Valuation Policy

Applicable to

PPFAS Asset Management Private Limited

Version Control

Approver	Board of AMC and Trustee
Reviewed & Recommended By	Valuation Committee
Policy Approved	October 27, 2023
Policy Version	Twelve
Effective date	October 27, 2023
Policy Owner	Investment and Operation Team
Propriety	This document is the sole property of PPFAS Asset Management Private Limited. Any use or duplication of this document without express permission of management is strictly forbidden & illegal.

Index

1. Introduction

SEBI vide Gazette Notification no. LAD-NRO/GN/2011- 12/38/4290, dated February 21, 2012 amended Regulation 25, 47 and the Eighth Schedule titled ‘Investment Valuation Norms’ under SEBI (Mutual Funds) Regulations, 1996 (“the Regulations”) to introduce the overarching principles namely ‘Principles of Fair Valuation’ in order to ensure fair treatment to all investors (including existing as well as new investors) seeking to purchase or redeem the units of the scheme at all points of time. In the event of a conflict between the principles of fair valuation and valuation guidelines prescribed by SEBI under the regulations, the principles of fair valuation shall prevail. Further, SEBI vide circular dated September 24, 2019 also mandated that waterfall approach for valuation of debt and money market instruments followed by the valuation agencies for arriving at security level pricing shall also form part of valuation policy.

Further, AMFI has issued best practice guidelines circular no.135/BP/29/2012-13 dated May 15, 2012 on valuation methodology for valuing Debt and Money Market instruments thereby providing guiding principle for valuation. AMFI vide its circular dated November 18, 2019 has also prescribed waterfall mechanism to be followed by valuation agencies for valuation of money market and debt securities.

Based on the said amendment by SEBI, the Board of Directors of PPFAS Asset Management Private Limited and PPFAS Trustee Company Private Limited have adopted a comprehensive policy on investment valuation and procedures. Accordingly, the disclosure, inter-alia the security/ asset-wise valuation policy, procedures and methodology of PPFAS Mutual Fund is given below:

2. Policy, Procedure & Methodology for valuation of securities/assets

(i) The detailed security/ asset-wise valuation policy, procedure & methodology for each type of investment made by the schemes of PPFAS Mutual Fund is described in the appended table(s).

(ii) Investments in any new securities/assets (other than those mentioned in the appended table) shall be made only after the establishment of the valuation methodology as approved by the Board of Directors of PPFAS Asset Management Private Limited and PPFAS Trustee Company Private Limited.

(iii) The investments held by schemes of PPFAS Mutual Fund would normally be valued according to the Valuation Guidelines specified by SEBI from time to time. In case of any conflict between the Principles of Fair Valuation as detailed above and valuation guidelines specified by SEBI, the Principles of Fair Valuation shall prevail.

3. Term of Reference of Valuation Committee

The Valuation Committee shall be comprised of following members:

- The Chief Executive Officer
- The Chief Investment Officer
- The Chief Compliance Officer
- The Chief Financial Officer
- The Chief Operating Officer (COO) – Fund Accounting Operations
- Fund Managers

The chairperson of the committee shall be elected by the committee members from among themselves and the convenor of the meetings shall be the compliance team. The quorum of the meeting shall be the majority of the committee members present at the meeting.

3.1 Frequency, Minutes and Agenda of the meeting

The committee shall meet at least once in a quarter. The meeting may also be called by any committee member on an adhoc basis. The members of the committee may join the meeting either in person or through video conferencing or other audio-visual means.

The convenor of the meeting shall be responsible for the preparation and circulation of the minutes of the meetings in accordance with applicable law, regulation, policy, procedure, and/or other applicable regulatory requirements.

The convenor shall be responsible for preparing and circulating the agenda of the meeting in accordance with applicable law, regulation, policy, procedure, and/or other applicable regulatory requirements before the meeting of the Committee.

3.2 Roles and responsibilities of the committee

The following shall be the responsibilities of the valuation committee:

1. To provide guidelines for valuation of securities within the regulatory framework
2. To review the valuation of corporate action securities and ensure that the securities after corporate actions are valued as per applicable guidelines.
3. To review the regulatory updates / changes which are related to securities valuation.
4. To review the valuation policy and suggest changes as deemed fit to ensure compliance with applicable regulations and guidelines.
5. Appoint or recommend third-party agencies for valuation.

As prescribed by SEBI, valuation guidelines shall endeavor to adhere to the principles of fair valuation, in order to ensure that securities are valued at prices/yields that are close to realisable/market values.

