L&T Mutual Fund

L&T FINANCIAL SERVICES

(“LTFS”)

Valuation POLICY

Applicable to L&T Investment Management Limited

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Background

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 prescribes the norms, methodology and guiding principles for valuation of investments held by Mutual Fund schemes. Valuation of securities held in all L&T Funds is done in conformity with these valuation norms. The Fund has placed the Investment Valuation Policy Manual (IVPM) to document the SEBI regulations and the valuation policies followed by the Fund in the Board meeting held on July 27, 2004. Subsequently, all policy changes were approved by the Valuation Committee constituted and authorized by the Board.

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. These amendments are a departure from the earlier prescriptive approach / methodology of valuation of investments. They instead, are focussed on “Principles of Fair Valuation” to ensure at all points in time, fair treatment to all investors viz. existing investors, new investors and exiting investors. The key highlights of these amendments are as below:

(a) Valuation of investments should be done in good faith, in a true and fair manner through appropriate valuation policies and procedures to reflect the realizable value of the securities/assets ;
(b) The policies and procedures need to state the methodologies that will be used for valuing each type of security / asset held by the Mutual Fund Schemes ;
(c) Assets held by mutual funds should be consistently valued according to established policies and procedures ;
(d) The policies and procedures shall describe the process to deal with exceptional events where market quotations are no longer reliable for a particular security ;
(e) The valuation policies and procedures should seek to address conflict of interest ;
(f) The policies and procedures need to be approved by the Board of the Asset Management Company ;
(g) Investment in new type of securities/assets by the mutual fund scheme shall be made only after establishment of the valuation methodologies for such securities with the approval of the Board of the Asset Management Company (AMC) ;
(h) Valuation policies and procedures need to be periodically reviewed to ensure appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/assets. The Boards of the AMC and Trustee Company to be updated on the outcome of the review, at appropriate intervals ;
(i) Valuation policies and procedures shall be reviewed at least once in a financial year by an independent auditor to assess and confirm their continued appropriateness.

(j) The asset management company and the sponsor of the mutual fund shall be liable to compensate the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation.
(k) Documentation/justification of rationale for valuation and inter-scheme transfers /price to be maintained.

While the amendment regulations mandate AMCs to establish valuation policies 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.

While L&T Mutual Fund's investment valuation norms and procedures have been in conformity with the Eighth Schedule, the same is being suitably modified to incorporate the changes brought about by this amendment.

Valuation Committee

L&T Mutual Fund's valuation committee comprises of the following personnel:

Across all Investments of the Fund

a. Chief Executive Officer
b. Compliance Officer or in his absence any senior officer from Compliance
c. Head of Operations or in his absence any senior officer from Operations
d. Head - Products or in his absence any senior officer from Products

Additionally,

for Equity Investments	***for Fixed Income Investments***
e1.Chief Investment Officer (CIO)	e2. Chief Investment Officer (CIO)
f1. Head – Equity	f2. Head - Fixed Income
g1. Fund Manager (Equity) - by invitation only for suggestions and inputs	g2. Fund Manager (Fixed Income) - by invitation only for suggestions and inputs
h1. Trader (Equity) - by invitation only for suggestions and inputs	h2. Trader (Fixed Income) - by invitation only for suggestions and inputs

The Quorum of the Committee shall be minimum three members. However, in case of equity valuation, approval of Head-Equity or CIO shall be mandatory and in case of fixed income valuation, approval of Head-Fixed Income or CIO shall be mandatory.

The valuation committee shall be responsible for on going review of the valuation procedures / methodologies adopted to assess their appropriateness and accuracy in determining the fair value of securities / assets.

