Investment Valuation Policy

(Amended on April, 2019)

Sr No.		Table of Contents	Pg. No.
		Scope of the policy	4
		Preamble	4
		Valuation Committee	4
		Definitions	5
	1	Traded Equity Securities	5
	2	Thinly Traded Equity Securities	5
	3	Non- Traded Securities	6
	4	Unlisted Securities	6
	5	Recognized Stock Exchange	6
	6	Principal Stock Exchange	6
	7	Secondary Stock Exchange	6
	8	ASBA	6
	9	Debt Instruments/Securities	6
	10	Force Majeure Event	7
	11	Money Market Instruments	7
	12	Market Lot	7
	13	Securitized debt instrument	7
A		**Valuation of Debt Investments including Money Market Securities**	7
	1	Instrument maturing up to 60 days	7
	2	Instrument having maturity greater than 60 days	8
	3	Securitized debt instrument	9
	4	Convertible Debentures, Bonds and Warrants	9
	5	Corporate Repo	9
	6	Floating Rate Securities with Floor & Cap on Coupon Rate	10
	7	Valuation of Securities with Put/Call Options and Futures Contract	10
	8	Valuation of Pass through Certificate	10
	9	Valuation of Reset Papers	11
	10	Valuation of Futures Contract including interest rate derivatives contract	11
	11	Valuation of Government Securities/T Bills	11
	12	Valuation of CBLO, Reverse Repo & Fixed Deposits	11
	13	Valuation of Infrastructure Investment Trus (InvITs) & Real Estate Investment Trust (ReITs)	11
B		**Valuation of Equity / Equity Related Securities**	12
	1	Traded Securities	12
	2	Thinly Traded/Non Traded Securities	12
	3	Unlisted Securities	13
	4	Valuation of Partly Paid-up Equity Shares	14
	5	Valuation of Warrants	14
	6	Valuation of Preference Shares	15
	7	Valuation of Convertible Debentures	15
	8	Valuation of Rights Entitlement	16

	9	Valuation of QIP	16
	10	Valuation of Initial Public Offering (IPO) Allotment	16
	11	Valuation of Indian Depositories Receipts (IDR)	17
	12	Valuation of Suspended Security	17
	13	Valuation of Illiquid Security	17
	14	Valuation of Shares on Demerger, Merger, Buy-Back and Scheme of Arrangement	17
	15	Valuation of Futures and Options	18
	16	Valuation of Securities Lent Under Securities Lending Scheme	18
	17	Valuation of Foreign Securities and ADR & GDR	18
C		**Valuation of Gold Investments**	19
D		**Valuation of Gold Fund of Fund Units**	20
E		**Valuation of Gold Monetisation Schemes**	20
F		**Inter-Scheme transfer of Securities**	20
G		**Exceptional Events**	21
H		**Securities not covered in the Policy**	22
I		**Identification and Provisioning for Non-Performing Assets**	22
J		**Matters not specifically covered in the policy**	22
K		**Conflict of interest**	22
L		**Maintenance of Documentation**	23
M		**Right of the AMC to deviate from the guidelines**	23
N		**Sebi Circular SEBI/HO/IMD/DF4/CIR/P/2019/41**	23

Scope of the policy

The investment Valuation Policy aims to provide broad valuation guidelines to be followed for each type of security. Policy on valuation of investments shall be used by IDBI Asset Management Limited for declaring Net Asset Value**.** The same shall be reviewed annually by the Valuation Committee and also by an independent Chartered Accountant firm.

Any introduction/modification / changes in the Valuation Policy for a new or an existing asset type shall be approved by the Valuation Committee and incorporated thereafter in the Valuation Policy.

Frequency of review: The policy shall be reviewed annually or more frequently, if required, either due to change in Regulations or business environment.

Preamble:

The Securities & Exchange Board of India vide gazette notification No. LAD-NRO/GN/2011-12/38/4290 dated February 21, 2012 pertaining to Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2012 notified guidelines regarding the valuation of investments by the Asset Management Companies of Mutual Funds. As per the guidelines the valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realizable value of the securities/assets as on the valuation date. AMFI Valuation committee has further recommended specific guidelines for valuation of debt instruments based on the fair value principle.

