



ZeroDha Fund House

No 51, 2nd Floor, Le Parc Richmond, Richmond Road,
Shantala Nagar Bangalore, 560025 India

ZeroDha Asset Management Private Limited

Investment Valuation Policy and Procedures

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Policy Owner	Operations Department
Policy Administrator	Operations Department
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Reviewed and recommended by	The Board of Directors of Zerodha Asset Management Private Limited and Zerodha Trustee Private Limited.
Propriety	This document is the sole property of Zerodha Asset Management Private Limited (“ZAMC”). Any use or duplication of this document without permission is strictly prohibited and illegal.
Periodic Review	The Policy will be reviewed as needed/ required by the Board of Directors of Zerodha Asset Management Private Limited and Zerodha Trustee Private Limited.

I. Introduction

SEBI vide Gazette Notification no. LAD-NRO/GN/2011-12/38/4290, dated February 21, 2012 amended Regulation 47 of the SEBI (Mutual Funds) Regulations, 1996 (“**the Regulations**”) and the Eighth Schedule of the Regulations, relating to valuation of investments.

The amended Regulations require that mutual funds shall value their investments in accordance with principles of fair valuations so as to ensure fair treatment to all investors i.e. existing investors as well as investors seeking to subscribe or redeem units.

It further prescribes that the valuation shall be reflective of the realizable value of securities and shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures approved by the board of the asset management company.

Further, in the event of any conflict between the principles of fair valuation and valuation guidelines prescribed by SEBI under the Regulations, the principles of fair valuation shall prevail.

In order to ensure transparency of valuation norms to be adopted by the Zerodha Asset Management Private Limited (“**AMC**”) it is mandated by SEBI for the AMC to disclose their valuation policy and procedures as approved by the Board of the AMC on the website of the AMC/Mutual Fund, etc. It is in this context that this Investment Valuation Policy & Procedures is prepared and disclosed for the benefit of investors. This Investment Valuation Policy & Procedures is subject to review and change from time to time.

II. Purpose

The purpose of the Investment Valuation Policy and Procedures (**‘the Policy’**) adopted by the Investment Manager for valuation of investments made by the Scheme(s) is primarily to -

- describe the methodologies used for valuing each type of securities/assets held by the Scheme(s);
- ensure that the securities/assets are consistently valued as per the approved methodology/ies.
- ensure the appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/assets;
- describe the process to deal with the exceptional events;
- seek to address the conflict of interest;
- devise process to detect and prevent incorrect valuation;
- ensure transparency by making appropriate disclosures.

Therefore, the main purpose of the Policy is to ensure fair treatment to all investors (including existing as well as new investors) seeking to purchase or redeem the units of the Scheme(s) of Mutual Fund Company at all points of time.

III. Principles, Policy, Procedure & Methodology for valuation of securities/assets

- (i) The AMC shall adopt the principle of fair valuation i.e. valuation will be done in good faith and in true and fair manner to reflect the net realizable value of the securities /asset as determined by Valuation Committee. 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 Board of Directors of the AMC and the Trustee Company Private Limited have authorized the Valuation Committee to determine the exceptional events and devise the process to deal with the exceptional events.
- (ii) Detailed security/ asset -wise valuation policy, procedure & methodology for each type of investment made by the scheme(s) of Mutual Fund Company is described in Annexure I.
- (iii) The Board of Asset Management Company Limited and Trustee Company Limited (**'Trustee'**) shall approve the valuation methodologies for any investments in new securities/assets (other than those mentioned in Annexure I).
- (iv) Further, the investments held by schemes of the Fund would normally be valued according to the Valuation Guidelines specified by SEBI from time to time. In case of any conflict between the Principles of Fair Valuation as detailed under clause III (i) above and valuation guidelines specified by SEBI from time to time, the Principles of Fair Valuation shall prevail.

IV. Inter scheme Transfers

Transfer of securities through inter-scheme shall be at the market price or fair valuation price. The methodology to determine the fair valuation of securities which are intended to be transferred from one scheme to another is included in Annexure II.

V. Exceptional events

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.

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 illustrative list of exceptional events is provided in Annexure III.

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.

VI. 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 therein recommend changes, if any, in policy/methodology. The same shall be ratified with the Board of AMC and Trustee.

VII. Deviation

Investments shall be valued as per the methodologies mentioned in this Policy, which aim to enable true and fair valuation of securities. However, if the valuation of any particular asset/ security does not result in a fair valuation or under exceptional circumstances, the Valuation Committee would have the right to deviate from the established policies in order to value the asset/security at fair/appropriate value. Such deviations shall be appropriately disclosed to the Investors as may be decided by the Valuation committee.

In case the AMC decides to deviate from the valuation price given by the valuation agencies:

- a. the detailed rationale for each instance of deviation shall be recorded by the AMC;
- b. the instances of deviation and the rationale along-with details such as information about the security (ISIN, issuer name, rating etc.), price at which the security was valued and the impact of such deviation on scheme NAV (in amount and percentage) will be informed to the Boards of the AMC & Trust Company; and
- c. such rationale along with the details mentioned above will be disclosed immediately and prominently on the website of the AMC under a separate head.

VIII. Record Maintenance

The AMC shall maintain and preserve documentation for valuation (including inter scheme transfers) either in electronic or physical form for a period of 8 years or such period as prescribed by the SEBI Regulations and guidelines from time to time.

IX. Periodic Review

In order to ensure the appropriateness and accuracy of the methodologies as mentioned above and its effective implementation, a review at regular intervals as specified by the Valuation Committee shall be carried out by the Internal Auditors. The said report shall be placed before the Audit Committee of the Board of AMC and Trustee.

Further, the valuation policies and procedures will be reviewed at least once in a Financial Year by the Statutory Auditor.

X. Disclosure

In order to ensure transparency of valuation norms adopted by AMC, the valuation policy and procedures approved by the Board shall be disclosed in the Statement of Additional Information (SAI), on the website of the Company and at any other place as may be specified by SEBI.

