Helios Capital Asset Management (India) Private Limited

VALUATION POLICY & PROCEDURES

IMPORTANT INFORMATION

If at any point a conflict of interpretation / information between this Policy and any Regulations, Rules, Guidelines, Notifications, Clarifications, Circulars, Master Circulars issued by the Securities Exchange Board of India ("SEBI") arise then, interpretation of such Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master circulars issued by SEBI shall prevail.

Version History:

Version	Date of review	Policy Owner	Next date of review	Description of Key changes	Date of approval of the Boards
1	June 30, 2023	Operations	June 2024	Formulation of Policy	July 04, 2023
1.1	June 30, 2024	Operations	June 2025	No material change.	Boards of AMC: July 16, 2024 Trustee Company: July 22, 2024
1.2	January 27, 2025	Operations	January 2026	Changes made in alignment with SEBI circular SEBI/HO/IMD/PoD1/CIR/P/2024/106 dated August 05, 2024, and SEBI circulars SEBI/HO/IMD/IMD-I PoD-1/P/CIR/2024/163 dated November 26, 2024	Boards of AMC: January 27, 2025 Trustee Company: February 03, 2025

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1. INTRODUCTION

The Eighth Schedule to the Securities and Exchange Board of India (SEBI) Mutual Funds Regulations, 1996, together with various circulars issued by SEBI from time to time, prescribed the norms, methodology and guiding principles for valuation of investments held by Mutual Fund schemes. Valuation of securities was done in conformity with these valuation norms.

SEBI, vide Gazette Notification No. LAD-NRO/GN/2011-12/38/4290 dated February 21, 2012, has brought about certain amendments to Regulations 25 and 47 and to the Eighth Schedule to the Securities and Exchange Board of India (SEBI) Mutual Funds Regulations, 1996.The key highlights of these amendments are as below:

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

(b) The policies and procedures should identify the methodologies that will be used for valuing each type of security / asset held by the mutual fund schemes.

(c) The assets held by mutual funds should be consistently valued according to policies and procedures.

(d) The Valuation Policy approved by the Board of Directors of AMC should seek to address conflict of interest.

(e) The guidelines and procedures should describe the process to deal with exceptional events, where market quotations are no longer reliable for a particular security.

(f) Mutual Fund shall 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.

(g) The Valuation Policy needs to be periodically reviewed to ensure appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/assets.

(h) The Valuation Policy, guidelines and procedures may be reviewed at least once in a financial year, by an independent auditor, to assess and confirm their continued appropriateness.

While the amended regulations mandate Helios AMC to establish Valuation Policy and procedures, it also allows the AMC to deviate from these policies and procedures, where it is necessary and expedient to do so, to ensure a true and fair valuation. Accordingly, in the event of a conflict between the principles of fair valuation and valuation guidelines, the principles of fair valuation shall prevail.

AMFI had issued best practice guidelines circular No. 29/2012-13 dated May 15, 2012, on Valuation Principles for valuing Debt and Money Market Instruments. The same has been considered while framing this Valuation policy.

VALUATION COMMITTEE COMPOSITION: In accordance with the SEBI Circular MFD/CIR No.010/024/2000 dated January 17, 2000, every Asset Management Company (AMC) should formulate a valuation committee to review investment valuation practices.

Valuation committee at Helios AMC shall comprise the following personnel:

(i) Chief Executive Officer
(ii) Chief Operating Officer
(iii) Chief Investment Officer / Head of Equity / Fixed Income
(iv) Head – Compliance
(v) Risk Officer
(vi) Fund Manager
(vii) Head – Operation

The Fund Manager can be invited as and when required. This committee will review the valuation policies on a periodic basis and as and when any change is proposed.

The CEO can reconstitute or nominate additional members of the valuation committee.

2. ROLE OF THE VALUATION COMMITTEE

1. Define valuation procedure and methodology for different types of securities.
2. Recommendation and drafting of the Valuation policy for AMC & Trustee Board approval.
3. Review the accuracy and appropriateness of methods used in arriving at the fair value of securities and recommend changes, if any.
4. Recommend valuation method during exceptional events and report the same to the AMC & Trustee Board.
5. Recommend valuation methodology for a new type of security and seek approval of the AMC & Trustee Board.
6. Report to the Board regarding any deviation or incorrect valuation.
7. Review and approve the spread adjustment in the value of asset based on liquidity and issuer risk consideration.

Exceptional Events

Following types of events could be classified as exceptional events where market information may either not be available or is insufficient for valuation of securities:

a) Major policy announcements by the Central Bank, the Government or any other Regulatory Body (SEBI/IRDA/PFRDA). Natural disasters or public disturbances may impact the functioning of the capital market.
b) Absence of trading in a specific security not covered in this valuation policy or similar securities. Significant volatility in the capital and debt markets.
c) A credit default event by the issuer of any fixed income security will be considered as an exceptional event and the value of the security will be appropriately discounted by the valuation committee in accordance with norms laid down by AMFI.
d) Deviation from the indicative haircuts and/or the valuation price
e) Any other events where realizable value may be substantially different from benchmark-based prices obtained.

Escalation Procedure:

a) The Valuation Committee shall be responsible for monitoring exceptional events and recommending appropriate valuation methods under the circumstances, with due reporting to the AMC board.

b) Under such circumstances, the Valuation committee will be vested with powers by the AMC board in deciding the appropriate methodology for valuation of such securities.

c) In case of deviations from the valuation policy and principles, if any, the detailed rationale for each instance of deviation shall be recorded and impact of such deviation on scheme NAV will be reported to the Board of AMC and Trustees. The rationale for the deviation along with details will be disclosed under a separate head on the website of the AMC and a link in respect of the same will be disclosed along with the monthly and half-yearly portfolio statements.

Record keeping

Valuation Policy document will be updated in SID / SAI, website and other documents as prescribed by the SEBI regulations and guidelines.

All the documents which form the basis of valuation, including inter-scheme transfers (the approval notes & supporting documents) will be maintained in electronic or physical form.