Valuation Committee

All decisions pertaining to valuation, in conformity with the policy guidelines, shall be taken by the valuation committee. The constitution of the valuation Committee is as under:

Constitution:

The valuation Committee will comprise of the following members:

CFO & COO (as Chairman of the Committee)

Head- Equity

Head-Fixed Income

Chief Risk Officer

Compliance Officer

Frequency of valuation committee meeting:

The valuation Committee shall meet on a quarterly basis or more often, if required in order to deliberate on specific proposals. The Committee Shall be responsible for addressing areas of conflict of interest and thereafter recommend changes if any in policy/methodology.

Functions of the Valuation Committee:

- to provide guidelines on valuation within the regulatory framework,
- decide on specific cases as may be referred to the committee,
- appoint/recommend the appointment of third party agencies for valuation,
- evaluate the performance of such agencies on a periodic basis,
- review the valuation policy

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

Investment in new type of securities shall be made only after the valuation guidelines for such securities are established and approved by the AMC Board and Trustees Board.

<u>Definitions:</u>

1. **Traded Equity Securities**

   An equity and / or equity related securities (such as preference shares, convertible debentures, equity warrants etc.) would be considered as traded if:

   a) The security is traded on any stock exchange within a period of 30 days including the date of valuation and if:
   b) the aggregate value of trade during such period is more than Rs. 5,00,000; or
   c) the total volume of trade during such period is more than 50,000 shares.

2. **Thinly Traded Equity Securities**

   An equity and / or equity related securities (such as preference shares, convertible debentures, equity warrants etc.) would be considered as thinly traded if in a previous calendar month:

   a) the aggregate value of trade in such security is less than Rs. 5,00,000; and

b) the total volume of trade in such security is less than 50,000 shares, in recognized stock exchange in India.
c) For example, if the volume of trade is 1,00,000 and value is Rs.4,00,000, the shares do not qualify as thinly traded. Also, if the volume traded is 40,000, but the value of trades is Rs.6,00,000, the shares do not qualify as thinly traded.

3. Non-Traded Securities

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

4. Unlisted Securities

If on a valuation date a security is not listed on any of the stock exchanges, it would be considered as unlisted security.

5. Recognized Stock Exchange

National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) would be considered as recognized stock exchanges in India.

6. Principal Stock Exchange

National Stock Exchange (NSE) would be considered as principal stock exchange.

7. Secondary Stock Exchange

Bombay Stock Exchange (BSE) would be considered as secondary stock exchange.

8. **ASBA**

ASBA means "Application Supported by Blocked Amount". ASBA is an application containing an authorization to block the application money in the bank account, for subscribing to an issue. If IDBI AMC applies through ASBA, its application money shall be debited from the bank account only if its application is selected for allotment after the basis of allotment is finalized, or the issue is withdrawn/failed.

9. **Debt instruments/Securities**

"debt securities/debt instruments" means a non-convertible debt securities which create or acknowledge indebtedness, and include debenture, bonds, mezzanine debt and such other securities of a body corporate or any statutory body constituted by virtue of a legislation, whether constituting a charge on the assets of the body corporate or not, but excludes bonds issued by Government or such other bodies as may be specified by SEBI, security receipts and securitized debt instruments including pass through vehicles

10. **Force Majeure Event**

    Force Majeure Event are events which occur due to natural calamities, civil commotion, war, strikes, riots, and bandhs, excessive volatility in stock/bond markets, shutdown of exchanges, breakdown in trading in some segments of the financial market, major policy announcements by the Governments/Central Bank/Regulators or any other acts of god or other similar event or causes beyond AMC's reasonable control.

11. **Money Market instruments**

    Money market instruments" includes commercial papers, commercial bills, treasury bills, Government securities having an unexpired maturity up to one year, call or notice money, certificate of deposit, and any other like instruments as specified by the Reserve Bank of India from time to time.

12. **Market lot**

    Market lot means an order size of minimum Rs. 5 Crores for any securities.