Annexure I

Detailed security/asset-wise valuation policy, procedure & methodology for Investments made by the Zerodha Mutual Fund

The valuation policy, procedure & methodology adopted by the Investment Manager for investments in securities/assets made by the Scheme(s) is as under:

I. Equity & Equity Related Instruments

Security Type	Valuation Policy
Traded Equity and Related securities and Preference Shares	<p>Traded securities shall be valued at the last quoted closing price on the principal stock exchange. The AMC has selected the National Stock Exchange (NSE) as principal stock exchange, for all schemes other than Index based Funds/ETF, which invest in domestic equity and equity related securities/preference shares. For index-based schemes/ETF the Principal stock exchange would be the exchange where the underlying benchmark index has been set up. If no trade is reported on the principal stock exchange on a particular valuation date, traded securities shall be valued at the last quoted closing price on other recognised stock exchange. For this purpose, only NSE and BSE shall be considered as the recognized stock exchanges.</p> <p>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 shall be used provided such date is not more than thirty days prior to the valuation date.</p> <p>In case the security is traded in periodic call auction session, the security shall be valued as per last quoted closing price of such periodic call auction session.</p>
Thinly Traded / Non-Traded	<p>When a security (other than Futures & Options) is not traded on any recognized stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as a 'non-traded' security.</p> <p>Futures & Options are considered as Non-Traded, when such Futures & Options are not traded on respective stock exchange as on valuation date.</p>

	<p>Equity / equity-related security (other than Futures & Options) shall be considered to be thinly traded when the value of the trades of that security in a month is less than Rs. 5 lacs by value and the total volume of the trades in that security is less than 50,000 shares. In order to determine whether a security is thinly traded, the volumes traded in BSE and NSE shall be considered.</p>
<p>Non-Traded / Thinly Traded Equity Shares</p>	<p>Thinly Traded / Non-traded equity shares shall be valued as below:</p> <p>(a) Based on the latest available Balance Sheet, the net worth shall be calculated as follows:</p> <p>Net Worth per share = [share capital + reserves (excluding revaluation reserves) – Misc. expenditure and Debit Balance in P&L A/c] Divided by number of Paid-up Shares.</p> <p>(b) Average capitalisation rate (P/E ratio) for the industry based on 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 capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts shall be considered for this purpose.</p> <p>(c) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10% for ill-liquidity so as to arrive at the fair value per share.</p> <p>(d) If the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earnings.</p> <p>(e) Where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.</p> <p>(f) Where 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 net assets of the scheme, it should be valued by the procedure above and the proportion which it bears to the</p>

	<p>total net assets of the scheme on the date of valuation shall be taken into account.</p> <p>In order to ensure fair valuation, the AMC, after providing suitable justification to and due approval from the Valuation Committee, may decide to value non-traded/thinly traded equity share at a price lower than the value derived using the aforesaid methodology.</p>
<p>Unlisted Equity shares:</p>	<p>Unlisted equity shares of a company shall be valued on the basis of the valuation principles given below:</p> <p>(a) Based on the latest available audited balance sheet, net worth shall be calculated as lower of (i) and (ii) below:</p> <ol style="list-style-type: none"> i. Net worth per share = [share capital plus free reserves (excluding revaluation reserves) minus miscellaneous expenditure not written off, deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares. ii. After taking into account the outstanding warrants and options, net worth per share shall again be calculated and shall be = [share capital plus consideration on exercise of Option/Warrants received/receivable by the Company plus free reserves (excluding revaluation reserves) minus miscellaneous expenditure not written off, 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} <p>The lower of (i) and (ii) above shall be used for calculation of net worth per share and for further calculation in (c) below.</p> <p>(b) Average capitalisation rate (P/E ratio) for the industry based on 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 capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.</p>

	<p>(c) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.</p> <p>The above methodology for valuation shall be subject to the following conditions:</p> <ul style="list-style-type: none"> - All calculations as aforesaid shall be based on audited accounts. - 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. - If the net worth of the company is negative, the share would be marked down to zero. - In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning. - 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. <p>In order to ensure fair valuation, the valuation committee of the AMC may decide to value an unlisted equity share at a price lower than the value derived using the aforesaid methodology.</p>
<p>Valuation of Partly Paid-up Equity Shares</p>	<p>Valuation of Partly Paid-up Equity Shares</p> <p>(a) <u>Traded Partly Paid-up Equity Shares</u> - In case the partly paid-up equity shares are traded in the market separately, the partly paid-up equity shares would be valued at last quoted closing price. (like any other Equity instrument).</p> <p>(b) <u>Non-Traded /Suspended /Thinly Traded Partly Paid-up Equity Shares</u></p> <p>(i) Such partly paid-up equity shares shall be valued at its last quoted closing price provided the date of last quoted closing price is not more than 30 days prior to the valuation date.</p> <p>(ii) In the event the last quoted closing price is more than 30 days prior to the valuation date, the partly paid-up</p>

	<p>equity shares shall be valued at value of the underlying fully paid- up equity shares as reduced by the amount of balance call money payable on partly paid-up equity shares. Suitable illiquidity discount, if deemed necessary, shall be applied with approval from the Valuation Committee.</p> <p>(c) <u>Unlisted Partly Paid-up Equity Shares</u> Such partly paid-up equity shares shall be valued at value of the underlying fully paid-up equity shares as reduced by the amount of balance call money payable. Suitable illiquidity discount, if deemed necessary, shall be applied with approval from Valuation Committee.</p> <p>Further, after reviewing the valuation of such partly paid-up equity shares, if the prices as per the above methodology does not represent fair price or in case necessary details to value the partly paid-up equity shares are not available, the Valuation Committee will determine fair value based on available information.</p>
<p>Equity and Equity related Securities awaiting listing (Merger/Demerger)</p>	<p>Valuation of merged entity shall be arrived at based on the previous day's last quoted closing price of the respective companies prior to merger.</p> <p>Where the demerged company is not immediately listed, valuation price shall be worked out by using previous day's last quoted closing price before demerger reduced for last quoted closing price of the listed company.</p> <p>In the event a pre-opening session is carried out/ price is provided by the exchange for the demerged entity, then the shares shall be valued at the price determined of the pre-opening session/ exchange price.</p> <p>Where none of demerged company is immediately listed, the shares of new companies shall be valued by allocating combined valuation existing as on date of the corporate action to the new companies after taking into consideration the pro-rata shares allotted and other relevant factors.</p> <p>However, if the said security doesn't get listed within three months post the ex-date then such security shall be</p>

