Baroda BNP PARIBAS MUTUAL FUND

Valuation Policy

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1 Introduction

The Securities and Exchange Board of India (SEBI) has outlined investment valuation norms and accounting policies under SEBI (Mutual Funds) Regulations, 1996 (the Regulations) as amended from time to time. The Investment Valuation Norms are prescribed in the Eighth Schedule of the Regulations (regulation 47) and circulars issued by SEBI from time to time. Further, SEBI has amended Regulation 47 and the Eight Schedule vide a gazette notification no. LAD-NRO/GN/2011-12/38/4290 dated February 21, 2012 and has introduced overriding guiding principles in the form of "Principles of Fair Valuation".

The amended regulation requires that Mutual Funds shall follow principles of fair valuation to minimize the difference in valuation of mutual fund assets relative to market values and also to enable fair treatment across all classes of investors i.e. existing investors as well as investors seeking to subscribe or redeem units.

It further prescribes that the valuation of investments shall be based on the principles of fair valuation i.e. the valuation shall be reflective of the realizable value of securities/ assets. The valuation shall be done in good faith and in a true and fair manner through appropriate valuation policies and procedures as approved by the Board of AMC. The valuation policies and procedures approved by the Board of AMC should seek to address conflict of interest.

The amendment also states that in case of any conflict between the principles of fair valuation and valuation guidelines as per Eighth Schedule and circulars issued by SEBI, the Principles of Fair Valuation shall prevail.

This Policy reflects the guiding principles to ensure fair valuation of all securities under the Schemes to comply with the amended Regulation 47 and the Eight Schedule relating to valuation of investments on February 21, 2012 and February 28, 2012.

Further, in accordance with para 6.1.3 of SEBI Master Circular SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023, every AMC should formulate Valuation Committee to review investment valuation practices.

2 Scope and Objective

- Defining valuation procedures / methodologies for various types of securities;
- To ensure appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities;
- Valuation of securities / assets in the event of an inter scheme transfer;

- Review of valuation policies and procedures and reporting to the various stakeholders;
- Recording of deviations from established policies and procedures and rationale for same;
- Dealing with conflict of interests (including potential conflict of interest) which has / may have a bearing on valuation of securities;
- Valuation of securities / assets during exceptional events;
- Ensure transparency by making appropriate disclosures.

3 Valuation Methodologies

- Investment in any new type of security shall be made only after establishment of the valuation methodology for such security with the approval of the Board of Directors of AMC.
- Valuation price of the security; arrived as per the policy; shall be applied consistently across the portfolios. In other words; any particular security shall be valued at same price across all the portfolios and it cannot have different prices for valuation on a particular day.
- In case there are multiple / dual credit ratings for the same company, the lowest among the same shall be considered for valuation purpose; provided the structures of the instruments under consideration are similar.
- Where it is observed that Valuation methodology mentioned below, does not lead to fair valuation of securities, Valuation Committee may on a prospective basis deviate from the defined methodology and adopt such alternate procedures / methods in conformance with the guiding principles of fair valuation in good faith to arrive at the true and fair estimation of the realizable value of the security. The rationale for any such deviations would be recorded in writing and placed before the Board of Directors of the AMC and the Trustee.

VALUATION METHODOLOGIES

Asset Class	Traded/ Non Traded/ Listed/ Unlisted	Valuation Methodology
Equity Shares, Normal Preference Shares and Cumulative Convertible Preference Shares	**Traded**	Traded Securities are to be valued at the last quoted closing price on the primary Stock Exchange (NSE). If a security is not traded on NSE on a particular valuation day, the close price at which it is traded on BSE shall be considered. When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to valuation date.
	Thinly Traded/ Non-Traded	**Thinly Traded:** Any security which does not have trading volume of 50,000 scrip's and trading amount of Rs 5,00,000/- during a period of thirty days shall be categorized as thinly traded scrip **Non Traded:** If the equity securities are not traded on NSE and BSE for a period of thirty days prior to the valuation date, the scrip must be treated as `non-traded' scrip. If the security is not traded either on NSE and BSE, the earliest previous day's close price shall be used, provided such day is not more than thirty days prior to the valuation date. Thinly traded/ Non-traded securities shall be valued "in good faith" by the AMC on the basis of the valuation principles laid down below: Based on the latest available Balance Sheet, net worth shall be calculated as follows: a) Net Worth per share = [Share Capital+ Reserves (excluding Revaluation Reserves) – Misc. expenditure and Debit Balance in P&L A/c] Divided by Number of Paid up Shares. b) Average capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any

		noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalization rate (P/E ratio). Earnings per share (EPS) of the latest audited annual accounts will be considered for this purpose. c) Management to evaluate impact on valuation of thinly traded/non traded equity investments if there are qualification in the auditor's report d) 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% for ill-liquidity so as to arrive at the fair value per share. e) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning. f) 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. g) 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 should 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. <u>Preference Shares</u> Non-traded preference shares should be valued in good faith depending upon the type of the preference share and after considering illiquidity discount, if any.
	<u>Unlisted Equity Shares</u>	These guidelines are similar to the guidelines issued by SEBI for non-traded / thinly traded securities mentioned above except the following: Computation of Net worth per share as lower of (i) and (ii): (i) Net worth of the company = Paid up share capital + Reserves other than Revaluation reserve - Miscellaneous expenditure not written off or deferred

		revenue expenditure, intangible assets and accumulated losses / Number of Paid up Shares (ii) Net worth of the company = Paid up capital + Consideration on exercise of Option/Warrants received/receivable by the company + free reserves other than Revaluation reserve – Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses / {Number of paid-up shares + number of shares that would be obtained on conversion/exercise of outstanding warrants and options}. If the net worth of the company is negative, the share should be marked down to Zero. a) Average capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which should 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 of the latest audited annual accounts will be considered for this purpose. b) 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. c) Computation of fair value per share to be considered for valuation at 15 % discount for illiquidity. [(Net worth per share + Capitalized value of EPS) / 2] * 0.85 The above valuation methodology shall be subject to the following conditions: a. All calculations shall be based on audited accounts. Management to evaluate impact on valuation of thinly traded/non-traded equity investments if there are qualification in the auditor's report

		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 capitalized 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. An unlisted equity share may be valued at a price lower/higher than the value derived using the aforesaid methodology, as per the procedures determined by the Valuation Committee.
Partly Paid-up Equity Shares	**<u>Traded</u>**	If the partly paid-up equity shares are traded in market separately then the same shall be valued at traded price (like any other equity instrument).
	<u>Non Traded</u>	Non-traded partly paid-up equity shares shall be valued at Underlying Equity price as reduced by the balance call money payable or zero, whichever is higher.
Right Shares	**Traded:** **Non Traded/Unlisted/Thinly Traded**	*If the rights are traded, then the traded price will be considered for valuation.* **Thinly Traded:** Any security which does not have trading volume of 50,000 scrip’s and trading amount of Rs 5,00,000/- during a period of thirty days shall be categorized as thinly traded scrip **Non Traded:** If the equity securities are not traded on NSE and BSE for a period of thirty days prior to the valuation date, the scrip must be treated as `non-traded' scrip.

		Valuations of non-traded/thinly traded/Unlisted rights entitlement, SEBI Regulations have explained this with the help of following formula: Vr = n/m * (Pex – Pof) Where Vr = Value of Rights n = Number of rights offered m = Number of original shares held Pex = Ex-right price Pof = Rights offer price The following issues while valuing the rights entitlements have to be addressed: a) In case original shares on which the right entitlement accrues are not traded on the Stock Exchange, right entitlement should be valued at zero b) When rights are not treated pari passu with the existing shares such as, restrictions with regard to dividend etc., suitable adjustment should be made by way of a discount to the value of rights at the last dividend announced rate. c) Where right entitlements are not subscribed to but are to be renounced, and where renouncements are being traded, the right entitlements have to be valued at traded renunciation value. d) Where right entitlements are not traded and it is decided not to subscribe the rights, the right entitlements have to be valued at zero. e) 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.
Warrants	**<u>Traded</u>**	Traded warrants are to be valued at the last quoted closing price on the primary Stock Exchange (NSE). If a security is not traded on NSE on a particular valuation day, the close price at which it is traded on BSE shall be considered.

