



Nifty Non-Cyclical Consumer Index

Tracking companies representing
the Non-Cyclical Consumer theme

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Introduction:

Non-cyclical companies are companies that produce essential goods whose demand remains stable across different phases of the economic cycle. On the other hand, cyclical companies produce goods which can see relatively large increases in demand during economic upswings and the opposite during economic downswings. Due to large variations in demand, cyclical companies have higher earnings variability than non-cyclical companies. While the share price movement of non-cyclical companies is often not closely related to GDP growth, the share price movement of cyclical companies is usually more closely related to GDP growth, frequently rising and falling by a greater magnitude than non-cyclical companies during economic up and downswings.

We can use the non-cyclical vs. cyclical framework when considering demand for consumer products as well. Consumer demand for various goods depends on consumer

confidence, income levels, inflation among other things. There are certain items which consumers are more likely to purchase when they are confident of their financial situation. Consumers tend to purchase such discretionary items when the economy is strong, their income levels are rising and they are confident that they can afford such purchases. Conversely when the business cycle turns and there is an economic slowdown, they can easily defer the purchase of such discretionary goods as they may not be essential to basic survival and well-being. Automobile and Leisure Product companies are examples of cyclical consumer companies as they produce discretionary products. On the other hand, there are certain non-discretionary items for which demand remains relatively stable and non-cyclical irrespective of GDP growth eg. food, household products etc. The Nifty Non-Cyclical Consumer Index has been created to capture the performance of such companies.

About the Nifty Non-Cyclical Consumer Index

The Nifty Non-Cyclical Consumer Index aims to track the performance of portfolio of stocks that broadly represent the Non-Cyclical Consumer theme from basic industries like Diversified FMCG, Packaged Foods, Diversified Retail, Tea & Coffee and Personal Care etc. The largest 30 stocks from these eligible basic industries are selected semi-annually

based on their 6-month average free-float market capitalization as on the cutoff dates at the end of January and July. The weight of the stocks in the index is based on their free-float market capitalization with weight of a stock in the index capped at 10%.