	<p>considered for a 5% discount. Suitable discount will also be considered if the resultant shares are of a different share class with differential voting rights and differential dividend rates. Discounts so considered will be subject to approval of the Valuation Committee.</p>
<p>Corporate Actions- Stock Split/Face Value Change and Buy-Back of Securities</p>	<p>Stock Split/ Face value change In case of stock split, the face value of a stock is reduced and proportionately number of shares is increased. The valuation price will be derived on the basis of the closing price before the ex-date and adjusted in proportion of stock split, till the new stock split shares are listed and traded on a stock exchange. The cost of one share will be proportionately adjusted in line with stock split change, to derive the new cost of share. On stock split/face value change, in case the company specifies any regulations/ method for cost bifurcation or valuation the same will be adopted.</p> <p>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 buy-back schemes. Quantum of shares accepted under buy-back will be accounted as a sale trade.</p>
<p>Equity and Equity related securities under lock-in period / pending listing</p>	<p>These shall be valued based last quoted closing price of security after applying suitable discount for illiquidity. The Valuation Committee shall decide on the illiquidity discount to be applied, on a case-to-case basis.</p>
<p>Suspended equity Securities</p>	<p>In case trading in an equity security is suspended up to 30 days, then the last quoted closing price should be considered for valuation of that security. If an equity security is suspended for more than 30 days, then the Valuation Committee shall decide the valuation norms to be followed and such norms should be documented and recorded.</p>
<p>Investments in Equity or Equity related Securities proposed to be listed (Pre-Public</p>	<p><u>Pending listing</u> Such securities shall be valued as below:</p> <ul style="list-style-type: none"> (i) at cost, upto 2 months from the date of allotment. (ii) Valued as unlisted equity shares after 2 months.

Offering)	
Initial Public Offering ('IPO') application	<p>These shall be valued as below:</p> <ul style="list-style-type: none"> (i) Prior to allotment – at Bid Price. (ii) Post allotment but awaiting listing – at allotment price
Value of non traded "Rights" Entitlement	<ul style="list-style-type: none"> - Until they are traded, the value of the 'right' entitlement should be valued based on difference between ex-rights price of underlying security and rights offer price as detailed below: $Vr = n/m \times (Pex - Pof)$ <p>Where Vr = Value of rights</p> <p>n = No. of rights offered m = No. of original shares held Pex = Ex-rights price Pof = Offer price</p> - Where the rights are not treated pari passu with the existing shares, suitable adjustment should be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights should be valued at the renunciation value. - In case the rights offer price is greater than the ex-rights price, the value of the rights share is to be taken as zero.
Non-traded preference shares	<p>The value of convertible preference shares would be arrived based on the intrinsic value of the preference shares considering the conversion ratio as adjusted for illiquidity discount and other relevant factors as applicable as on the valuation date with the approval of Valuation Committee.</p> <p>Non- convertible preference shares are more akin to debt and to be valued as debt securities at a applicable market yield for the similar duration and rating as approved by the Valuation Committee.</p>
Non-traded Convertible debentures	<p>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</p>

	<p>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 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.</p> <p>The appropriate discount applied shall be approved by the Valuation Committee.</p> <p>The valuation of optional conversion shall be determined as follows-</p> <ul style="list-style-type: none"> - If the option to exercise rests with the issuer, the lower of the value when exercised or value when not exercised shall be taken. - If the option to exercise rests with the investor, the higher of the value when exercised and when not exercised shall be taken. The valuation shall be approved by the Valuation committee.
Non-Traded Warrants	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 after applying suitable discount for illiquidity.
Futures and Options	Futures and Options are valued based on settlement price / any other equivalent price provided by the respective stock exchange.
Foreign Securities (other than units of overseas mutual funds)	<p>These shall be valued as below:</p> <ul style="list-style-type: none"> - Foreign securities shall be valued based on the last quoted closing prices at the Overseas Stock Exchange on which the respective securities are listed. However, the AMC shall select the appropriate stock exchange at the time of launch of a scheme in case a security is listed on more than one stock exchange and the reasons for the selection will be recorded in writing. Any subsequent change in the reference stock exchange used for valuation will be necessarily backed by reasons for such change being recorded in writing by the AMC. However, in case of extreme volatility in other markets post the closure of the relevant

	<p>markets, the AMC shall value the security at suitable fair value.</p> <ul style="list-style-type: none"> - When on a particular valuation day, a security has not been traded on the selected stock exchange; the value at which it is traded on another stock exchange or last quoted closing price on documented stock exchange shall be used provided such date is not more than thirty days prior to the valuation date. - Due to difference in time zones of different markets, in case the closing prices of securities are not available within a given time frame to enable the AMC to upload the NAV for a Valuation Day, the AMC may use the last available traded price/ previous day's 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. - On valuation date, all assets and liabilities in foreign currency shall be valued in Indian Rupees at the RBI reference rate as at the close of banking hours on the relevant business day in India. If required the AMC may change the source for determining the exchange rate. - Non-traded ADR/ GDRs shall be valued after considering prices/ issue terms of underlying security. Valuation committee shall decide the appropriate discount for illiquidity. Non traded foreign security shall be valued by AMC at fair value after considering relevant factors on case to case basis.
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II. Debt, Money Market and Government Securities

Security Type	Valuation Policy
Debt and Money market Securities	<p>Debt and Money Market securities will be valued at the average prices provided by AMFI approved agencies.</p> <p>In case of price being available from only one agency, the same will be considered for valuation.</p> <p>In case of non-availability of prices from AMFI approved agencies-</p> <ul style="list-style-type: none"> ● Traded (Own) securities will be valued at weighted average traded price /yield on the date of trade. ● Non-traded securities will be at the fair value as per procedures determined by the Valuation

	Committee.
Government Securities	All Government securities (including T-bills), irrespective of residual maturity, shall be valued based on average of security level prices as provided by the agency(ies) appointed by AMFI. In case necessary details to value government securities (including T-bills) are not available, the valuation committee will determine fair value based on available information.

All money market and debt securities which are rated below investment grade shall be valued at the price provided by agency(ies) appointed by AMFI.

From the date of the credit event till such time the agency(ies) appointed by AMFI 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(ies).

Where such securities are traded (as per the minimum lot size determined by the agency(ies) appointed by AMFI) during the interim period from the date of the credit event and receipt of valuation price and if such trade price is lower than the price post standard hair cut then the traded price will be considered for such valuation till valuation price is determined by the agency(ies) appointed by AMFI.