The above records will be preserved in accordance with the norms prescribed by the SEBI (Mutual Funds) Regulations 1996 as may be amended from time to time.

Disclosure of the valuation policy and procedures approved by the Board of the asset management company shall be made in Statement of Additional Information (SAI), AMC/MF website and at any other place as may be specified by SEBI.

All the documents which form the basis of valuation including inter-scheme transfers (the approval notes & supporting documents) shall be maintained in electronic form or physical papers.

3. VALUATION METHODOLOGIES

The valuation of investment shall be based on the guiding principles of fair valuation.

The methodologies for valuing different type of securities are mentioned in **Annexure I**

4. REVIEW OF POLICY

The AMC shall review this policy once in a financial year or earlier, if required, in light of change in applicable law and/or for business reasons. The changes/developments shall be communicated to the relevant people as and when necessary, in accordance with the Regulations.

ANNEXURE - I

VALUATION METHODOLOGIES

A. EQUITY AND EQUITY RELATED SECURITIES:

Asset Class	**Traded / Not Traded / Thinly Traded/ Listed / Unlisted**	**Valuation Methodology**
Equity, Preference shares and Cumulative Convertible Preference Share	Traded	AMC has selected the National Stock Exchange (NSE) as the Principal Stock Exchange. In respect of the Index Funds, the Principal Stock Exchange would be the Exchange where the underlying benchmark index has been set up. a) Traded securities shall be valued at the day's closing price on the NSE. b) When, on a particular day a security is not traded on NSE, the closing price of the security on the Bombay Stock Exchange Limited (BSE) will be considered for valuation. When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the National Stock Exchange or the Bombay 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 the valuation date. c) For Index Funds, valuation shall be done at the closing prices of the underlying index.
	Not Traded / Thinly Traded	When a security (***other than Futures & Options***) is not traded on any Stock Exchange on a particular valuation day, the value at which it was traded (closing price) on the selected stock exchange or any other stock exchange shall be used, provided such day is not more than thirty days prior to the valuation date. **Valuation of Non-Traded / Thinly Traded:** When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs. 5,00,000 and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security and valued accordingly. In order to consider a security as a thinly traded security, the volumes traded only on NSE and BSE shall be considered. Where a security is identified as a "thinly traded" by applying the above parameters for the preceding calendar month, the same will be valued by AMC as a thinly traded security.

		If the share is not listed on the stock exchanges which provide such information, then it will be obligatory on the part of the Fund to make its own analysis in line with the above criteria to check whether such security is thinly traded, which would then be valued accordingly. Further, thinly traded securities would be monitored on a calendar month basis and not on a rolling basis. i.e., If a security in holding has been classified as thinly traded according to the criteria mentioned above, it would be fairly valued ignoring the primary and secondary stock exchange prices. This fair valuation would continue for the entire month even though the volumes and value might have exceeded the limit in the current month. In case trading in an equity security is suspended for trading on the stock exchange up to 30 days, then the last traded price would be considered for valuation of that security. If an equity security is suspended for trading for more than 30 days, then it would be considered as non-Traded and valued accordingly. **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. **For Equity Shares**: Based on the latest available audited Balance Sheet, net worth shall be calculated as follows: i. Net Worth per share = [Share Capital + Reserves (excluding Revaluation Reserves) – Misc. expenditure and Debit Balance in P&L A/c] / No. of Paid-up Shares. This shall be computed based on the latest available audited balance sheet. ii. Average capitalization rate (P/E ratio) for the industry based upon either NSE or BSE 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.

		iii. The value as per the net worth value per share and the capital earning value calculated above shall be averaged and further discounted by 15% for ill-liquidity to arrive at the fair value per share. iv. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning. v. In the 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. vi. 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. **Preference share:** Convertible preference shares shall be valued based on the intrinsic value of the preference shares considering the conversion ratio as adjusted for illiquidity on case-to-case basis and other relevant factors as applicable as on the valuation date with the approval of the Valuation Committee. Non-traded non-convertible redeemable preference shares, being similar to debt securities, valuation shall be on the same basis as is for debt instruments as approved by the Valuation Committee **Convertible Debentures:** In respect of convertible debentures and bonds, the non-convertible and convertible portion would be valued separately. The non-convertible portion would be valued on the same basis as is applicable to a debt instrument. The convertible component would be valued based 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 equity instrument which is traded, the value of the later instrument can be adopted after an appropriate

		discount for the non-tradability of the instrument during the period preceding the conversion while valuing such instruments, the fact whether conversion is optional should also be factored in. The appropriate discount applied for should be approved and factored in. The value of the optional conversion shall be determined as follows: • If the option to exercise rests with the issuer, the lower of the value when exercised or value when not exercised shall be taken. • If the option to exercise rests with the investor, the higher of the value when exercised or value when not exercised shall be taken. The valuation shall be approved by the Valuation Committee.
Equity	Unlisted securities	The Unlisted equity shares application pending for allotment would be valued at Face value. If the security does not get listed within 60 days from the allotment date shall be valued "in good faith" based on the valuation principles laid down below: **A. Based on the latest available audited balance sheet, Net Worth shall be calculated as the lower of the following:** (i) 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 (ii) After taking into account the outstanding warrants and options, Net Worth per share shall again be calculated and shall be = [Share Capital plus consideration on exercise of Option and/or Warrants received/receivable by the Company plus Free Reserves (excluding Revaluation Reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by (Number of Paid up Shares plus Number of Shares that would be obtained on conversion and/or exercise of Outstanding Warrants and Options). **The lower of (i) and (ii) above shall be used for calculation of Net Worth per share and for further calculation to be arrive at the fair value per share as stated in (C) below:**

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		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 of the latest audited annual accounts will be considered for this purpose. **C.** The value as per the Net Worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15 per cent for illiquidity to arrive at the fair value per share. In effect, the 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. b) If the latest Balance Sheet of the company is not available within nine months of 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. To ensure fair valuation, the valuation committee of the AMC may decide to value an unlisted security at a price lower than the value derived using the aforesaid methodology.
Initial Public Offering (IPO)		Such shares shall be classified as “to be listed” / “awaiting listing”.