13. **Securitized debt instrument**

    Securitized debt instrument means any certificate or instrument, by whatever name called, issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case maybe.

A. Valuation of Debt Investments including Money Market Securities

Debt Securities are classified into following 2 categories:

i. **Coupon bearing securities like Non-Convertible Debentures (NCD), Bonds, etc.**
ii. **Discounted securities like Zero Coupon Bonds (ZCB), Commercial Papers (CP), Certificate of Deposits (CD), Bills Purchased under Rediscounted (BRDS) etc.**

1. Instruments maturing up to 60 days

(i) The AMC will use the most commonly used yield matrix available in the market which captures traded prices/yields across all public platforms for arriving at the benchmark yields. If two such yield matrixes are available the aggregation of such matrices will be used for arriving at the benchmark yield for NAV computation purpose. Benchmark yield will be provided by CRISIL & ICRA for all the securities with residual maturity of less than 60 days.

(ii) Each security will be mapped to a benchmark matrix/aggregate matrix which reflects the maturity profile of the security.

(iii) At the time of first purchase the spread between the purchase yield and the benchmark yield should be fixed. This spread will remain fixed through the life of the instrument & will be changed only if there is justification for the change Irrespective of amortization the AMC will review/ revaluate the appropriateness of the spread in case of a change in credit rating to credit profile of the issuer.

(iv) If the security is traded by the AMC, the traded yield/price will be taken for valuation.

(v) If the security is not traded by the AMC, the amortized price will be arrived based on the yield and purchase price of the security. The most recent traded price will be used for calculating the amortized price as long as the trade is of market lot. The amortized price will be compared with the price of the security derived based on the benchmark matrix/aggregate matrix based on the mapping mentioned in point (ii). If the difference between amortized price and the price derived on the basis of benchmark/aggregate matrix is within ±0.10%, the amortized price shall be used for valuation. In case the variance exceeds ±0.10%, the valuation shall be adjusted to bring it within the ±0.10% band of the benchmark matrix/aggregate matrix.

2. **Instruments having maturity greater than 60 days**

i) Independent Valuation agencies (CRISIL & ICRA) will send clean prices of all securities held in the portfolios on a daily basis for tenor above 60 days
ii) Prices provided by both valuation agencies will be averaged to calculate the final price for that security
iii) Prices will be provided for all days including holidays assuming a settlement of T+1.
iv) Prices for holidays will be provided on the previous working day.
v) Prices for securities will be made available regardless of whether an instrument is traded or not.
vi) In case prices are made available by only one agency, such prices will be used to arrive at the valuation
vii) Security would be valued at cost before date of allotment.
viii) In case of non-availability of prices by both agencies, then

a) Weighted average yield/price of the same security (same ISIN) available on FIMMDA satisfying criteria (aggregate trade size of Rs. 100 Crores and at least 3 trades on the trade date).

b) If not available and if the instrument is traded by the AMC, then weighted average yield/price on that day of Self (own) trades will be considered for valuation. In case of any new security (i.e. security not forming part of the universe covered by such agencies on the day of purchase), the price is not available from the such agencies (currently, CRISIL and ICRA) on the day of purchase such security will be valued at purchase yield.

If the instrument is not traded and the price is not available from the independent valuation agencies, the instrument will be valued based on procedures defined by the Valuation Committee.

3. <u>Securitized debt instruments</u>

The policy applicable for debt securities will apply mutatis mutandis for valuation of securitized debt instruments also.

4. <u>Convertible debentures, bonds and warrants</u>

In respect of convertible debentures and bonds, the non-convertible and convertible components shall be valued separately. The non-convertible component should be valued on the same basis as would be applicable to a debt instrument. The convertible component should be valued on the same basis as would be applicable to an equity instrument. If, after conversion the resultant equity instrument would be traded pari passu with an existing instrument which is traded, the value of the latter instrument can be adopted after an appropriate discount of the non-tradability of the instrument during the period preceding the conversion while valuing such instruments, the fact whether the conversion is optional should also be factored in;

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. A discount similar to the discount to be determined in respect of convertible debentures [as referred to above] must be deducted to account for the period which must elapse before the warrant can be exercised;