In case of trades after the valuation price is computed by the agency(ies) appointed by AMFI 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 AMC may deviate from the indicative haircuts and/or the valuation price for money market and debt securities rated below investment grade provided by the agency(ies) appointed by AMFI by recording detailed rationale for such deviation with the approval of Valuation Committee.

While valuing debt, government and money market securities, following additional points would be considered:

Security Type	Valuation Policy
Valuation of securities with Put/Call Options	Securities with call option a. The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are

	<p>multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.</p> <p>Securities with Put option</p> <p>a. The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instruments.</p> <p>Securities with both Put and Call option on the same day</p> <p>Only securities with put / call options on the same day and having the same put and call option price, shall be deemed to mature on such put / call date and shall be valued accordingly. In all other cases, the cash flow of each put / call option shall be evaluated and the security shall be valued on the following basis:</p> <ol style="list-style-type: none"> 1. Identify a 'Put Trigger Date', a date on which 'price to put option' is the highest when compared with price to other put options and maturity price. 2. Identify a 'Call Trigger Date', a date on which 'price to call option' is the lowest when compared with price to other call options and maturity price. 3. In case no Put Trigger Date or Call Trigger Date ("Trigger Date") is available, then valuation would be done to maturity price. In case one Trigger Date is available, then valuation would be done as to the said Trigger Date. In case both Trigger Dates are available, then valuation would be done to the earliest date. <p>If a put option is not exercised by a Mutual Fund when exercising such put option would have been in favour of the scheme, in such cases the justification for not exercising the put option shall be provided to the Board of AMC and Trustees.</p>
Bank Fixed Deposit	Valued at Cost
TREPS / Reverse Repo (including Corporate Bond Repo)	Overnight Repo including Tri Party Repo (TREPS), TREPS purchased on Friday maturing on Monday, TREPS purchased on a day before public holiday and

	<p>maturing on immediate succeeding business day post public holiday will be valued at cost plus accruals/ straight line basis amortization</p> <p>Other than the above covered TREPS/ REPO securities, shall be valued based on average of security level prices as provided by the agency(ies) appointed by AMFI. Where any scheme of Mutual Fund has purchased such securities and the security level price from the agency(ies) appointed by AMFI is not available on that day, such securities shall be valued at weighted average purchase yield on that day and till the day preceding the next business day.</p>
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Other Securities

Security Type	Valuation Policy
Market Linked Debentures	<p>Shall be valued based on average of security level prices as provided by the agency(ies) appointed by AMFI.</p> <p>Further, after reviewing the valuation of such Security, if the prices as per the above methodology does not represent fair price or in case necessary details to value the same are not available, the valuation committee will determine fair value based on available information.</p>
Interest Rate Swap (IRS) / & other OTC derivatives	<p>Shall be valued based on average of prices as provided by the agency(ies) appointed by AMFI.</p> <p>Where any IRS is purchased/entered by any scheme of Mutual Fund and the price from the agency(ies) appointed by AMFI is not available on that day, such IRS shall be valued, at net present value on that day and till the day preceding the next business day on the basis of expected future cash flows. Future cash flows for IRS contract will be computed daily based as per terms of contract and discounted by suitable OIS rates available on Reuters/ Bloomberg/ any other provider as approved by valuation Committee.</p> <p>Further, after reviewing the valuation of IRS/other OTC derivatives, if the prices as per the above methodology does not represent fair price or in case necessary details to value the same are not available, the valuation committee will determine fair value based on available information.</p>

Interest Rate Futures	Interest Rate Futures shall be valued at day end settlement price / any other equivalent price provided by the stock exchange.
Gold of 0.995 fineness	<p>The gold acquired by the scheme is in the form of standard bars and its value as on a particular day is determined as under (with reference to SEBI circular HO/ (68) 2026-IMD-POD-2/1/5780/2026 dated 26th February 2026)</p> <ul style="list-style-type: none"> - With reference to the above-mentioned circular on valuation of physical Gold held by the Mutual Fund schemes, Mutual Funds can value physical gold by using polled spot prices published by ANY recognised stock exchanges which are used for settlement of physically delivered Gold derivative contracts. - For the purpose of valuation the fund will follow the below sequence for considering the price of the mentioned gold bars: <ul style="list-style-type: none"> - The Multi Commodity Exchange of India Limited (MCX) - Any other recognised stock exchange in accordance with the regulatory guidelines - In absence of closing prices being available by any of the above exchanges - previous day's closing price shall be carried forward for the day's valuation. <p>In case, funds invest in Gold Deposit Scheme (GDS) of banks/Gold Monetization Scheme (GMS), having gold held by the Fund as underlying, the valuation of such gold would follow the same principles as provided for valuation of physical gold as stated in the Valuation Policy. Interest received on such GDS shall be accrued in proportionate manner till the maturity of the deposits.</p>
Gold of 0.999 fineness	<p>The gold acquired by the scheme is in the form of standard bars and its value as on a particular day is determined as under (with reference to SEBI circular HO/ (68) 2026-IMD-POD-2/1/5780/2026 dated 26th February 2026):</p> <p>-With Reference to the above-mentioned circular on valuation of physical Gold held by the Mutual Fund schemes, Mutual</p>

	<p>Funds can value physical gold by using polled spot prices published by ANY recognised stock exchanges which are used for settlement of physically delivered Gold derivative contracts.</p> <p>In case, funds invest in Gold Deposit Scheme (GDS) of banks/Gold Monetization Scheme (GMS), having gold held by the Fund as underlying, the valuation of such gold would follow the same principles as provided for valuation of physical gold as stated in the Valuation Policy. Interest received on such GDS shall be accrued in proportionate manner till the maturity of the deposits.</p> <ul style="list-style-type: none"> - For the purpose of valuation the fund will follow the below sequence for considering the price of the mentioned gold bars: <ul style="list-style-type: none"> - The Multi Commodity Exchange of India Limited (MCX) - Any other recognised stock exchange in accordance with the regulatory guidelines - In absence of closing prices being available by any of the above exchanges - previous day's closing price shall be carried forward for the day's valuation.
<p>Silver of 0.999 fineness</p>	<p>The Silver acquired by the scheme is in the form of standard bars and its value as on a particular day is determined as under (with reference to SEBI circular HO/ (68) 2026-IMD-POD-2/1/5780/2026 dated 26th February 2026):</p> <p>-With Reference to the above mentioned circular on valuation of physical Silver held by the Mutual Fund schemes, Mutual Funds can value physical Silver by using polled spot prices published by ANY recognised stock exchanges which are used for settlement of physically delivered Silver derivative contracts.</p> <ul style="list-style-type: none"> - For the purpose of valuation the fund will follow the below sequence for considering the price of the mentioned Silver bars: <ul style="list-style-type: none"> - The Multi Commodity Exchange of India Limited (MCX) - Any other recognised stock exchange in accordance with the regulatory guidelines - In absence of closing prices being available by any of the above exchanges - previous day's closing price shall be carried forward for the day's valuation.
<p>Units of Mutual Fund</p>	<p>Listed and traded on exchanges would be valued at the last</p>

