

SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

INVESTMENT VALUATION MANUAL

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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 around 6.5 million customers catered through a network of over 2000 branches, over 33000 employees and 110000 agents. They were 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.

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 > 60 days (except for G-Sec and T Bills)	
Maturity ≤ 60 days (except for G-Sec and T Bills)	
T Bills Maturity ≤ 60 days	
T Bills Maturity >60 days	
c) Thinly Traded Instruments	
d) Specific Securities	
G-Sec - Any Maturity	
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) Others:	
a) Bank Fixed Deposit, CBLO / Reverse Repo	
b) Mutual Fund Units (Indian)	
c) Securities not covered under the current valuation policy	

VALUATION METHODOLOGY

1) Valuation of Debt & Money Market Instruments

a) Traded Instruments

Assets	Methodology
Maturity > 365 days (except for G-Sec)	<p>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</p> <p>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.</p> <p>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</p> <p>Inter- scheme trades are also considered as AMC's own trades provided it conforms to the above criteria.</p> <p>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</p> <p>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.</p>
Maturity > 60 days and ≤ 365 days	Valuation methodology same as that for maturity > 365 days (except for G-Sec) except for the

<p>(except for G-Sec and T Bills)</p>	<p>qualification criteria.</p> <p>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.</p> <p>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.)</p> <p>Inter- scheme trades are also considered as AMC's own trades provided it conforms to the above criteria.</p>
<p>Maturity ≤ 60 days (except for G-Sec and T Bills)</p>	<p>Valuation methodology same as that for maturity > 60 days and ≤ 365 days (except for G- Sec and T Bills).</p>
<p>Treasury Bills</p>	<p>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).</p> <p>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.</p> <p>T-bill purchased before issue date is valued at cost prices prior to issue date.</p>
<p>Securities with Put/Call Options</p>	<p>The option embedded securities would be valued as follows:</p> <p><u>Securities with call option</u></p> <ol style="list-style-type: none"> 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.

	<p><u>Securities with Put option</u></p> <p>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.</p> <p>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.</p> <p><u>Securities with both Put and Call option on the same day</u></p> <p>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.</p>
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	<p>(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.</p> <p>(b) Periodical cash flow is considered for valuation of security.</p>
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

Assets	Methodology				
<p>Maturity > 60 days (except for G-Sec and T Bills)</p>	<p>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.</p> <p>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.</p> <p>The Yields for pricing the non traded debt security would be arrived at using the process as defined below.</p> <p>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.</p> <p>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.</p> <p>Step 3: The yields as calculated above are Marked-up/Marked down for ill-liquidity risk</p> <p>Step 4: The Yields so arrived are used to price the portfolio.</p> <p><u>Mark-up/Mark-down Yield</u></p> <p>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:</p> <p>a. Adjustments for Securities rated by external rating agencies</p> <table border="1" data-bbox="684 1312 1837 1344"> <thead> <tr> <th data-bbox="684 1312 1068 1344">Category</th> <th data-bbox="1068 1312 1837 1344">Discretionary mark up/mark down</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> </tr> </tbody> </table>	Category	Discretionary mark up/mark down		
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 years	Discretionary discount of up to +50 bps over and above mandatory discount of +50 bps
Unrated instruments with duration over 2 years	Discretionary discount of up to +50 bps over and above mandatory discount of +25 bps

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.

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 ≤ 60 days (except for G-	Instruments may be valued by amortization on a straight-line basis to maturity from cost or last
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Sec and T Bills)	<p>valuation price whichever is more recent as long as it is within $\pm 0.10\%$ of the reference price. The reference price is the price derived from benchmark yield \pm spreads on account of trade. Bench mark yield will be provided by CRISIL or any other independent agencies as may be appointed by AMFI from time to time.</p> <p>In case such variance exceeds $\pm 0.10\%$, the valuation shall then be adjusted to bring it within $\pm 0.10\%$ such that :</p> <p>If the amortized price is greater than the reference price $+0.10\%$, the valuation shall be done at reference price $+0.10\%$, or within the band of reference price $+0.10\%$ with proper justification for the same.</p> <p>If the amortized price is less than the reference price $- 0.10\%$, the valuation shall be done at reference price $- 0.10\%$, or within the band of reference price -0.10% with proper justification for the same.</p> <p>Traded prices are to be used for construction of the benchmark yield curve. The yield curve will be provided by CRISIL or any other independent agencies as may be appointed by AMFI.</p> <p>At the time of first purchase the spread between the purchase yield and the benchmark yield should be fixed. This spread should remain fixed through the life of the instrument & should be changed only if there is a justification for the change and the justification for the same should be recorded.</p> <p>Wherever security has moved off from 61 days residual maturity category to 60 days residual maturity category then the 'valuation yield' of the 61st day shall be compared with the 'reference yield' and thereafter the spread will be fixed.</p>
T Bills Maturity \leq 60 days	Security will be valued by amortisation
T Bills Maturity $>$ 60 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.

	<p>Following provision shall be followed for valuation of all non traded Non Government debt instruments:</p> <ol style="list-style-type: none"> 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. <p>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.</p>
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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.