5. <u>Corporate Repo</u>

Where instruments have been bought on ‘repo’ basis, the instrument will be valued at the resale price after deduction of applicable interest upto date of resale. Where an instrument has been sold on a ‘repo’ basis, adjustment will be made for the difference between the

repurchase price (after deduction of applicable interest upto date of repurchase) and the value of the instrument. If the repurchase price exceeds the value, the depreciation will be provided for and if the repurchase price is lower than the value, credit will be taken for the appreciation.
A minimum haircut of 10% shall be applicable on the market value of the corporate debt securities prevailing on the date of trade of 1st leg. A higher haircut may be adopted by the scheme after referring to the rating-haircut matrix that may be published by Fixed Income Money Market Derivatives Association of India (FIMMDA).

6. Floating Rate Securities with Floor & Cap on coupon rate

i. If security has residual maturity of more than 60 days, then security will be valued on the basis of average of scrip level prices released by CRISIL and ICRA on the same basis as debt securities maturing greater than 60 days.

ii. If security has residual maturity upto 60 days, then security will be valued through amortization on the same basis as debt securities maturing upto 60 days taking coupon rate as floor.

7. Valuation of securities with Put/Call Options and futures contract

a) 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.

b) 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.

c) Securities with both Put and Call option on the same day

The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

8. Valuation of Pass through Certificate

i. If security has residual maturity of more than 60 days, then security will be valued on the basis of average of scrip level prices released by CRISIL and ICRA on the same basis as debt securities maturating greater than 60 days.
ii. If security has residual maturity upto 60 days, then security will be valued through amortization on the same basis as debt securities maturing upto 60 days.
iii. Periodical cash flow is considered for valuation of security.

9. Valuation of Reset papers

i. If security has residual maturity of more than 60 days, then security will be valued on the basis of average of scrip level prices released by CRISIL and ICRA on the same basis as debt securities maturating greater than 60 days.
ii. If security has residual maturity upto 60 days, then security will be valued through amortization on the same basis as debt securities maturing upto 60 days.

10. Valuation of Futures contract including interest rate derivatives contract

The valuation will be based on the settlement price of the futures contract published by the stock Exchanges on daily basis. MTM loss or gain will be booked on daily basis.

11. Valuation of Government Securities/T Bills

Government securities and T-Bills having maturity of more than 60 days will be valued at prices released by CRISIL and ICRA.
For Government securities and T-Bills, Cash Management Bills with residual maturity up to 60 days, the amortized price may be used for valuation as long as it is within ±10 basis points (bps) (±0.10%) of the reference price. In case the variance exceeds ±10 bps of the reference price, the valuation shall be adjusted to bring it within the ±10 bps band.

12. Valuation of CBLO, Reverse Repo & Fixed Deposits

Investment in CBLO, Reverse Repo & Fixed Deposits will be valued at cost.

13. Valuation of Infrastructure Investment Trust (InvITs) & Real Estate Investment Trust (ReITs)

i. On valuation day, traded Units of InvIT/ReITs are to be valued at the Last quoted closing price on the principal stock exchange
ii. When on a particular valuation day, units of InvIT/ReITs has not been traded on the principal stock exchange; the value at which it is traded on secondaty stock exchange may be used
iii. When units of InvIT/ReITs 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 maybe, on the earliest previous day may be used provided such date is not more than 30 days prior to valuation date

iv. Where units of InvIT/ReITs are not traded on any stock exchange for continuous period of 30 days than the valuation for such units of InvIT/ ReITs will be determined based on the price provided by an independent valuation agency(ies) or at latest NAV declared by Investment managers of the trust, as the case maybe. The selection of the independent valuation agency(ies) will be approved by the Valuation Committee.

v. Where the valuation of Units of InvIT/ReITs is not available from any independent valuation agency(ies), the valuation will be determined by the Fund Manager on the principles of fair valuation.

B. Valuation of Equity / Equity Related Securities

1. Traded Securities:

i. On a valuation day, traded securities are to be valued at the last quoted closing price on the principal stock exchange.

ii. 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.

iii. 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.

iv. On a valuation day, ETFs and Index Funds are to be valued at the last quoted closing price on the stock exchange of the underlying index.