<p>(including ETFs) (domestic)</p>	<p>quoted closing price on the 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.</p> <p>Unlisted Mutual Fund Units and listed but not traded Mutual Fund Units (including ETF's) would be valued at the NAV as on the valuation day.</p> <p>In case if on any valuation day the domestic mutual fund is having a non-business day then the previous day closing price / NAV would be considered for valuation.</p>
<p>Mutual Fund Units(including ETFs) (Overseas)</p>	<p>Overseas Mutual Fund Units (including ETF's) listed and traded on exchanges would be valued at the last quoted closing price on the overseas stock exchange, where the security is listed on multiple exchanges, price of the primary stock exchange in the respective jurisdiction would be considered for valuation.</p> <p>Unlisted Mutual Fund Units and listed but not traded Mutual Fund Units (including ETF's) would be valued at the NAV as on the valuation day.</p> <p>In case if on any valuation day the overseas mutual fund is having a non-business day then the previous day closing price / NAV would be considered for valuation.</p>
<p>Units of InvITs / REITs</p>	<p>I. Allotted but Listing awaited</p> <p>(i) Valuation of units of InvIT and REIT post allotment but awaiting listing- at allotment price.</p> <p>II. Listed and Traded/Non- Traded</p> <p>a) Where units of InvIT and REIT are listed but not traded after initial listing, valuation will be determined by the Valuation Committee based on the principles of fair valuation.</p> <p>b) Valuation of units of InvIT and REIT will be based on the last quoted closing price on the principal stock exchange where such security is listed. The AMC has selected NSE</p>

	<p>as principal stock exchange, for all schemes other than Index based Funds/ETF. For index-based schemes/ETF, the Principal stock exchange would be the exchange where the underlying benchmark index has been set up. If no trade is reported on the principal stock exchange on a particular valuation date, units of InvIT and REIT shall be valued at the last quoted closing price on other recognised stock exchange. For this purpose, only NSE and BSE shall be considered as the recognized stock exchanges.</p> <p>c) When units of InvIT and REIT 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 any day immediately prior to valuation day or latest NAV declared by the investment manager of the trust, whichever is later, shall be considered for valuation provided that such date is not more than thirty days prior to the valuation date.</p> <p>d) Where units of InvIT and REIT are not traded on any stock exchange for a continuous period of 30 days then the valuation for such units of InvIT and REIT will be determined based on the price provided by an independent valuation agency(ies). The selection of the independent valuation agency(ies) will be approved by the Valuation Committee.</p> <p>e) Where the valuation for units of InvIT and REIT is not available from any independent valuation agency(ies), the valuation will be determined by the Valuation Committee based on the principles of fair valuation.</p>
<p>Exchange Traded Commodity Derivatives (ETCDs) (For Gold, Silver & Cash Settled ETCDs)</p>	<p>Exchange Traded Commodity Derivatives (ETCDs) shall be valued at the last quoted closing price on the exchange where such ETCD Contracts are Listed.</p> <p>In the event the last quoted closing price as referred above is not available, such ETCD contracts shall be valued at the Settlement price of the respective stock exchange.</p> <p>In case necessary details to value ETCDs are not available or if the prices as per above do not represent fair price, the valuation committee, in order to ensure fair valuation, will</p>

	determine price, based on the available information.
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Annexure II
Policy on Inter scheme transfer(s):

Security Type	Inter Scheme Policy
Listed Equity Shares	Inter scheme to be done on latest quote for a particular security on Bloomberg, Reuters, etc.
Debt & Money Market Securities (Government Securities/ Treasury bills/ Commercial Paper/ Certificate of Deposit / Bonds/Zero Coupon Bonds/ Bills/Floating rate securities/)	<p>i. IST of Securities will be done as per the average prices provided by AMFI approved agencies currently CRISIL & ICRAii. If prices from the valuation agencies are received within the pre-agreed TAT as per AMFI, an average of the prices so received shall be used for IST pricing.</p> <p>iii. If price from only one valuation agency is received, that price may be used for IST pricing.</p> <p>iv. If prices are not received from any of the valuation agencies, AMC may determine the price for the IST, in accordance with Clause 3 (a) of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996</p>

The Inter scheme transfer(s) will be undertaken as per the AMC's internal process, procedure & methodology.

Annexure III
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. Major 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. Sufficient market information may not be available for the Valuation of Securities.
- e. Valuation Agencies do not provide Valuation for Securities.
- f. Significant volatility in the capital markets.
- g. Deviation from the indicative haircuts and/or the valuation price.
- h. Any other event perceived to be exceptional by the Valuation Committee.

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.

Annexure IV
Indicative Haircut for below investment grade securities:

Haircuts for senior, secured securities

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

Haircuts on subordinated and unsecured (or both) securities

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

Annexure V

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

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

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

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

1. Waterfall Mechanism for valuation of money market and debt securities:

The following shall be the broad sequence of the waterfall for valuation of money market and debt securities.

- i. Volume Weighted Average Yield (VWAY) of primary reissuances of the same ISIN (whether through book building or fixed price) and secondary trades in the same ISIN;
- ii. VWAY of primary issuances through book building of same issuer, similar maturity (Refer Note 1 below);
- iii. VWAY of secondary trades of same issuer, similar maturity;
- iv. VWAY of primary issuances through fixed price auction of same issuer, similar maturity;
- v. VWAY of primary issuances through book building of similar issuer, similar maturity (Refer Note 1 below);
- vi. VWAY of secondary trades of similar issuer, similar maturity;
- vii. VWAY of primary issuance through fixed price auction of similar issuer, similar maturity;
- viii. Construction of matrix (polling may also be used for matrix construction);
- ix. In case of exceptional circumstances, polling for security level valuation (Refer Note 2 below)

Note 1

Except for primary issuance through book building, polling shall be conducted to identify outlier trades. However, in case of any issuance through book building which is less than INR 100 Cr, polling shall be conducted to identify outlier trades.