		When a warrant is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to valuation date.
	Non Traded	In respect of warrants to subscribe for shares attached to instruments, the warrants can 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. If the amount payable on exercise of the warrants is higher than the value of the share, the value of the warrants should be taken as zero. Value of Warrant =Max [(Price of Underlying Security - Exercise Price), 0] An illiquidity discount, as appropriate shall be taken into account for valuation.
Application Money for Primary Market Issue		Application money should be valued at cost up to allotment. Equity securities allotted and proposed to be listed, but not listed, are to be valued at cost till listing.
Qualified Institutional Placement (QIP) / Follow on Public Offer		The equity shares allotted through QIP process should be considered on the same lines as the existing listed equity shares and hence should be valued at the market/traded price of the existing listed equity shares.
Suspended security		In case trading in an equity security is suspended upto 30 days, then the last traded price would be considered for valuation of that security. If an equity security is suspended for more than 30 days, then it would be considered as non-traded and valued accordingly. In case the price used for valuation is different from the arrived price using said methodology, the same needs to be approved by Valuation Committee.

Shares tendered for Buy-back		On tendering the shares for buyback: Valued normally at the NSE/BSE closing price. Acceptance of offer: On receipt of the information from the custodian / company, the quantity accepted would be removed from the holding at the buyback price.
Valuation of Shares on Merger		In case of merger, if the shares are traded, the traded price will be considered for valuation. 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 by the Valuation Committee depending on the terms of merger or may be valued at previous day's closing price of the respective companies prior to merger.
Valuation of shares on De-merger		<u>Both the shares are traded immediately on de-merger</u>- In this case both the shares are valued at respective traded prices. <u>Shares of only one company continued to be traded on de-merger</u>- Traded shares are to be valued at traded price and the non-traded/unlisted shares are to be valued at traded value on the day before the de merger less the opening value of traded security post de-merger. In case value of the share of de-merged company is equal or in excess of the value of the pre de-merger share, then the non-traded share is to be valued at zero. <u>Both the shares are not traded on de-merger</u>- Shares of de-merged companies are to be valued equal to the pre de merger value up to a period of 30 days from the date of demerger. The market price of the shares of the de-merged company one day prior to ex-date can be bifurcated over the de-merged shares. The market value of the shares can be bifurcated on an appropriate basis in the ratio of cost of shares, proportion of net worth or any other measure, as per the decision of the Valuation Committee. In case shares of both the companies are not traded for more than 30 days, these are to be valued as unlisted security or Valuation Committee shall provide the fair valuation for the same.

		Other corporate action events In case of any other type of capital corporate action event, the same shall be valued at fair price, on case to case basis, as may be determined by the Valuation Committee.
Debt & Money Market instruments (including Bills Rediscounting Deposit Scheme, Additional Tier I bonds and Tier 2 bonds issued under Basel III framework, Perpetual Bonds, Debt Instrument like subordination to equity, convertible to equity upon trigger of a pre-specified event until converted to equity**)**	**Traded/Non Traded**	Irrespective of the residual maturity these securities will be valued at average of security level prices obtained from valuation agencies.(CRISIL & ICRA) In case security level prices given by the valuation agencies are not available for a new security, then such security may be valued at purchase yield on the date of allotment /purchase. **<u>Valuation of Perpetual Bonds (Other than bonds issued under Basel III framework)</u>** For Valuation purpose, the maturity of all perpetual bonds (Excluding bonds issued under Basel III framework) shall be treated as 100 years from the date of issuance of the bond **<u>Valuation of Bonds issued under Basel III framework</u>** For valuation purpose, the deemed residual maturity for Additional Tier I bonds and Tier 2 bonds issued under Basel III framework will be as per SEBI Master Circular SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023 and detailed guidelines as per AMFI Best Practices Guidelines Circular No. 91/ 2020–21 dated March 24, 2021.
TREPS, Reverse Repo, Corporate Bond Repo, and Fixed Deposits with banks		TREPS, Reverse Repo, Corporate Bond Repo with tenor upto 30 days shall be valued at cost plus accrual. For tenor exceeding 30 days, securities will be valued at average of security level prices obtained from valuation agencies (CRISIL & ICRA). Fixed Deposits will be valued at cost plus accrual.
OTC derivatives including Interest Rate Swaps (IRS)/ Forward Rate Agreements (FRA)		The OTC derivatives will be valued at the average of security level price provided by the valuation agencies (currently CRISIL & ICRA).