The scope of activities / responsibilities of the Valuation Committee are listed below:

a. Reviewing and recommending the Valuation Policy to the AMC and Trustee Board of Directors for their noting/approval;
b. Review of accuracy and appropriateness of methods adopted for valuation of securities ;
c. Instilling procedural checks and controls to ensure consistency in valuation of securities across all Funds and prevent incorrect valuation of securities ;
d. Defining valuation procedure / methodology for new types of securities / assets ;
e. Determining fair valuation of securities / assets during exceptional events where the defined procedures / methods for valuation do not yield a fair value of the securities / assets ;
f. Identifying and addressing potential conflicts of interest situations in valuation of securities ;
g. Engaging with the Independent Auditor to ensure regular review of the valuation policy, procedures and methodology including rationale for deviations, if any ;

h. Reporting any deviations / incorrect valuations to the Board of Directors of the Trustee and the AMC and appropriate disclosures to the investors.
i. Review of regulatory amendments with regard to valuation and implementation of the same subject to approval/ ratification of the Board of AMC and Board of Trustees.

Policy Scope & Coverage

The following are covered within the scope of this policy:

(a) Defining valuation procedures / methodologies for various types of securities ;
(b) Valuation of securities / assets in the event of an inter-scheme transfer ;
(c) Review of valuation policies and procedures and reporting to the various stakeholders;
(d) Recording of deviations from established policies and procedures and rationale for same ;
(e) Dealing with Conflict of Interests (including potential conflict of interest) which has / may have a bearing on valuation of securities ;
(f) Valuation of securities / assets during exceptional events.

The Valuation Committee would conduct a periodic review of the policy to confirm its up datedness / appropriateness. If, as an outcome of such review, the scope and coverage of the policy needs to be amended, the same would be done and placed before the Board of Directors of the Trustee and the AMC for their approval.

It may be noted that the valuation policy will be very subjective and from the competition perspective each AMC can be either aggressive or conservative in their practice.

The standard valuation methodology for valuing each type of security / asset is explained in Annexure I.

The methodology adopted for valuation of securities / assets is drawn in conformance with the principles of fair valuation and the SEBI Valuation Guidelines and valuation is done in good faith in a true and fair manner to reflect the realisable value of the security / asset.

Any changes to the valuation policy, procedures and methodology set out in Annexure I would be progressive and prospective with a view to fine-tune the valuations to align with the guiding principles of fair valuation.

All assets held by the Fund shall be consistently valued according to the defined valuation methodology. Where it is observed that the above-defined methodology does not lead to fair valuation of securities / assets, the Valuation Committee may on a prospective basis deviate from the defined methodology and adopt alternate procedures / methods to arrive at the fair value. The rationale for any such deviations would be recorded in writing and placed before the Board of Directors of the Trustee and the AMC and appropriate disclosures to the investors would be made.

Investments in any new type of securities/assets by the mutual fund scheme shall be made only after establishment of the valuation methodologies for such securities / assets with the approval of the Board of the Asset Management Company.

Policy review & reporting

The Valuation Committee shall be responsible for an on-going review of the Valuation policy and procedures adopted to assess appropriateness and accuracy of the methodologies used in determining the fair value of securities / assets.

The Valuation Committee shall update the Board of Directors of the Trustee and the AMC at periodic intervals of the outcome of such review and the effectiveness of the valuation policy, procedures and methodologies in use. The Valuation Committee shall also place the following before the Board of Directors of the Trustee and the AMC:

(a) Recommended valuation procedure / methodology for new types of securities / assets for approval of the Board ;

(b) Deviations in methodology adopted for fair valuation of securities / assets on account of exceptional events with rationale for the same ;

(c) Incorrect Valuations, if any, and associated corrective action ;

(d) Identified conflicts of interest (including potential conflict of interest) if any, and mitigatory measures adopted to address the same.

Handling Conflict of Interest

The valuation policy, procedures and methodologies laid down in this policy would be uniformly followed to ensure consistency in valuation of securities / assets across all Funds except during exceptional events (as detailed in section titled Dealing with Exceptional Events).

The Valuation Committee shall be responsible to identify areas of conflict of interest (including potential areas, if any).

Some of the key areas where a potential conflict of interest may arise and the mitigatory measures are indicated below:

(a) **Inter Scheme Transfers** : Inter Scheme transfer of securities / assets between two funds managed by the same Fund Manager - For all inter-scheme transfers, for the purpose of valuation the procedure described in Section titled Inter-Scheme Transfer shall be followed ;

(b) **Investments in Associate/Group Companies**: Investments in any associate / group companies would be made only based on independent research recommendation (which would include independent internal research team recommendation) and the valuation procedures described in Section titled Valuation Methodology shall be followed. This will ensure that all the Valuation Policy is applied to all securities uniformly.