4. Inter scheme Transfer

Inter-scheme transfers will be done in line with regulatory requirements and applicable internal policies as determined by the Valuation Committee. For more Details, (*refer* **Annexure I**)

5. Exceptional events

Given the exceptional nature of the events, it is not possible to define a standard methodology to be adopted for fair valuation of securities/assets for such events. The Board of Directors of PPFAS Asset Management Private Limited and PPFAS Trustee Company Private Limited have authorized the Valuation Committee to determine the exceptional events and devise the process to deal with the exceptional events. The exceptional events where current market information may not be available / sufficient for valuation of securities are classified as under:

1. Policy announcements by the Reserve Bank of India (RBI), the Government or any Regulatory body like (SEBI / IRDA / PFRDA).
2. Natural disasters or public disturbances that may impact the functioning of the capital markets.
3. Absence of trading in a specific security or similar securities.
4. Sufficient market information may not be available for the Valuation of Securities.
5. Valuation Agencies do not provide Valuation for Securities.
6. Significant volatility in the capital markets.
7. Deviation from the indicative haircuts and/or the valuation price

The above list is illustrative and not exhaustive. The Valuation Committee shall identify and monitor exceptional events and recommend appropriate procedures / methodologies with necessary guidance from the Board of Directors of PPFAS Asset Management Private Limited and PPFAS Trustee Company Private Limited., wherever required, and seek ratification of the same.

6. Deviation

Deviation in the valuation policy and procedures as stated above shall be allowed only with the prior approval of the Valuation Committee followed by reporting to the Board of Directors of PPFAS Asset Management Private Limited and PPFAS Trustee Company Private Limited. Such deviations shall be appropriately disclosed to the Investors as may be decided by the Valuation Committee.

7. Record Maintenance

PPFAS Asset Management Private Limited shall maintain and preserve documentation for valuation (including inter scheme transfers) either in electronic or physical form for a period of 8 years or such period as specified by SEBI from time to time.

8. Disclosure

In order to ensure transparency of valuation norms adopted by PPFAS Asset Management Private Limited, the investment valuation policy and procedures as adopted by PPFAS Asset Management Private Limited is disclosed on the website, http://amc.ppfas.com

9. Detailed security/ asset-wise valuation policy, procedure & methodology for Investments made by the PPFAS Mutual Fund:

9.1 Equity and equity related instruments including Currency Derivatives:

Security Type	Valuation Methodology
Listed Shares/ Preference Shares / Warrants/Rights	Valuation will be at the closing price on the principal stock exchange*. If a security is not traded on a principal stock exchange on a particular valuation day, the closing price at which it is traded on any other stock exchange will be used. If a security is not traded on any stock exchange on a particular valuation day, then price at which it is traded on the principal stock exchange or any other stock exchange*, as the case may be, on the earliest previous day will be used provided such date is not more than 30 days prior to the valuation date.
Thinly traded equity / equity -related security	Thinly traded securities will be valued at fair value as per procedures^ determined by the Valuation Committee.
Unlisted Shares/ Preference Shares / Warrants/Rights	Unlisted securities will be valued at fair value as per procedures** determined by the Valuation Committee.
Options	In case of Options, premium received/ paid is marked to market based on settlement price on the relevant stock exchange. If the settlement price is not available on the relevant stock exchange, then fair value as determined by the valuation committee shall be used.
Futures	Outstanding contracts in Futures are valued based on the settlement price on the relevant stock exchange. If the settlement price is not available on the relevant stock exchange, then the settlement price available on other stock exchange (NSE or BSE) of identical future contracts will be used for valuation. if the contracts are not identical then the fair value as determined by the valuation committee shall be used.

Initial public offering Application (IPO)	These shall be valued as below : (i) Prior to allotment – at the Bid Price. (ii) Post allotment but awaiting listing – at the allotment price
Equity shares invested as an Anchor Investor / under lock-in	At the discretion of the AMC and with the approval of the Valuation Committee, post listing, equity shares invested on an Anchor basis may be valued at a price lower than the listed market price available on NSE/BSE by applying a suitable illiquidity discount (If such shares are in lock-in period).
Convertible Debentures	The non-convertible and convertible components of convertible debentures and bonds shall be valued separately. The nonconvertible component would be valued on the same basis as would be applicable to a debt instrument. The convertible component shall 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 later instrument can be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding conversion. While valuing such instruments, the fact whether the conversion is optional will also be factored in.
Suspended Security	In case trading in an equity security is suspended up to 30 days, then the last traded price would be considered for valuation of that security. If an equity security remains suspended for trading on the stock exchange for more than 30 days, then it would be valued as non-traded security.
Security Lending & Borrowing (SLB)	Security Lending & Borrowing (SLB) will be valued on the basis of amortization.

* In case of non-availability of price from the principal stock exchange i.e. National Stock Exchange (NSE), prices as quoted on Bombay Stock Exchange (BSE) will be used for valuation purposes. For this purpose, only NSE & BSE shall be considered as the recognized stock exchanges.

i. Procedure & Methodology for valuation of thinly traded equity or non-traded equity^

Thinly traded equity/equity related securities are securities which do not have both a trading volume of 50,000 scrips and a trading amount of Rs. 5,00,000/- in a month. In order to determine whether a security is thinly traded, the volumes traded in NSE and BSE exchange shall be considered.