Interest Rate Futures	**Traded**	The exchange traded Interest Rate Futures shall be valued based on the last quoted closing price on the stock exchange.
	Non Traded	The non-traded IRF would be valued at the daily settlement price of the exchange.
Treasury Bills, Government Securities, State Development Loans, Cash Management Bills	**Traded/Non Traded**	Irrespective of the residual maturity these securities will be valued at average of security level prices obtained from valuation agencies. (CRISIL & ICRA) In case security level prices given by the valuation agencies are not available for a new security then such security may be valued at purchase yield on the date of allotment / purchase.
Securities with Call/Put/ Both Call and Put option:		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. 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. 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.

		Securities with both Put and Call option on the same day: 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: 1.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. 2.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. 3. In case no Put Trigger Date or Call Trigger Date ('Trigger Date") is available, then valuation would be done to maturity price. In case one Trigger Date is available, then valuation would be done as to the said Trigger Date. In case both Trigger Dates are available, then valuation would be done to the earliest date If a put option is not exercised by a Mutual Fund when exercising such put option would have been in favour of the scheme, then: • The justification for not exercising the put option will be provided to the Valuation Committee, Valuation Agencies, Board of AMC and Trustees on or before the last date of the notice period. • For such cases with multiple put option, the valuation agency shall not take into account the remaining put options for the purpose of valuation of the security. The put option shall be considered, as 'in favour of the scheme' if the yield of the valuation price ignoring the put option under evaluation is more than the contractual yield/coupon rate by 30 basis points.

Below Investment Grade / Default securities	**Traded/Non Traded**	Money market or Debt security shall be classified as "below investment grade" if the long term rating of the security issued by a SEBI registered Credit Rating Agency (CRA) is below BBB- or if the short term rating of the security is below A3. 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, AMC shall promptly inform to the valuation agencies and the CRAs, any instance of non-receipt of payment of interest and / or principal amount (part or full) in any security. All money market and debt securities which are rated below investment grade/Default shall be valued at the average of security level prices provided by valuation agencies. Till such time the valuation agencies compute the valuation of money market and debt securities classified as below investment grade, such securities shall be valued on the basis of indicative haircuts provided by these agencies. These indicative haircuts shall be applied on the date of credit event i.e. migration of the security to sub-investment grade and shall continue till the valuation agencies compute the valuation price of such securities. Further, these haircuts shall be updated and refined, as and when there is availability of material information which impacts the haircuts. a) Consideration of Traded Price for Valuation In case of trades during the interim period between date of credit event and receipt of valuation price from valuation agencies, AMCs 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 traded 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. Any deviation from the hair cut or valuation price for such securities should be approved by the Valuation Committee. <u>b) Treatment of accrued interest/ future interest accrual</u> The indicative haircut that has been applied to the principal should be applied to any accrued interest. 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. <u>c)Treatment for future recovery for both principal or interest</u> 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. 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.
Derivative Products		<u>**Equity / Index Options Derivatives**</u> (i) Market values of traded open option contracts shall be determined with respect to the exchange on which contracted originally, i.e., traded option contracted on the National Stock Exchange (NSE) would be valued at the settlement price on the NSE. The price of the same option series on the Bombay Stock Exchange (BSE) shall not be considered for the purpose of valuation, unless the option itself has been contracted on the BSE. Thus;