Dealing with Exceptional Events

Exceptional events are events during which reliance cannot, reasonably and in good faith, be placed on the available market information for a fair valuation of securities. These events generally lead to artificial, non-sustainable prices and may therefore warrant a departure from the established valuation methodology / procedures and adoption of alternate methods / judgement to reflect the realisable value of the securities / assets in conformance with the principles of fair valuation.

The Valuation Committee is authorized by the Board of AMC and Trustee to determine the exceptional events and devise the process to deal with the exceptional events.

Following events could potentially be classified as exceptional events:

a. Major policy announcements by the Reserve Bank of India, the Government or Regulator ;
b. Natural disasters or public disturbances that force markets to close unexpectedly ;
c. Absence of trading in specific security;
d. Significant volatility in the capital markets ;
e. Liquidity crunch in debt markets ;
f. Heavy redemption pressures.
g. Credit events affecting a company or sector falling below the investment grade.

The above list is illustrative and not exhaustive.

Given the exceptional nature of these events and the lack of clarity on how it would impact the markets, it is not possible to define a standard methodology to be adopted for fair valuation of securities for such events.

The Valuation Committee shall be responsible for identifying and monitoring exceptional events and recommending appropriate alternate procedures / valuation methodologies with necessary guidance from the AMC Board, wherever required. The Valuation Committee shall adopt such alternate procedures / methodologies in conformance with the guiding principles of fair valuation in good faith to arrive at a true and fair estimation of the realisable value of the security / asset under normal, business-as-usual circumstances. These alternate procedures / methodologies would be progressively and prospectively applied during the continuance of the exceptional events unless otherwise decided by the Valuation Committee in consultation with the AMC Board of Directors, wherever required.

The rationale for any such deviations from the valuation policy would be recorded in writing and placed before the Board of Directors of the AMC and Trustee Company.

Deviation: Deviation in the valuation policy and procedures shall be allowed only with the approval of the Valuation Committee followed by reporting to the Board of AMC and Trustee. Such deviations shall be appropriately disclosed to the Investors as may be decided by the Valuation committee.

The Policy shall be included in the Statement of Additional Information of the Fund and would also be made available on the website of the Fund.

All relevant documents which form the basis of valuation including inter-scheme transfers (the approval notes and supporting documents) shall be maintained and preserved.

Above records will be preserved in accordance with the norms prescribed by SEBI regulations and guidelines.

Annexure I

Equity and Equity related instruments

Category	Valuation Methodology
Equity Shares / Preference Shares / Warrants	
Traded	The securities shall be valued at the last quoted closing price on the primary stock exchange. When on a particular valuation day, a security has not been traded on the primary stock exchange; the value at which it is traded on another stock exchange may be used. National Stock Exchanges (NSE) has been selected as a primary stock exchange.
Non – Traded	When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange 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 thirty days prior to the valuation date. If the security is not traded even after 30 days, the same would be valued as per the norms prescribed by SEBI for thinly traded securities. Intrinsic value will be considered for the valuation of preference shares. 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, after providing for appropriate discount.
Thinly Traded	Any security for which the trading in a month is less than Rs 5 lakhs and total volume is less than 50,000 shares will be classified as a Thinly traded security. Such Thinly traded securities shall be valued in Good Faith by the AMC as per SEBI Regulations basis the principles described in Note 1.
Unlisted	Shall be valued in Good Faith by the AMC based on the latest available Annual Report of the company as per SEBI Regulations. In case of any deviation due to non-availability of any parameters required for valuation as per SEBI Regulations, the methodology used for valuation shall be documented and recorded. Refer Note 2 for detailed methodology.
Initial Public Offer (IPO's)	Valued at acquisition cost till the date of listing. Post listing, it will be valued as per the norms applicable for Traded equity shares.

