SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

INVESTMENT VALUATION MANUAL

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Corporate Office:

106, Shiv Chambers,
'B' Wing,1st Floor,
Sector - 11,C.B.D Belapur,
Navi Mumbai - 400 614.

Registered Office:

Wockhardt Towers,
2nd Floor, East Wing,
C-2, G Block, Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051

Admin Office:

CK-6, 2nd Floor, Salt Lake
City, Sector II
Kolkata 700 091

INTRODUCTION:

The Securities and Exchange Board of India (SEBI) has outlined investment valuation norms and accounting policies under SEBI (Mutual Funds) Regulations, 1996 as amended from time to time. The Investment Valuation Norms are defined in the Eighth Schedule of the regulations [Regulation 25(19), 47] and circulars issued by SEBI from time to time.

In accordance with the SEBI Circular MFD/CIR No.010/024/2000 dated January 17, 2000 every AMC should formulate valuation committee to review investment valuation practices. Valuation committee of AMC generally consists of Chief Operating Officer, Chief Investment Officer, Managing Director, Compliance Officer and by invitation, Fund Managers. This committee reviews the investment policies on regular basis. Compliance Officer records the decisions and discussions of the meeting.

The objective of this manual is to specify methodology and the manner in which instruments and investments should be valued by AMC. The objective is also to elaborate on the SEBI valuation norms.

SHRIRAM GROUP

Shriram Group is among the leading financial services conglomerates with over 12 million customers and over 60000 employees. Shriram Group was one of the first to identify the business opportunity of catering to the financial needs of a very large but neglected customer base that did not have access to organized financial services, way back in 1974 – namely truck financing for small truck owners. Its brand “Shriram” is today the most “trusted” brand name in this target market. It already has a large bouquet of products that addresses the financial needs of this customer base with dedicated team of employees and agents who can successfully engage with this target market. The Group today manages assets of over INR 90,000 Cr (including Non-Financial services).

Given the current Vision of Shriram Group, to serve the “Aamaadmi” by providing a wide spectrum of financial products for his every need as mentioned above, it is proposed to initiate the mutual fund vehicle as a means of serving the retail investor, who has been the focus of the Shriram Group for decades.

PRINCIPLES OF FAIR VALUATION

Mutual fund shall value its investments in accordance with the following overarching principles so as to ensure fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of mutual funds in all schemes at all points of time:

(a) The valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realizable value of the securities/assets. The valuation shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures.

(b) The policies and procedures approved by the Board of the asset management company shall identify the methodologies that will be used for valuing each type of securities/assets held by the mutual fund schemes. Investment in new type of securities/assets by the mutual fund scheme shall be made only after establishment of the valuation methodologies for such securities with the approval of the Board of the asset management company.

(c) The assets held by the mutual funds shall be consistently valued according to the policies and procedures. The policies and procedures shall describe the process to deal with exceptional events where market quotations are no longer reliable for a particular security.

(d) The asset management company shall provide for the periodic review of the valuation policies and procedures to ensure the appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/assets. The Board of Trustee and the Board of Asset Management Company shall be updated of these developments at appropriate intervals. The valuation policies and procedures shall be regularly reviewed (at least once in a Financial Year) by an independent auditor to seek to ensure their continued appropriateness.

(e) The valuation policies and procedures approved by the Board of asset management company should seek to address conflict of interest.

(f) Disclosure of the valuation policy and procedures (with regard to valuation of each category of securities/assets where the scheme will invest, situation where these methods will be used, process and methodology and impact of implementation of these methods, if any) approved by the Board of the asset management company shall be made in Statement of Additional Information, on the website of the asset management company/mutual fund and at any other place where the Board may specify to ensure transparency of valuation norms to be adopted by asset management company.

(g) The responsibility of true and fairness of valuation and correct NAV shall be of the asset management company, irrespective of disclosure of the approved valuation policies and procedures i.e. if the established policies and procedures of valuation do not result in fair/ appropriate valuation, the asset management company shall deviate from the established policies and procedures in order to value the assets/ securities at fair value:

Provided that any deviation from the disclosed valuation policy and procedures may be allowed with appropriate reporting to Board of Trustees and the Board of the asset management company and appropriate disclosures to investors.

(h) The asset management company shall have policies and procedures to detect and prevent incorrect valuation.

(i) Documentation of rationale for valuation including inter scheme transfers shall be maintained and preserved by the asset management company as per regulation 50 of these regulations to enable audit trail.

(j) In order to have fairness in the valuation of debt and money market Securities, the asset management company shall take in to consideration prices of trades of same security or similar security reported at all available public platform.

In addition to the above, a mutual fund may value its investments according to the following Valuation Guidelines. In case of any conflict between the Principles of Fair Valuation as detailed above and Valuation Guidelines issued by SEBI hereunder or elsewhere, the Principles of Fair Valuation detailed above shall prevail.

Valuation Methodology	
1) Valuation of Debt & Money Market Instruments	
a) TRADED	
Maturity > 365 days (except for G-Sec)	
Maturity > 60 days and ≤ 365 days (except for G-Sec and T Bills	
Maturity ≤ 60 days (except for G-Sec and T Bills)	
Treasury Bills	
Securities with Put/Call Options	
Interest Rate Swaps (IRS)	
Pass Through Certificate	
Bills purchased under rediscounted	
Reverse Repo	
b) NON TRADED	
Maturity > 30 days (except for G-Sec and T Bills)	
Maturity ≤ 30 days (except for G-Sec and T Bills)	
T Bills Maturity ≤ 30 days	
T Bills Maturity >30 days	
c) Thinly Traded Instruments	
d) Specific Securities	
G-Sec - Any Maturity	
e) Waterfall Mechanism for valuation of money market and debt securities	
f) Polling Process for Money Market and Debt Securities	
2) Valuation of securities other than debt and money market securities:	
Traded Securities - equity / equity related security (such as convertible debentures, equity warrants, etc.)	
Thinly Traded Securities	
Suspended equity securities	
Non-traded / thinly traded equity securities	
Unlisted Equity Shares	
Equity and Equity related securities under lock in period / pending listing	
Stock Split/ Face value change	
Preference Shares	
Illiquid Securities	
Valuation of Convertible Debentures and Bonds	

