# QUANT MUTUAL FUND

## INVESTMENT VALUATION NORMS FOR SECURITIES AND OTHER ASSETS

The Fund shall value its investments according to the valuation norms, as specified in Schedule VIII of the Regulations, or such norms as may be prescribed by SEBI from time to time. The broad Valuation norms are detailed below:

**i) Equity and Equity related Securities**

**1. Traded Securities -**

(1) The securities shall be valued at the last quoted closing price on the stock exchange.

(2) When the securities are traded on more than one recognised stock exchange, the securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded.

(3) When on a particular valuation day, a security has not been traded on the Principal stock exchange, the value at which it is traded on another stock exchange may be used.

(4) When a security (other than debt securities) is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to valuation date.

**2. Thinly Traded Securities- :**

**Thinly Traded Equity/Equity Related Securities:**(1) "When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs. 5 lakh and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security and valued accordingly"

(2) For example, if the volume of trade is 100,000 and value is Rs. 400,000, the share does not qualify as thinly traded. Also if the volume traded is 40,000, but the value of trades is Rs. 600,000, the share does not qualify as thinly traded. In order to determine whether a security is thinly traded or not, the volumes traded in all recognised stock exchanges in India may be taken into account.

**3. Valuation of Non-Traded / Thinly Traded Securities:**

Non traded/ thinly traded securities shall be valued "in good faith" by the AMC on the basis of the valuation principles laid down below:

Based on the latest available Balance Sheet, net worth shall be calculated as follows:

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. Average capitalisation rate (P/E ratio) for the industry based upon either Bombay Stock Exchange Limited (BSE) or National Stock Exchange of India Limited (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.

(1) 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.

(2) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.

(3) 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.

(4) 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.

(5) To determine if a security accounts for more than 5% of the total assets of the Scheme, it should be valued by the procedure above and the proportion which it bears to the total net assets of the Scheme to which it belongs would be compared on the date of valuation.

**4. Non Traded Securities :**

When a security (other than Government Securities) is not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as a 'non traded' security.

**5. Valuation of Unlisted Equity Shares:**

Unlisted equity shares of a company shall be valued "in good faith" on the basis of the valuation principles laid down below:

(1) Based on the latest available audited balance sheet, net worth shall be calculated as lower of (a) and (b) below:

(a) 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

(b) 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}

The lower of (a) and (b) above shall be used for calculation of net worth per share and for further calculation in (3) below.

(2) 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

(3) 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:

(a) All calculations as aforesaid shall be based on audited accounts.

(b) 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.

(c) If the net worth of the company is negative, the share would be marked down to zero.

(d) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.

(e) 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.

(f) 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.

**6. Illiquid Securities:**

(1) Aggregate value of “illiquid securities” of Scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the Scheme and any illiquid securities held above 15% of the total assets shall be assigned zero value

(2) All funds shall disclose as on March 31 and September 30 the Scheme-wise total illiquid securities in value and percentage of the net assets while making disclosures of half yearly portfolios to the unitholders. In the list of investments, an asterisk mark shall also be given against all such investments, which are recognised as illiquid securities.

(3) Mutual Funds shall not be allowed to transfer illiquid securities among their Schemes with effect from October 1, 2000.

(4) In respect of closed ended funds, for the purposes of valuation of illiquid securities, the limits of 15% and 20% applicable to open-ended funds should be increased to 20% and 25% respectively.

## 7. Value of "Rights" entitlement

(1) Until they are traded, the value of the "rights" entitlement would be calculated as:

Vr = n/m x (P ex - P of ) where
Vr = Value of rights
n = no. of rights Offered
m = no. of original shares held
P ex = Ex-Rights price
P of = Rights Offer price

(2) Where the rights are not traded pari-passu with the existing shares, suitable adjustments would be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights would be valued at the renunciation value.