Category	Valuation Methodology
Follow-on public offers (FPO's)	Valued as per the normal underlying equity shares. Valuation for the additional quantity (allotted under FPO) will commence only on Actual Allotment only.
Amalgamation / Merger / De-merger / Spin off	In case if any of the resultant entities is not listed, the valuation for the same shall be arrived at in good faith by the Valuation Committee of the AMC basis the principles described in Note 3.
Rights	
Traded (Renunciations)	Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights can be valued at the renunciation value.
Pending Listing	Until they are traded, the value of the "rights" shares should be calculated as: Vr = (Pex - Pof) Where Vr = Value of rights Pex = Ex-rights 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.* In case if the rights offer price is higher than the ex-rights price, value of the rights share is to be taken as zero. Valuation to commence from the date of entitlement (ex-date).
Applied Shares more than Entitled shares	The additional quantity to be shown as application money. Valuation for the additional quantity will commence only on receipt of Actual Allotment only.
Convertible Debentures	
Convertible Debentures	In respect of convertible debentures, 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 paripassu with an existing instrument which is traded, the value of the latter 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 the conversion is optional, should also be factored in.

Category	Valuation Methodology
Foreign Securities – Equity	
Traded	The securities issued outside India and listed on the stock exchanges outside India shall be valued at the closing price on the stock exchange at which it is listed or at the last available traded price. However in case a security is listed on more than one stock exchange, the AMC reserves the right to determine the stock exchange, the price of which would be used for the purpose of valuation of that security. In such cases, the AMC shall record the justification for selecting a particular stock exchange whose price is used for valuation. Further in case of extreme volatility in the international markets, the securities listed in those markets may be valued on a fair value basis. Due to difference in time zones of different markets, in case the closing prices of securities are not available within a given time frame to enable the AMC to upload the NAVs for a Valuation Day, the AMC may use the last available traded price for the purpose of valuation. The use of the closing price/last available traded price for the purpose of valuation will also be based on the practice followed in a particular market.
Non Traded	The same shall be valued on a fair value basis by the Valuation Committee of the AMC.
Assets & Liabilities denominated in foreign currencies	
Exchange Rate available on RBI Website	On the Valuation Day, all assets and liabilities denominated in foreign currency will be valued in Indian Rupees at the exchange rate available on RBI Website at the close of banking hours in India(currently taken as 16:30 p.m. IST).
Exchange Rate not available on RBI Website	In case the exchange rate is not available on RBI Website on a particular Valuation Day, the exchange rate available on Bloomberg / Reuters will be used for conversion. The Trustees reserve the right to change the source for determining the exchange rate.
Shares tendered for Buyback	
On tendering the shares for buyback	Valued normally at the NSE/BSE closing price
Acceptance of offer	On receipt of the information from the custodian / company, the quantity accepted would be removed from the holding at the buyback price.
Futures & Options	
Futures & Options	Traded - Valued as per NSE Settlement price.

Category	Valuation Methodology
	Non-Traded – Based on settlement price / any other equivalent price provided by the respective stock exchange.
Exchange Traded Funds (ETF's)	
ETF's	The ETF's shall be valued at the last quoted closing price on the primary stock exchange. When on a particular valuation day, a security has not been traded on the primary stock exchange; the value at which it is traded on another stock exchange may be used. When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange 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 thirty days prior to the valuation date.

Fixed Income and related Instruments

Category	Valuation Methodology
Debt and Money Market Instruments	
Securities with residual maturity greater than 30 days:	<u>All securities with residual maturity greater than 30 days shall be valued:</u> At the average of the prices provided by the agencies nominated by AMFI (currently CRISIL & ICRA)# on a daily basis. 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. In case if the prices derived by the above methodology do not reflect the fair value of securities, Valuation Committee shall adopt such alternate procedures / methodologies in conformance with the guiding principles of fair valuation in good faith to arrive at a true and fair estimation of the realisable value of the security / asset under normal, business-as-usual circumstances.
Securities with residual maturity less than or equal to 30 days:	All securities with residual maturity lesser than or equal to 30 days shall be valued: 1) Straight line amortisation from the last valuation price / Purchase price for newly purchased securities. 2) The amortised price would be compared to the reference price. which shall be the average of the security level price of such