Valuation of Warrants	
Value of "Rights" entitlement	
Foreign Securities (other than units of overseas mutual funds / unit trusts which are not listed), IDR	
Valuation of Non- Performing Assets	
Valuation of Derivative Products	
Valuation of Repo	
Equity and Equity related Securities awaiting listing (Merger/Demerger)	
Initial Public Offering (IPO) Application (prior to allotment)	
Qualified Institutional Placement (QIP) / Follow on Public Offer (FPO)	
3) INTERSCHEME PRICES:	
a) Debt & Money Market Instruments (Except G-Sec & T-Bills)	
I. If the security is traded on the date of inter-scheme trade	
Maturity <= 60 days (except G Sec and T Bills)	
Maturity > 60 days and <= 365 days (except for G Sec and T Bills)	
Maturity > 365 days (except G Sec and T Bills)	
II. If the security is non-traded on the date of inter-scheme trade:	
Maturity <= 60 days (except G Sec and T Bills)	
Maturity > 60 days and <= 365 days (except for G Sec and T Bills)	
Maturity > 365 days (except G Sec and T Bills)	
b) Government Securities & Treasury Bills:	
G Sec of any maturity	
Treasury Bills > 60 Days	
T Bills Maturity <= 60 days	
4) Inter-scheme transfers (IST):	
5) Non-Performing Assets:	
Treatment and disposal of illiquid securities or securities classified as default at the time of maturity / closure of schemes	
6) Others:	
a) Bank Fixed Deposit, CBLO / Reverse Repo	
b) Mutual Fund Units (Indian)	
c) Securities not covered under the current valuation policy	

d) Valuation of money market / debt securities, Government Securities, investments in short term deposits (pending deployment) and OTC derivatives	
e) Money Market & debt securities which are rated below investment grade	
f) Valuation of securities with Put / Call Options	
7) Valuation and Disclosure of Upfront Fees	

VALUATION METHODOLOGY

1) Valuation of Debt & Money Market Instruments

a) **Traded Instruments -**A money market or debt security shall be considered as traded when, on the date of valuation, there are trades (in marketable lots) in that security on any recognized Stock Exchange or there are trades reported (in marketable lots) on the trade reporting platform of recognized stock exchanges or The Clearing Corporation of India Ltd. (CCIL).

Assets	Methodology
Maturity > 365 days (except for G-Sec)	Instruments shall be valued at the weighted average price (WAP) at which they are traded/reported on the particular valuation day on available public platforms i.e. FIMMDA/NSE/BSE An instrument will be considered for valuation as traded security if traded prices are available subject to the fulfillment of the following condition: For instruments maturing above 365 Days, the traded price may be taken if there are at least two trades aggregating to Rs. 25 crores or more. If market trades satisfying the above condition/s are not available then AMC's own trades to be considered as traded price available for valuation provided it conforms with the following criteria: Instruments maturing above 1 year – a single trade of Rs.5.00 crores or more

	Inter- scheme trades are also considered as AMC’s own trades provided it conforms to the above criteria. In case there are both viz. qualifying market trades as well as AMC’s own trades, then market trades shall be given a higher priority. In case of multiple platforms reporting trades on the same day, the order of preference would be (i) FIMMDA, (ii) NSE WDM, (iii) BSE and (iv) AMC’s own trades Wherever the traded price is ‘distorted’ in case of forward settlement dates (e.g. across a weekend/holidays), the traded yields may be used to arrive at the traded price for valuation. In case of multiple trades, the weighted average price (WAP) may be used for valuation.
Maturity > 60 days and ≤ 365 days (except for G-Sec and T Bills)	Valuation methodology same as that for maturity > 365 days (except for G-Sec) except for the qualification criteria. An instrument will be considered for valuation as traded security if traded prices are available subject to the fulfillment of the following condition: For instruments maturing between 61 days and 365 Days, the traded price may be taken if there are at least three trades aggregating to Rs. 100 crores or more. If market trades satisfying the above condition/s are not available then AMC’s own trades to be considered as traded price available for valuation provided it conforms with the following criteria: Instruments maturing between 61 days and 365 Days – a single trade of Rs 25 crores or more. (The amounts refer to face value of the securities.) Inter- scheme trades are also considered as AMC’s own trades provided it confirms to the above criteria.
Maturity ≤ 60 days (except for G-Sec and T Bills)	Valuation methodology same as that for maturity > 60 days and ≤ 365 days (except for G- Sec and T Bills).
Treasury Bills	The average of the prices provided by CRISIL & ICRA or agencies entrusted for the said purpose by AMFI would be considered, however, the traded prices would be considered in case such trades are reported in NSE (WDM). Where the prices are not available, the security will be valued at weighted average traded price

	available on The Clearing Corporation of India (CCIL) website. T-bill purchased before issue date is valued at cost prices prior to issue date.
Securities with Put/Call Options	The option embedded securities would be valued as follows: <u>Securities with call option</u> a. The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. b. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument. <u>Securities with Put option</u> a. The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. b. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instruments. <u>Securities with both Put and Call option on the same day</u> The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.
Interest Rate Swaps (IRS)	All IRSs will be valued at net present value after discounting the future cash flows. Future cash flows for IRS contracts will be computed daily based on the terms of the contract and discounted by suitable OIS rates available on Reuters/Bloomberg/any other provider, as approved by Valuation Committee.
Pass Through Certificate	(a) If the residual maturity of the security is more than 60 days, then security is valued through Crisil Bond valuer and if residual maturity of the security is upto 60 days then it is valued at amortization method.

	(b) Periodical cash flow is considered for valuation of security.
Bills purchased under rediscounted	Bills purchased under rediscount shall be valued at cost plus accrual method (amortization method).
Reverse Repo	The valuation is done on cost plus repo interest. (Interest per day equals to Second Leg minus First Leg divide by numbers of days).

b) Non Traded Instruments- A money market or debt security shall be considered as non-traded when, on the date of valuation, there are no trades (in marketable lots) in such security on any recognized Stock Exchange or no trades (in marketable lots) have been reported on any of the aforementioned trade reporting platforms.