When a security (other than Government Securities, money market and debt securities) is not traded on any stock exchange for a period of thirty days prior to the valuation date, the security shall be treated as a non-traded security.

Thinly traded / non traded securities shall be valued in good faith on the basis of fair valuation principles as follows:

Net Worth Value per share of the company will be derived based on the latest available audited balance sheet, not more than 9 months from close of financial year, net worth per share shall be calculated as [share capital plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares.

Capital Earning Value per share of the company will be derived by capitalization of Earnings per Share based on the latest available balance sheet, with 25% of Average capitalization rate (P/E ratio) for the industry.

Average of Net Worth Value per share and Capital Earning Value per share thus derived, shall be further discounted by 10% for illiquidity to derive fair value of the thinly traded and non-traded security.

In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.

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.

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 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.

ii. Procedure & Methodology for valuation of unlisted equity securities**

Valuation of 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 capitalisation 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 capitalisation 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 per cent 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 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 in accordance with the procedure as mentioned above on the date of valuation. The AMCs and with the approval of the Trustees, may value at a price lower than the value derived using the above methodology.

iii. Procedure & Methodology for valuation of corporate action securities

On a corporate action, the above stated valuation guidelines may be difficult to adopt due to the non-availability of the balance sheet of the restructured entities in public domain or the resultant securities come up for listing after few days while the valuation required to be carried out effective on the date of the corporate action itself. Besides, in such case there are generally no comparative parameters readily available for carrying out the valuation exercise. Following broad valuation guidelines would be used for the valuation of securities resulting from the corporate actions:

Shares on De-merger and Other Corporate Action Events –

a. Both the shares are traded immediately on de-merger: In this case both the shares to be valued at respective traded prices.

b. Shares of only one company continued to be traded on de-merger: In such a scenario, the shares of Non Traded/Unlisted would be fairly valued in good faith by AMC on case to case basis. Traded share to be valued at traded price.

The shares of Resulting Company will be valued by residual price methodology which would be the closing value of the shares of De-merged Company on the day before the de-merger less opening value of the shares of De-merged Company immediately post de-merger.

If value of the shares of De-merged Company is equal or in excess of the value of pre de-merger shares, then the shares of Resulting Company will be valued at Zero.

c. In case there are more than one Resulting Companies along with the De-merged Company and all or some Resulting Companies are unlisted / non-traded:

The shares of Resulting Companies will be valued by residual price methodology as explained in point (b) above. The residual value will be allocated into Resulting Companies in the ratio provided as a part of scheme of arrangement or such other ratio as decided by the Valuation Committee. If one of the Resulting Companies is listed / traded, the residual value of unlisted / non-traded Resulting Companies would be further determined by reducing the traded value of listed Resulting Companies from the residual value computed as above.

d. Both the shares are not traded on de-merger: In such a scenario, the shares of both the companies would be fairly valued in good faith by AMC on case to case basis.

The traded value of the De-merged Company on the day before the de-merger will be allocated between De-merged Company and Resulting Companies in the ratio provided as a part of scheme of arrangement or such other ratio as decided by the Valuation Committee.

Cost allocation would be done proportionate to the derived value of the resultant scrips or other appropriate basis to be decided on case to case basis depending on the terms of de-merger.

The valuation committee may in specific cases decide to use a different method for valuation by assigning reasons therefore.

e. In case of merger, if the shares of the merged entity are not listed / traded, then valuation of the merged entity will be decided on case to case basis depending on the terms of merger and may be valued at previous day closing price of the respective companies prior to merger.

In case of any other type of capital corporate action event, the same to be valued at fair price on case to case basis.

iv. Preference Shares –

Preference share can be convertible or non- convertible. If the non-convertible preference shares are traded, then the closing price of the day will be considered for valuation. If the same is non-traded it will be valued at the present value of all the future expected dividend payments and the maturity value, discounted at the bond yield of the issuer.

The value of convertible preference share can be expressed as follows:

Convertible preference shares shall be valued based on the underlying equity. This value shall be further discounted for illiquidity to arrive at fair valuation. Traded convertible preference shares shall be valued based on the closing price.

v. Warrants –

Warrants will 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. The value arrived will be reduced by appropriate discount. Traded Warrants shall be valued based on the closing price.

vi. Right entitlements –

Right entitlements will be valued as difference between the value of closing price of the underlying equity share and the rights offer price. Right entitlements if traded will be valued at the closing price on Principal stock exchange (NSE). If the entitlements are not traded on NSE but are traded on any other stock exchange the closing price of the exchange where it traded will be considered for valuation.

Non traded rights entitlement will be valued as difference between the value of the underlying equity share (determined as per valuation policy) and the rights offer price. In case the rights offer price is greater than the ex-rights price, the value of the rights share is to be taken as zero.

