SGS STRIPS Valuation Methodology Document July 2026

STRIPS Overview:

STRIPS stands for Separate Trading of Registered Interest and Principal of Securities. SGS STRIPS are created by separating a standard coupon-bearing state government bond into its individual coupon and principal components, which can be sold/purchased/traded separately. SGS STRIPS are essentially zero-coupon state government securities.

Valuation requires estimating the zero-rate corresponding to the respective maturity of the STRIP. Zero rate curve is constructed based on valuations of state government securities (issued by same issuer) as done by NSE Data & Analytics. Please refer the below mentioned link for detailed methodology of government securities valuation.

https://www.nseindia.com/nse-data-and-analytics/nse-fixed-income-valuations

Valuation Methodology to determine price and yield of SGS STRIPS:

Step 1: Deriving yield curve for standard maturities

Based on the yields of outstanding maturities of the specific state, the yield curve is derived by linear regression for all standard maturities.

Step 2: Bootstrapping and calculating the zero yield curve

· Treating the above yield curve as par curve, it is bootstrapped to arrive at the Zero yield curve.

Step 3: Determining the yields for SGS STRIPS

· Based on the residual maturity of each STRIP, the zero yield is estimated by linear regression of the Zero yield curve.

Step 4: Price Computation for STRIPS

· After determining zero yield, price is computed for each ISIN by discounting their face values.

Step 5: Quality Check

· Valuation is reviewed by secondary analyst.

Illustrative Example

Consider an ISIN with 02nd November 2027 as maturity and settlement date 10th July 2025.

Based on the yields of outstanding maturities of the specific state, the yield curve is derived by linear regression for all standard maturities. Treating the above yield curve as par curve, it is bootstrapped to arrive at the Zero yield curve. Consider the dummy zero yields mentioned below for illustrative purposes.

Residual Maturity (in years)	Dummy Zero Yield (As on 9th July 2025)
2	6.02%
2.5	6.10%

We estimate the yield of 6.08 % for the ISIN by performing linear regression on the Zero yield curve based on the residual maturity of the ISIN. Post which, the price is computed by discounting the face value.

Exceptions Policy

Following may be deviations in the valuation approach:

- Change in approach to incorporate market specific changes or information

These deviations are typical, but not restricted to below days:

- Quarter/year ends
- Macro-economic data release dates
- Budgetary announcement dates
- Days with high volatility in the market
- Policy announcement dates like monetary policy by RBI

Committee Policy

NSE Data & Analytics has constituted two committees as mentioned below:

- Bond Valuation Advisory Committee: To provide guidance on macro issues pertaining to fixed income valuations.
- Bond Valuation Oversight Committee: To oversee the operational guidelines for bond valuation, approve changes to the valuation criteria and approve any exceptions.
- Details of the committee members of these two committees are available on the NSE website on the following link. https://www.nseindia.com/nse-data-and-analytics/committees

Disclosure of Changes to the Methodology

NSE Data & Analytics Limited shall endeavor to give a notice of at least 15 days, prior to any amendment to the above methodology. Where giving such notice is not practical, the same shall be done on shorter notice with the committee's approval.

Error Handling

In principle the valuations are recalculated whenever errors occur. However, where the correction of a historical error would lead to difficulties for users or investors, the committee retains the right to override the correction. Users of the valuations are notified through appropriate channel of communication of both corrections and decisions to protect investors by not correcting an error.