Assets	Methodology
Maturity > 30 days (except for G-Sec and T Bills)	Instruments shall be valued through CRISIL Bond Valuer (CBV) or any other method accepted within Regulation. CBV uses average yield computed by averaging the matrix provided by CRISIL and ICRA. For averaging of matrix yield CBV aggregator is used. The approach in valuation of non traded debt securities is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the non traded security. The Yields for pricing the non traded debt security would be arrived at using the process as defined below. Step 1: A Risk Free Benchmark Yield is built using the government securities as the base. Government securities are used as the benchmarks as they are traded regularly; free of credit risk; and traded across different maturity spectrums every week. Step 2: A Matrix of spreads (based on the credit risk) are built for marking up the benchmark yields. The matrix is built based on traded corporate paper on the wholesale debt segment of an appropriate stock exchange and the primary market issuances. The matrix is restricted only to investment grade corporate paper.

	Step 3: The yields as calculated above are Marked-up/Marked down for ill-liquidity risk Step 4: The Yields so arrived are used to price the portfolio. Mark-up/Mark-down Yield The Yields calculated would be marked-up/marked-down to account for the illiquidity risk, promoter background, finance company risk and the issuer class risk. As the level of illiquidity risk would be higher for non rated securities the marking process for rated and non rated securities would be differentiated as follows: a. Adjustments for Securities rated by external rating agencies

Category	Discretionary mark up/mark down	
	+	-
Rated instruments with duration up to 2 years	100 bps	50 bps
Rated instruments with duration over 2 years	75 bps	25 bps

1. The rationale for the above discount structure is to take cognizance of the differential interest rate risk of the securities.

   This structure will be reviewed periodically.

b. Adjustments for Internally Rated Securities

1. To value an un-rated security, the fund manager shall assign an internal credit rating, which will be used for valuation. Since un-rated instruments tend to be more illiquid than rated securities, the yields would be marked up by adding discretionary discount as under:

Category	Discretionary discount
Unrated instruments with duration up to 2	Discretionary discount of up to +50 bps over

	<table><tr><td>years</td><td>and above mandatory discount of +50 bps</td></tr><tr><td>Unrated instruments with duration over 2 years</td><td>Discretionary discount of up to +50 bps over and above mandatory discount of +25 bps</td></tr></table> 2. The benchmark yield/ matrix of spreads over risk free benchmark yield obtained from any agency suggested by AMFI must be applied for valuation of securities on the day of release of such bench mark yield/ matrix of spreads by the aforesaid agency. i. Chief Executive Officer (whatever his designation may be) of the AMC shall give prior approval to the use of discretionary mark up or down limit
Maturity ≤ 30 days (except for G-Sec and T Bills)	Instruments may be valued by amortization based valuation as referred to in SEBI circular dated February 28, 2012 Further, the amortized price shall be compared with the reference price which shall be the average of the security level price of such security as provided by the agency(ies)appointed by AMFI for said purpose(hereinafter referred to as "valuation agencies"). The amortized price shall be used for valuation only if it is within a threshold of ±0.025% of the reference price. In case of deviation beyond this threshold, the price shall be adjusted to bring it within the threshold of ±0.025%ofthe reference price.
T Bills Maturity ≤ 30 days	Security will be valued by amortisation
T Bills Maturity > 30 days	Aggregate price by CRISIL and ICRA

c) Thinly Traded Instruments

Assets	Methodology
Thinly Traded Debt Securities	As per SEBI regulation, thinly traded security shall be valued as per the norms for Non Traded Debt security. Following provision shall be followed for valuation of all non traded Non Government debt instruments: a. For the purpose of valuation, all Non Traded Debt Securities will be classified into "Investment

	grade" and "Non Investment grade" securities based on their credit ratings. The non-investment grade securities will further be classified as "Performing" and "Non Performing" assets. b. All Non Government investment grade debt securities, classified as not traded will be valued on yield to maturity basis. c. All Non Government non investment grade performing debt securities will be valued at a discount of 25% to the face value. The approach in valuation of non traded debt security is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the non traded security. The benchmark yield / matrix of spreads over benchmark yield obtained from any agency suggested by AMFI as a provider of benchmark yield / matrix of spreads over benchmark yield to mutual funds, must be applied for valuation of securities on the day on which the benchmark yield / matrix of spreads over benchmark yield is released by the aforesaid agency.

d) Specific Securities

Assets	Methodology
G-Sec – Any Maturity	Government securities will be valued at prices for government securities provided by CRISIL & ICRA or any other designated agencies suggested by AMFI to ensure uniformity in calculation of NAVs.

e) Waterfall Mechanism for valuation of money market and debt securities

SEBI, vide its circular no: SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019, presecribed that for arriving at security level pricing, a waterfall approach shall be followed for the valuation of money market and debt securities. In pursuance of the said circular, AMFI has prescribed the following guidelines vide its AMFI Best Practices Guidelines Circular No. 135/BP/83/2019-20 dated November 18, 2019 on valuation approach for traded & non-traded money market and debt securities:

<u>Valuation of money market and debt securities other than G-Secs:</u>

i. Volume Weighted Average Yield (VWAY) of primary reissuances of the same ISIN (whether through book building or fixed price) and secondary trades in the same ISIN
ii. VWAY of primary issuances through book building of same issuer, similar maturity (Refer Note 1 below)
iii. VWAY of secondary trades of same issuer, similar maturity
iv. VWAY of primary issuances through fixed price auction of same issuer, similar maturity
v. VWAY of primary issuances through book building of similar issuer, similar maturity (Refer Note 1 below)
vi. VWAY of secondary trades of similar issuer, similar maturity.
vii. VWAY of primary issuance through fixed price auction of similar issuer, similar maturity
viii. Construction of matrix (polling may also be used for matrix construction)
ix. In case of exceptional circumstances, polling for security level valuation (Refer Note 2 below)

Note 1
Except for primary issuance through book building, polling shall be conducted to identify outlier trades. However, in case of any issuance through book building which is less than INR 100 Cr, polling shall be conducted to identify outlier trades.

Note 2

Some examples of exceptional circumstance would be stale spreads, any event/news in particular sector/issuer, rating changes, high volatility, corporate action or such other event as may be considered by valuation agencies. Here stale spreads are defined as spreads of issuer which were not reviewed/updated through trades/primary/polls in same or similar security/issuers of same/similar maturities in waterfall approach in last 6 months.

Further, the exact details and reasons for the exceptional circumstances which led to polling shall be documented and reported to AMCs. Further, a record of all such instances shall be maintained by AMCs and shall be subject to verification during SEBI inspections.

Note 3
All trades on stock exchanges and trades reported on trade reporting platforms till end of trade reporting time (excluding Inter-scheme transfers) should be considered for valuation on that day.