		These shares will be valued at: (a) cost of acquisition, in case acquired other than IPO route. (b) allotment price, in case allotted under IPO. till the listing of shares. If such shares do not get listed on recognized stock exchange within 60 days of such allotment, shares so acquired will be valued as per the fair value guidelines applicable for unlisted shares.
Equity and equity related securities under lock-in period / pending listing		In case of shares under lock-in for more than 3 months: (a) from the date of purchase, in the case of shares already listed on the date of purchase. (b) from the date of IPO allotment, in case of shares acquired under Private Placement or under pre-IPO. The shares would be valued as per the valuation guidelines applicable to Traded and Thinly Traded / Non-Traded equity shares, further appropriate discount for illiquidity may be applied by Valuation Committee on a case-to-case basis.
Rights entitlement/partly paid-up rights shares	Traded	Right entitlements if traded will be valued at the closing market price on principal stock exchange (NSE). If the entitlements are not traded on NSE but are traded on any other stock exchange the closing market price of the exchange where it traded will be considered for valuation.
	Non-Traded/Unlisted/ Thinly Traded	a) Until they are traded, post the rights renunciation period, the value of the "rights" entitlement would be calculated as per the SEBI prescribed formula stated below: 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 *Ratio of Rights i.e. (n/m where n = No. of Rights offered and m = No. of original shares held) will be adjusted in the quantity directly while booking the Rights and hence not considered again for valuation.* b) Where the rights are not treated pari-passu with the existing shares, suitable adjustments would be made to the value of rights. Where it is decided not to subscribe

		for the rights but to renounce them and renunciations are being traded, the rights would be valued at the renunciation value. c) In case original shares on which the right entitlement accrues are not traded on the Stock Exchange on an ex-right basis, right entitlement should not be recognised as investments. d) Where right entitlements are not traded and it was decided not to subscribe the rights, the right entitlements must be valued at zero. e) Post payment of the subscription amount for the rights entitlement, it will be valued in line with the normal valuation methodology for valuation of equities.
Partly Paid-up Equity Shares:	Traded	If the partly paid-up equity shares are traded in the market separately then the same shall be valued at the traded price (like any other equity instrument).
	Non-Traded/ Thinly Traded	i) The partly paid-up equity shares will be valued at lower of the following two prices: - Value of the underlying fully paid-up equity shares as reduced by the amount of balance call money payable. - Value of the partly paid-up equity shares, if traded on the valuation day. If not traded on any stock exchange on a particular valuation day, the value at which it was traded on the earliest previous day may be used provided such date is not more than 30 days prior to valuation date. ii) Valuation guidelines related to equity shares would be applicable for the valuation of underlying fully paid-up equity shares. iii) In case the trade price of the partly paid-up equity shares was not available for last 30 days or in case of unlisted partly paid-up equity shares, it will be valued at the value of the underlying fully paid-up equity share as reduced by the amount of balance call money payable.
Shares tendered for Buyback		If a company offers to buy back a hundred percent of the shares tendered, then shares will be valued at the price of buy back, if the shares are already tendered ignoring the market price. Else, the market price of the security will be considered for valuation till the date of receipt of formal confirmation of acceptance of shares tendered under the buyback scheme.
Suspended Security		In the case of trading in an equity security is suspended for 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 securities should be treated as Thinly Traded / Non-Traded Security and valued accordingly.

Valuation of Shares on Merger, Demerger and Other Corporate Action Events		**Merger:** Valuation of merged entity would be arrived at by summation of previous day's value of the respective companies prior to merger divided by the entitled quantity of the merged entity in cases where identity of the entities getting merged is lost until the new entity is listed. Example: If Company A and Company B merge to form a new Company C, then new company C would be valued at the previous day's price of A and B with appropriate inter-se weights as indicated in the scheme of merger. In case of a merger where the identity of one entity continues, valuation of merged entity would be at the closing price of the surviving entity. Example: If Company A merges into Company B, then the merged entity would be valued at the price of Company B being the surviving Company. **De-merger:** **On de-merger following possibilities arise which determines valuation:** **A) Both the shares are traded immediately on de-merger:** In this case, shares of both the Companies are valued at respective traded prices. **B) Shares of only one company continued to be traded on de-merger:** In case one entity is demerged into two or more entities and one of those entities continues to be listed, the value of unlisted entity(ies) will be difference between the closing price of the security on the ex-date (after demerger) and closing price of the security on previous trading day (before demerger) that continues to be listed. The difference in price of two dates will be the valuation price of the unlisted entity(ies) proportionately, till they are listed and traded on a stock exchange. The cost price of new entity/entities would be derived proportionately from the cost price of parent entity. In the event the value of the traded security of the de-merged entity is equal to or more than the value of that entity before de-merger, then the security of the non-traded entity will be valued at zero. In case an unlisted security is not listed within a period of 60 days from the ex-date, the valuation price derived

		for the demerged security will be reviewed on expiry of 30 days thereafter. **Both the shares are not traded on de-merger:** The price of the shares of the Company one day prior to ex-date of de-merger will be bifurcated over the de-merged shares in the ratio of cost of shares of each demerged entity or based on net assets transferred if the same is available from the Company and any other relevant factors. In case shares of both the companies are not traded for more than 60 days, these are to be treated as unlisted security and valued accordingly. On merger/demerger in case the company specifies any regulations/ method for cost bifurcation or valuation the same will be adopted. In case the above methodology does not derive the fair valuation of de-merged entities, the same may be determined by the Valuation Committee on case-to-case basis. **Other corporate action event:** In the 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.
Stock and Index Derivatives	-	**Equity / Index Options Derivatives and Equity / Index Futures Derivatives** Market values of traded open future/option contracts shall be determined with respect to the exchange on which it is contracted originally, i.e., a future/option contracted on the National Stock Exchange (NSE) would be valued at the Settlement price of future/option on the NSE. Futures & Options are considered as Non-Traded, when such Futures & Options are not traded on the respective stock exchange on the Valuation Date. Non-traded futures and options are valued based on the settlement price / any other equivalent price provided on the respective stock exchange.
Valuation of Warrants	Traded	If the warrants are traded, the traded price will be considered for valuation.
	Non-Traded	Warrants can be valued at the value of the share which would be obtained on exercise of the Warrant after applying appropriate discount as decided by valuation committee prorated monthly after reducing the exercise price / issuance price from the closing price of the underlying cash equity security.