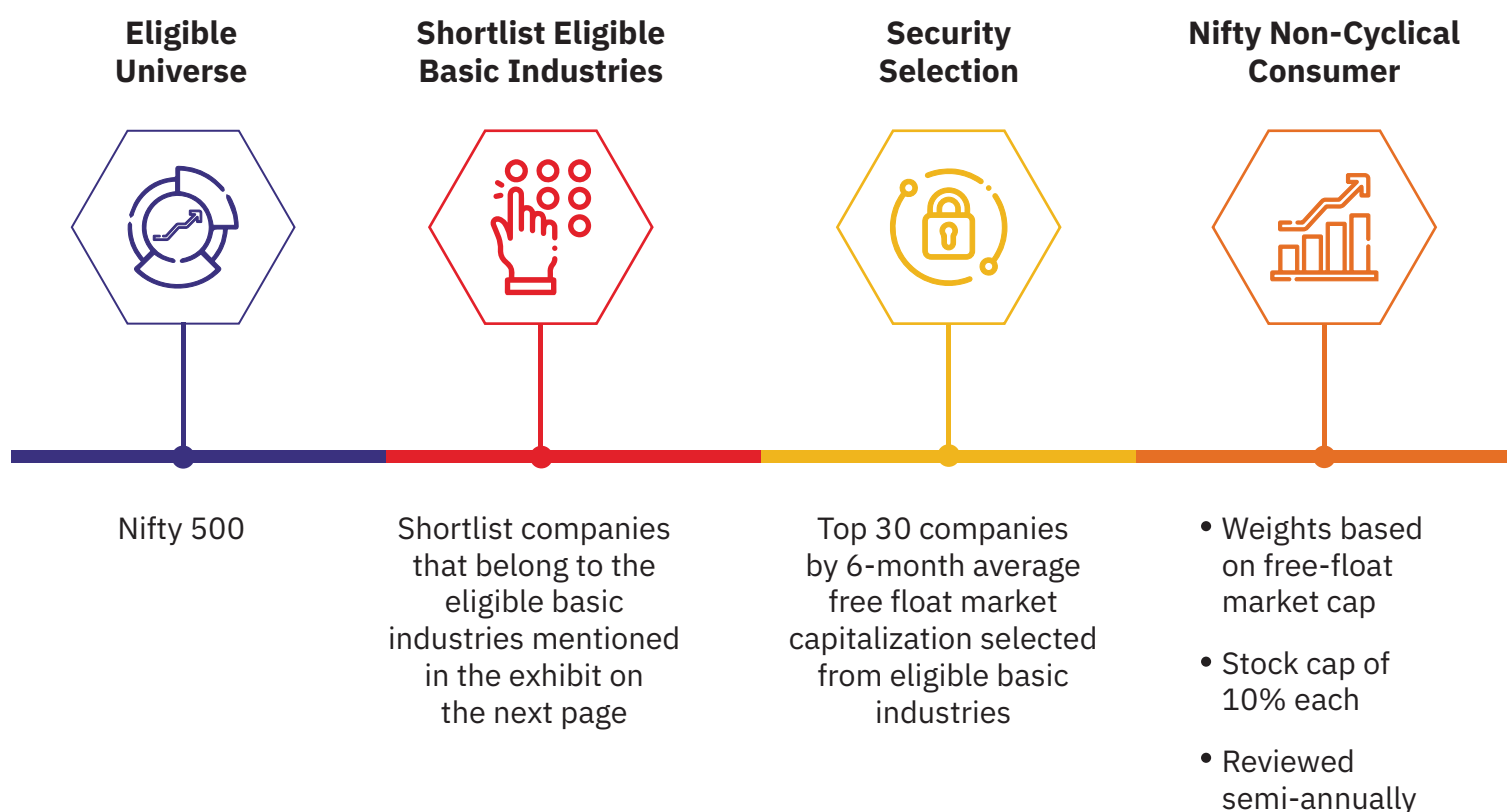


Exhibit 1: Eligible list of basic industries



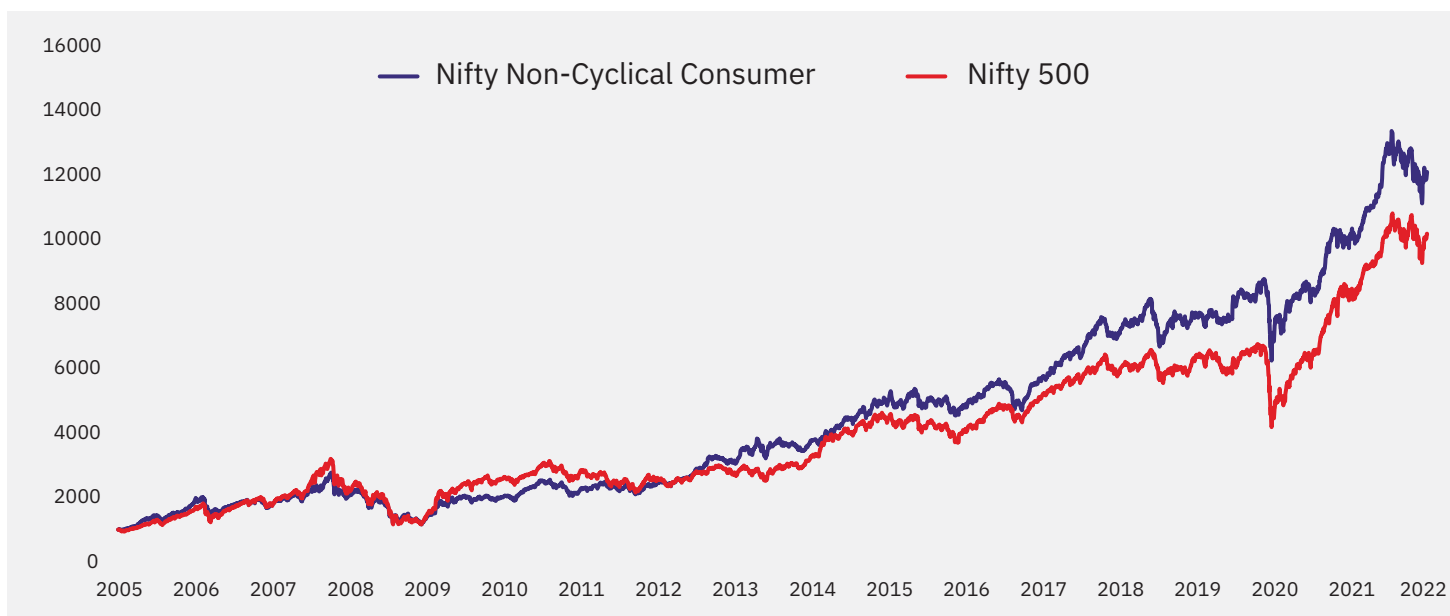
Source: NSE Indices

The exhibit above shows the list of eligible basic industries for the Nifty Non-Cyclical Consumer Index. These basic industries are meant to broadly represent the Non-Cyclical

Consumer theme. The list of basic industries identified so far may evolve and hence change in future due to change in market dynamics.

The Nifty Non-Cyclical Consumer Index has outperformed the Nifty 500 Index over the long-term but underperformed over the short-term

Exhibit 2: Nifty Non-Cyclical Consumer and Nifty 500 Index performance



Source: NSE Indices. Data as of Mar 31, 2022

Exhibit 3: Nifty Non-Cyclical Consumer and Nifty 500 Index performance table

Period	CAGR returns		Volatility		Return-risk	
	Nifty Non-Cyclical Consumer	Nifty 500	Nifty Non-Cyclical Consumer	Nifty 500	Nifty Non-Cyclical Consumer	Nifty 500
Since Inception*	15.8%	14.6%	19.6%	21.5%	0.81	0.68
15 years	13.5%	12.2%	19.1%	21.4%	0.71	0.57
10 years	17.4%	14.8%	15.5%	16.6%	1.12	0.89
7 years	13.6%	12.7%	16.0%	17.4%	0.85	0.73
5 years	16.2%	14.6%	16.5%	18.2%	0.98	0.80
3 years	16.1%	16.8%	18.7%	21.4%	0.86	0.78
1 year	19.1%	22.3%	15.2%	15.9%	1.26	1.40
6 months	-4.7%	-0.6%	18.4%	19.0%	-0.25	-0.03