Note 4
For the purpose of calculation of VWAY of trades and identification of outliers, on the day of certain exceptional events (occurrence of which during market hours may lead to significant change in the yield of the debt securities), rather than considering whole day trades, only those trades shall be considered which have occurred post the event (on the same day).

The following events would be considered exceptional events:
i. Monetary / Credit Policy

ii. Union Budget
iii. Government Borrowing / Auction Days
iv. Material Statements on Sovereign Rating
v. Issuer or Sector Specific events which have a material impact on yields
vi. Central Government Election Days
vii. Quarter end days
In addition to the above, valuation agencies may determine any other event as an exceptional event. All exceptional events along-with valuation carried out on such dates shall be documented with adequate justification

Valuation of G-Secs (T-Bill, Cash management bills, G-Sec and SDL):

- VWAYof last one hour, subject to outlier validation
- VWAYfor the day (including a two quote, not wider than 5 bps on NDSOM), subject to outlier validation
- Two quote, not wider than 5 bps on NDSOM, subject to outlier validation
- Carry forward of spreads over the benchmark
- Polling etc.

Note:
1. VWAY shall be computed from trades which meet the marketable lot criteria stated in Part A of these Guidelines.
2. Outlier criteria: Any trade deviating by more than +/- 5 bps post factoring the movement of benchmark security shall be identified as outlier. Such outlier shall be validated through polling for inclusion in valuations. If the trades are not validated, such trades shall be ignored.

These Guidelines shall be effective within 90 days from the date of issue (within 90 days from November 18, 2019).

f) Polling Process for Money Market and Debt Securities:

Responsibilities of Mutual Funds in the polling process, as part of the waterfall approach for valuation of money market and debt securities:

- Valuation agencies shall identify the Mutual Funds who shall participate in the polling process on a particular day, taking into account factors such as diversification of poll submitters and portfolio holding of the Mutual Funds. Mutual Funds who are identified by the valuation agencies shall necessarily participate in the polling process. However, in case any Mutual Fund does not participate in the polling process, detailed reason for the same shall be recorded at the time and subsequently made available during SEBI inspections. In this respect, since a Mutual Fund may have investments in similar securities, a security not forming part of investment universe may not be considered as an adequate reason for not participating in the polling process.
- Polling will be carried out by the valuation agencies on a daily basis and in terms of the aforesaid AMFI guidelines on polling process
- Best efforts should be made by poll submitters to provide fair valuation of a security.

- The polling process will be revalidated by external audit of the valuation agencies with at least an annual frequency
- AMCs shall have a written policy, approved by the Board of AMC and Trustees, on governance of the polling process. The aforesaid policy shall include measures for mitigation of potential conflicts of interest in the polling process and shall identify senior officials, with requisite knowledge and expertise, who shall be responsible for polling. Further, the policy should outline the following aspects:

  a. The process of participating in a polling exercise.
  b. Identify the roles and responsibilities of persons participating in the polling.
  c. Include policies and procedures for arriving at the poll submission
  d. Cover the role of the Board of AMC and Trustees, and the periodic reporting that needs to be submitted to them.
  e. All polling should be preferably over email. In case for any reason, the polling is done by way of a telephonic call then such a call should be over recorded lines, followed subsequently by an email.
  f. AMCs should have adequate business continuity arrangements for polling, with the necessary infrastructure / skill to ensure that consistent delivery of poll submissions is made without material interruption due to any failure, human or technical.

- All polling done will have to be documented and preserved in format approved by the Board of AMC, for a period of eight years, along-with details of the basis of polling (such as market transactions, market quotes, expert judgement etc.).
- AMCs shall ensure that participation in the polling process is not mis-used to inappropriately influence the valuation of securities. The officials of the AMC who are responsible for polling shall also be personally liable for any misuse of the polling process.
- AMCs shall maintain an audit trail for all polls submitted to valuation agencies.

These Guidelines shall be effective within 90 days from the date of issue (within 90 days from November 18, 2019).

2) Valuation of securities other than debt and money market securities:

Assets	Methodology
Traded Securities - equity / equity related security (such as convertible debentures, equity warrants, etc.)	On a particular valuation day, these securities will be valued at the last quoted closing price on National Stock Exchange of India Limited (NSE). If a security is not traded on NSE, it will be valued at the last quoted closing price on The Bombay Stock Exchange Limited (BSE). If a security is not traded on NSE and BSE, it will be valued at the last quoted closing price on other recognised stock exchange where the security is traded. If the security is traded on more than one recognised stock exchanges (other than NSE and BSE), it will be valued at the last quoted closing price on the stock exchange as may be selected by the

	Valuation Committee, and the reasons for such selection will be recorded in writing. Once a stock exchange has been selected for valuation of a particular security, reasons for change of the exchange shall be recorded in writing by the asset management company. If a security is not traded on any stock exchange on a particular valuation day, the last quoted closing price on NSE or BSE or other recognised stock exchange (in the order of priority) on the earliest previous day would be used, provided such day is not more than thirty days prior to the valuation day.
Thinly Traded Securities	a. When trading in an equity and/or equity related security (such as convertible debentures, equity warrants etc.) in a month is both less than Rupees 5 lacs and the total volume is less than 50,000 shares, the security shall be considered as thinly traded security and valued accordingly. b. In order to determine whether a security is thinly traded or not, the volumes traded in all recognized Stock Exchanges in India may be taken into account. c. For example, if the volume of trade is 1,00,000 and value is Rupees 4,00,000, the shares do not qualify as thinly traded. Also if the volume traded is 40,000, but the value of trades is Rupees 6, 00,000, the shares do not qualify as thinly traded. d. Where a Stock Exchange identifies the thinly traded securities by applying the above parameters for the preceding calendar month and publishes or provides the required information along with the daily quotations, the same can be used by the Mutual Funds. e. If the shares are not listed on the Stock Exchanges which provide such information, then Mutual Funds shall make their own analysis in line with the above criteria to check whether such securities are thinly traded or not and then value them accordingly.
Suspended equity securities	In case trading in an equity security is suspended up to thirty days, then the last traded price shall be considered for valuation of that security. If an equity security is suspended for more than thirty days, then the AMC(s) or Trustees shall decide the valuation norms to be followed and such norms shall be documented and recorded.