		If the amount payable for the exercise of the warrants is higher than the value of the share, the value of the warrants should be taken as zero.
Stock Split/ Face value change		In the case of stock split, the face value of a stock is reduced and proportionately the number of shares is increased. The valuation price will be derived based on the 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.
Valuation of Securities Lent under Securities Lending Scheme		The valuation of securities lent under the Securities Lending Scheme shall be valued as per the valuation guideline of the respective security as mentioned in this document. The lending fees received for the securities lent out would be accrued in a proportionate manner till maturity of the contract.
Valuation of Indian Depositories Receipts (IDR)		Valuation of IDRs listed on the India Stock Exchange would follow the valuation guidelines adopted for the Listed Indian Equity Shares. 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.
Valuation of American Depository Receipt (ADR), Global Depository Receipt (GDR) and all Overseas Securities	Traded	i) Traded foreign securities will be valued at latest available closing price of the stock exchange on which the security is traded. ii) In case the security is traded on more than one stock exchange, the security will be valued at the latest available closing price of the principal stock exchange. The principal stock exchange will be decided by the AMC at the time of purchase of securities and the reason for the selection will be recorded in writing. Any subsequent change in the principal stock exchange selected for valuation will be necessarily backed by reasons for such change being recorded in writing by the AMC and approved by the Valuation Committee. iii) When on a particular valuation day, a security has not been traded on the principal stock exchange; the value at which it is traded on secondary stock exchange may be used. iv) When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the principal stock exchange or any other stock exchange, as the case may be, on the earliest

		previous day may be used provided such date is not more than 30 days prior to valuation date. v) Due to differences in the time zones across different markets, the AMC would consider a cut off time of 5.00 PM (IST) for availability of the closing market price for the purpose of valuation i.e. if any market closes on or before 5.00 pm (IST) that day's last closing price will be considered for valuation else the previous day's closing price of that stock exchange will be considered. Accordingly, the valuation of the securities will be done based on T day prices or T-1 day prices, depending upon the closure of business hours of the stock exchange on which the particular securities are traded / listed. vi) The price in local currency would be obtained and the closing RBI reference rate would be used to calculate the closing price in INR. If the security is listed in currency for which RBI reference rate is not available, the exchange rate available on Bloomberg/Reuter's would be considered. In case the direct exchange rates are not available on Bloomberg/Reuter's, then cross currency with USD would be considered and converted as per INR/USD RBI reference rate.
	Non-Traded Securities	A non-traded foreign security will be valued by the AMC using the principles of fair valuation after considering relevant factors on a case-to-case basis. In case of any extraordinary event in other markets post the closure of the relevant markets, the AMC will value the security at suitable fair value as determined by the Valuation Committee. All the corporate action for foreign securities will be recorded on the same basis as valuation of foreign securities by considering a cut off time of 5.00 PM (IST). The corporate action of the securities will be recorded on T day or T+1 day, depending upon the closure of business hours of the stock exchange on which the particular securities are traded / listed.

B. FIXED INCOME AND RELATED SECURITIES

Asset Class	Traded / Not Traded / Thinly Traded/ Listed / Unlisted	Valuation Methodology
Debt Securities/ Instruments (Commercial Paper/ Certificate of Deposit / Bonds/Zero Coupon Bonds/ Bills /Floating rate securities/Securitization, etc.)	Traded	All Debt and Money Market securities including floating rate securities shall be valued at the average of the security level prices obtained from valuation agencies. (SEBI/HO/IMD/IMD-I PoD-1/P/CIR/2024/163 dated November 26, 2024[1]) In case security level prices given by valuation agencies are not available for a new security (which is currently not held by any Mutual Fund), then such security may be valued at purchase yield/price on the date of allotment / purchase. Non-traded securities will be valued at fair value as per procedures determined by the Valuation Committee in case for any reason valuation prices are not available from the agencies
Government Securities (including, Central Government Securities (GSEC), Treasury Bills (T-Bills), State Government Securities/ State Development Loans, Cash Management Bills, etc.)		Government Securities shall be valued at an average of the prices provided by AMFI approved agencies (currently CRISIL and ICRA). In case security level prices given by valuation agencies are not available for a new security (which is currently not held by any Mutual Fund), then such security may be valued at purchase yield on the date of allotment / purchase.
Valuation of money market and debt securities classified as below investment grade or default		• All money market and debt securities which are rated below investment grade (if the long-term rating below BBB- or if the short term rating of the security is below A3) shall be valued at the average of the security level price provided by valuation agencies. • A money market or debt security shall be classified as "Default" if the interest and / or principal amount has not been received, on the day such amount was due or when such security has been

[1] The provisions of this circular shall come into effect from January 01, 2025.