3 months	-3.9%	-0.4%	20.6%	21.8%	-0.19	-0.02
YTD	-3.9%	-0.4%	20.6%	21.8%	-0.19	-0.02

Source: NSE Indices. Data as of Mar 31, 2022. * Based on inception date of Apr 1, 2005. Returns based on TRI values. YTD and 1-year returns are absolute returns. Returns for greater than one year are CAGR returns; daily standard deviation is annualized

The Nifty Non-Cyclical Consumer Index has outperformed the Nifty 500 Index since inception on April 1, 2005 and over the last 5, 7, 10 and 15 years. Over the 10-year period ended March 31, 2022, the Nifty Non-Cyclical Consumer Index returned 17.4% CAGR, compared to 14.8% CAGR for the Nifty 500 Index. Similarly, over the 5-year period ended March 31, 2022, the Nifty Non-Cyclical Consumer Index returned 16.2% CAGR vs 14.6% CAGR return for the Nifty 500 Index.

However, the Nifty Non-Cyclical Consumer Index has underperformed the Nifty 500 Index over shorter term horizons. For example, over the 1-year period ended March 31, 2022, the Nifty Non-Cyclical Consumer Index returned 19.1% compared to 22.3% for the Nifty 500 Index. The Nifty Non-Cyclical Consumer Index has slightly underperformed over the 3-year horizon as well. For the 3-year period ended March 31, 2022, the Nifty Non-Cyclical Consumer Index has returned 16.1% CAGR compared to 16.8% CAGR for the Nifty 500 Index.