Non-traded / thinly traded equity securities	Based on the latest available Balance Sheet, Net Worth shall be calculated as follows: a. Net Worth per share = [Share Capital+ Reserves (excluding Revaluation Reserves) – Miscellaneous expenditure and Debit Balance in Profit and Loss Account] / Number of Paid up Shares. b. Average Capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which shall be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75 per cent i.e. only 25 per cent. Of the industry average P/E shall be taken as Capitalization rate (P/E ratio). Earnings per share (EPS) of the latest audited annual accounts shall be considered for this purpose. c. The value as per the Net Worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10 per cent. for illiquidity so as to arrive at the fair value per share. d. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning. e. In case where the latest Balance Sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero. f. In case an individual security accounts for more than 5 per cent. Of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5 per cent. of the total assets of the scheme, it shall be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs will be compared on the date of valuation. To determine if a security accounts for more than 5% of the total assets of the scheme, it would be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs would be compared on the date of valuation.
Unlisted Equity Shares	To ensure uniformity in calculation of NAV the following guidelines are issued:

	Methodology for Valuation - unlisted equity shares of a company shall be valued "in good faith" as below: a. Based on the latest available audited balance sheet, Net Worth shall be calculated as the lower of item (1) and (2) below: 1. Net Worth per share = [Share Capital + Free Reserves (excluding revaluation reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] / Number of Paid up Shares. 2. After taking into account the outstanding warrants and options, Net Worth per share shall again be calculated and shall be = [Share Capital + consideration on exercise of Option and/or Warrants received/receivable by the Company + Free Reserves (excluding Revaluation Reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] / Number of Paid up Shares plus Number of Shares that would be obtained on conversion and/or exercise of Outstanding Warrants and Options. 3. The lower of (1) and (2) above shall be used for calculation of Net Worth per share and for further calculation in (c) below. b. Average capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which shall be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75 % i.e. only 25 % of the industry average P/E shall be taken as capitalization rate (P/E ratio). Earnings per share (EPS) of the latest audited annual accounts will be considered for this purpose. c. The value as per the Net Worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15 % for illiquidity so as to arrive at the fair value per share. The above valuation methodology shall be subject to the following conditions: a. All calculations shall be based on audited accounts.

	b. If the latest Balance Sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero. c. If the Net Worth of the company is negative, the share would be marked down to zero. d. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning. e. In case an individual security accounts for more than 5 % of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5 % of the total assets of the scheme, it shall be valued in accordance with the procedure as mentioned above on the date of valuation. At the discretion of the AMCs and with the approval of the Trustees, unlisted equity shares may be valued at a price lower than the value derived using the aforesaid methodology.
Equity and Equity related securities under lock in period / pending listing	a. Illiquidity discount will be Nil for securities where the lock-in is less than 3 months. b. If the lock-in period for these securities is greater than 3 months, then the Valuation Committee will decide on the illiquidity discount to be applied, on a case to case basis.
Stock Split/ Face value change	In case of stock split, the face value of a stock is reduced and proportionately number of shares is increased. The valuation price will be derived on the basis of the last quoted closing price before the ex-date and adjusted in proportion of stock split, till the new stock split shares are listed and traded on a stock exchange. The cost of one share will be proportionately adjusted in line with stock split change, to derive the new cost of share. On stock split/face value change, in case the company specifies any regulations/ method for cost bifurcation or valuation the same will be adopted.
Preference Shares	On a valuation day, traded securities are to be valued at the last quoted closing price on NSE. NSE will be principal stock exchange and BSE will be the secondary stock exchange. Non traded Preference shares will be valued on the basis of norms governing the valuation of Non Convertible Debentures and Bonds under valuation of Debt Security category.

Illiquid Securities	Illiquid securities shall be valued in good faith. Aggregate value of "illiquid securities" of scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be assigned zero value.
Valuation of Convertible Debentures and Bonds	In respect of convertible debentures and bonds, the non-convertible and convertible components shall be valued separately. The non-convertible component should be valued on the same basis as would be applicable to a debt instrument. The convertible component should be valued on the same basis as would be applicable to an equity instrument. If, after conversion the resultant equity instrument would be traded pari passu with an existing instrument which is traded, the value of the latter instrument can be adopted after an appropriate discount of the non-tradability of the instrument during the period preceding the conversion while valuing such instruments, the fact whether the conversion is optional should also be factored in.
Valuation of Warrants	a) In respect of warrants to subscribe for shares attached to instruments, the warrants would be valued at the value of the share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant. A discount similar to the discount to be determined in respect of convertible debentures shall be deducted to account for the period, which must elapse before the warrant can be exercised. b) In case the warrants are traded separately
Value of “Rights” entitlement	a) Until they are traded, the value of the “rights” entitlement would be calculated as: Vr = n/m x (P ex - P of) where Vr = Value of rights n = no. of rights Offered m = no. of original shares held P ex = Ex-Rights price P of = Rights Offer price b) Where the rights are not traded pari-passu with the existing shares, suitable adjustments would be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights would be valued at the renunciation value.

	c) In case original shares on which the right entitlement accrues are not traded on the Stock Exchange on an ex-right basis, right entitlement should not be recognised as investments. d) Where right entitlements are not traded and it was decided not to subscribe the rights, the right entitlements have to be valued at zero
Foreign Securities (other than units of overseas mutual funds / unit trusts which are not listed), IDR:	**American Depository Receipt / Global Depository Receipt and all overseas securities:** If the security is listed in a time zone ahead of ours than the same day closing price on the stock exchange at which it is listed would be used for valuation. If the security is listed in a time zone behind ours than the previous day's price would be used for valuation. In case the security is not traded on the above mentioned days, price of previous day should be used provided the price is not more than 30 days old. Since these prices are in foreign currency these are to be converted in Indian Rupees by applying the closing exchange rate on the date of valuation. This closing price in INR should be used for valuation of ADR/GDR. Alternatively closing price of the security should be converted to INR at last day's closing exchange rate of that currency (i.e. the closing rate of the date of which prices are considered). The closing exchange rate from RBI (RBI reference rate) is used for this purpose. **Indian Depository Receipt:** Valuation of IDRs listed in the India Stock Exchange would follow the valuation norms adopted for the listed equity shares. IDR is valued at price at which they are traded on BSE/NSE exchange. In case the IDRs are classified as thinly traded, the criteria, as laid above for listed Indian Equity shares shall be applied taking into consideration the relevant company's balance sheet.
Valuation of Non- Performing Assets	All Non – Performing Assets shall be valued in accordance with the Guidelines for Identification and Provisioning for Non Performing Assets (Debt Securities) For Mutual Funds issued by SEBI.
Valuation of Derivative Products:	The traded derivative shall be valued at market price in conformity with the stipulations of sub clause (i) to (v) of clause 1 of the Eighth Schedule to the SEBI Regulations.