		downgraded to "Default" grade by a Credit Rating Agency (CRA). In this respect, the Fund Manager shall promptly provide the rating downgrade details to Operations Team which shall promptly be informed 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. • Till such a time the valuation agencies compute the valuation of money market and debt securities classified as below investment grade, such securities shall be valued by the valuation agencies based on indicative haircuts. 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. The indicative haircut rate that is applied to the principal will be applied to the accrued interest also. • In the case of trades during the interim period between date of credit event and receipt of valuation price from valuation agencies, traded price will be considered 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 will be revised accordingly. • AMCs may deviate from the indicative haircuts and/or the valuation price for money market and debt securities rated below investment grade provided by the valuation agencies with detailed rationale for deviation, as per prescribed

		in SEBI Circulars, Rules, Regulation and Master Circulars time to time. • In case of securities classified as below investment grade but not default, interest accrual will continue with the same haircut applied to the principal. In case of securities classified as default, no further interest shall be made. Any recovery will 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 more than the carried value in the NAV will be applied first towards amount of interest written off and then towards amount of principle written off.
		Changes in terms of investment: While making any change to terms of an investment, the following conditions shall be adhered to: 1. Any changes to the terms of investment, which may have an impact on valuation, shall be reported to the valuation agencies immediately. 2. Any extension in the maturity of a money market or debt security shall result in the security being treated as "Default", for the purpose of valuation. 3. If the maturity date of a money market or debt security is shortened and then subsequently extended, the security shall be treated as "Default" for the purpose of valuation. 4. Any put option inserted after 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.
Treatment of Upfront fees		• Upfront Fees on all trades (including primary market trades), by whatever name called, will be considered by the valuation agencies for the purpose of valuation of securities. • Details of such upfront fees will be shared with the valuation agencies on

		the trade date to enable them to arrive at the fair valuation for that date. • Upfront fees will be reduced from the cost of investment and will be shared on pro-rata basis if the investment in a particular security is made from multiple schemes.
Repurchase (Repo) transactions including TREPS		Repurchase (Repo) transactions including TREPS) shall be valued at mark to market basis irrespective of the residual tenor. (effective from Jan 01, 2025) Accordingly, valuation of all repo except for overnight repo shall be obtained from valuation agencies.
Interest Rate Swap (IRS) / Forward Rate Agreement (FRA)		All OTC derivatives viz. IRS/FRA will be valued at average of security level prices provided by CRISIL & IMACS
Investments in short term deposits with banks		Investments in short-term deposits with banks will be valued at cost plus the accrual
Securities with Put/Call Options		The option embedded securities would be valued as follows: i) **Securities with Call Option:** The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument. ii) **Securities with Put Option:** The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instrument. iii) **Securities with both Put and Call Option:** Only securities with put / call options on the same day and having the same put and call option price, shall be deemed to mature on such put / call date and shall be valued accordingly. In all other cases, the cash flow of each put / call option shall be

		evaluated and the security shall be valued on the following basis: a) Identify a 'Put Trigger Date', a date on which 'price to put option' is the highest when compared with price to other put options and maturity price. b) Identify a 'Call Trigger Date', a date on which 'price to call option' is the lowest when compared with price to other call options and maturity price. c) In case no Put Trigger Date or Call Trigger Date ('Trigger Date") is available, then the valuation would be done to maturity price. In case one Trigger Date is available, then valuation would be done as to the said Trigger Date. In case both Trigger Dates are available, then valuation would be done to the earliest date. iv) If a put option is not exercised by a Mutual Fund when exercising such put option would have been in favour of the scheme, in such cases the justification for not exercising the put option shall be provided to the Board of AMC and Trustees. v) Any put option inserted after 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.
Interest Rate Futures	-	The exchange traded Interest Rate Futures would be valued based on the Daily Settlement Price or any other derived price provided by the exchange e / adopted by the industry.
Segregated Portfolio valuation		Notwithstanding the decision to segregate the debt and money market instrument in accordance with the SEBI Circular dated December 28, 2018, the valuation should consider the credit event and value the portfolio based on the principles of fair valuation. (i.e. realizable value of the assets) in terms of relevant provisions of SEBI (Mutual Funds) Regulation, 1996 and Circular(s) issued thereunder. In case of AT-1 Bonds) and Tier 2 Bonds, the financial stress of the issuer and the capabilities of issuer to repay the dues/borrowings are considered in the valuation of the securities

		from the trigger date onwards i.e. date on which the instrument 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

Guidelines for valuation of Debt & Debt Related Instruments:
All Debt & Debt related Instruments are valued based on AMFI and SEBI circulars/guidelines, by the independent valuation agencies nominated by AMFI for determining valuation for such securities.

Definition of non-traded, thinly traded and traded money market / debt security (Effective from February 16, 2020):

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

Marketable lot defined by AMFI in consultation with SEBI is as under: -

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

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

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

C. OTHER SECURITIES (MUTUAL FUND UNITS, ETFS, InvITs, ReITs, GOLD AND SILVER)

Asset Class	Traded / Not Traded / Listed / Unlisted	Valuation Methodology
Mutual Fund Unit and ETFs	Traded/Non-Traded	Mutual fund, ETF, units shall be valued at the closing traded price on the principal stock exchange as on the valuation date. If the units are not traded on a particular valuation day, they shall be valued at the quoted closing price on another recognised stock exchange.

		Non-traded units shall be valued at the declared applicable NAV as on the valuation date.
Listed Overseas Mutual Fund Units [refer note (a) and (b) below]		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 the Valuation Committee. Any subsequent change in the stock exchange selected for valuation of Overseas ETF will also be recorded in writing and approved by the 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 FBIL reference rate as at the close of banking hours on the relevant business day in India. If the security is listed in currency for which the FBIL reference rate is not available, the exchange rates available from Reuters will be used. 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 FBIL reference rate
Units of Unlisted overseas Mutual Funds		Valuation will based be on the latest available Net Asset Value (NAV) of Mutual Fund units. On valuation date, all NAVs in foreign currency shall be valued in Indian Rupees at the FBIL reference rate as at the close of banking hours on the relevant business day in India. If the Units NAV is quoted in currency for which FBIL reference rate is not available, the exchange rates available from Reuters will be used. 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 FBIL reference rate.
Units of InvITs / ReITs	Traded	Valuation of units of InvITs and ReITs will be based on the last quoted closing price on the principal stock exchange where such security is listed. NSE is the principal stock exchange for the AMC.