The Nifty Non-Cyclical Consumer Index's historical volatility has been less than that of the Nifty 500 Index over short and long-term horizons. For example, over the last 15 years ended March 31, 2022, the Nifty Non-Cyclical Consumer Index has

had annualized volatility of 19.1% versus 21.4% for the Nifty 500 Index. Over a shorter time horizon of the 3-year period ended March 31, 2022, the Nifty Non-Cyclical Consumer Index recorded annualized volatility of 18.7% compared to 21.4% for the Nifty 500 Index. Generally, having large number of stocks in a broad index like the Nifty 500 helps in overall diversification of the portfolio which can result in lower index volatility. Despite having lower number of stocks compared to the Nifty 500 Index (30 stocks in the Nifty Non-Cyclical Consumer Index vs. 500 stocks in the Nifty 500), the Nifty Non-Cyclical Consumer Index has had lower volatility than the Nifty 500 Index over short and long-term horizons, which is a noteworthy observation and demonstrates the non-cyclical characteristics of the index observed historically.

The Nifty Non-Cyclical Consumer Index has had higher return-risk ratios compared to the Nifty 500 Index since inception and over 3, 5, 7, 10 and 15-year horizons. The return-risk ratio for the Nifty Non-Cyclical Consumer Index over the 5-year period ended March 31, 2022 is 0.98 compared to 0.80 for the Nifty 500 Index over the same period. Since inception from Apr 1, 2005 till Mar 31, 2022, the Nifty Non-Cyclical Consumer Index has a return-risk ratio of 0.81 compared to 0.68 for the Nifty 500 Index.

Exhibit 4: Betas and correlations of Nifty Non-Cyclical Consumer with Nifty 500 Index by calendar year

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
Nifty Non-Cyclical Consumer																		
Beta relative to Nifty 500	0.98	0.98	0.83	0.82	0.81	0.78	0.72	0.69	0.85	0.66	0.79	0.83	0.87	0.88	0.81	0.76	0.72	0.89
Correlation with Nifty 500	0.90	0.96	0.92	0.95	0.93	0.81	0.87	0.78	0.84	0.73	0.83	0.87	0.80	0.85	0.83	0.90	0.80	0.94

Source: NSE Indices. Data as of Mar 31, 2022. Data for the year 2005 is from April 01, 2005 to December 30, 2005. *YTD

The beta of the Nifty Non-Cyclical Consumer Index relative to the Nifty 500 Index has ranged between 0.66-0.98 since CY2005. The Nifty Non-Cyclical Consumer Index has had a beta less than 1

for each calendar year since 2005 relative to the Nifty 500 Index, highlighting the non-cyclical characteristics of this index observed historically.

The Nifty Non-Cyclical Consumer Index has outperformed the Nifty 500 Index on a rolling return basis over short and long-term horizons