2. Thinly Traded/Non Traded Securities

Thinly Traded / Non-Traded securities are valued in “good faith” on the basis of the valuation principles laid down below:

i. Based on the latest available Balance Sheet, the price of the scrip shall be calculated as follows:

a) Net Worth per share = [Share Capital+ Reserves (excluding Revaluation Reserves) – Miscellaneous expenditure and Debit Balance in Profit and Loss Account] / Number of Paid up Shares.

b) Average Capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which shall be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75 per cent i.e. only 25 per cent of the industry average P/E shall be taken as Capitalization rate (P/E ratio). Earnings per share (EPS) of the latest audited annual accounts shall be considered for this purpose.

ii. The value as per the Net Worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10 per cent. for illiquidity so as to arrive at the fair value per share.

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

iv. 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.

v. In case an individual security accounts for more than 5 per cent of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5 per cent. of the total assets of the scheme, it shall be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs will be compared on the date of valuation In case trading in an equity security is suspended up to thirty days, then the last traded price shall be considered for valuation of that security. If an equity security is suspended for more than thirty days, then the AMC(s) or Trustees shall decide the valuation norms to be followed and such norms shall be documented and recorded.

3. <u>Unlisted Securities</u>

Unlisted equity shares of a company shall be valued "in good faith" on the basis of the valuation principles laid down below:
i) Based on the latest available Audited Balance Sheet, Net Worth shall be calculated as lower of (1) and (2) below:

1. Net Worth per share = [share capital + free reserves (excluding revaluation reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares.

2. After taking into account the outstanding warrants and options, Net Worth per share shall again be calculated and shall be = [share capital + consideration on exercise of Option/Warrants received/receivable by the Company + free reserves (excluding revaluation reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure,

intangible assets and accumulated losses] divided by Number of Paid up Shares plus Number of Shares that would be obtained on conversion/exercise of Outstanding Warrants and Options.

3. The lower of (1) and (2) above shall be used for calculation of Net Worth per share and for further calculation in (iii) below.

ii) Average capitalization rate (P/E ratio) for the industry based upon either NSE or BSE data 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.

iii) The value as per the Net Worth value per share and the Capital Earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.

4. <u>Valuation of Partly Paid-up Equity Shares</u>

a) **Traded Securities**: In case the party paid-up equity shares are traded separately they would be valued as per the valuation guidelines applicable to any other equity shares.

b) **Thinly traded / Non-traded / Unlisted Securities**:

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 were 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 shares as reduced by the amount of balance call money payable.

5. <u>Valuation of Warrants</u>

i. Traded Securities

In case the warrants are traded separately they would be valued as per the valuation guidelines applicable to equity shares.

ii. **Thinly Traded / Non-Traded / Unlisted Securities**

a) In respect of warrants to subscribe for equity shares attached to instruments, the warrants would be valued at the value of the equity share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant.
b) Valuation guidelines related to equity shares would be applicable for the valuation of underlying equity shares.
c) An appropriate discount for non-tradability of the equity shares shall be deducted to account for the period which must elapse before the warrant can be exercised.

6. <u>Valuation of Preference Shares</u>

i. **Traded Securities**

In case the preference shares are qualified as traded then they would be valued as per the valuation guidelines applicable to equity shares.

ii. **Thinly Traded / Non-Traded / Unlisted Securities**

a) Redeemable Preference Shares would be valued on the basis of norms governing the valuation of Non-Convertible Debentures and Bonds under valuation of Debt Security category.
b) Convertible Preference shares would be valued at the value of the equity share which would be obtained on conversion. Valuation guidelines related to equity shares would be applicable for the valuation of underlying equity shares. An appropriate discount for non-tradability of the equity shares shall be deducted to account for the period which must elapse before the conversion can be exercised.