		If no trade is reported on the principal stock exchange on a particular valuation date, units of InvITs and ReITs shall be valued at the last quoted closing price on other stock exchange.
	Non-Traded	When units of InvITs and ReITs are not traded on any stock exchange on a particular valuation day, the value at which these were traded on the selected stock exchange or any other stock exchange, on any immediately prior to valuation day, shall be considered for valuation, provided such date is not more than thirty days prior to the valuation date. Where units of InvITs and ReITs are not traded on any stock exchange for a continuous period of 30 days, then valuation for such units will be determined by Valuation Committee in consultation with the Internal auditors or valuation agencies in accordance with the decision of Valuation Committee. In addition to the above, if the valuation of units of InvITs and ReITs is provided by the independent agency as approved by AMFI, AMC may get into arrangement with such agency to provide the security level valuation price.
Gold		Gold acquired by a scheme is in the form of standard bars and its value as on a particular day is determined as under: (1) 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). 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 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 London to the place where it is stored on behalf of the mutual fund. Provided that the adjustment under clause (c) above may be made based on 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 scheme has a greater fineness, the relevant LBMA prices of AM fixing shall be taken as the reference price under this sub-paragraph. (2) If the gold acquired by the 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 like standard bars. 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.
Silver		The market price of Silver in the domestic market on any Business Day would be arrived at as under: The Silver held by a Scheme shall be valued at the AM fixing price of London Bullion Market Association (LBMA) in US dollars per troy ounce for Silver having a fineness of 999.0 parts per thousand, subject to the following: a) adjustment for conversion to metric measures 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 Silver from London to the place where it is stored on behalf of the Scheme; and ii. notional customs duty and other applicable taxes and levies that may be normally incurred to bring the Silver from London to the place where it is stored on behalf of the Scheme: 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 Silver to the place where it is stored on behalf of the Scheme. Provided further that where the Silver held by the Scheme has a greater fineness, the relevant LBMA prices of AM fixing shall be taken as the reference price. A premium or discount shall be applied to the valuation price arrived at as per the above methodology to ensure it reflects a fair value. The premium / discount shall be determined monthly or such other shorter periodic 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.

Note:
(a) Due to differences in the time zones across different markets, the AMC would consider a cut off time of 5.00 PM (IST) for availability of the closing market price for the purpose of valuation i.e. if any market closes on or before 5.00 PM (IST) that day's last closing market price will be considered for valuation else the previous day's closing market price of that stock exchange will be considered. Accordingly, the valuation of the units will be done based on T day prices or T-1 day prices, depending upon the closure of business hours of the stock exchange on which the particular units are traded / listed.

b) All the corporate action for Overseas Mutual Fund units will be recorded on the same basis as valuation of Overseas Mutual Fund units by considering a cut off time of 5.00 PM (IST).

The corporate action of the units will be recorded on T day or T+1 day, depending upon the closure of business hours of the stock exchange on which the particular units are traded / listed.

D. INTER SCHEME TRANSFER

Asset Class	**Traded / Not Traded / Listed / Unlisted**	**Valuation Methodology**
Inter Scheme Transfer	Equity and related securities	In respect of inter scheme transfer of equity securities, the spot/current market price at the time into entering the deal is considered. The screenshot of the source screen will be taken to confirm the price.
	Fixed Income securities including Government Securities, Treasury Bills, Cash Management Bills, State Development Loans, etc.	AMC shall seek prices for Inter-scheme Transfer of any money market or debt security (irrespective of maturity), from the valuation agencies as approved by AMFI from time to time (as outlined in SEBI circular: SEBI/HO/IMD/DF4/CIR/P/2019/102) If prices from the valuation agencies are received within the pre-agreed TAT, an average of the prices so received shall be used for IST pricing. If price from only one valuation agency is received within the agreed TAT, that price may be used for IST pricing. If prices are not received from any of the valuation agencies, Valuation Committee may determine the price for the IST, in accordance with Clause 3 (a) of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996

Notes:

1. Own trades will not be used for valuation of debt and money market securities and for inter-scheme transfers.
2. Investments in short-term deposits with banks (pending deployment) shall be valued on cost plus accrual basis.

3. All securities with less than 30 days residual maturity other than sovereign securities will have long term rating (either by SEBI approved rating agency or internal long term rating assigned)
4. The policy will be modified in line with any regulatory pronouncements from time to time.
5. In case of security/ies purchased by the fund does not fall within the current framework of the valuation of securities then the same shall be reported immediately to AMFI. Further, at the time of investment AMC shall ensure that the total exposure in such securities does not exceed 5% of the total AUM of the scheme. In the interim period, till AMFI makes provisions to cover such securities in the valuation of securities framework, the AMCs shall value such securities using their proprietary model which has been approved by their independent trustees and the statutory auditors.

Indicative Haircut for below investment grade securities:

Haircuts for senior, secured securities.

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

Haircuts on subordinated and unsecured (or both) securities

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

Waterfall approach for valuation of money market, debt and government securities:

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

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

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

1. The valuation agencies (CRISIL &IMACS) will follow a waterfall approach for the valuation of money market and debt securities as follows:
    a. All traded securities will be valued based on traded yields, subject to identification of outlier trades by the valuation agencies.
    b. Volume Weighted Average Yield (VWAY) for trades in the last one hour of trading will be used as the basis for valuation of Government Securities and Treasury Bills. Valuation of all other money market and debt securities including Government Securities not traded in the last one hour will be done based on VWAY of all trades during the day.
    c. In case of any exceptional event on a day, only VWAY of trades post such an event will be considered for valuation. Further, all exceptional events along with valuations carried out on such dates shall be documented with adequate justification. The following events would be considered as exceptional events:
        i. Monetary / Credit Policy
        ii. Union Budget
        iii. Government Borrowing / Auction Day iv) Material Statements on Sovereign Rating
        iv. Issuer or Sector Specific events which have a material impact on yields
        v. Central Government Election Days
        vi. Quarter end days
        vii. In addition to the above, valuation agencies may determine any other event as an exceptional event.
    d. All trades on stock exchanges and trades reported on trade reporting platforms till end of the trade reporting time (excluding inter-scheme transfers) will be considered for arriving at the valuation every day.
    e. CRISIL & IMACS will follow a polling process as part of the waterfall approach and will identify Mutual Funds who will participate in the polling process on a particular day.
    f. Polling process policy, approved by the Board of AMC and Trustees, will be documented detailing the governance of the polling process