		traded option shall be valued at the settlement price provided by the respective Stock Exchanges. (ii) When a security is not traded on the respective stock exchange on the date of valuation, then the settlement price / any other derived price provided by the respective stock exchange shall be considered for valuation. **<u>Equity / Index Futures Derivatives</u>** (i) Market values of traded futures contracts shall be determined with respect to the exchange on which contracted originally, i.e., traded futures position contracted on the National Stock Exchange (NSE) would be valued at the settlement price on the NSE. The price of the same futures contract on the Bombay Stock Exchange (BSE) shall not be considered for the purpose of valuation, unless the futures contract itself has been contracted on the BSE. Thus; traded futures contracts shall be valued at the settlement price provided by the respective Stock Exchanges. (ii) When a security is not traded on the respective stock exchange on the date of valuation, then the settlement price / any other derived price provided by the respective stock exchange shall be considered for valuation.
Mutual Fund Units and Exchange Traded Funds (ETFs)	**<u>Listed & Traded</u>**	At the closing traded price as on the valuation date
	<u>Unlisted & Listed but not Traded</u>	At the last available NAV as per the AMFI website.
Overseas Mutual Fund Units		The valuation of the investment in overseas Mutual Fund Units will be based on the latest available NAV of the Underlying Fund on the date of the valuation. On the valuation day, all the assets and liabilities in foreign currency will be valued in Indian Rupees based on Foreign Exchange rate which will be the RBI Reference rate as at the close of the Banking hours on that day in India.

		In case the RBI reference rate is not available, Foreign Exchange rate quoted on Bloomberg/Reuters around India markets close time (which is currently around 3:30 p.m. IST) shall be considered. The Trustees/AMC reserves the right to change the source for determining the exchange rate. The reasons for the change in the source for determining the exchange rate will be recorded in writing. The Rupee value of Investments valued in the manner described above and other assets and liabilities represented in foreign currency shall be obtained by multiplying the aforesaid rate
Overseas Exchange Traded Funds (ETFs)		Exchange Traded Fund units shall be valued based on the latest available closing price of the stock exchange on which the respective Overseas ETF is listed. In case an Overseas ETF is listed on more than one stock exchange, the AMC shall select the appropriate stock exchange and the reasons for selection of the stock exchange shall be recorded in writing and approved by Valuation Committee. Any subsequent change in the stock exchange selected for valuation of Overseas ETF will also be recorded in writing and approved by Valuation Committee. When on a particular valuation day, if the latest available closing price is not available for units of Overseas ETF on the selected stock exchange, then value at which such units are traded on another stock exchange or last available price on the selected stock exchange, shall be used provided such date is not more than thirty days prior to the valuation date. On valuation date, all assets and liabilities in foreign currency shall be valued in Indian Rupees at the RBI Reference rate as at the close of the Banking hours on that day in India. In case the RBI reference rate is not available, Foreign Exchange rate quoted on Bloomberg/Reuters around India markets close time (which is currently around 3:30 p.m. IST) shall be considered. In case the direct exchange rates are not available on Reuters, then cross currency rate with USD would be considered and converted as per the INR/USD RBI reference rate.
Units of InvITs/REITs	**Traded**	The units of InvITs and REITs 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 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.
	<u>Unlisted/ Non Traded</u>	Where units of InvITs and REITs 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.
Convertible Debentures/Bonds		The non-convertible and convertible components of convertible debentures and bonds shall be valued separately. The non-convertible 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.
Inter scheme Transfers		**Debt and related Securities** i) The AMC shall seek prices for IST of any money market or debt security (irrespective of maturity), from the valuation agencies i.e. CRISIL & ICRA. ii) If prices from the valuation agencies are received within the pre-agreed TAT, an average of the prices so received shall be used for IST pricing. iii) If price from only one valuation agency is received within the agreed TAT, that price may be used for IST pricing. iv) If prices are not received from any of the valuation agencies within the agreed TAT, AMCs shall determine the price for the IST, in accordance with Clause 3 (a) of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996.

