEZs. A new trend also seems to have emerged in the last three years -- the presence of two life insurance companies, SBI Life Insurance and HDFC Life Insurance Company Ltd. The list also has LTI Mindtree, which is the result of L&T Infotech's acquisition of Mindtree. HDFC Ltd exited the index due to its merger with HDFC Bank Ltd, which remains part of it.

List of 11 companies that have existed in the index since inception (M-Cap in ₹billion)



Source: Bloomberg

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OIL FUTURES TOP $94.7 A BARREL

Brent's Rise Leaves a Crude Impact on User Cos & Shares

OMCs, paint cos and airlines to feel the heat; but cement firms are unlikely to be affected directly

Stock Performances

	Time			
	5-Day	2023 (YTD)	1-Year	3-Year
OIL MARKETING COS				
HPCL	-1.94	8.52	10.15	18.05
BPCL	-0.06	7.89	12.25	-5.43
IOC	-1.75	18.85	33.09	1.80
PAINTS				
Asian Paints	-1.95	5.28	-3.26	15.95
Berger Paints	3.20	29.22	18.11	-2.41
Kansai Nerolac	-2.41	12.63	1.18	-45.93
AVIATION				
InterGlobe Aviation	-3.92	17.49	30.54	39.26
SpiceJet	-5.18	-2.34	-12.25	-59.93
TYRE				
Apollo Tyres	-2.83	13.85	29.42	109.40
Ceat	-2.71	31.74	27.10	98.97
MRF	-0.47	23.56	25.99	43.88
CEMENT				
UltraTech	1.36	22.81	33.42	63.18
Grasim	4.69	12.81	11.64	111.08
ACC	-2.17	-17.79	-24.06	24.01
Shree Cement	1.81	12.64	12.90	9.86

(Figures in %) Source: BSE, NSE

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Mumbai: Rising crude prices tends to be bad news for India as it has always weighed down on the economy in the past. With Brent crude futures at about $95 a barrel due to supply cuts by oil producing countries like Saudi Arabia and Russia, market participants have begun evaluating its impact with the country importing more than 80% of its oil needs.

In addition to the economy, companies in various sectors such as paints, tyres, oil, cement, and aviation also feel the direct pain of rising prices as crude is a key raw material for many of them. **ET** looks at the impact of rising crude prices on these sectors and stock prices:

OIL MARKETING COS (OMCS)

Analysts see profitability of oil refining and marketing companies getting squeezed on account of the firming crude oil prices.

"Since gross margins are lower in diesel and petrol, bleeding in OMCs is expected to continue," said Swarnendu Bhushan, co-head of research at Prabhudas Liladher. "In OMCs, the refining margins are strong, but the marketing margins are lower. If the crude oil prices remain above $90 post the second quarter, then margin downgrades can occur."

OMC shares will remain subdued, and the underperformance will continue. "ONGC, GAIL and Gujarat Gas are some stocks that can withstand the pressure from rising crude prices," said Bhushan.

PAINTS

Paint companies are likely to witness earnings downgrades, given the industry's heavy dependence on oil derivatives. "About 60-65% of the total raw material cost of paint can be attributed to crude oil derivatives," said G Chokkalingam, founder, Equinomics Research. He said market leaders might be able to withstand the cost pressure, but the overall impact will be negative. The foray of Grasim Industries into the paints business could put further pressure on margins.

"This industry will see a major impact also because its growth in the last couple of years has not been in double digits. The increase in raw material cost will pinch them," he said.

TYRE

Since crude is a significant component in manufacturing of tyres, higher crude prices are expected to impact tyre stocks negatively. "Crude is used for producing synthetic rubber and carbon black, which collectively contribute to more than 30% of the total raw material costs of tyres," said Ashwin Patil, senior research analyst at LKP Securities. He said that increasing operating leverage from demand for autos, particularly in PVs and two-wheelers may offset part of the margin pressure though.

Investors will, however, do better by remaining selective about shares of tyre makers in the wake of elevated crude prices. "Stocks like MRF, Apollo and CEAT, which are strong players in personal vehicles (PV) and two-wheelers in the listed space should get slight advantage over those who are strong in commercial vehicle (CV) and tractors space which are now in a slow lane and are expected to post lower growth this fiscal," said Patil.

AVIATION

The airline industry has been one of the most impacted among various sectors by rising oil prices. Aviation turbine fuel (ATFs) makes up for over 40% of airlines' operating costs. Brokerage Emkay Global said OMCs have hike domestic ATF prices in September by 14% from last month. The firm said recovering yields on account of the upcoming holiday season could help partly offset fuel cost pressures. But, a weakening rupee could lead to forex losses for aviation companies in the September quarter. Chokkalingam said market leaders like IndiGo may be able to withstand the pressure better, though earnings will remain weak.

Aviation turbine fuel (ATFs) makes up for over 40% of airlines' operating costs

CEMENT

The cement industry is likely to not be affected directly because of increasing crude prices since coal and pet coke are the major fuel contributors. Pet coke is a by-product of the refinery process but not directly correlated to higher crude prices. However, concerns may arise if diesel prices are hiked. "Power and fuel and transportation make up about 65% of the cost of production for cement," said Snehdeep Bohra, director, Fitch Ratings. He doesn't expect a hike in diesel prices.

"Cement industry has witnessed a margin decline in FY23 due to high diesel prices because of the Russia-Ukraine war. If the rise in crude leads to a hike in diesel prices, then transportation costs will increase and impact margins."