2. Definition of tenure buckets for Similar Maturity

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

Residual Tenure of Bond to be priced	**Criteria for similar maturity**
Upto 1 month	Calendar Weekly Bucket
Greater than 1 month to 3 months	Calendar Fortnightly Bucket
Greater than 3 months to 1 year	Calendar Monthly Bucket
Greater than 1 year to 3 years	Calendar Quarterly Bucket
Greater than 3 years	Calendar Half Yearly or Greater Bucket

In addition to the above:

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

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

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

3. Process for determination of similar issuer

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

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

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

4. Recognition of trades and outlier criteria

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

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

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

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

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

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

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

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

e) To ensure a uniform process in the 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.

i. Trading Volume
ii. Spread over reference yield.

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

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

• Liquid = 50% of trade days
• Semi liquid = 10% to 50% trade days
• Illiquid = < 10% of trade days

Spread based criteria:

Spread over the matrix shall be computed and based on thresholds defined, issuers shall be classified as liquid, semi liquid and illiquid.

Type of security	Spread for Liquid	Spread for Semi Liquid	Spread for Illiquid	Spread computation
Bonds	Upto 15 Bps	>15 - 75 Bps	> 75 Bps	Point 1
CP / CD	Upto 25 Bps	>25 - 50 Bps	> 50 Bps	Point 2

Point 1: spread is computed as average spread of issuer over AAA Public Sector Undertakings/Financial Institutions/Banks matrix.
Point 2: spread is computed as average spread of issuer over A1+/AAA CD Bank matrix The thresholds shall be periodically reviewed and updated having regard to the market.

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

5. Process for construction of spread matrix:

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

Segmentation of corporates –

a. The entire corporate sector is first categorised across following four sectors i.e., all the corporates will be catalogued under one of the below mentioned bucket:
b. Public Sector Undertakings/Financial Institutions/Banks.
c. Non-Banking Finance Companies -except Housing Finance Companies.
d. Housing Finance Companies.
e. Other corporates

Representative issuers –
For the aforesaid 4 sectors, representative issuers (Benchmark Issuers) shall be chosen by the valuation agencies for only higher ratings {I.e., "AAA" or AA+). Benchmark/Representative Issuers will be identified basis high liquidity, availability across tenure in the 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.

Calculation of benchmark curve and calculation of spread —

i. The yield curve to be calculated for representative issuers for each sector for maturities ranging from 1 month to 20 years and above.
ii. Waterfall approach as defined in Part A (1) above will be used for construction of yield curve of each sector.
iii. 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.

iv. The yield curve for Representative Issuers will be created daily 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.

v. 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.

a) The principles of VWAY, outlier trades and exceptional events shall be applicable while constructing the benchmark curve based on trades/primary issuances.

b) In case of rating downgrade/credit event/change in liquidity or any other material event in Representative Issuers, new Representative Issuers will be identified. Also, in case there are two credit ratings, the lower rating must be considered.

c) Residual tenure of the securities of representative issuers shall be used for construction of yield curve.

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

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

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

Note:

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

Guidelines on Polling Process for Money Market and Debt Securities:

The Guidelines on polling issued by AMFI in consultation with SEBI are as under:

Polling Guidelines:

1. Valuation agencies shall identify the Mutual Funds who shall participate in the polling process on a particular day, considering factors such as diversification of poll submitters and portfolio holding of the Mutual Funds. Mutual Funds who are identified by the valuation agencies shall necessarily participate in the polling process. However, in case any Mutual Fund does not participate in the polling process, detailed reason for the same shall be recorded at the time and subsequently made available during SEBI inspections. In this respect, since a Mutual Fund may have investments in similar securities, a security not forming part of investment universe may not be considered as an adequate reason for not participating in the polling process.

2. Polling will be carried out daily by the valuation agencies, in terms of points 9-11 below.

3. Each valuation agency needs to take polls from at least 5 unique Mutual Funds daily. Hence, among the two valuation agencies 10 unique Mutual Funds to be polled. They may cover more Mutual Funds, over and above this. For benchmark securities a poll constituting at least 5 responses will be considered as valid. In the case of non-benchmark securities, a poll constituting at least 3 responses will be considered as valid. The responses received by each valuation agency will be shared with the other agency also.

4. Median of polls shall be taken for usage in valuation process.

5. The valuation agencies will also need to cover as many non- Mutual Fund participants as possible, over and above the Mutual Funds, to improve the polling output quality.

6. Endeavour would be made to have adequate representation of both holders and non-holders of the same bond/same issuer for non-benchmark securities in the poll process. Where this is not possible, valuation agencies may seek polls from holders of bonds with a similar structure.

7. In the case of issuers with multiple notch rating upgrades / downgrades over short periods of time, valuation agencies shall:
    a. Conduct polls with a larger universe of pollers.
    b. Increase the frequency of polling.

8. Suo moto feedback on valuations should be entertained only through formal mails from persons designated by AMC for said purpose, and the same shall be validated through repolling. Any such feedback shall be duly recorded by the valuation agencies, including the reason for the challenge, results of repolling and subsequent changes in valuation on re-polling, if any. Such records shall be preserved by the valuation agencies, for verification.

9. Polling will be done for two sets of securities, Benchmark & Others.

10. Benchmarks will be defined for the following categories across tenors.
    a. Treasury Bills
    b. Central Government Securities
    c. State Government Securities
    d. AAA PSU / PFI / PSU Banks
    e. AAA Private
    f. NBFC
    g. HFC
    h. Any other as required for improving fair valuations.

11. Polling shall be conducted in the following two scenarios:
    a. Validation of traded levels if they are outlier trades.
    b. Non traded Securities (in exceptional circumstances as defined in the waterfall mechanism for valuation of money market and debt securities).