9.2 Valuation of Money Market, Debt & Debt Related Instruments

Security Type	Valuation Methodology
Government securities (Including, STRIPS, State Development Loans, Treasury Bills and Cash Management Bills)	Irrespective of the residual maturity valuation shall be done at the average prices provided by AMFI approved agencies (CRISIL & ICRA) 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 the purchase yield on the date of allotment / purchase.
Debt Securities/ Instruments	Valuation will be done at the average prices provided by AMFI approved agencies (CRISIL & ICRA)

PPFAS MUTUAL FUND
There's only one right way

(Commercial Paper/ Certificate of Deposit /Bonds/ Zero Coupon Bonds / Bills Rediscounting /Floating rate securities /PTC etc.)	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 the purchase yield on the date of allotment / purchase.
Interest Rate Swaps (IRS) / Forward rate agreements (FRA)	All OTC derivatives viz. IRS/ FRA's will be valued at the average prices provided by AMFI approved agencies *(currently CRISIL and ICRA)*.
Overnight Money (TREPS/Reverse Repo/CDR)	Overnight money deployed for less than 30 days will be valued at cost plus the accrual / amortisation. Overnight money deployed for greater than 30 days will be valued at the average prices provided by AMFI approved agencies (*currently CRISIL and ICRA*). Whenever a security moves from 31 days residual maturity to 30 days residual maturity, the price as on 31st day would be used for amortization from 30th day. In case security level prices given by valuation agencies are not available for a new Reverse Repo (which is currently not held by any Mutual Fund), then such Reverse Repo may be valued at purchase yield on the date of purchase.
Investments in short-term deposits with banks	Investments in short-term deposits with banks will be valued at cost plus the accrual basis.
Interest rate future (IRF)	All IRFs will be valued at daily settlement price on exchange or any other recognized stock exchange i.e. NSE and BSE.

9.3 Valuation of Money market and Debt securities which are rated below investment grade:

A money market or debt security shall be classified as "below investment grade" if the long term rating of the security assigned 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, PPFAS Mutual Fund shall promptly inform 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.

In case of instruments with dual rating the same would be considered below investment grade if any of the rating agencies rating that instrument downgrades it to sub investment grade.

All money market and debt securities which are rated below investment grade shall be valued at the price provided by AMFI appointed valuation agencies (CRISIL/ICRA). 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 haircut 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 impact the haircuts.

9.3.1 Consideration of traded price for valuation:

In case of trades during the interim period between date of the credit event and receipt of valuation price from valuation agencies, AMC shall consider such traded price for valuation if it is lower than the price post standard haircut. The said traded price shall be considered for valuation till the valuation price is determined by the valuation agencies.

In case of trades after the valuation price is computed by the valuation agencies as referred above and where the trade price is lower than such computed price, such traded price shall be considered for the purpose of valuation and the valuation price may be revised accordingly.

The trades referred above shall be of a minimum size as determined by valuation agencies.

AMC may deviate from the indicative haircuts and/or the valuation price for money market and debt securities rated below investment grade provided by valuation agencies subject to the following:

- The detailed rationale for deviation from the price post haircut or price provided by the valuation agencies shall be recorded by the AMC.
- The rationale for deviation along with details such as information about the security (ISIN, issuer name, rating etc), price at which security was valued vis-a vis 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.
- The rationale for deviation along with details as mentioned above shall also be disclosed to the investors.

In abnormal situations, market disruptions etc. where current market information may not be obtainable and in case CRISIL and ICRA are unable to provide a security level price for any security on particular day(s), the fund manager(s) will, with the prior approval of Valuation Committee, value the securities appropriately to ensure true and fair valuation.

In case price is not provided by designated agencies, on the date of allotment of security, then:
a. In case of discounted securities, valuation shall be done at price derived by adding one-day amortisation to the allotment price;
b. In case of coupon bearing securities, valuation shall be done at allotment price

Beyond 3 business days from the date of allotment of the security, the valuation price would be determined by the Valuation Committee using principle of fair valuation. Necessary documentation shall be maintained in this regard, including method adopted along with the detailed computation of the fair price.

Brokerage shall be added to the Deal price to compute amortisation.

9.3.2 Treatment of accrued interest, future interest accrual and future recovery:

(i) 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.