	The valuation of untraded derivatives shall be done in accordance with the valuation method for untraded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the SEBI Regulations as amended from time to time. Valuation of Equity/Index Futures or options shall be determined based on the market values of traded contracts with respect to the exchange on which it was originally contracted upon. For positions which are not traded, the daily settlement prices in the respective exchanges will be considered for valuation.
Valuation of Repo	Where instruments have been bought on 'repo' basis, the instrument would be valued at the resale price after deduction of applicable interest up to date of resale. Where an instrument has been sold on a 'repo' basis, adjustment would be made for the difference between the Redemption price (after deduction of applicable interest up to date of Redemption) and the value of the instrument. If the Redemption price exceeds the value, the depreciation will be provided for and if the Redemption price is lower than the value, credit will be taken for the appreciation.
Equity and Equity related Securities awaiting listing (Merger/Demerger)	**Merger:** In case of merger, when company "X" is merged with company "Y" and company "Y" continues to be listed, the proportionate shares allotted of "Y" company against company "X" will be valued at the last quoted closing price of company "Y" on the stock exchange. The cost of company "X" shares will be added to the cost of company "Y" shares. In case of merger when company "X" and company "Y" are merged to form company "Z" the value of unlisted company "Z" will be the total valuation price of company "X" and company "Y" before the ex-date till the new entity company "Z" is listed and traded on a stock exchange. The cost of company "X" and company "Y" shares will be added to derive the cost of company "Z" shares. **Demerger:** Where at least one resultant company is not immediately listed, valuation price will be worked out by using cum-price, before demerger reduced for quoted price of the listed resultant company/ies OR in case of a demerger pending listing, the resultant company/ies shall be valued at the intrinsic value arrived at on the date of corporate action.

Initial Public Offering (IPO) Application (prior to allotment)	IPOs will be valued at the bid price
Qualified Institutional Placement (QIP) / Follow on Public Offer (FPO)	Valued at Bid price or Market price, whichever is lesser

3) INTERSCHEME PRICES:

a) Debt & Money Market Instruments (Except G-Sec & T-Bills):

I. If the security is traded on the date of inter-scheme trade:

Assets	Methodology	End of Day Valuation
Maturity ≤ 60 days (except for G-Sec and T Bills)	Inter-scheme price will be weighted average traded price available on public platform. Instruments shall be valued at the weighted average price (WAP) at which they are traded/reported on the particular valuation day on available public platforms i.e. FIMMDA/NSE/BSE An instrument will be considered for valuation as traded security if traded prices are available subject to the fulfillment of the following condition: For instruments maturing less than 60 Days, the traded price may be taken if there are at least three trades aggregating to Rs. 100 crores or more. If market trades satisfying the above condition/s are not available then AMC's own trades to be	Valuation methodology same as that for traded security with maturity ≤ 60 days (except for G-Sec and T Bills)

	considered as traded price available for valuation provided it conforms with the following criteria: Instruments maturing less than 60 Days – a single trade of Rs.5.00 crores or more If the AMC's own trade(s) also do not satisfy the criteria, then the security will be treated as "Not Traded'.	
Maturity > 60 days and ≤ 365 days (except for G-Sec and T Bills)	Same as above	Valuation methodology same as above.
Maturity > 365 days (except G- Sec)	Same as above except that the Qualification criteria for considering the trades on the public platform will be – at least two trades aggregating to Rs.25 crores or more.	Valuation methodology same as above except that the Qualification criteria for considering the trades on the public platform will be – at least two trades aggregating to Rs.25 crores or more.

II. If the security is non-traded on the date of inter-scheme trade:

Assets	Methodology	End of Day Valuation
Maturity ≤ 60 days (except G-Sec and T Bills)	(1) Previous day's Reference price from Bond Valuer. (2) Till the Bond Valuer is able to provide the reference price for these securities, we will obtain the price from CRISIL.	(1) If inter-scheme trade ≥ Rs. 5 crores, the price will be treated as last traded price. Valuation methodology will be as per non traded security with maturity ≤ 60 days (except for G-Sec and T Bills). (2) The price obtained from CRISIL will be adjusted for accruals for the day.
Maturity > 60 days and ≤ 365 days (except for G-Sec and T Bills)	Previous day's closing price	Valuation methodology same as non traded security with maturity > 60 days (except for G-Sec and T Bills)
Maturity > 365 days (except G- Sec	Previous day's closing price	Same as above

and T Bills)		

b) Government Securities & Treasury Bills:

Assets	Methodology	End of Day Valuation
G Sec of any maturity	Trade day's opening price to be used for Inter-scheme i.e., T-1 day's price.	Valuation methodology same as Specific Securities.
T Bills> 60 days	Trade day's opening price to be used for Inter-scheme i.e., T-1 day's price.	Valuation methodology same as Specific Securities.
T Bills Maturity ≤ 60 days	Previous day's average of the security level prices received from CRISIL or any other agency. Where the prices from CRISIL or any other agency are not available, then (A) If the security is traded, the inter-scheme price will be weighted average traded price available on the CCIL website*. Qualification criteria for considering the trades – at least three trades aggregating to Rs.100 crores or more. If market trades satisfying the above criteria are not available on the CCIL website*, AMC's own trade to be considered. Qualification criteria for considering AMC's own trades - trade aggregating to Rs.5 crores or more. If the AMC's own trade(s) also do not satisfy the criteria, then the security will be treated as 'Non	(A) If the security is traded, the valuation methodology will be same as traded T Bill with maturity ≤ 60 days (B) If the security is not traded, the valuation methodology will be same as non traded T Bill with maturity ≤ 60 days

	Traded'. (B) If the security is not traded, inter-scheme price will be the Trade day's opening price i.e., T-1 day's price. *If the data is not available on CCIL website, the same will be sourced from NDS-OM and PDO-NDS.	

4) **Inter-scheme transfers (IST):**

With respect to Inter-scheme transfers:

AMCs shall seek prices for IST of any money market or debt security (irrespective of maturity), from the valuation agencies.