Note 2

Some examples of exceptional circumstance would be stale spreads, any event/news in particular sector/issuer, rating changes, high volatility, corporate action or such other

event as may be considered by valuation agencies. Here stale spreads are defined as spreads of issuer which were not reviewed/updated through trades/primary/polls in same or similar security/issuers of same/similar maturities in waterfall approach in last 6 months.

Further, the exact details and reasons for the exceptional circumstances which led to polling shall be documented and reported to AMCs. Further, a record of all such instances shall be maintained by AMCs and shall be subject to verification during SEBI inspections.

Note 3

All trades on stock exchanges and trades reported on trade reporting platforms till end of trade reporting time (excluding Inter-scheme transfers) should be considered for valuation on that day.

Note 4

It is understood that there are certain exceptional events, occurrence of which during market hours may lead to significant change in the yield of the debt securities. Hence, such exceptional events need to be factored in while calculating the price of the securities. Thus, for the purpose of calculation of VWAY of trades and identification of outliers, on the day of such exceptional events, rather than considering whole day trades, only those trades shall be considered which have occurred post the event (on the same day).

The following events would be considered exceptional events:

- i. Monetary/Credit Policy
- ii. Union Budget
- iii. Government Borrowing/ Auction Days
- iv. Material Statements on Sovereign Rating
- v. Issuer or Sector Specific events which have a material impact on yields
- vi. Central Government Election Days
- vii. Quarter end days

In addition to the above, valuation agencies may determine any other event as an exceptional event. All exceptional events along-with valuation carried out on such dates shall be documented with adequate justification.

2. Definition of tenure buckets for Similar Maturity

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

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

In addition to the above:

- a. In case of market events, or to account for specific market nuances, valuation agencies may be permitted to vary the bucket in which the trade is matched or to split buckets to finer time periods as necessary. Such changes shall be auditable. Some examples of market events / nuances include cases where traded yields for securities with residual tenure of less than 90 days and more than 90 days are markedly different even though both may fall within the same maturity bucket, similarly for less than 30 days and more than 30 days or cases where yields for the last week v/s second last week of certain months such as calendar quarter ends can differ.
- b. In the case of illiquid/ semi liquid bonds, it is proposed that traded spreads be permitted to be used for longer maturity buckets (1 year and above). However, the yield should be adjusted to account for steepness of the yield curve across maturities.
- c. The changes / deviations mentioned in clauses (a) and (b) above, should be documented, along with the detailed rationale for the same. Process for making any such deviations shall also be recorded. Such records shall be preserved for verification.

3. Process for determination of similar issuer

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

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

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

4. Recognition of trades and outlier criteria

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

Paragraph 1.1.1.1(a) of SEBI vide circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 on Valuation of money market and debt securities, prescribes that the marketable lots shall be defined by AMFI, in consultation with SEBI. In this regard, marketable lot is defined as under. The following volume criteria shall be used for recognition of trades by valuation agencies:

Parameter	Minimum Volume Criteria for marketable lot
Primary	INR 25 cr for both Bonds/NCD/CP/ CD and other money market instruments
Secondary	NR 25 cr for CP/ CD, T-Bills and other money market instruments
Secondary	INR 5 Cr for Bonds/NCD/ G-secs

Trades not meeting the minimum volume criteria i.e. the marketable lot criteria as stated above shall be ignored.

ii. Outlier criteria

It is critical to identify and disregard trades which are aberrations, do not reflect market levels and may potentially lead to mispricing of a security or group of securities. Hence, the following broad principles would be followed by valuation agencies for determining outlier criteria.

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

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

- c. Potential outlier trades which are identified through objective criteria defined below will be validated through polling from market participants. Potential outlier trades that are not validated through polling shall be ignored for the purpose of valuation.
- d. The following criteria shall be used by valuation agencies in determining Outlier Trades

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

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

- e. In order to ensure uniform process in determination of outlier trades the criteria for liquidity classification shall be as detailed below.

Liquidity classification criteria – Liquid, semi-liquid and Illiquid definition

Valuation agencies shall use standard criteria for classifying trades as Liquid, Semi-Liquid and illiquid basis the following two criteria: -

- a. Trading Volume
- b. Spread over reference yield

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

Trading Volume (Traded days) based criteria:

Number of unique days an issuer trades in the secondary market or issues a new security in the primary market in a calendar quarter

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

Spread based criteria:

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

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

Note 1: spread is computed as average spread of issuer over AAA Public Sector Undertakings/Financial Institutions/Banks matrix

Note 2: spread is computed as average spread of issuer over A1+/AAA CD Bank matrix

The thresholds shall be periodically reviewed and updated having regard to the market.

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

5. Process for construction of spread matrix

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

Step 1	Segmentation of corporates – The entire corporate sector is first categorized across following four sectors i.e. all the corporates will be catalogued under one of the below mentioned bucket: <ol style="list-style-type: none">1. Public Sector Undertakings/Financial Institutions/Banks.2. Non-Banking Finance Companies -except Housing Finance Companies.3. Housing Finance Companies.4. Other corporates.
Step 2	Representative issuers – For the aforesaid 4 sectors, representative issuers (Benchmark Issuers) shall be chosen by the valuation agencies for only higher rating (I.e. "AAA" or AA+). Benchmark/Representative

