

**STANDARD
& POOR'S**

S&P INDIA 10 INDEX

INDEX METHODOLOGY

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Introduction

The S&P India 10 index is comprised of 10 leading Indian companies that meet size, liquidity, and tradability requirements. The index is designed to provide tradable exposure to the Indian equity markets to investors.

Highlights

The S&P India 10 index includes 10 of the most liquid publicly-traded Indian companies trading on developed market exchanges.

Constituent weights are driven by liquidity, with no single stock having a weight of more than 15% in the index at reconstitution. An evolutionary, algorithm-driven optimization is used to maximize index basket liquidity at each annual rebalancing.

Eligibility Criteria

Index Eligibility

To be eligible for the S&P India 10 index, companies must first be constituents of the S&P/IFCI India index.

Eligibility Factors

The universe is, then, narrowed down to an investable set of stocks based on the following criteria:

Market Capitalization. Stocks must have a float-adjusted market capitalization above US\$ 500 million at each annual rebalancing.

Liquidity. Stocks must have six-month average daily trading value above US\$ 1 million as of each annual rebalancing.

Listing Venues. The stock must be trading on one of the following developed market exchanges – the Hong Kong Stock Exchange, the London Stock Exchange, NASDAQ or NYSE.

Stocks passing these criteria form the Selection Universe.

The rebalancing reference dates are the third Friday of April and October of each year. The market capitalization and liquidity criteria are subject to change on a semi-annual basis according to market conditions.

Index Construction

Approaches

The S&P India 10 index methodology employs a liquidity-driven weighting scheme, using the divisor methodology used in most Standard & Poor's equity indices.

There are two steps in the creation of the Index. The first is the selection of the 10 companies; the second is the weighting of the index constituents.

Constituent Selection

The selection of index constituents is done as follows:

1. All stocks in the Selection Universe are sorted in decreasing order of their six-month average daily value traded.
2. The 10 most liquid stocks will, then, form the index.

Constituent Weightings

The weight for each index constituent is set at each rebalancing, using an optimization algorithm that has the following constraints and goals:

Constraints.

1. No stock has a weight of more than 15% at the rebalancing.
2. The sum of the weights of stocks with weights greater than 15% is less than 60% of the index.

Goals.

1. Maximize basket liquidity.

$$\text{Basket Liquidity} = \frac{L_i}{W_i} \quad (1)$$

where:

L_i is the liquidity of the i^{th} stock, as defined by the six-month average daily value traded.

$$W_i = \frac{FloatAdjustedMarketCap_i}{\sum_{i=1}^N FloatAdjustedMarketCap_i} \quad (2)$$

2. The basket liquidity is based on historical value traded and represents the maximum size of the basket that can be traded if 100% of the market volume is demanded for the smallest volume stock in the index. Mathematically, it is defined as the minimum of (ADVT/Index Weight) for every constituent.

Given the non-smooth nature of the optimization problem, the optimization is done using a non-deterministic, evolutionary algorithm that switches over to a traditional method on an as-needed basis. Standard & Poor's uses publicly available commercial software (Premium Solver Platform™ Version 6.5 from Frontline Systems).

Index Calculations

The index is calculated by means of the divisor methodology used in most Standard & Poor's equity indices. The index value is simply the index market value divided by the index divisor:

$$Index\ Value = \frac{Index\ Market\ Value}{Index\ Divisor} \quad (3)$$

$$Index\ Market\ Value = \sum_{i=1}^N (Index\ Shares)_i * (Price)_i \quad (4)$$

For more information on the Index calculation methodology, please refer to the Modified Market Capitalization Weighted Indices section of Standard & Poor's Index Mathematics Methodology

In order to maintain basket series continuity, it is also necessary to adjust the divisor at the rebalancing.

$$(Index\ Value)_{before\ rebalancing} = (Index\ Value)_{after\ rebalancing} \quad (5)$$

Therefore,

$$(Divisor)_{after\ rebalancing} = \frac{(Index\ Market\ Value)_{after\ rebalancing}}{(Index\ Value)_{before\ rebalancing}} \quad (6)$$

Index Maintenance

Rebalancing

Frequency. Index rebalancings occur after the closing on the third Friday of June and December of each year. The rebalancing reference dates are the third Friday of April and October, respectively. The universe is sampled and constituents are selected and weighted at each semi-annual rebalancing.