Category	Valuation Methodology
	security as provided by the agency(ies) appointed by AMFI for said purpose (hereinafter referred to as "valuation agencies"). In case if the difference between the amortised price and the reference price is greater than +/- 0.025%, the YTM will have to be adjusted to bring the price within the +/- 0.025% band 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 on amortization basis on the date of allotment / purchase. Further, with effect from April 01, 2020 onwards, amortization based valuation shall be dispensed with and irrespective of residual maturity, all money market and debt securities shall be valued At the average of the prices provided by the agencies nominated by AMFI (currently CRISIL & ICRA)# on a daily basis. (as per SEBI circular dated 24th September, 2019) In case if the prices derived by the above methodology do not reflect the fair value of securities, Valuation Committee shall adopt such alternate procedures / methodologies in conformance with the guiding principles of fair valuation in good faith to arrive at a true and fair estimation of the realisable value of the security / asset under normal, business-as-usual circumstances.
Other Fixed Income related Instruments	
Government Securities, Treasury Bills and Cash Management Bills	At the average of the prices provided by the agencies nominated by AMFI (currently CRISIL & ICRA) # on a daily basis.
Fixed Deposits / TREPS/ Reverse Repo	To be Valued at Cost plus Accrual basis.
Bill Rediscounting	Securities with residual maturity of less than or equal to 30 days will be valued on Straight line amortisation from the last valuation price / cost, whichever is more recent. Securities with residual maturity of more than 30 days would be valued at the average of the prices provided by the agencies nominated by AMFI (currently CRISIL & ICRA) # on a daily basis.
Mutual Fund Units	To be valued as per the same day NAV or last available NAV

Category	Valuation Methodology
Interest Rate Swaps	All Interest Rate Swaps will be valued at net present value after discounting the future cash flows. Future cash flows for IRS contracts will be computed daily based on the terms of the contract and discounted by suitable OIS rates available on Reuters/Bloomberg/any other provider, as approved by Valuation Committee.
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
Foreign Securities – Debt	In case of investments in foreign debt securities, on the Valuation Day, the securities shall be valued in line with the valuation norms specified by SEBI for Indian debt securities. However, in case valuation of a specific debt security is not covered by SEBI Regulations, then the security will be valued on a fair value basis by the Valuation Committee of the AMC.
Securities with put and Call options	**Securities with only call / only Put option:** In case of securities with call / put option, the valuation methodology as stated above will be applicable. However, in case of exercise of the option, the securities will deem to mature on the call / put date and accordingly the valuation principles shall be used. In case of securities prices are not provided by Valuation agencies for Call / Put date, the securities shall be valued on the basis of fair valuation ratified by the Valuation Committee. **Securities with both Put and Call option on the same day:** The securities with both Put and Call option on the same day will be deemed to mature on the Put/Call day and be valued accordingly.
Money Market & Debt Securities Which are rated below Investment grade	Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/41 dated March 22, 2019. **Valuation of money market and debt securities which are rated below Investment grade:** • All money market and debt securities which are rated below investment grade shall be valued at the price provided by valuation agencies (ICRA & CRISIL) • In case valuation not available from valuation agencies then valuation will be on the basis of indicative haircuts provided by these agencies. **Consideration of Traded Price for Valuation:** • AMCs shall consider such traded price for valuation if it is

Category	Valuation Methodology
	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. • INR 25 Crores consider as marketable lot for traded price or Minimum size of marketable lot as determined by valuation agencies 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.

Investment in ReITs, InvITs

Category	
ReITs / InvITs	On the valuation day, at the last quoted closing price on the National Stock Exchange (NSE)/ Bombay Stock Exchange (BSE) or other stock exchange, where such security is listed. If not traded on the primary stock exchange, the closing price on the other stock exchange will be considered. NSE will be the primary stock exchange. In case if it's not traded on the valuation day the valuation committee would recommend appropriate valuation methodology to determine the fair value.

Inter-scheme transfers shall be done in conformance with regulatory requirements and applicable internal policies at prevailing market prices.

For debt Securities with residual maturity less than or equal to 30 days:

Inter-Scheme transfers would be done at average of prices received from two independent agencies (presently CRISIL and ICRA) provided the same is in accordance with the principles of fair valuation.