7. <u>Valuation of Convertible Debentures</u>

i. **Traded Securities**

In case the convertible debentures are qualified as traded then they would be valued as per the valuation guidelines applicable to equity shares and valued at cum-interest trade price.

ii. **Thinly Traded / Non-Traded / Unlisted Securities**

Non-Convertible and Convertible components would be valued separately.

a) Non-Convertible component would be valued on the basis of norms governing the valuation of Non-Convertible Debentures and Bonds under valuation of Debt Security category.
b) Convertible component would be valued at the value of the equity share which would be obtained on conversion. Valuation guidelines related to equity shares would be applicable for the valuation of underlying equity shares. An appropriate discount for non-tradability of the equity shares would be deducted to account for the period which must elapse before the conversion can be exercised.

8. Valuation of Rights Entitlement

i. Where it is decided not to subscribe to the right but to renounce them and renunciations are being traded, the rights can be valued at the renunciation value.

ii. The value of the "rights" shares should be calculated as:

- Until, rights are traded, or
- after the expiry of trading window on the exchange and rights are not renounced till that date,

Vr = n/m * (Pex - Pof)

Where,

Vr	= Value of rights
n	= No. of rights offered
m	= No. of original shares held
Pex	= Ex-rights price
Pof	= Rights Offer Price

iii. Ex-right price of underline security will be considered separately for each valuation day.

iv. In case the offer price is higher than the Ex-right price then the rights would be valued at Zero.

v. If the rights are on non-traded shares or unlisted shares then the rights would be valued at Zero.

vi. The above valuation price would be used till the date of allotment of shares. From the date of allotment, Valuation guidelines related to equity shares would be applicable for the allotted equity shares.

9. Valuation of QIP (Qualified Institutional Placement – Equity Shares)

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.

10. Valuation of Initial Public Offering (IPO) Allotment

Securities awaiting Listing on account of IPO is to be valued at allotment price

11. 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.

12. **Valuation of Suspended Security**

i. 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.
ii. If an equity security is suspended for more than 30 days, then the fair valuation of Thinly Traded / Non-Traded Security as above would be applied.

13. **Valuation of Illiquid Security**

Illiquid securities shall be valued in good faith. Aggregate value of "illiquid securities" of scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be assigned Zero value.

14. **Valuation of shares on demerger, Merger, Buy-back and Scheme of Arrangement**

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

i. De-merger:

On de-merger following possibilities arise which influence valuation these are:

- **Both the shares are traded immediately on de-merger:** In this case both the shares are valued at respective traded prices.
- **Shares of only one company continued to be traded on de-merger:** Traded shares is to be valued at traded price and the other security is to be valued at traded value on the day before the de merger less value of the 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.
- **Both the shares are not traded on de-merger:** 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 de merger. 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 in the ratio of cost of shares.

- In case shares of both the companies are not traded for more than 30 days, these are to be valued as unlisted security.

ii. Buy-back of Securities

If a company offers to buy-back hundred percent of the shares tendered then shares will be valued at the price of buy-back and ignoring the market price. Else, market price of the shares will be considered for valuation till formal confirmation of acceptance of shares tendered under the buyback schemes. Quantum of shares accepted under buy-back will be accounted as a sale trade.

iii. Meger:

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

15. Valuation of Futures and Options

i. On the Valuation Day, Settlement price will be considered for Valuation
ii. If the Settlement price is not available, then closing price for the security will be considered for the valuation
iii. In case of Futures MTM is computed on daily basis
iv. MTM Gain/Loss = Current day settlement/Closing price – previous day settlement/ Closing price (If scrip is purchased first time then it is a Current day Settlements/ closing price – Weighted average price (WAP))
v. MTM is computed on scrip wise and series wise

16. Valuation Of Securities Lent Under Securities Lending Scheme

The valuation of securities lent under 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.

17. Valuation of Foreign Securities and ADR & GDR

i. **Receiving last quoted price:**

a. If the security is listed in a time zone ahead of ours than the same day closing price on appropriate stock exchange as provided by Bloomberg would be used for valuation. If the security is listed in a time zone behind ours then the previous day's closing price provided by Bloomberg would be considered for valuation.

b. In case the security is not traded on the above mentioned days, price of previous day should be used provided the price is not more than 30 days old.

ii. **Converting the price in Indian Rupees (INR):**

a. Since these prices are in foreign currency these are to be converted in Indian Rupees by applying the exchange rate. Bloomberg also provides closing conversion rate, which can be used for converting the foreign currency prices in INR. This closing price in INR should also be used for valuation of foreign securities and ADR/GDR.

b. In case Bloomberg has not provided the conversion rate, the closing price of the security should be converted to INR at RBI reference rate.