	<p>Issuers will be identified basis high liquidity, availability across tenure in AAA/AA+ category and having lower credit/liquidity premium. Benchmark Issuers can be single or multiple for each sector.</p> <p>It may not be possible to find representative issuers in the lower rated segments, however in case of any change in spread in a particular rating segment, the spreads in lower rated segments should be suitably adjusted to reflect the market conditions. In this respect, in case spreads over benchmark are widening at a better rated segment, then adjustments should be made across lower rated segments, such that compression of spreads is not seen at any step. For instance, if there is widening of spread of AA segment over the AAA benchmark, then there should not be any compression in spreads between AA and A rated segment and so on</p>
<p>Step 3</p>	<p>Calculation of benchmark curve and calculation of spread –</p> <ol style="list-style-type: none"> 1. Yield curve to be calculated for representative issuers for each sector for maturities ranging from 1 month till 20 years and above. 2. Waterfall approach as defined in Part A (1) above will be used for construction of yield curve of each sector. 3. In the event of no data related to trades/primary issuances in the securities of the representative issuer is available, polling shall be conducted from market participants 4. Yield curve for Representative Issuers will be created on daily basis for all 4 sectors. All other issuers will be pegged to the respective benchmark issuers depending on the sector, parentage and characteristics. Spread over the benchmark curve for each security is computed using latest available trades/primaries/polls for respective maturity bucket over the Benchmark Issuer. 5. Spreads will be carried forward in case no data points in terms of trades/primaries/polls are available for any issuer and respective benchmark movement will be given
<p>Step 4</p>	<ol style="list-style-type: none"> 1. The principles of VWAY, outlier trades and exceptional events shall be applicable while constructing the benchmark curve on the basis of trades/primary issuances. 2. In case of rating downgrade/credit event/change in liquidity or any other material event in Representative Issuers, new Representative Issuers will be identified. Also, in case there are two credit ratings, the lower rating to be considered. 3. Residual tenure of the securities of representative issuers shall be used for construction of yield curve.

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

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

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

Note:

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

Annexure VI

Guidelines on Polling Process for Money Market and Debt Securities:

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

Polling Guidelines:

1. Valuation agencies shall identify the Mutual Funds who shall participate in the polling process on a particular day, taking into account factors such as diversification of poll submitters and portfolio holding of the Mutual Funds. Mutual Funds who are identified by the valuation agencies shall necessarily participate in the polling process. However, in case any Mutual Fund does not participate in the polling process, detailed reason for the same shall be recorded at the time and subsequently made available during SEBI inspections. In this respect, since a Mutual Fund may have investments in similar securities, a security not forming part of investment universe may not be considered as an adequate reason for not participating in the polling process.
2. Polling will be carried out on a daily basis by the valuation agencies, in terms of points 9-11 below.
3. Each valuation agency needs to take polls from at least 5 unique Mutual Funds on a daily basis. Hence, between the two valuation agencies 10 unique Mutual Funds to be polled. They may cover more Mutual Funds, over and above this. For benchmark securities a poll constituting at least 5 responses will be considered as valid. In case of non-benchmark securities a poll constituting at least 3 responses will be considered as valid. The responses received by each valuation agency will be shared with the other agency also.
4. Median of polls shall be taken for usage in valuation process.
5. The valuation agencies will also need to cover as many non- Mutual Fund participants as possible, over and above the Mutual Funds, to improve on the polling output quality.
6. Endeavour would be made to have adequate representation of both holders and non-holders of the same bond/same issuer for non-benchmark securities in the poll process. Where this is not possible, valuation agencies may seek polls from holders of bonds with a similar structure.
7. In the case of issuers with multiple notch rating upgrades / downgrades over short periods of time, valuation agencies shall:
 - a. Conduct polls with a larger universe of pollers.
 - b. Increase the frequency of polling

8. Suo moto feedback on valuations should be entertained only through formal mails from persons designated by AMC for said purpose, and the same shall be validated through repolling. Any such feedback shall be duly recorded by the valuation agencies, including the reason for the challenge, results of repolling and subsequent changes in valuation on re-polling, if any. Such records shall be preserved by the valuation agencies, for verification.
9. Polling will be done for two sets of securities, Benchmark & Others.
10. Benchmark will be defined for the following categories across tenors.
 - a. Treasury Bills
 - b. Central Government Securities
 - c. State Government Securities
 - d. AAA PSU / PFI / PSU Banks
 - e. AAA Private
 - f. NBFC
 - g. HFC
 - h. Any other as required for improving fair valuation
11. Polling shall be conducted in the following two scenarios:
 - a. Validation of traded levels if they are outlier trades.
 - b. Non traded Securities (in exceptional circumstances as defined in the waterfall mechanism for valuation of money market and debt securities).
12. Best efforts should be made by poll submitters to provide fair valuation of a security.
13. The polling process will be revalidated by external audit of the valuation agencies with at least an annual frequency
14. AMCs shall have a written policy, approved by the Board of AMC and Trustees, on governance of the polling process. The aforesaid policy shall include measures for mitigation of potential conflicts of interest in the polling process and shall identify senior officials, with requisite knowledge and expertise, who shall be responsible for polling. Further, the policy should outline the following aspects.
 - a. the process of participating in a polling exercise.
 - b. identify the roles and responsibilities of persons participating in the polling.
 - c. include policies and procedures for arriving at the poll submission
 - d. cover the role of the Board of AMC and Trustees, and the periodic reporting that needs to be submitted to them.
 - e. All polling should be preferably over email. In case for any reason, the polling is done by way of a telephonic call then such a call should be over recorded lines, followed subsequently by an email.

- f. AMCs should have adequate business continuity arrangements for polling, with the necessary infrastructure / skill to ensure that consistent delivery of poll submissions is made without material interruption due to any failure, human or technical.
15. All polling done will have to be documented and preserved in format approved by the Board of AMC, for a period of eight years, along-with details of the basis of polling (such as market transactions, market quotes, expert judgement etc.).
 16. AMCs shall ensure that participation in the polling process is not mis-used to inappropriately influence the valuation of securities. The officials of the AMC who are responsible for polling in terms of point no. 14 above, shall also be personally liable for any misuse of the polling process.
 17. AMCs shall maintain an audit trail for all polls submitted to valuation agencies.