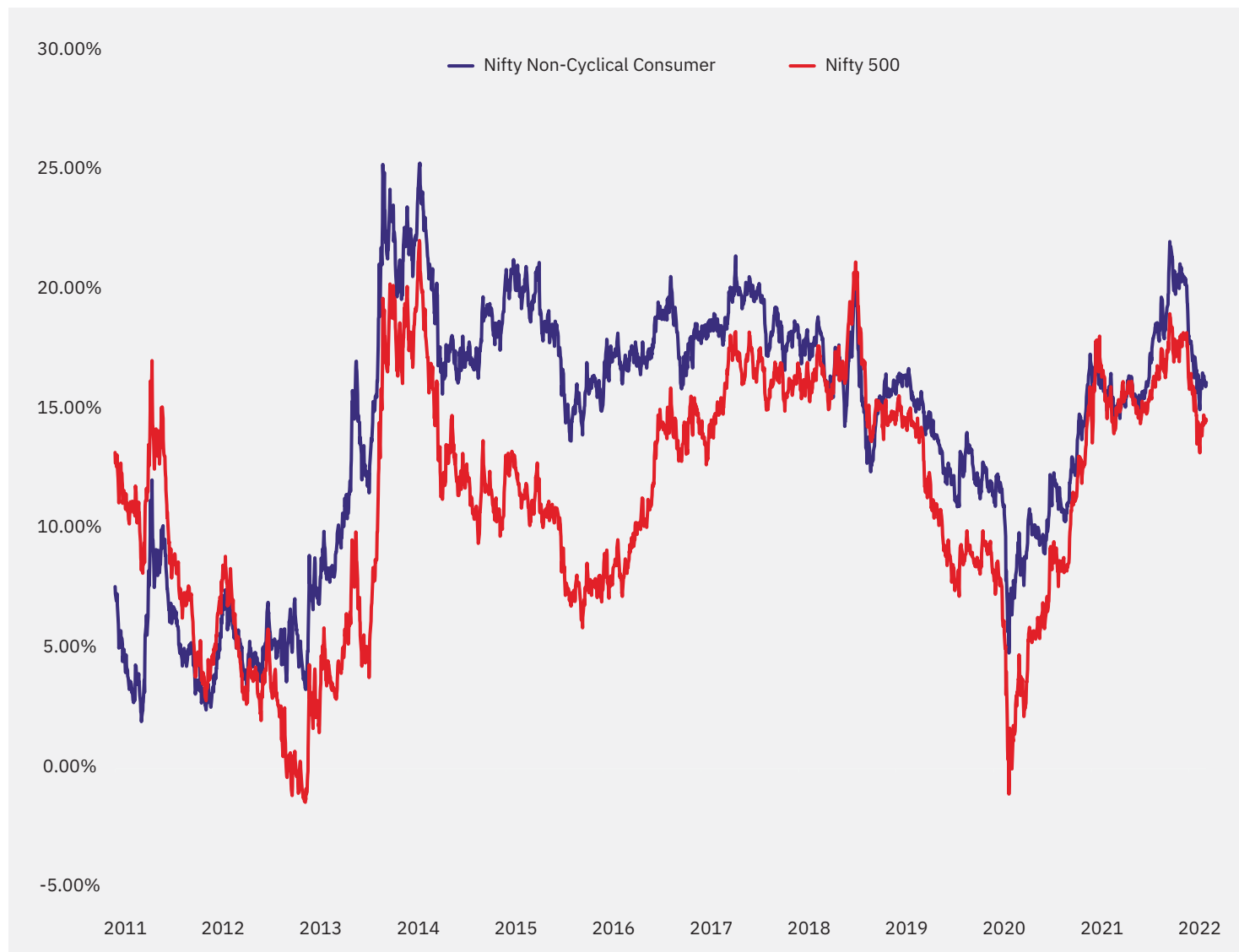
Exhibit 5: Instances of outperformance of Nifty Non-Cyclical Consumer Index vs Nifty 500 Index on a daily rolling return basis

Percentage of total instances of Outperformance and Underperformance vs Nifty 500 on daily rolling return basis							
Investment Horizon	Nifty Non-Cyclical Consumer						
	Instances of Underperformance vs Nifty 500		Instances of Outperformance vs Nifty 500				
	Excess Return frequency <0% CAGR	Average Underperformance*	Excess Return frequency >=0% CAGR	Excess Return (0-2% CAGR)	Excess Return (2-4% CAGR)	Excess Return (>4% CAGR)	Average Outperformance^
10 years	0.0%	-	100.0%	34.8%	39.0%	26.2%	2.9%
7 years	7.8%	-1.0%	92.2%	24.4%	36.0%	31.8%	3.2%
5 years	22.3%	-3.9%	77.7%	19.8%	22.5%	35.4%	4.0%
3 years	41.2%	-3.9%	58.8%	12.5%	13.2%	33.2%	5.8%
2 years	45.5%	-6.1%	54.5%	12.1%	10.3%	32.1%	6.8%
1 year	46.2%	-13.3%	53.8%	4.8%	5.4%	43.6%	10.0%

Source: NSE Indices. Instances of outperformance or underperformance calculated using daily rolling returns. Data as Mar 31, 2022 * Average underperformance is calculated as the simple average of periodic returns for all periodic returns lower than 0%. ^ Average outperformance is calculated as the simple average of periodic returns for all periodic returns of at least 0%.