		Equity Securities Inter-scheme transfer of equity securities would be effected at the prevailing spot market price of the security at the time the transfer is effected. For this purpose, at the time of effecting the inter-scheme transfer, a record of the prices for the security quoted in the relative stock exchange (i.e. NSE/BSE) or Bloomberg Terminal in which it is traded or reported would be obtained, which would indicate the date, time and the currently quoted price.
Valuation of Upfront fees		(a) Upfront fees on all trades (including primary market trades) by whatever name called, would be considered by the valuation agencies for the purpose of valuation of the security (b) Details of such upfront fees would be shared on the trade date with the valuation agencies as part of the trade reporting to enable them to arrive at the fair valuation for that date. (c) For the purpose of accounting such upfront fees would be reduced from the cost of investment in the scheme that made the investment. (d) In case upfront fees are received across multiple schemes, then such upfront fees would be shared on a pro rata basis across such schemes.
Valuation of Gold		The gold held by a gold exchange traded fund scheme shall be valued at the AM fixing price of London Bullion Market Association (LBMA) in US dollars per troy ounce for gold having a fineness of 995.0 parts per thousand, subject to the following: a) adjustment for conversion to metric measure as per standard conversion rates; b) adjustment for conversion of US dollars into Indian rupees as per the RBI reference rate declared by the Foreign Exchange Dealers Association of India (FEDAI); and c)Addition of-

		(i) transportation and other charges that may be normally incurred in bringing such gold from London to the place where it is actually stored on behalf of the mutual fund; and (ii) notional customs duty and other applicable taxes and levies that may be normally incurred to bring the gold from the London to the place where it is actually stored on behalf of the mutual fund; Provided that the adjustment under clause (c) above may be made on the basis of a notional premium that is usually charged for delivery of gold to the place where it is stored on behalf of the mutual fund; Provided further that where the gold held by a gold exchange traded fund scheme has a greater fineness, the relevant LBMA prices of AM fixing shall be taken as the reference price under this sub-paragraph. If the gold acquired by the gold exchange traded fund scheme is not in the form of standard bars, it shall be assayed and converted into standard bars which comply with the good delivery norms of the LBMA and thereafter valued in terms of above sub-paragraph. If on any day the LBMA AM fixing or RBI reference rate is not available due to holiday, then the immediately previous day's prices are applied for the purpose of calculating the value of gold. In case the RBI reference rate is not available, Foreign Exchange rate quoted on Bloomberg/Reuters shall be considered. The Trustee reserves the right to change the source (centre) for determining the exchange rate. The AMC shall record in writing the reason for change in the source for determining the exchange rate. *Premium or discount shall be applied to the valuation price arrived as per above methodology to ensure it reflects the fair value. The premium / discount shall be determined at such interval as may be deemed necessary. The premium / discount shall be decided by comparing the domestic price i.e. MCX spot price with the valuation price. In case MCX spot price is not available, any other appropriate source may be used as agreed upon by valuation committee to determine the domestic price.*
	Traded	Valuation of IDRs listed on the India Stock Exchange would follow the valuation guidelines adopted for the Listed Indian Equity Shares.

Indian Depository Receipts	**<u>Non Traded/ Thinly Traded</u>**	In case the IDRs are classified as thinly traded / non-traded, the criteria, as laid above for Listed Indian Equity Shares shall be applied taking into consideration the relevant Company's Balance Sheet.
Foreign Securities (Equities/ADRs/GDRs)		Any 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 and the reason for the selection will be recorded in writing. 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. 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 value at which it is traded on another stock exchange or last quoted closing price on selected stock exchange shall be used provided such date is not more than thirty days prior to the valuation date. If the same is not available, fair value pricing will be used. In case of investment in foreign debt securities, on the valuation day, the securities shall be valued in line with the valuation norms specified by SEBI for Indian debt securities. However, in case valuation for a specific debt security is not covered by the SEBI Regulations, then the security will be valued on fair value basis. Due to difference in time zones of different markets, in case the closing prices of securities are not available within a given time frame to enable the AMC to upload the NAV for a valuation day, as per SEBI Master circular, AMCs as a principle shall ensure that NAV of schemes is disclosed based on the value of underlying securities/ Funds as on the T-day. In case the prices of the securities are not available even after the extended timeframe, the AMC.