12. Best efforts should be made by poll submitters to provide fair valuation of security.

13. The polling process will be revalidated by external audit of the valuation agencies with at least an annual frequency.

14. AMCs shall have a written policy, approved by the Board of AMC and Trustees, on governance of the polling process. The aforesaid policy shall include measures for mitigation of potential conflicts of interest in the polling process and shall identify senior officials, with requisite

knowledge and expertise, who shall be responsible for polling. Further, the policy should outline the following aspects.

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

15. All polling done will have to be documented and preserved in format approved by the Board of AMC, for a period of eight years, along with details of the basis of polling (such as market transactions, market quotes, expert judgement etc.).

16. AMCs shall ensure that participation in the polling process is not misused to inappropriately influence the valuation of securities. The officials of the AMC who are responsible for polling in terms of point no. 14 above, shall also be personally liable for any misuse of the polling process.

17. AMCs shall maintain an audit trail for all polls submitted to valuation agencies.

Guidelines for Valuation of Bonds (AT 1 Bonds and Tier 2 Bonds)

Valuation of Bonds issued under Basel III framework as per SEBI circular SEBI/HO/IMD/DF4/CIR/P/2021/034 dated March 22, 2021, SEBI circular SEBI/HO/IMD/PoD1/CIR/P/2024/106 dated August 05, 2024, and AMFI Best Practices circular 135/BP/ 91 /2020-21 dated March 24, 2021. Relevant extract of AMFI Best Practices is being reproduced herein below:

1. Currently a bond is considered traded, if there is at least one trade in market lot in that ISIN. If the bond does not get traded there is a defined waterfall mechanism for valuation of that bond as per AMFI Best Practice Guideline circular no. NO.83 / 2019-20 dated November 18, 2019.

2. The said waterfall requires grouping of same issuer with similar maturity and similar issuers with similar maturity. However, in case any ISIN of issuer has not traded, the valuation of AT1 Bonds is currently done based on adjusting appropriate risk spread in line with NFRA's recommendations.

3. To improve existing valuation of these bonds and implement the defined waterfall, following is being done:

    a. Form two types of ISINs:
        i. Benchmark ISINs (a non-benchmark ISIN can be linked to only one benchmark ISIN. Currently, SBI ISINs happen to be the benchmark ISINs across all maturities for AT1 Bonds.)
        ii. Non-benchmark ISINs (Will be divided into multiple groups based on similar issuer and similar maturity).

iii. The groups will be decided on in consultation with valuation agencies. The two main criteria envisaged to be used here would be Tier 1 / Tier 2 ratings of the ISINs / Issuers, and the spread range in which the group of ISINs / Issuer's trade over the benchmark.

b. Look back period for trade recognition as under:
   i. 15 working days for benchmark ISINs
   ii. 30 working days for non-benchmark ISINs
   iii. This will be revised to 7 working days for benchmark ISIN and 15 working days for non- benchmark ISINs from October 01, 2021.

4. If the ISIN gets traded, the traded YTC will be taken for the purpose of valuation of Tier-1 bonds and the traded YTM will be taken for the purpose of valuation of Tier- 2 bonds. Further, if 1 ISIN of the issuer trades all other ISINs of issuers will be considered as traded but with necessary adjustment of spread to YTC/YTM (as applicable). If none of the ISIN of the issuer gets traded, the trade of similar issuer in the group will be taken to valuation however with necessary adjustment of spread to YTC/YTM (as applicable) of similar issuer similar maturity. If none of the ISIN in a group gets traded on any day, an actual trade in a look back period will be seen. If there is an actual trade in the look back period, the security will be considered as traded and valued with necessary adjustment of spread to YTC/YTM (as applicable). According to this valuation will be done based on the trade of the issuer, trade of similar issuer and as an additional layer a look back period of is requested. It is confirmed that spread over YTC/YTM (as applicable) will be taken without any adjustment of modified duration to call.

5. Further, as the valuation is based on trade during the look back period, it is confirmed that a spread is adjusted to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.

6. However, if there is no actual trade of any ISIN of the issuer as well as similar issuer during look back period, the valuation will be done by taking spread over matrix and/or polling in line with the waterfall mechanism prescribed by AMFI.

7. The maturity of all perpetual bonds shall be treated as 100 years from the date of issuance of the bond for the purpose of valuation.

The deemed residual maturity for the purpose of valuation of existing as well as new bonds issued under Basel III framework shall be as below:

	Deemed Residual Maturity of Basel III AT-1 Bonds (Years)	Deemed Residual Maturity of Basel III AT-2 Bonds (Years)
	100	Contractual Maturity

The residual maturity will always remain above the deemed residual maturity proposed above.

8. Valuation methodology, as mentioned above, for AT-1 Bonds is to be followed for the valuation of tier II bonds also. Further, the Macaulay Duration is proposed to be calculated as under for Tier II bonds:

Time Period	Deemed Residual Maturity for all securities (Years)

April 01, 2021 – March 31, 2022	10 years or contractual maturity whichever is earlier
April 01, 2022 onwards	Actual Maturity

9. Besides, AT-1 bonds and Tier 2 bonds being different categories of bonds, the valuation of these bonds will be done separately (i.e.) ISIN of AT-1 bond traded will not mean that ISIN of Tier-2 bonds of the same issuer have also traded. However, if any issuer does not exercise call option for any ISIN, then the valuation and calculation of Macaulay Duration should be done considering maturity of 100 years from the date of issuance for AT-1 Bonds and Contractual Maturity for Tier 2 bonds, for all ISINs of the issuer.

10. It is confirmed that the Macaulay Duration of ISINs will be calculated based on the deemed residual maturity proposed in para 7 and 8 above to reflect the duration risk and the Yield to Call methodology will be used for AT-1 Bonds for valuation purposes.

11. Further, henceforth mutual funds will disclose Yield to Call for AT-1 bonds and Yield to Maturity for Tier-2 bonds.

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