AMFI, in consultation with valuation agencies shall decide a turn-around-time (TAT), within which IST prices shall be provided by the agencies.

If prices from the valuation agencies are received within the pre-agreed TAT, an average of the prices so received shall be used for IST pricing.

If price from only one valuation agency is received within the agreed TAT, that price may be used for IST pricing.

If prices are not received from any of the valuation agencies within the agreed TAT, AMCs may determine the price for the IST, in accordance with Clause 3 (a) of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996.

Mutual Funds shall not use their own trades for valuation of debt and money market securities and for Inter-scheme transfers.

5) Non-Performing Assets:

SEBI , vide its circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102) dated September 24, 2019, has modified the regulatory provisions relating to Non-Performing Assets (NPA):

- The term "NPA" as per SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 shall be replaced with "securities classified as below investment grade or default". Further, the term "NPA" as per SEBI Circular No. SEBI/MFD/CIR No.05/12031/03 dated June 23, 2003 shall be replaced with "exposure to securities classified as below investment grade or default".
- Paragraph 2 of SEBI Circular No. MFD/CIR/05/432/2002 dated June 20, 2002 shall be modified as follows:

Treatment and disposal of illiquid securities or securities classified as default at the time of maturity / closure of schemes

In case of close-ended schemes, some of the investments made by Mutual Funds may become default at the time of maturity of schemes. Further, at the time of winding up of a scheme, some of the investments made by Mutual Funds may become default or illiquid. In due course of time i.e. after the maturity or winding up of the schemes, such investments may be realised by the Mutual Funds. It is advised to distribute such amount, if it is substantial, to the concerned investors. In case the amount is not substantial, it may be used for the purpose of investor education. The decision as to the determination of substantial amount shall be taken by the Trustees of Mutual Funds after considering the relevant factors including number of investors, amount recovered, cost of transferring funds to investors; among others.

- In the format of the abridged scheme-wise annual report format prescribed vide SEBI Circular No. SEBI/IMD/CIR No.8/132968/2008 dated July 24, 2008, under notes to accounts, the term "NPA" shall be replaced with "securities classified as below investment grade or default".

- With respect to the notes below the portfolio format prescribed vide SEBI Circular No. MFD/CIR/9/120/2000 dated November 24, 2000, the modifications shall be as under:

    a. In point 2, the term "NPA" shall be replaced with "below investment grade or default".

    b. Point 4 (a) shall be replaced as follows:

        If a security is in default beyond its maturity date, then disclosure to this effect shall be provided. Such disclosure shall include details of the security including ISIN, name of security, value of the security considered under net receivables (i.e. value recognized in NAV in absolute terms and as % to NAV) and total amount (including principal and interest) that is due to the scheme on that investment. Further, this disclosure shall continue till the value of the security recognized in the NAV is received or for a period of 3 years from the date of maturity of security, whichever is later.

6) Others:

Assets	**Methodology**
a) Bank Fixed Deposit, CBLO /	Investments in CBLO, Reverse Repo and Fixed deposits with banks will be valued at cost plus

Reverse Repo	accrual basis less prepayment penalty if any.
b) Mutual Fund Units (Indian)	a. In case of Mutual Fund schemes traded on stock exchange, the units would be valued at closing price on the stock exchange on which they are traded like equity instruments. In case the units are not traded for more than 7 days, last declared Repurchase Price (the price at which Mutual Fund schemes buys its units back) would be considered for valuation (NAV/Repurchase price is declared by Mutual Fund on weekly basis in case of close-ended schemes). b. If the last available Repurchase price is older than 7 days, the valuation will be done at the last available NAV reduced by illiquidity discount. The illiquidity discount will be 10% of NAV or as decided by the Valuation Committee. c. In case of non-traded Mutual Fund scheme, the last declared Repurchase Price (the price at which Mutual Fund schemes buys its units back) would be considered for valuation.
c) Securities not covered under the current valuation policy	In case of securities purchased by mutual funds do not fall within the current framework of the valuation of securities then such mutual fund shall report immediately to AMFI regarding the same. Further, at the time of investment AMCs shall ensure that the total exposure in such securities does not exceed 5% of the total AUM of the scheme.
d) Valuation of money market / debt securities, Government Securities, investments in short term deposits (pending deployment) and OTC derivatives (SEBI circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102) dated September 24, 2019	(1) Valuation of money market and debt securities with residual maturity of upto 30 days: In partial modification to the SEBI circulars (Paragraph 2 (I) of SEBI Circular No. SEBI/IMD/CIR No.16/193388/2010 dated February 02, 2010 read with Paragraph B (2) of SEBI Circular No. Cir/IMD/DF/6/2012 dated February 28, 2012 and Paragraph 1.0 of SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/41 dated March 22, 2019):

	i. Amortization based valuation is permitted for money market and debt securities including floating rate securities, with residual maturity of upto 30 days. Further, the amortized price shall be compared with the reference price which shall be the average of the security level price of such security as provided by the agency(ies) appointed by AMFI for said purpose (hereinafter referred to as “valuation agencies”). The amortized price shall be used for valuation only if it is within a threshold of ±0.025% of the reference price. In case of deviation beyond this threshold, the price shall be adjusted to bring it within the threshold of ±0.025% of the reference price. ii. In case security level prices given by valuation agencies are not available for a new security (which is currently not held by any Mutual Fund), then such security may be valued on amortization basis on the date of allotment / purchase. Further, with effect from April 01, 2020 onwards, amortization based valuation shall be dispensed with and irrespective of residual maturity, all money market and debt securities shall be valued in terms of paragraph given under point (2) below: (2) <u>Valuation of money market and debt securities with residual maturity of over 30 days:</u> **Reference:** Paragraph 2 (II) of SEBI Circular No. SEBI/IMD/CIR

	No.16/193388/2010 dated February 02, 2010 read with Paragraph B (2) of SEBI Circular No. Cir/IMD/DF/6/2012 dated February 28, 2012 and Paragraph 1.0 of SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/41 dated March 22, 2019 a. In partial modification to the aforesaid circulars, the following has been decided: i. All money market and debt securities including floating rate securities, with residual maturity of over 30 days shall be valued at average of security level prices obtained from valuation agencies. ii. In case security level prices given by valuation agencies are not available for a new security (which is currently not held by any Mutual Fund), then such security may be valued at purchase yield on the date of allotment / purchase. (3) <u>Valuation of Government Securities:</u> **Reference:** Paragraph 6 of SEBI Circular No. MFD/CIR No.14/442/2002 dated February 20, 2002 a. It is clarified that irrespective of the residual maturity, Government Securities (including T-bills) shall be valued on the basis of security level prices obtained from valuation agencies.

