



EQUITY MARKET

How Sensex and Nifty are built

What an index measures, how free-float weights work, and what the Sensex and Nifty 50 levels can tell you

Index levels as on 31 August 2026

For training and education only. Not investment advice.

An index turns the prices of many shares into one number.

The number means little by itself. Its change, from one day or one year to the next, shows how the market value of those shares has moved.

Four words to know first



Market value

Share price $\times$ number of shares. Also called market capitalisation. It is what the whole company is priced at.



Free float

The part of a company's shares open to trading. Holdings of promoters and governments are among those left out.



Weight

A company's share of the index. A larger free-float market value gives a larger weight.



Base value

The index level fixed for a starting date. Today's level shows how far market value has moved since then.

Source for what is left out of free float: NSE Indices, Methodology Document for Equity Indices, September 2026 (Investible Weight Factors).

Building a three-share index: weights

THREE COMPANIES

Company A: 100 crore shares at ₹200. Free float 45%.

Company B: 40 crore shares at ₹500. Free float 60%.

Company C: 150 crore shares at ₹100. Free float 60%.

- 1 Full market value: A = 100 crore $\times$ ₹200 = ₹20,000 crore. B = 40 crore $\times$ ₹500 = ₹20,000 crore. C = 150 crore $\times$ ₹100 = ₹15,000 crore.
- 2 Free-float value: A = ₹20,000 crore $\times$ 45% = ₹9,000 crore. B = ₹20,000 crore $\times$ 60% = ₹12,000 crore. C = ₹15,000 crore $\times$ 60% = ₹9,000 crore.
- 3 Total free-float value = ₹9,000 crore + ₹12,000 crore + ₹9,000 crore = ₹30,000 crore.
- 4 Weights: A = 9,000 $\div$ 30,000 = 30%. B = 12,000 $\div$ 30,000 = 40%. C = 9,000 $\div$ 30,000 = 30%.

A and B have the same full market value. B gets more weight because more of it is free to trade.

Illustration with three invented companies and assumed figures. They do not refer to any real company.

From market value to an index level

THE BASE AND A MOVE

On the base day the free-float value of the three companies was ₹20,000 crore. The index was set at 1,000 for that day.

Today their free-float value is ₹30,000 crore.

- 1 Index today = $\text{₹}30,000 \text{ crore} \div \text{₹}20,000 \text{ crore} \times 1,000 = 1,500$.
- 2 B's price rises 10%, from ₹500 to ₹550. Its free-float value becomes $40 \text{ crore} \times \text{₹}550 \times 60\% = \text{₹}13,200 \text{ crore}$.
- 3 New total = $\text{₹}9,000 \text{ crore} + \text{₹}13,200 \text{ crore} + \text{₹}9,000 \text{ crore} = \text{₹}31,200 \text{ crore}$. Index = $31,200 \div 20,000 \times 1,000 = 1,560$, a rise of 4%.
- 4 Check: B's weight of 40% $\times$ its rise of 10% = 4%. Had C risen 10% instead, the index would be 1,545, a rise of 3%.

The index moves by each share's price change multiplied by its weight. Bigger weight, bigger pull.

Illustration with assumed figures, using the formula in the NSE Indices methodology (September 2026).

Sensex and Nifty 50 side by side

	Sensex	Nifty 50
Maintained by	BSE Index Services Pvt. Ltd., a 100% subsidiary of BSE	NSE Indices Ltd. It is NSE's flagship index
Companies	30, chosen from the BSE 100 index	50, chosen from the Nifty 100 index
Starting point	Base year 1978-79, base value 100. Launched on 2 January 1986	Base date 3 November 1995, base value 1,000
Weights	Free-float market capitalisation	Free-float market capitalisation, since 26 June 2009
Scheduled review	Twice a year. Changes take effect on the Monday after the third Friday of June and December	Twice a year. Changes take effect from the last trading day of March and September

Sources: BSE Index Services, BSE Indices Methodology, September 2026; NSE Indices, Methodology Document for Equity Indices, September 2026.

How shares enter and leave

1

A fixed timetable

Both indices are reviewed twice a year: the Sensex for June and December, the Nifty 50 for March and September.

2

An eligible pool

The Sensex picks from the BSE 100 and the Nifty 50 from the Nifty 100. A share must also have derivatives traded on it.

3

Size and trading tests

Six months of data are used. Companies are ranked on free-float market value and tested on how regularly and easily they trade.

4

No jump in the level

When one share replaces another, the calculation is adjusted so that the swap alone does not move the index.