The Nifty Non-Cyclical Consumer Index has outperformed the Nifty 500 Index more than 50% of the times over rolling return horizons of 1, 2, 3, 5, 7 and 10 years, as shown in the exhibit above.

Exhibit 6: Rolling returns of Nifty Non-Cyclical Consumer and Nifty 500 Index on a daily rolling return basis with a 5-year investment horizon



Source: NSE Indices. Dates on the chart refer to end date of each respective rolling window. Data as Mar 31, 2022

From the exhibit above, based on daily rolling returns, for a 5-year investment horizon, the Nifty Non-Cyclical Consumer Index has outperformed the Nifty 500 Index 77.7% of the time. The average excess returns over rolling 5-year investment horizons has been 4.0% per annum. The frequency of outperformance rises to 100.0% when we consider the longer time horizon of 10 years, but the average excess returns drops to 2.9% per annum in this case.

The margin of outperformance frequency of the Nifty Non-Cyclical Consumer Index over the Nifty 500 Index is smaller over shorter time frames of 3 years and below compared to time frames of 5 years and above. For example, based on daily rolling returns, for a 2-year investment horizon, the Nifty Non-Cyclical Consumer Index has outperformed the Nifty 500 Index 54.5% of the time, whereas the equivalent figure is 77.7% for the 5-year investment horizon.

In addition to the high frequency of outperformance, the degree of excess returns of the Nifty Non-Cyclical Consumer Index over the Nifty 500 Index over long periods of time has also been noteworthy. For the 7-year investment horizon, based on daily rolling return analysis, the excess return of the Nifty Non-Cyclical Consumer Index was in the range of 0-2% per annum for 24.4% of the instances, excess return ranged between 2-4% per annum for 36.0% of the instances, and excess return exceeded 4% per annum over the Nifty 500 Index in 31.8% of the instances, leading to cumulative 92.2% instances of outperformance over the Nifty 500 Index. The Nifty Non-Cyclical Consumer Index had excess returns over the Nifty 500 Index of 3.2% per annum on average for 7-year investment horizons.

The Nifty Non-Cyclical Consumer Index has outperformed the Nifty 500 Index in 10 years out of the last 17 calendar years

Exhibit 7: Performance of the Nifty Non-Cyclical Consumer and Nifty 500 Index by calendar year

CY	Nifty Non-Cyclical Consumer	Nifty 500
2005	50.7%	38.5%
2006	23.5%	36.2%
2007	44.7%	64.6%
2008	-46.4%	-56.5%
2009	37.5%	91.0%
2010	23.0%	15.3%
2011	-13.0%	-26.4%
2012	52.3%	33.5%
2013	13.6%	4.8%
2014	25.8%	39.3%
2015	10.8%	0.2%
2016	-4.3%	5.1%
2017	52.6%	37.7%
2018	2.1%	-2.1%
2019	7.5%	9.0%
2020	21.9%	17.9%
2021	25.5%	31.6%
2022*	-3.9%	-0.4%

Source: NSE Indices. Data as of Mar 31, 2022. Data for the year 2005 is from April 01, 2005 to December 30, 2005. *YTD. The cells in green (red) are the calendar years when the Nifty 500 outperformed (underperformed) the Nifty Non-Cyclical Consumer Index