9.3.3 Treatment of any future recovery 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.

9.3.4 Haircut Table: Standard haircut for sub-investment grade debt securities provided by valuation agencies and finalized by the AMFI Valuation Committee are as follow:

1. Haircuts for senior, secured securities

Rating/ Sector	Infrastructure, Real Estate, Hotels, Loan against shares and Hospitals	Other Manufacturing & Financial Institutions	Trading, Gems & Jewellery & Others
BB	15%	20%	25%
B	25%	40%	50%
C	35%	55%	70%
D	50%	75%	100%

2. Haircuts on subordinated and unsecured (or both) securities

Rating/ Sector	Infrastructure, Real Estate, Hotels, Loan against shares and Hospitals	Other Manufacturing & Financial Institutions	Trading, Gems & Jewellery & Others
BB	25%	25%	25%
B	50%	50%	50%
C	70%	70%	70%
D	100%	100%	100%

9.4 Valuation of Other securities:

Security Type	Valuation Methodology
Listed Mutual Funds Units	Valuation will be at the closing price at the principal stock exchange*. If units are not traded on principal stock exchange on a particular valuation day, the closing price on any other stock exchange where units are traded will be used. If units are not traded on any stock exchange on a particular valuation day, then NAV per unit will be used for valuation.
Unlisted Mutual Fund Units	Valuation will be based on Net Asset Value (NAV) of Mutual Fund units.
Listed Units of InvITs / REITs	The units of InvIT and REIT will be valued at the closing price at the principal stock exchange*. If units are not traded on principal stock exchange on a particular valuation day, the closing price on any other stock exchange where

PPFAS MUTUAL FUND There's only one right way®

	units are traded will be used. If units are not traded on any stock exchange on a particular valuation day, then closing price at which it traded on the principal stock exchange or any other stock exchange, as the case may be, on the earliest previous day will be used provided such date is not more than 30 days prior to valuation date.
Unlisted / Non-Traded Units of InvITs /REITs	Where units of InvIT and REIT are not traded on any stock exchange for a continuous period of 30 days then the valuation for such units of InvIT and REIT will be determined based on the procedure determined by Valuation Committee.
Units of Corporate Debt Market Development Fund (CDMDF),	Units of CDMDF, an Alternative Investment Fund (AIF) shall be valued based on the latest Net Asset Value ("NAV") per unit declared by the Investment Manager of CDMDF.

* In case of non-availability of price from the principal stock exchange for i.e. National Stock Exchange (NSE) on time, prices as quoted on Bombay Stock Exchange (BSE) will be used for valuation purposes.

9.5 Common note(s) for Valuation of Debt & Debt Related Instruments (as applicable):

A. Definition of non-traded, thinly traded and traded money market / debt security

(i) Traded and non-traded money market and debt securities shall be defined as follows:
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).

Marketable lot defined by AMFI in consultation with SEBI is as under: -
The following volume criteria shall be used for recognition of trades by valuation agencies:

Parameter	Minimum Volume of Criteria for marketable lot
Primary	INR 25 cr for both/ NCD/ CP/ CD and any other money market instruments
Secondary	INR 25 cr for CP/CD, T-Bills and any other money market instruments
Secondary	INR 5 cr for Bonds/ NCD/ G-Secs

(ii) 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.

B. Valuation of securities with Put/Call Options

The option embedded securities would be valued as follows:

i) Securities with Call Option:
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.

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.

ii) Securities with Put Option:

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.

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.

iii) Securities with both Put and Call Option:
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:
a) 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.
b) 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.
c) In case no Put Trigger Date or Call Trigger Date ('Trigger Date") is available, then the 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.

v) Any put option inserted subsequent to the issuance of the security shall not be considered for the purpose of valuation and original terms of the issue will be considered for valuation.

C. Treatment of Upfront Fees on Trades:

i) 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 security.

ii) Details of such upfront fees should be shared by the AMC 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.

iii) For the purpose of accounting, such upfront fees should be reduced from the cost of the investment in the scheme that made the investment.

iv) In case upfront fees are received across multiple schemes, then such upfront fees should be shared on a pro-rata basis across such schemes.

D. Segregate Portfolio valuation:

Notwithstanding the decision to segregate the debt and money market instrument in accordance with the SEBI Circular dated December 28, 2018, the valuation should consider the credit event and value the portfolio based on the principles of fair valuation. (i.e. realizable value of the assets) in terms of relevant provisions of SEBI (Mutual Funds) Regulation, 1996 and Circular(s) issued thereunder.

Irrespective of the above policy, the valuation committee might adopt valuation principles to align with fair valuation norms.

E. The Fund shall not use their own trades for valuation of debt and money market securities.

F. Impact of any Changes to terms of an investment:

(i) While making any change to terms of an investment, AMC shall adhere to the following conditions:
(a) Any changes to the terms of investment, which may have an impact on valuation, shall be reported to the valuation agencies immediately.
(b) Any extension in the maturity of a money market or debt security shall result in the security being treated as "Default", for the purpose of valuation.
(c) If the maturity date of a money market or debt security is shortened and then subsequently extended, the security shall be treated as "Default" for the purpose of valuation.
(d) Any put option inserted subsequent to the issuance of the security shall not be considered for the purpose of valuation and original terms of the issue will be considered for valuation.