Entry follows published size and trading rules, applied by an index committee. It is not a view on a share's worth.

Sources: BSE Indices Methodology, September 2026; NSE Indices, Methodology Document for Equity Indices, September 2026.

Price index and total return index

The level quoted in the news is the price index. Each index also has a total return version.

Price index

- Moves with share prices only.
- Ordinary dividends paid by the companies are not counted.
- This is the Sensex or Nifty 50 level seen in headlines.

Total return index (TRI)

- Share prices plus dividends, assumed reinvested in the index.
- Its return is higher by roughly the dividends paid.
- SEBI: schemes must compare performance with the TRI, from 1 February 2018.

A fund receives dividends on its shares. Comparing it with a price index would leave them out.

Sources: SEBI circular SEBI/HO/IMD/DF3/CIR/P/2018/04, 4 January 2018; NSE Indices methodology, September 2026 (total return index).

Where the two indices stand

Closing levels on 31 August 2026. Levels change daily; state the date when quoting one.

NIFTY 50 CLOSE

24,080

Close: 24,080.40.
About 24.1 times its
base value of 1,000.

SENSEX CLOSE

76,957

Close: 76,957.27.
About 770 times its
base value of 100.

NIFTY 50 DIVIDEND YIELD

1.17%

The yield NSE
publishes for the
index: dividends as a
share of price.

NIFTY 50 SHARE OF NSE

66%

About 66% of NSE's
free-float market
value, as the index
document states.

Sources: NSE Indices daily index close file, 31 Aug 2026; NSE Indices methodology, September 2026; Sensex close as reported in the press (secondary source).

If you learnt this from older material

The arithmetic has not changed. Several names and one rule have.

What older decks say

- Asia Index Pvt. Ltd. maintains the Sensex.
- IISL owns and manages the Nifty.
- Fund returns are compared with the price index.
- Nifty futures abroad trade in Singapore (SGX Nifty).

What holds now

- It is now BSE Index Services Pvt. Ltd., owned by BSE.
- IISL is now NSE Indices Ltd.
- Since 1 February 2018: with the total return index.
- They trade on NSE IX at GIFT City (GIFT Nifty).

Sources: BSE Indices Methodology, Sept 2026; NSE Indices methodology, Nov 2022 and Sept 2026; NSE news item on GIFT Nifty; SEBI circular, 4 Jan 2018.

Four things people get wrong



'The Sensex is an average of 30 prices.'

It is not a price average. It sets the free-float market value of the 30 companies today against their value in the base period.



'A ₹5,000 share moves it the most.'

Weight comes from free-float market value, not one share's price. A ₹100 share can carry more weight than a ₹5,000 share.



'Nifty up 1%, so my fund is up 1%.'

Only a portfolio holding the same shares in the same weights moves with the index. Most portfolios differ from it.



'The Nifty level includes dividends.'

The quoted level is a price index. Dividends are counted only in the total return version.

Check yourself

Q1

An index has two companies. X has a free-float market value of ₹6,000 crore and Y ₹4,000 crore. X's price rises 5% and Y's does not move. By how much does the index rise?

Q2

A factsheet compares a scheme's return with the 'Nifty 50 TRI'. What does the TRI add to the Nifty 50 level seen in the news, and why is it used?

Q3

A client says: 'The Sensex is near 77,000 and the Nifty is near 24,000, so the Sensex has done three times as well.' What is wrong with this?

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- Sensex: 30 companies, base 1978-79 = 100, launch 2 Jan 1986, selection from BSE 100, review dates: BSE Index Services Pvt. Ltd., BSE Indices Methodology, September 2026.
- Nifty 50: 50 companies, base 3 Nov 1995 = 1,000, free float from 26 June 2009, review rules, formula, 66% coverage: NSE Indices Ltd., Methodology Document for Equity Indices, September 2026.
- Total return benchmarking from 1 Feb 2018: SEBI circular SEBI/HO/IMD/DF3/CIR/P/2018/04, 4 January 2018; continued in SEBI Master Circular for Mutual Funds, 20 March 2026.
- Nifty 50 close 24,080.40 and dividend yield 1.17% on 31 Aug 2026: NSE Indices daily index close file for that date.
- Sensex close 76,957.27 on 31 Aug 2026: Kotak Neo market update, 1 Sept 2026, and Navia monthly wrap for August 2026 (secondary sources).
- Companies A, B, C, X and Y and their figures are invented for illustration. They do not refer to any real company.

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