In case the prices are received from only one independent agency:

It will be done at the price provided by the agency from which the price is received, provided the same is in accordance with the principles of fair valuation.

If the Inter-scheme price is not available from any of the above agencies, it will be valued as follows:

Traded Securities

At least 3 trades aggregating to Rs. 100 crores or more are reported on a public platform. The traded price would be compared to the amortised price. In case if the difference between the traded price and the amortised price is greater than +/- 0.025% band, the YTM will have to be adjusted to bring the price within the +/- 0.025% band.

Outlier trades, if any, will be ignored after suitable justification.

However, in respect of Fixed Income Securities, if traded price / yields are not available, Inter-scheme transfers would be done at the reference price, while ensuring that the reference price reflects fair market value.

For Securities with residual maturity greater than 30 days:

Inter-Scheme transfers would be done at average of prices received from both the independent agencies (presently CRISIL and ICRA) provided the same is in accordance with the principles of fair valuation.

In case the prices are received from only one independent agency:

It will be done at the price provided by the agency from which the price is received, provided the same is in accordance with the principles of fair valuation.

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<u>If the Inter-scheme price is not available from any of the agencies, it will be valued as follows:</u>

Inter-Scheme transfers would be done at the Weighted Average traded price/yield

<u>* Traded price/yield would be considered as mentioned below:</u>

For Instruments with residual maturity greater than 365 days – At least 2 trades aggregating to Rs. 25 crores or more are reported on a public platform.

For Instruments with residual maturity greater than 30 days and less than or equal to 365 days - At least 3 trades aggregating to Rs. 100 crores or more are reported on a public platform.

Outlier trades, if any, will be ignored after suitable justification

In case if traded price / yields are not available, Inter-scheme transfers would be done at previously valued yield to maturity/price provided by valuation agencies (presently CRISIL and ICRA)

In case of Government Securities, Treasury Bills and Cash Management Bills if prices not available from both agencies (CRISIL and ICRA) then, inter scheme transfer would be done at the last traded yield to maturity on NDS-OM at the time of inter-scheme. In case if at the time of inter-scheme there is no trade on NDS-OM, inter-scheme would be done at previous day's yield to maturity.

Notes:

1. Non traded/ thinly traded securities shall be valued "in good faith" by the asset management company on the basis of the valuation principles laid down below :
   (a) Based on the latest available Balance Sheet, net worth shall be calculated as follows
   (b) Net Worth per share = [share capital+ reserves (excluding revaluation reserves) – Misc. expenditure and Debit Balance in P&L A/c] Divided by No. of Paid up Shares.
   (c) Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.
   (d) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10% for ill-liquidity so as to arrive at the fair value per share.
   (e) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.

(f) In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.

(g) In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security.

2. Unlisted equity shares of a company shall be valued "in good faith" on the basis of the valuation principles laid down below:
   a. Based on the latest available audited balance sheet, net worth shall be calculated as lower of (i) and (ii) below:
      i. Net worth per share = [share capital plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares.
      ii. 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/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/exercise of Outstanding Warrants and Options}

   b. Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation 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% for illiquidity so as to arrive at the fair value per share.

The above methodology for valuation shall be subject to the following conditions:

i. All calculations as aforesaid shall be based on audited accounts.
ii. 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. i. All calculations as aforesaid shall be based on audited accounts.

iii. If the net worth of the company is negative, the share would be marked down to zero.
iv. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
v. 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 in accordance with the procedure as mentioned above on the date of valuation.

At the discretion of the AMC and with the approval of the trustees, an unlisted equity share may be valued at a price lower than the value derived using the aforesaid methodology.

In case of any deviation due to non-availability of any parameters required for valuation as per SEBI Regulations quoted above, the methodology used for valuation shall be documented and recorded.

Valuation of merged entity:

3. Valuation of merged entity will be arrived at by summation of previous day's last quoted closing price of the companies prior to merger.