C. <u>Valuation of Gold Investments</u>

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 1 kg gold of 0.995, 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 sub-paragraph (1). "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."

D. <u>Valuation of Gold Fund of Fund units</u>

Valuation of Gold Fund of Fund units will be based on the applicable NAV of the IDBI Gold Exchange Traded Fund

E. <u>Valuation of Gold Monetisation Schemes</u>

Principal investment in Gold Monetisation Schemes (GMS) by IDBI Gold Exchange Traded Fund will be valued at the price of physical gold, while interest income will be valued on accrual basis

F. <u>Inter-scheme transfer of securities</u>

As per the regulations of SEBI contained in the seventh schedule of the SEBI (Mutual Funds) Regulations 1996, transfer of investments from one scheme to another scheme in the same mutual fund shall be allowed only if:

a) Such transfers are done at the prevailing market price for quoted instruments on spot basis;
b) The securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.

<u>Debt and Money Market Securities:</u>

For Debt and Money Market Securities following procedure will be followed:

a) Where there are market trades of the same security on the date of IST reported on Public Platform, weighted average price till the time of IST shall be considered provided the market trade satisfy the following qualifying criteria:

   i. For instruments maturing above 1 year, the traded price may be taken if there are at least two trades aggregating to face value of Rs. 25 crores or more.

   ii. For instruments maturing upto 1 year, the traded price may be taken if there are at least three trades aggregating to face value of Rs. 100 crores or more.

Equity Securities:

ISTs for equity shares will be allowed only for transferring securities from two index schemes on account of Index reconstitution at the prevailing spot market price of the security on the transfer day.

For this purpose, at the time of affecting 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. The price given in the quotation of the stock exchange would be the effective price for the inter-scheme transfer.

G. Exceptional Events

Exceptional Events are such events where market quotations are no longer reliable for particular security/securities. Such events or situations may be temporary in nature and could be due to any Force Majeure Event including operational, geo political, macroeconomic, disruptive events impacting the capital markets/economy as a whole. However, if such event is a result of news having long term impact on the economy, the same will not be treated as an exceptional event. The onus for defining/declaring a situation/time period as an exceptional business situation will be on Valuation Committee.

The Board of AMC and Trustee authorize the Valuation Committee to determine the exceptional events and devise the process to deal with the exceptional events. Given the exceptional nature of the events, it is not possible to define a standard methodology to be adopted for fair valuation of securities/assets for such events.

The Valuation Committee shall identify and monitor exceptional events and recommend appropriate procedures / methodologies with necessary guidance from the Board of AMC and Trustee, wherever required, and get the same ratified.

The illustrative list of exceptional events is provided as under:
The Exceptional events where current market information may not be available / sufficient for valuation of securities are classified as under:

a. Policy announcements by the Reserve Bank of India (RBI), the Government or any Regulatory body like (SEBI/IRDA/PFRDA).
b. Natural disasters or public disturbances that may impact the functioning of the Capital markets.
c. Absence of trading in a specific security or similar securities.
d. Significant volatility in the capital markets.
e. Default of any securities.

Note:
1. Any change/modification to the above list of exceptional events shall be updated from time to time.
2. The Valuation Committee shall identify and monitor the exceptional events and recommend appropriate procedures/methodologies with necessary guidance from the Board of AMC and Trustee, wherever required, and get the same ratified.

H. Securities not covered in the policy

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.