The Nifty Non-Cyclical Consumer Index has outperformed the Nifty 500 Index in 10 out of the last 17 calendar years from CY2005-21. The Nifty Non-Cyclical Consumer Index has lower drawdowns vis-à-vis Nifty 500 Index in each calendar year where the Nifty 500 Index had a negative return ie. in CY2008, 2011 and 2018. For example, during the sharp sell-off due to the Global Financial Crisis in CY2008, the Nifty Non-Cyclical Consumer Index returned -46.4% compared to -56.5% for the Nifty 500 Index. Similarly, during CY2011, the Nifty 500 Index fell -26.4% compared to a fall of -13.0% for the Nifty Non-Cyclical Consumer Index. This outperformance of the Nifty Non-Cyclical Consumer

Index over the Nifty 500 Index during weak markets is likely due to the higher weightage of non-cyclical sectors such as FMCG, Consumer Services and Telecom in the index which tend to outperform the broader market in times of market stress.

While the Nifty Non-Cyclical Consumer Index outperformed the Nifty 500 Index in CY2008, it is worth noting that it underperformed the Nifty 500 Index in CY2009 as the Global Financial Crisis subsided and the broader markets recovered. The Nifty Non-Cyclical Consumer Index returned 37.5% compared to 91.0% for the Nifty 500 Index in CY2009.

The largest sectors in the Nifty Non-Cyclical Consumer Index are the FMCG, Consumer Durables and Consumer Services sectors

Exhibit 8: Comparison of sector exposure between the Nifty Non-Cyclical Consumer and Nifty 500 (%) on Mar 31, 2022

Sector	Nifty Non-Cyclical Consumer	Nifty 500
 Fast Moving Consumer Goods	42.2	6.8
 Consumer Durables	27.7	4.0
 Consumer Services	13.5	2.3
 Telecommunication	11.2	2.1
 Media, Entertainment & Publication	2.0	0.5
 Textiles	2.0	0.5
 Services	1.5	1.2
 Financial Services	-	29.4
 Information Technology	-	14.3
 Oil, Gas & Consumable Fuels	-	10.8
 Healthcare	-	5.4
 Others	-	22.9

Source: NSE Indices. Data as of Mar 31, 2022

The largest sectors in the Nifty Non-Cyclical Consumer Index are the Fast Moving Consumer Goods (FMCG), Consumer Durables and Consumer Services sectors as of Mar 31, 2022. These sectors have higher weight in the Nifty Non-Cyclical Consumer Index compared to their weights in the Nifty 500 Index. For example, the FMCG sector has 42.2% weight in the Nifty Non-Cyclical Consumer Index compared to 6.8% weight in the

Nifty 500 Index. Similarly, the Consumer Durables sector has a weight of 27.7% in the Nifty Non-Cyclical Consumer Index compared to 4.0% weight in the Nifty 500 Index. Together, the FMCG, Consumer Durables and Consumer Services sectors account for 83.3% weight of the Nifty Non-Cyclical Consumer Index.

SIGNING OFF...



- The Nifty Non-Cyclical Consumer Index aims to track the performance of portfolio of stocks that broadly represent the Non-Cyclical Consumer theme within basic industries like Diversified FMCG, Packaged Foods, Diversified Retail, Tea & Coffee and Personal Care etc.



- Since inception on April 01, 2005 till Mar 31, 2022, the Nifty Non-Cyclical Consumer Index has returned 15.8% CAGR vs 14.6% CAGR of the Nifty 500 Index



- The Nifty Non-Cyclical Consumer Index has outperformed the Nifty 500 Index in 10 years out of the last 17 calendar years from CY2005-21



- The Nifty Non-Cyclical Consumer Index has had beta less than 1 relative to the Nifty 500 Index in each of the last 17 calendar years from CY2005-21. This indicates the Nifty Non-Cyclical Consumer Index has been relatively less sensitive to the movements of the Nifty 500 Index, highlighting the non-cyclical characteristics of this index observed historically



- The Nifty Non-Cyclical Consumer Index offers higher exposure to sectors including Fast Moving Consumer Goods, Consumer Durables, Consumer Services and Telecommunication etc. as compared to the Nifty 500 Index

For more information on the Index methodology and factsheet, please visit us at www.nseindia.com

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