		may use the previous day price or the last available traded price as may be warranted / for the purpose of valuation. On valuation date, all assets and liabilities in foreign currency shall be valued in Indian Rupees at the RBI reference rate as at the close of banking hours on the relevant business day in India. For Currencies where RBI reference rate is not available, Bloomberg / Reuters shall be used. The Valuation Committee reserves the right to change the source for determining the exchange rate. Non -traded ADR /GDRs shall be valued after considering prices/ issue terms of underlying security. Valuation Committee shall decide the appropriate discount for illiquidity. Non- traded foreign security shall be valued by AMC at fair value after considering relevant factors on case to case basis. Corporate Action (Foreign Security): In case of any corporate action event, the same shall be valued at fair price on case to case basis as may be determined by the Valuation Committee in consultation with Independent advisors (if required).

4 Waterfall approach for valuation of money market and debt securities

SEBI Master Circular SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023 covering Valuation of money market and debt securities, has laid down the broad principles for considering traded yields for the purpose of valuation of money market and debt securities. The said circular prescribe AMFI to ensure valuation agencies have a documented waterfall approach for valuation of Debt and Money Market securities.

As prescribed by AMFI in guidelines issued in circular no 83/2019-20 on November 18, 2019, the following shall be the broad sequence of the waterfall for valuation of money market and debt securities:

1) 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;
2) VWAY of primary issuances through book building of same issuer, similar maturity (Refer Note 1 below);
3) VWAY of secondary trades of same issuer, similar maturity;
4) VWAY of primary issuances through fixed price auction of same issuer, similar maturity;
5) VWAY of primary issuances through book building of similar issuer, similar maturity (Refer Note 1 below);
6) VWAY of secondary trades of similar issuer, similar maturity;
7) VWAY of primary issuance through fixed price auction of similar issuer, similar maturity;
8) Construction of matrix (polling may also be used for matrix construction);
9) 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 as 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.

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.

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.

Recognition of trades and outlier criteria

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

Paragraph 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, Semiliquid, 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 above 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)		
	Up to 15 days	15-30 days	Greater than 30 days
Liquid	30 bps	20 bps	10 bps
Semi-Liquid	45 bps	35 bps	25 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 the 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 upto 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- upto 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.

Process for construction of spread matrix

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

Steps	**Detailed Process**
Step 1	Segmentation of corporates: The entire corporate sector is first categorized 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 illiquidity 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. Residential 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 quote, not wider than 5 bps on NDSOM, subject to outlier validation
- Carry forward of spreads over the benchmark
- Polling etc

Note:

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

4.1 situations and market disruptions

Following types of events could be classified as abnormal situations where current market information may not be available / sufficient for valuation of securities. Given the exceptional nature of the following events and the lack of clarity on how it would impact the markets, it may not be possible to define a standard methodology to be adopted for fair valuation of securities for such events.

- Major policy announcements by the Central Bank, the Government or the Regulator;
- Natural disasters or public disturbances that force the markets to close unexpectedly or functions abnormally;
- Significant volatility in the capital markets;
- Closure of the stock exchange where a particular security is listed;
- Events which lead to lack of availability of accurate or sufficient information to value the securities.
- Significant illiquidity in fixed income markets.
- Events like sovereign bankruptcy, disruptive political scenarios that may impact the markets.
- Valuation Agencies do not provide valuation for particular security

The above list is illustrative and not exhaustive.

Valuation Committee shall be responsible for monitoring exceptional events and recommending appropriate valuation methods. Necessary guidance may be sought from the Boards of AMC and Trustee.