	(4) <u>Valuation of other money market / debt securities, short-term deposits with banks (pending deployment) and OTC derivatives:</u> a. The valuation of bills purchased under rediscounting scheme shall be as per the guidelines mentioned above under paragraph (1) & (2) for valuation of money market instruments, as the case may be. b. Investments in short-term deposits with banks (pending deployment) and repurchase (repo) transactions (including tri-party repo i.e. TREPS) with tenor of upto 30 days, shall be valued on cost plus accrual basis. c. In order to have uniformity in valuation methodology, prices for all OTC derivatives and market linked debentures shall be obtained from valuation agencies.
e) Money Market & debt securities which are rated below investment grade	Pursuant to SEBI circular no: SEBI/HO/IMD/DF4/CIR/P/2019/41 dated March 22, 2019, all money market and debt securities which are rated below investment grade shall be valued at the price provided by valuation agencies. Till such time the valuation agencies compute the valuation of money market and debt securities classified as below investment grade, such securities shall be valued on the basis of indicative haircuts provided by these agencies. These indicative haircuts shall be applied on the date of credit event i.e. migration of the security to sub-investment grade and shall continue till the valuation agencies compute the valuation price of such securities. Further, these haircuts shall be updated and refined, as and when there is availability of material information which impacts the haircuts. AMCs may deviate from the indicative haircuts and/or the valuation price for money market and debt securities rated below investment grade provided by the valuation agencies subject to the following: (a) The detailed rationale for deviation from the price post haircuts or the price provided by the valuation agencies shall be recorded by the AMC.

	(b) The rationale for deviation along-with details such as information about the security (ISIN, issuer name, rating etc.), price at which the security was valued vis-a-vis the price post haircuts or the average of the price provided by the valuation agencies (as applicable)and the impact of such deviation on scheme NAV (in amount and percentage terms)shall be reported to the Board of AMC and Trustees (c) The rationale for deviation along-with details as mentioned at para (b) above shall also be disclosed to investors. In this regard, all AMCs shall immediately disclose instances of deviations under a separate head on their website. Further, the total number of such instances shall also be disclosed in the monthly and half-yearly portfolio statements for the relevant period along-with an exact link to the website wherein the details of all such instances of deviation are available. In order to ensure uniformity in classification of securities as below investment grade or default and in the treatment of accrual of interest & future recovery (if any) with respect to such securities, the following has been decided by SEBI vide its circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102) dated September 24, 2019 : <u>Definition of below investment grade and default:</u> A money market or debt security shall be classified as “below investment grade” if the long term rating of the security issued by a SEBI registered Credit Rating Agency (CRA) is below BBB- or if the short term rating of the security is below A3. A money market or debt security shall be classified as “Default” if the interest and / or principal amount has not been received, on the day such amount was due or when such security has been downgraded to “Default” grade by a CRA. In this respect, Mutual Funds shall promptly inform to the valuation agencies and the CRAs, any instance of non-receipt of payment of interest and / or principal amount (part or full) in any security. <u>Treatment of accrued interest, future interest accrual and future recovery:</u>

	The treatment of accrued interest and future accrual of interest, in case of money market and debt securities classified as below investment grade or default, is detailed below: a. The indicative haircut that has been applied to the principal should be applied to any accrued interest. b. In case of securities classified as below investment grade but not default, interest accrual may continue with the same haircut applied to the principal. In case of securities classified as default, no further interest accrual shall be made. The following shall be the treatment of how any future recovery should be accounted for in terms of principal or interest: a. Any recovery shall first be adjusted against the outstanding interest recognized in the NAV and any balance shall be adjusted against the value of principal recognized in the NAV. b. Any recovery in excess of the carried value (i.e. the value recognized in NAV) should then be applied first towards amount of interest written off and then towards amount of principal written off.

f. <u>Valuation of securities with Put / Call Options:</u>	In reference to the provisions for "Valuation of securities with Put / Call options" in SEBI Circular No. MFD/CIR/ 8 / 92 / 2000 dated September 18, 2000. In partial modification to the provision on valuation of securities with both put and call options in the aforementioned circular, SEBI, vide its circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102) dated September 24, 2019, has decided that: Only securities with put / call options on the same day and having the same put and call option price, shall be deemed to mature on such put / call date and shall be valued accordingly. In all other cases, the cash flow of each put / call option shall be evaluated and the security shall be valued on the following basis: i. Identify a 'Put Trigger Date', a date on which 'price to put option' is the highest when compared with price to other put options and maturity price. ii. Identify a 'Call Trigger Date', a date on which 'price to call option' is the lowest when compared with price to other call options and maturity price. **iii.** In case no Put Trigger Date or Call Trigger Date ('Trigger Date") is available, then valuation would be done to maturity price. In case one Trigger Date is available, then valuation would be done as to the said Trigger Date. In case both Trigger Dates are available, then valuation would be done to the earliest date.

	If a put option is not exercised by a Mutual Fund when exercising such put option would have been in favour of the scheme, in such cases the justification for not exercising the put option shall be provided to the Board of AMC and Trustees.

7. Valuation and Disclosure of Upfront Fees:

In pursuance of para 10.1 of the SEBI circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 on Valuation of money market and debt securities, AMFI, vide its AMFI Best Practices Guidelines Circular No. 135/BP/83/2019-20 dated November 18, 2019, has issued the following guidelines for valuation of any upfront fee (or any other consideration, by whatever name called) received in a Mutual Fund scheme:

- Upfront fees on all trades (including primary market trades), by whatever name and manner called, would be considered by the valuation agencies for the purpose of valuation of the security.
- Details of such upfront fees should be shared by the AMCs on the trade date to the valuation agencies as part of the trade reporting to enable them to arrive at the fair valuation for that date.
- For the purpose of accounting, such upfront fees should be reduced from the cost of the investment in the scheme that made the investment.
- In case upfront fees are received across multiple schemes, then such upfront fees should be shared on a pro-rata basis across such schemes.