G. Waterfall mechanism for valuation of money market and debt securities to the used by the valuation agencies (*Effective from February 16, 2020*):

For arriving at security level pricing, a waterfall mechanism to be used by valuation agencies as provided by AMFI in consultation with SEBI (*refer* **Annexure II)**.

H. (i) In case the valuation committee is of the opinion that the price feeds provided by AMFI appointed agencies are not provided or prices are not reflective of fair value/ realizable value of the security, the same shall be valued on the basis of guidelines provided by the valuation committee. In approving such valuations, the valuation committee shall follow the principles of fair valuation and provide suitable justification for the same.

(ii) 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 as per the valuation agencies and the impact of such deviation on scheme NAV (in amount and percentage terms) shall be reported to the Board of AMC and Trustees. The rationale shall also be disclosed immediately and prominently, under a separate head on the website of AMC.

9.6 Valuation of Foreign Securities:

The security issued outside India and listed on the stock exchanges outside India shall be valued as follows:
The security issued outside India and listed on the stock exchanges outside India shall be valued at the closing price on the stock exchange at which it is listed. However, in case a security is listed on more than one stock exchange, the AMC reserves the right to determine the stock exchange, the price of which would be used for the purpose of valuation of that security. Any subsequent change in the reference stock exchange used for valuation will be backed by reasons for such change being recorded in writing by the AMC. Further in case of extreme volatility in the overseas markets, the securities listed in those markets may be valued on a fair value basis.

For valuation of securities registered in the USA, NYSE has been selected as principal stock exchange. If any security is not listed on NYSE, security prices as quoted on NASDAQ will be considered. For securities registered in the UK, LSE (London Stock Exchange) has been selected as principal stock exchange. Securities prices quoted on LSE will be used for valuation purposes.

If a significant event has occurred after security prices were established for the computation of NAV of the Scheme, the AMC reserves the right to value the said securities on fair value basis. When on a particular valuation day, a security has not been traded on the selected stock exchange; the security will be valued in accordance with SEBI guidelines applicable for security listed in India.

Foreign securities shall be valued based on the same day closing price.

On the valuation day, all assets and liabilities denominated in foreign currency will be valued in Indian Rupees at the exchange rate available on Bloomberg. If the exchange rate is not available on Bloomberg then the RBI reference rate will be considered. The Trustees reserve the right to change the source for determining the exchange rate.

9.7 Valuation of IDR/ADR/ GDR:

IDR/ADR/GDRs are exchange traded securities and hence closing price of the IDR/ADR/ GDR on the exchange where it is listed will be taken for valuation purpose.

If any American Depository Receipt (ADR)/ Global Depository Receipt (GDR) is traded in OTC (Over the Counter) market, in such cases closing price in OTC market will be considered for valuation of ADR/GDR.

IDR/ADR/GDRs securities shall be valued based on the same day closing price.

10 Policy Changes and update

This policy will incorporate any regulatory injunctions from time to time and may undergo minor changes from time to time and any such changes / updates to the policy will be carried out post the approval of the Valuation Committee. The Policy shall be approved by the Boards of AMC and Trustee and shall be reviewed at least annually.

In case there are no changes in the policy from the review conducted, the same should be adequately documented by the policy owner.

11 Effective date

This policy will be effective from October 27, 2023 and will override the policy dated July 01, 2023.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY

Annexure I

Policy on Inter scheme transfer(s):

Security Type	Inter scheme Policy
Listed Equity Shares	Last traded price to be considered for Inter scheme security quoted on primary stock exchange. In case the last traded price is not available on primary stock exchange then secondary stock exchange price will be considered.
Debt & Money Market Securities (Government Securities/ Treasury bills/ Commercial Paper/ Certificate of Deposit / Bonds/Zero Coupon Bonds/ Bills/Floating rate securities/Securitization, etc.)	i. IST of Securities will be done as per the average prices provided by AMFI approved agencies currently CRISIL & ICRA. ii. If prices from the valuation agencies are received within the pre agreed TAT as per AMFI, an average of the prices so received shall be used for IST pricing. iii. If price from only one valuation agency is received, that price may be used for IST pricing. iv. If prices are not received from any of the valuation agencies, AMC may determine the price for the IST, in accordance with Clause 3 (a) of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996

Annexure II

Waterfall Mechanism for Valuation of Money market, Debt and Government securities:

SEBI vide circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 has laid down broad principles for considering the traded yields for valuation of Debt, money market and government securities. The said circular prescribes AMFI shall ensure valuation agencies have a documented waterfall approach for valuation of Debt & money market securities.