Corporate Actions

Corporate Action	Adjustment made to the index	Divisor adjustment?
Spin-off	No weight change. The price is adjusted to the Price of the Parent Company minus (the Price of the Spun-off Company/Share Exchange Ratio). Index shares change so that the company's weight remains the same as its weight before the spin-off.	No
Rights Offering	The price is adjusted to the Price of the Parent Company minus (the Price of the Rights Offering/Rights Ratio). Index shares change so that the company's weight remains the same as its weight before the rights offering.	No
Stock Split	Index shares are multiplied by and the price is divided by the split factor.	No
Share Issuance or Share Repurchase	None. Actual shares outstanding of the company play no role in the daily index calculation.	No
Special Dividends	The price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes
Delisting, acquisition or any other corporate action resulting in the deletion of the stock from the S&P/IFCI India index	The stock is dropped from the Index. No intra-year replacements are made.	Yes

Base Date

The index base date is January 21, 2005. The base value, for both the price return and total return series, is 1000. Daily returns are available from January 21, 2005.

Index Data

Total Return and Net Return Indices

The index has a total return counterpart, which assumes dividends are reinvested in the index after the close on the ex-date. On any given date t :

$$\text{Total Return Multiplier}_t = \frac{[\text{Index Value}_t + \text{Index Dividend Points}_t]}{\text{Index Value}_{t-1}} \quad (7)$$

$$\text{Total Return Index Value}_t = (\text{Total Return Index Value}_{t-1}) * (\text{Total Return Multiplier}_t) \quad (8)$$

$$\text{Index Dividend Points}_t = \sum_{i=1}^N (\text{Index Shares})_{i,t} * (\text{Ex-dividends})_{i,t} / \text{Divisor}_t \quad (9)$$

There is also a net return index series, which adds dividends after adjustments for withholding taxes based on a Luxembourg domicile. Effectively, the net return index adds index dividend points, as in Equation 7, except that the Ex-dividends term is multiplied by (100% - withholding tax rate).

Index Governance

Index Committee

An Index Committee maintains the S&P India 10 index. The Committee meets regularly. At each meeting, the Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

Standard & Poor's considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

Index Policy

Announcements

Index rebalancing announcements are made at 05:15 p.m. ET three-to-ten business days before the effective date on Standard & Poor's Web site at www.indices.standardandpoors.com. No separate announcements are made for routine corporate actions whose index implications are discussed in this document.

Holiday Schedule

The S&P India 10 index is calculated daily, throughout the calendar year. The only days the index is not calculated are on days when all exchanges where the S&P India 10 index constituents are listed are officially closed or if WM Reuters' exchange rates are not published.

A complete holiday schedule for the year is available on Standard & Poor's Web site at www.indices.standardandpoors.com.

Unscheduled Market Closures

In situations where an exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, Standard & Poor's will calculate the closing price of the indices based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each stock before the exchange closed. In all cases, the prices will be from the primary exchange for each stock in the index. If an exchange fails to open due to unforeseen circumstances, the index will use the prior day's closing prices. If all exchanges fail to open, Standard & Poor's may determine not to publish the index for that day.

Index Dissemination

Complete data for index replication (including share counts, tickers and data on index levels and returns) are available through Standard & Poor's index data group for subscription via FTP.

Tickers

	Bloomberg	Reuters
S&P India 10 Index Price Return, USD	SPINTNUP	.SPINTNUPA
S&P India 10 Index Total Return, USD	SPINTNUT	.SPINTNUT
S&P India 10 Index Price Return, EUR	SPINTNEP	.SPINTNEPA
S&P India 10 Index Total Return, EUR	SPINTNET	.SPINTNET

For further information, please refer to Standard & Poor's Web site at www.indices.standardandpoors.com.

S&P Contact Information

Index Management

David M. Blitzler, Ph.D. – Managing Director & Chairman of the Index Committee	
david_blitzler@standardandpoors.com	+1.212.438.3907
Julia Sanchez-Aronhalt – Index Manager	
julia_sanchez@standardandpoors.com	+1.212.438.1331

Media Relations

David Guarino – Communications	
dave_guarino@standardandpoors.com	+1.212.438.1471

Index Operations & Business Development

North America

New York

David Kao	+1.212.438.3354
-----------	-----------------

Toronto

Jasmit Bhandal	+1.416.507.3203
----------------	-----------------

Europe

London

Susan Fagg	+44.20.7176.8888
------------	------------------

Asia

Tokyo

Seiichiro Uchi	+813.4550.8568
----------------	----------------

Beijing

Andrew Webb	+86.10.6569.2919
-------------	------------------

Sydney

Guy Maguire	+61.2.9255.9822
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