5 Deviations from valuation guidelines

- In case the AMC decides to deviate from the valuation price given by the valuation agencies, the detailed rationale for each instance of deviation 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 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 Trustee.
- The rationale for deviation along with details as mentioned above shall be disclosed immediately and prominently, under a separate head on the website of the AMC.
- Further, while disclosing the total number of instances of deviation in the monthly and half-yearly portfolio statements, the AMC will also provide the exact link to its website for accessing information mentioned above.

6 Valuation of Segregated Portfolio

Based the decision to segregate the debt and money market instrument in accordance with SEBI circular dated December 28, 2018, the valuation should consider the credit event and value the portfolio based on the principles of fair valuation in terms of relevant provisions of SEBI (Mutual Funds) Regulation, 1996 and circular(s) issued thereafter. Incase of AT-1 Bonds and Tier 2 Bonds, the financial stress of the issuer and the capabilities of issuer to repay the dues are considered in the valuation of securities from the trigger date onwards i.e. date on which the instruments is to be written off or converted to equity pursuant to any proposal or otherwise.

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

7 Valuation of Segregated Portfolio

Based the decision to segregate the debt and money market instrument in accordance with SEBI circular dated December 28, 2018, the valuation should consider the credit event and value the portfolio based on the principles of fair valuation in terms of relevant provisions of SEBI (Mutual Funds) Regulation, 1996 and circular(s) issued thereafter. Incase of AT-1 Bonds and Tier 2 Bonds, the financial stress of the issuer and the capabilities of issuer to repay the dues are considered in the valuation of securities from the trigger date onwards i.e., date on which the instruments are to be written off or converted to equity pursuant to any proposal or otherwise.

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

8 Record Maintenance

Record retention will be governed by the Record Retention policy.

9 Periodic Review

The Valuation Committee shall review the valuation methodologies at least annually in terms of its appropriateness and accuracy in determining the fair value of each and every security. The Valuation Committee shall update the Board of Directors of AMC and Trustee Company, every year, in terms of the effectiveness of the methodologies and deviations or incorrect valuations.

Further, the Valuation Policy shall also be reviewed by Independent Auditors at least once in a Financial Year to ensure the appropriateness of the Valuation Methodologies and to suggest alternative methods, if any.

10 Review-Prevention and Detection of Incorrect Valuation

The AMC has put in place policies and procedures to prevent and detect incorrect valuation like ensuring adherence to the policy along with basic checks and balances in normal course and conducting a periodic review (including Independent Audit) at least annually in terms of its appropriateness and accuracy in determining the fair value of each and every security.

11 Disclosure

The Valuation Policy approved by the Board shall be disclosed in Statement of Additional Information (SAI), website of the AMC and other documents as prescribed by the regulations and guidelines.

12 Regulatory Reference

- SEBI (Mutual Funds) Regulations,1996 as amended from time to time.
- SEBI Master Circular SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023
- AMFI best practice guidelines circular No.135/BP/29/2012-13 on May 15, 2012
- AMFI best practice guidelines circular No.35P/MEM-COR/3/12-13 on May 30, 2012
- SEBI Letter No. SEBI/HO/IMD/DF4/OW/P/2019/24760 dated September 20, 2019
- SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/2020/12151/1 dated July 31, 2020 read with Email dated August 12, 2020
- AMFI best practice guidelines circular no 83/2019-20 on November 18, 2019
- SEBI letter No. SEBI/HO/IMD/IMD-I PoD-1/P/ON/2022 dated September 27, 2022
- AMFI best practice guidelines circular no 91/2010-21 on March 24, 2021 on valuation of AT-1Bonds and Tier 2 Bonds

13 List of Acronyms

ADR/GDR	American Depository Receipt /Global Depository Receipt
AMC	Asset Management Company
NSE	National Stock exchange
BSE	Bombay Stock Exchange
OTC	Over The Counter
VWAY	Volume Weighted Average Yield
NAV	Net Asset Value
ISIN	International Securities Identification Number
REIT	Real Estate Investment Trust
InvIT	Infrastructure Investment Trust