The extract from AMFI best practices circular (135/BP/83/2019-20) dated November 18, 2019 pertaining to the waterfall mechanism is as under:

Part A: Valuation of Money Market and Debt Securities other than Government Securities ("G-Secs"):

1. **Waterfall Mechanism for valuation of money market and debt securities:**

The following shall be the broad sequence of the waterfall for valuation of money market and debt securities:

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
It is understood that there are certain exceptional events, occurrence of which during market hours may lead to significant change in the yield of the debt securities. Hence, such exceptional events need to be factored in while calculating the price of the securities. Thus, for the purpose of calculation of VWAY of trades and identification of outliers, on the day of such exceptional events, 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.

2. Definition of tenure buckets for Similar Maturity

When a trade in the same ISIN has not taken place, reference should be taken to trades of either the same issuer or a similar issuer, where the residual tenure matches the tenure of the bond to be priced. However, as it may not be possible to match the exact tenure, it is proposed that tenure buckets are created and trades falling within such similar maturity be used as per table below.

Residual Tenure of Bond to be priced	Criteria for similar maturity
Upto 1 month	Calendar Weekly Bucket

Greater than 1 month to 3 months	Calendar Fortnightly Bucket
Greater than 3 months to 1 year	Calendar Monthly Bucket
Greater than 1 year to 3 years	Calendar Quarterly Bucket
Greater than 3 years	Calendar Half Yearly or Greater Bucket

In addition to the above:

a. In case of market events, or to account for specific market nuances, valuation agencies may be permitted to vary the bucket in which the trade is matched or to split buckets to finer time periods as necessary. Such changes shall be auditable. Some examples of market events / nuances include cases where traded yields for securities with residual tenure of less than 90 days and more than 90 days are markedly different even though both may fall within the same maturity bucket, similarly for less than 30 days and more than 30 days or cases where yields for the last week v/s second last week of certain months such as calendar quarter ends can differ.

b. In the case of illiquid/ semi liquid bonds, it is proposed that traded spreads be permitted to be used for longer maturity buckets (1 year and above). However, the yield should be adjusted to account for steepness of the yield curve across maturities.

c. The changes / deviations mentioned in clauses (a) and (b) above, should be documented, along with the detailed rationale for the same. Process for making any such deviations shall also be recorded. Such records shall be preserved for verification.

3. Process for determination of similar issuer

Valuation agencies shall determine similar issuers using one or a combination of the following criteria. Similar issuer do not always refer to issuers which trade at same yields, but may carry spreads amongst themselves & move in tandem or they are sensitive to specific market factor/s hence warrant review of spreads when such factors are triggered.

i. Issuers within same sector/industry and/or
ii. Issuers within same rating band and/or
iii. Issuers with same parent/ within same group and/or
iv. Issuers with debt securities having same guarantors and/or
v. Issuers with securities having similar terms like Loan Against Shares (LAS)/ Loan Against Property (LAP)

The above criteria are stated as principles and the final determination on criteria, and whether in combination or isolation shall be determined by the valuation agencies. The criteria used for such determination should be documented along with the detailed rationale for the same in each instance. Such records shall be preserved for verification. Similar issuers which trade at same level or replicate each other's movements are used in waterfall approach for valuations. However, similar issuer may also be used just to trigger the review of spreads for other securities in the similar issuer category basis the trade/news/action in any security/ies within the similar issuer group.

4. Recognition of trades and outlier criteria

i. Volume criteria for recognition of trades (marketable lot)

As required under Para 1.1.1.1(a) of SEBI vide circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 on Valuation of money market and debt securities, prescribes that the marketable lots shall be defined by AMFI, in consultation with SEBI. In this regard, marketable lot is defined as under.

The following volume criteria shall be used for recognition of trades by valuation agencies:

Parameter	Minimum Volume Criteria for marketable lot
Primary	INR 25 Cr. for both Bonds/NCD/CP/ CD and other money market instruments
Secondary	INR 25 Cr. for CP/ CD, T-Bills and other money market instruments
Secondary	INR 5 Cr. for Bonds/NCD/ G-secs

Trades not meeting the minimum volume criteria i.e. the marketable lot criteria as stated above shall be ignored.

ii. Outlier criteria

It is critical to identify and disregard trades which are aberrations, do not reflect market levels and may potentially lead to mispricing of a security or group of securities. Hence, the following broad principles would be followed by valuation agencies for determining outlier criteria.

a. Outlier trades shall be classified on the basis of liquidity buckets (Liquid, Semi-liquid, Illiquid). Price discovery for liquid issuers is generally easier than that of illiquid issuers and hence a tighter pricing band as compared to illiquid issuers would be appropriate.

b. The outlier trades shall be determined basis the yield movement of the trade, over and above the yield movement of the matrix. Relative movement ensures that general market movements are accounted for in determining trades that are outliers. Hence, relative movement over and above benchmark movement shall be used to identify outlier trades.

c. Potential outlier trades which are identified through objective criteria defined below will be validated through polling from market participants. Potential outlier trades that are not validated through polling shall be ignored for the purpose of valuation.

d. The following criteria shall be used by valuation agencies in determining Outlier Trades

Liquidity Classification	Bps Criteria (Yield movement over Previous Day yield after accounting for yield movement of matrix)		
	Upto 15 days	**15-30 days**	**Greater than 30 days**
Liquid	30 bps	20 bps	10 bps
Semi-liquid	45 bps	35 bps	20 bps
Illiquid	70 bps	50 bps	35 bps

The above criteria shall be followed consistently and would be subject to review on a periodic basis by valuation agencies and any change would be carried in consultation with AMFI.

e. In order to ensure uniform process in determination of outlier trades the criteria for liquidity classification shall be as detailed below.