I. Identification and Provisioning for Non Performing Assets

An "asset" shall be classified as non-performing, if the interest and/or principal amount have not been received or remained outstanding for one quarter from the day such income / installment has fallen due. The valuation of Non- Performing Assets (NPA) would be in accordance with SEBI Circular No. MFD/CIR/8/92/2000 dated September18, 2000, SEBI Circular No. MFD/CIR/8(a)/104/2000 dated October 03, 2000 and SEBI Circular no. MFD / CIR /14 / 088 / 2001 dated March 28, 2001 as amended from time to time. The AMC will follow the guidelines published by SEBI SEBI/IMD/MC No.3/10554/2012 dated 11th May, 2012 in this regard.

J. Matters not specifically covered in the policy

All matters regarding valuation of securities, which are not specifically covered in this policy, shall be governed under Chapter 9 of the Master Circular for Mutual Funds issued by SEBI on May 11, 2012 and investment valuation norms mentioned in eighth schedule of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereof.

K. Conflict of interest

The Implementation of valuation policy and methodologies as adopted/authorized by the Board of AMC and Trustee shall be subject to review by Valuation Committee. The Valuation Committee will be responsible for addressing areas of Conflict of interest and there in recommend changes, if any, in policy/methodology. The same shall be ratified with the Board of AMC and Trustee.

L. Maintenance of documentation

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

M. Right of the AMC to deviate from the guidelines

The responsibility of true and fairness of valuation and correct NAV shall be of the asset management company, irrespective of disclosure of the approved valuation policies and procedures. In any event, if the established policies and procedures of valuation as mentioned in this policy do not result in fair/ appropriate valuation, the asset management company will have the authority to deviate from the established policies and procedures in order to value the assets/ securities at fair value. All such deviations, if any, from the disclosed valuation policy and procedures will be reported to Board of Trustees and the Board of the asset management company and also to the investors. Any permanent change in the valuation method will be incorporated in the policy, subject to the approval of the Board of AMC and Trustees

N. Vide Sebi Circular SEBI/HO/IMD/DF4/CIR/P/2019/41 Dated March 22, 2019, SEBI has stated:

I Valuation of money market and debt securities of short term maturity:

a) The residual maturity for amortization based valuation as referred to in SEBI circular dated February 28, 2012 shall be reduced from existing 60 days to 30 days and the amortized price be compared with the reference price which shall be the average of the security level price of such security as provided by the agency(ies) appointed by AMFI for said purpose (hereinafter referred to as “valuation agencies”). The amortized price shall be used for valuation only if it is within a threshold of ±0.025% of the reference price. In case of deviation beyond this threshold, the price shall be adjusted to bring it within the threshold of ±0.025% of the reference price

b) The same shall be applicable within 90 days from date of issuance of the circular.

II Valuation of money market and debt securities which are rated below investment grade:

a) All money market and debt securities which are rated below investment grade shall be valued at the price provided by valuation agencies, till such time the valuation agencies compute the valuation of money market and debt securities classified as below investment grade, such securities shall be valued on the basis of indicative haircuts provided by these agencies. These indicative haircuts shall be applied on the date of credit event i.e. migration of the security to sub-investment grade and shall continue till the valuation agencies compute the valuation price of such securities. Further, these haircuts shall be updated and refined, as and when there is availability of material information which impacts the haircuts.

b) Consideration of traded price for valuation:

i. 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.

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

1) The detailed rationale for deviation from the price post haircuts or the price provided by the valuation agencies shall be recorded by the AMC.

2) The rationale for deviation along-with details such as information about the security (ISIN, issuer name, rating etc.), price at which the security was valued vis-a-vis the price post haircuts or the average of the price provided by the valuation agencies (as applicable) and the impact of such deviation on scheme NAV (in amount and percentage terms) shall be reported to the Board of AMC and Trustees.

3) The rationale for deviation along-with details as mentioned at para 2.1.4.2 above shall also be disclosed to investors. In this regard, all AMCs shall immediately disclose instances of deviations under a separate head on their website. Further, the total number of such instances shall also be disclosed in the monthly and half-yearly portfolio statements for the relevant period along-with an exact link to the website wherein the details of all such instances of deviation are available.

With respect to the same a timeline of 90 days from date of issuance of the circular is provided for valuation agencies to develop necessary systems to provide prices of debt and money market securities rated below investment grade. However, in case of a credit event, till the system is in place, the provisions of point II above shall be applicable.