Where one of the demerged companies is not immediately listed, valuation price will be worked out by using previous day's last quoted closing price before demerger ("Pre-demerger Price") reduced for the last quoted closing price of the listed company after demerger ("Listed Price"). In cases where the Listed Price is equal to or in excess of the Pre-demerger Price, it is proposed that the non - traded share of the hived off company be valued at zero. Currently if the Listed Price is less, the hived off company is valued at the difference between the Pre-demerger Price and Listed Price ("Valuation Price").

In cases where the hived off company is more than one and such companies are not listed, it is proposed that the Valuation Price be allocated between the unlisted hived off companies on an appropriate basis like price earnings ratio/ net worth/any other measure, as per the decision of the Valuation Committee.

In cases where post demerger, none of the companies are listed, it is proposed that Pre-demerger Price be allocated between all the resultant companies on an appropriate basis like price earnings ratio/ net worth/ any other measure, as per the decision of the Valuation Committee.

Cost allocation shall be proportionate to the derived value of all the resultant companies.

3.1 Un-Listed / Thinly Traded Securities by way of Corporate Action:

In case of corporate actions where the possible re-listing of the entity is envisaged or an adequate guidance is provided by the company, then no discount shall be applied to the derived price of unlisted entity. However, derived price shall be periodically (every three months from ex-date) reviewed by Valuation Committee.

4. 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

5. In case of Certificate of Deposits and Commercial Papers, valuation will be done on the basis of the trades reported on the exchange platforms in the order of CDSIL. The qualifying criteria are to be observed at the exchange/platform level. In case of Corporate Bonds and Securitised Debts Traded price available across various public platforms like NSE OTC, and BSE WDM. would be considered for valuation. In case of multiple platforms reporting trades on the same day, the order of preference for considering the traded price would be NSE OTC, BSE WDM. The qualifying criteria are to be observed at the exchange/platform level.

   In case of Government Securities, Treasury Bills and Cash Management Bills, Weighted average traded price available on The Clearing Corporation of India (CCIL) website will be considered.

   In case of newly purchased/Allotted securities, if the security level pricing is not available, the same would be valued at yield plus accruals / on the day of the purchase and the following non-business days.

   If the price is not available on designated agencies except on date of Allotment/purchase of the security then following procedure shall be followed:

a) Traded price/yield would be considered as mentioned below:

   For Instruments with residual maturity greater than 365 days - At least 2 trades aggregating to Rs. 25 crores or more are reported on a public platform.

   For Instruments with residual maturity greater than 30 days and less than or equal to 365 days - At least 3 trades aggregating to Rs. 100 crores or more are reported on a public platform.

b) Further if price is not available for 3 business day from date of allotment/last trade date the same would be valued at purchase yield on the following days.
c) If price is not available after 3 business day, the Valuation Committee shall adopt such alternate procedures / methodologies in conformance with the guiding principles of fair valuation in good faith to arrive at a true and fair estimation of the realisable value of the security / asset under normal, business-as-usual circumstances.

d) Broad principles for Waterfall approach adopted will be as per SEBI Circular SEBI/HO/IMD/DF4/CIR/P/2019/102 September 24, 2019.AMFI shall ensure Valuation agencies have a documented waterfall approach for valuation of money market and debt securities. The said waterfall approach shall be documented in consultation with SEBI.

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

#Disclaimer:

By using the valuation contained in this document, the user acknowledges and accepts that the valuations are provided severally (and not jointly) by the service providers and are subject to the following disclaimers and exclusion of liability which operate severally to the benefit of the relevant service provider and AMFI. The valuation uses the methodology discussed by the service providers with the Association of Mutual Funds of India (AMFI) and reflects the service providers' assessment as to the value of the relevant securities as at the date of the valuation. This is an indicative value of the relevant securities on the valuation date and can be different from the actual realizable value of the securities. The valuation is based on the information provided or arranged by or on behalf of the asset management company concerned (AMC) or obtained by the service providers from sources they consider reliable. Neither AMFI nor the service providers guarantee the completeness or accuracy of the information on which the valuation is based. The user of the valuations takes the full responsibility for any decisions made on the basis of the valuations. Neither AMFI nor the service providers accept any liability (and each of them expressly excludes all liability) for any such decision or use.

This policy will be effective from the date of approval of Board of AMC and Trustees and would over-ride the earlier policy dated June 20, 2019