Liquidity classification criteria — Liquid, semi-liquid and Illiquid definition

Valuation agencies shall use standard criteria for classifying trades as Liquid, Semi-Liquid and illiquid basis the following two criteria.

a. Trading Volume
b. Spread over reference yield.

Such criteria shall be reviewed on periodic basis in consultation with AMFI.

Trading Volume (Traded days) based criteria:
Number of unique days an issuer trades in the secondary market or issues a new security in the primary market in a calendar quarter.

- Liquid → >= 50% of trade days
- Semi liquid → > = 10% to 50% trade days
- Illiquid → <10 % of trade days

Spread based criteria:
Spread over the matrix shall be computed and based on thresholds defined, issuers shall be classified as liquid, semi liquid and illiquid. For bonds thresholds are defined as up to 15 bps for liquid; >15-75 bps for semi-liquid; > 75 bps for illiquid. (Here, spread is computed as average spread of issuer over AAA Public Sector Undertakings/Financial Institutions/Banks matrix), For CP/ CD- up to 25 bps for liquid; >25-50 bps for semiliquid; > 50 bps for illiquid. (Here, spread is computed as average spread of issuer over A1+/AAA CD Bank matrix).

The thresholds shall be periodically reviewed and updated having regard to the market.

The best classification (liquid being the best) from the above two criteria (trading volume and spread based) shall be considered as the final liquidity classification of the issuer. The above classification shall be carried out separately for money market instruments (CP/ CDs) and bonds.

5. **Process for construction of spread matrix:**

Valuation agencies shall follow the below process in terms of calculating spreads and constructing the matrix.

Step 1	**Segmentation of corporates –** The entire corporate sector is first categorised across following four sectors i.e. all the corporates will be catalogued under one of the below mentioned bucket: 1. Public Sector Undertakings/Financial Institutions/Banks; 2. Non-Banking Finance Companies -except Housing Finance Companies; 3. Housing Finance Companies; 4. Other corporates
Step 2	**Representative issuers –** For the aforesaid 4 sectors, representative issuers (Benchmark Issuers) shall be chosen by the valuation agencies for only higher rating {I.e. "AAA" or AA+). Benchmark/Representative Issuers will be identified basis high liquidity, availability across tenure in AAA/AA+ category and having lower credit/liquidity premium. Benchmark Issuers can be single or multiple for each sector. It may not be possible to find representative issuers in the lower rated segments, however in case of any change in spread in a particular rating segment, the spreads in lower rated segments should be suitably adjusted to reflect the market conditions. In this respect, in case spreads over benchmark are widening at a better rated segment, then adjustments should be made across lower rated segments, such that compression of spreads is not seen at any step. For instance, if there is widening of spread of AA segment over the AAA benchmark, then there should not be any compression in spreads between AA and A rated segment and so on.
Step 3	**Calculation of benchmark curve and calculation of spread —** 1. Yield curve to be calculated for representative issuers for each sector for

	maturities ranging from 1 month till 20 years and above. 2. Waterfall approach as defined in Part A (1) above will be used for construction of yield curve of each sector. 3. In the event of no data related to trades/primary issuances in the securities of the representative issuer is available, polling shall be conducted from market participants. 4. Yield curve for Representative Issuers will be created on daily basis for all 4 sectors. All other issuers will be pegged to the respective benchmark issuers depending on the sector, parentage and characteristics. Spread over the benchmark curve for each security is computed using latest available trades/primaries/polls for respective maturity bucket over the Benchmark Issuer. 5. Spreads will be carried forward in case no data points in terms of trades/primaries/polls are available for any issuer and respective benchmark movement will be given.
Step 4	1. The principles of VWAY, outlier trades and exceptional events shall be applicable while constructing the benchmark curve on the basis of trades/primary issuances. 2. In case of rating downgrade/credit event/change in liquidity or any other material event in Representative Issuers, new Representative Issuers will be identified. Also, in case there are two credit ratings, the lower rating to be considered. 3. Residual tenure of the securities of representative issuers shall be used for construction of yield curve.

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

The following is the waterfall mechanism for valuation of Government securities:

- VWAY of last one hour, subject to outlier validation
- VWAY for the day (including a two quote, not wider than 5 bps on NDSOM), subject to outlier validation
- Two quotes, 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.