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

Assets	Methodology
<p>Traded Securities - equity / equity related security (such as convertible debentures, equity warrants, etc.)</p>	<p>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).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>Thinly Traded Securities</p>	<ol style="list-style-type: none"> 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

	<p>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.</p> <p>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.</p>
Suspended equity securities	<p>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.</p>
Non-traded / thinly traded equity securities	<p>Based on the latest available Balance Sheet, Net Worth shall be calculated as follows:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>d. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning.</p> <p>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.</p>

	<p>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.</p> <p>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.</p>
<p>Unlisted Equity Shares</p>	<p>To ensure uniformity in calculation of NAV the following guidelines are issued:</p> <p>Methodology for Valuation - unlisted equity shares of a company shall be valued "in good faith" as below:</p> <p>a. Based on the latest available audited balance sheet, Net Worth shall be calculated as the lower of item (1) and (2) below:</p> <ol style="list-style-type: none"> 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.

	<p>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.</p> <p>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.</p> <p>The above valuation methodology shall be subject to the following conditions:</p> <p>a. All calculations shall be based on audited accounts.</p> <p>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.</p> <p>c. If the Net Worth of the company is negative, the share would be marked down to zero.</p> <p>d. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.</p> <p>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.</p> <p>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.</p>
Equity and Equity related securities under lock in period / pending listing	<p>a. Illiquidity discount will be Nil for securities where the lock-in is less than 3 months.</p> <p>b. If the lock-in period for these securities is greater than 3 months, then the Valuation Committee</p>

	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	<p>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.</p> <p>b) In case the warrants are traded separately</p>

<p>Value of “Rights” entitlement</p>	<p>a) Until they are traded, the value of the “rights” entitlement would be calculated as:</p> <p style="padding-left: 40px;"> $V_r = n/m \times (P_{ex} - P_{of})$ where V_r = Value of rights n = no. of rights Offered m = no. of original shares held P_{ex} = Ex-Rights price P_{of} = Rights Offer price </p> <p>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.</p> <p>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.</p> <p>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</p>
<p>Foreign Securities (other than units of overseas mutual funds / unit trusts which are not listed), IDR:</p>	<p>American Depository Receipt / Global Depository Receipt and all overseas securities:</p> <p>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.</p> <p>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.</p> <p>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.</p>

	<p>Indian Depository Receipt:</p> <p>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.</p>
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:	<p>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.</p> <p>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.</p> <p>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.</p>
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)	<p>Merger:</p> <p>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</p>

	<p>added to the cost of company "Y" shares.</p> <p>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.</p> <p>Demerger:</p> <p>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.</p>
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)	<p>Inter-scheme price will be weighted average traded price available on public platform.</p> <p>Instruments shall be valued at the weighted average price (WAP) at which they are traded/reported on the</p>	Valuation methodology same as that for traded security with maturity ≤ 60 days (except for G-Sec and T Bills)

	<p>particular valuation day on available public platforms i.e. FIMMDA/NSE/BSE</p> <p>An instrument will be considered for valuation as traded security if traded prices are available subject to the fulfillment of the following condition:</p> <p>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.</p> <p>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:</p> <p>Instruments maturing less than 60 Days – a single trade of Rs.5.00 crores or more</p> <p>If the AMC's own trade(s) also do not satisfy the criteria, then the security will be treated as "Not Traded".</p>	
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
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Maturity ≤ 60 days (except G-Sec and T Bills)	<p>(1) Previous day's Reference price from Bond Valuer.</p> <p>(2) Till the Bond Valuer is able to provide the reference price for these securities, we will obtain the price from CRISIL.</p>	<p>(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).</p> <p>(2) The price obtained from CRISIL will be adjusted for accruals for the day.</p>
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 and T Bills)	Previous day's closing price	Same as above

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	<p>Previous day's average of the security level prices received from CRISIL or any other agency.</p> <p>Where the prices from CRISIL or any other agency are not available, then</p> <p>(A) If the security is traded, the inter-scheme price will be weighted average traded price available on the CCIL website*.</p>	<p>(A) If the security is traded, the valuation methodology will be same as traded T Bill with maturity ≤ 60 days</p> <p>(B) If the security is not traded, the valuation methodology will be same as non traded T Bill with maturity ≤ 60 days</p>

	<p>Qualification criteria for considering the trades – at least three trades aggregating to Rs.100 crores or more.</p> <p>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.</p> <p>If the AMC's own trade(s) also do not satisfy the criteria, then the security will be treated as 'Non Traded'.</p> <p>(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.</p> <p>*If the data is not available on CCIL website, the same will be sourced from NDS-OM and PDO-NDS.</p>	
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4) Othres:

Assets	Methodology
a) Bank Fixed Deposit, CBLO / Reverse Repo	Investments in CBLO, Reverse Repo and Fixed deposits with banks will be valued at cost plus accrual basis less prepayment penalty if any.

b) Mutual Fund Units (Indian)	<p>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).</p> <p>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.</p> <p>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.</p>
c) Securities not covered under the current valuation policy	<p>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.</p>