Annexure VII

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

1. Currently, a bond is considered traded, if there is at least one trade in market lot in that particular ISIN. If the bond does not get traded there is a defined waterfall mechanism for valuation of that bond as per AMFI Best Practice Guideline circular no. NO.83 / 2019-20 dated November 18, 2019.
2. The said waterfall requires grouping of same issuer with similar maturity and similar issuers with similar maturity. However, in case any ISIN of issuer has not traded, the valuation of AT-1 Bonds is currently done based on adjusting spread directly to the benchmark security.
3. In order to improve existing valuation of these bonds and implement the defined waterfall, following is being done:
 - I. Form two types of ISINs:
 - a) Benchmark ISINs (a non-benchmark ISIN can be linked to only one benchmark ISIN. Currently, SBI ISINs happens to be the benchmark ISINs across all maturities for AT-1 Bonds.)
 - b) Non-benchmark ISINs (Will be divided into multiple groups based on similar issuer and similar maturity).
 - c) The groups will be decided in consultation with valuation agencies. The two main criteria envisaged to be used here would be Tier 1 / Tier 2 ratings of the ISINs / Issuers, and the spread range in which the group of ISINs / Issuer's trade over the benchmark.
 - II. Take a look back period for trade recognition as under:
 - a) 15 working days for benchmark ISINs
 - b) 30 working days for non-benchmark ISINs
 - c) This will be revised to 7 working days for benchmark ISIN and 15 working days for non- benchmark ISINs from October 01, 2021.
4. If the ISIN gets traded, the traded YTM will be taken for the purpose of valuation. Further, if 1 ISIN of the issuer trades all other ISINs of issuers will be considered as traded but with necessary adjustment of spread to YTM. If none of the ISIN of the issuer gets traded, the trade of similar issuer in the group will be taken to valuation however with necessary adjustment of spread to YTM of similar issuer similar maturity. If none of the ISIN in a group gets traded on any particular day, an actual trade in a look back period will be seen. If there is an actual trade in look back period the security will be considered as traded and valued with necessary adjustment of spread to YTM. According to this valuation will be done based on the

trade of issuer, trade of similar issuer and as an additional layer a look back period of is requested. It is confirmed that spread over YTM will be taken without any adjustment of modified duration to call.

5. Further, as the valuation is based on trade during the look back period, it is confirmed that a spread is adjusted to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.
6. However, if there is no actual trade of any ISIN of the issuer as well as similar issuer during look back period, the valuation will be done by taking spread over matrix and/or polling in line with the waterfall mechanism prescribed by AMFI.
7. Maturity of 100 years will be adopted for perpetual bond issued by banks. There will be a glide path for these bonds as indicated below. The Deemed Residual Maturity for the Purpose of Calculation of valuation as well as Macaulay Duration for existing as well as new perpetual bonds issued:

Time Period	Deemed Residual Maturity (Years)
Till March 31, 2022	10
April 01, 2022 – September 31, 202	20
October 01, 2022 – March 31, 2023	30
March 31, 2023 onwards	100

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

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

Time Period	Deemed Residual Maturity for all securities (Years)
April 01, 2021 – March 31, 2022	10 years or contractual maturity whichever is earlier
April 01, 2022 onwards	Actual Maturity

9. Besides, AT-1 bonds and Tier 2 bonds being different categories of bonds, the

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

10. It is confirmed that the Macaulay Duration of ISINs will be calculated based on the deemed residual maturity proposed in para 7 and 8 above to reflect the duration risk.
11. Further, henceforth mutual funds will disclose both Yield to Call and Yield to Maturity.

Illustration for point 4 to 6

ABC and XYZ are similar issuer and similar maturity:

Maturity of ISIN 1 of ABC is near to maturity of ISIN 1 of XYZ & Maturity of ISIN 2 of ABC is near to maturity to ISIN 2 of XYZ

Issuers	ABC		XYZ		Valuation of ABC ISIN 1
	ISIN 1	ISIN 2	ISIN 1	ISIN 2	
Traded Today	Y	-	-	-	Take price and arrive at YTM
Traded Today	N	Y	-	-	Take price of ISIN 2 of ABC and compute YTM of ISIN 2. Then adjust the YTM spread of ISIN 1 and ISIN 2 and compute value of ISIN 1 of ABC.
Traded Today	N	N	Y	N	From the price of ISIN 1 of XYZ compute YTM. The spread between YTM of ABC ISIN 1 and XYZ ISIN 1 is to be adjusted to derive YTM of ABC ISIN 1. The spread should further be adjusted to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued and final YTM and price of the security should be computed
Traded Today	N	N	N	Y	From the price of ISIN 2 of XYZ compute YTM of ISIN 2 of XYZ. Then derive YTM of ISIN 1 of XYZ by adjusting spread of YTM. Then by adjusting difference in spread between ISIN 1 of XYZ and ISIN 1 of ABC trade (which happens to be nearest maturity) arrive at YTM of ISIN 1 of ABC. The spread should be adjusted to reflect adverse news, change in credit rating, interest rate etc., which

					has bearing on the yield of ISIN being valued
No trade today. Check for actual trade during look back	Y	-	-	-	Take YTM of traded day and adjust spread to the movement of benchmark ISIN over the period. Also adjust to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued
No trade today. Check for actual trade during look back	N	Y	-	-	Arrive at YTM of ISIN 2 by adjusting spread to the movement of benchmark ISIN over the period. Derive YTM of ISIN 1 of ABC from ISIN 2 of ABC by adjusting spread over YTM. Also adjustment should be done to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued

Issuers	ABC		XYZ		Valuation of ABC ISIN 1
No trade today. Check for actual trade during look back	N	N	Y	N	Arrive at YTM of ISIN 1 of XYZ by adjusting spread to the movement of benchmark ISIN over the period. Then the spread of YTM of XYZ ISIN 1 and ABC ISIN 1 is to be adjusted to arrive at YTM of ISIN 1 of ABC. Also, adjustment will be done to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.
Trade	ISIN 1	ISIN 2	ISIN 1	ISIN 2	
No trade today. Check for actual trade during look back	N	N	N	Y	Take YTM of ISIN 2 of XYZ by adjusting spread to the movement of benchmark ISIN over the period. Adjust the spread of YTM of ISIN 1 of XYZ and ISIN 2 of XYZ to

back						arrive at YTM of ISIN 1 of XYZ. YTM of ISIN I of ABC will be derived by adjusting spread of YTM of ISIN 1 of XYZ to ISIN 1 of ABC (which appears to be a nearest maturity to ABC ISIN 1). Further, YTM will be adjusted to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.
Not Traded During look back	N	N	N	N	N	Valuation will be done considering spread over matrix and/or polling in line with the waterfall mechanism prescribed by AMFI.

Note: The duration to call shall not be considered/adjusted to spread over YTM. Yield to Call and Yield to Maturity shall be disclosed to investors.