## 8. Valuation Norms for Foreign Securities:

On the Valuation Day, 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. Further in case of extreme volatility in the international markets, the securities listed in those markets may be valued on a fair value basis. For the purpose of valuing all overseas investments including American Depository Receipts (ADRs) / Global Depository Receipts (GDRs) listed on Stock Exchanges overseas, the following valuation procedure would be followed:

If the security is listed in a time zone ahead of India than the same days price closing price would be used for valuation. The price in foreign currency would be obtained and based on the closing RBI reference rate, the valuation in Indian rupee would be done. If the price in Indian Rupees (INR)for the security is available then the same would be used for valuation. If the security is listed in a time zone behind India's, than the previous days price would be used for valuation. The price in foreign currency would be obtained and based on the closing RBI reference rate, Indian rupee equivalent would be obtained. If the INR price for the security is available then the same would be used for valuation. If the stock is listed in currency for which RBI reference rate is not available, the exchange rates available from Reuters (at 5.00 P.M. IST) will be used. In case the direct exchange rates are not available on Reuters, then cross currency rate with USD would be considered and converted as per the INR/USD RBI reference rate. In case any particular security is not traded on the Valuation Day, the same shall be valued on a fair value basis by the Valuation Committee of the AMC

**9. Valuation of Derivative Products:**

(1) The traded derivatives shall be valued at market price in conformity with the stipulations of sub clauses (i) to (v) of clause 1 of the Eighth Schedule to the Regulations as amended from time to time.

(2) The valuation of untraded derivatives shall be done in accordance with the valuation method for untraded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the Regulations as amended from time to time.

(3) The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and such regulations as may be prescribed by SEBI from time to time.

**ii. Valuation of Debt and Money Market Instruments**

Broadly the following principles would be applicable for valuation of different instrument types across all schemes:

- If the security is traded, then weighted average traded (clean) prices would be considered for valuation.
- Non-traded or thinly traded Bonds/ Debentures/ PTCs etc would be valued through CRISIL Bond Valuer. Discretionary Discount/Premium for illiquidity would be provided to the extent necessary in order to reflect fair valuation levels. There would be no restrictions on the allowed spread relative to the benchmark curve in respect of different issuers and instruments based on the AMFI best practices circular dated 15th May 2012.
- Fund Managers would be responsible for recording the justifications for any changes in the illiquidity premium/ discounts and the same would be reviewed by the Head Fixed Income and the Risk Management team on a daily basis
- Non traded / Thinly traded security with less than and upto 60 days to maturity would be amortized. The valuation principle for such securities has been outlined in section 5.1 using the weighted average traded yield
- Securities with call and put options would be values as per SEBI guidelines of taking the lowest/ highest value on call/ put dates and maturity dates.
- Securities having put and call options on the same day but at differential prices would be valued as follows
    - Find out the lowest value obtained by valuing at various call dates and valuing at maturity date
    - Find out the highest value obtained by valuing at various put dates and valuing at maturity date
    - Take the lower price of the above two.
- New Security can be valued at the purchase price for a period of 15 days from the date of purchase only if it has been bought in a private placement.

- As per SEBI Circular, for debt instrument which are new and valuation models are not available, valuation would be at cost or internally developed valuation models to be decided on case to case basis. Relevant extracts from the Circular are as follows:

a) Exposure should not exceed 5% of total AUM of the scheme
b) These models have to be approved by independent Trustees and Statutory auditors.
c) The AMC would escalate the new instruments to AMFI for getting valuation pertaining to them incorporated in valuation framework within a period of 6 weeks.

- If the security is traded then security would be valued at the weighted average traded price. Traded price, wherever available shall be used for valuation. To remove distortions due to the settlement dates (e.g. across a weekend/holidays, same day value), weighted average traded yields will be used to arrive at the t+1 equivalent trade price for valuation purposes

**1. Definitions**

**1.1 Recognition of Trades for Valuation Purpose**

For Instruments maturing above 1 year :
Weighted average traded price may be taken if there are at least 2 market trades aggregating to Rs 25 Crores or more for the specific Security

For Instruments maturing between 60 days to 1 year :
Weighted average traded price may be taken if there are at least 3 market aggregating to Rs 100 crores or more for the specific security

For Instruments maturing upto 60 days :
Weighted average trade price may be taken for the purpose of modifying spreads, if there are at least 3 market trades aggregating to Rs 100 crores or more and weighted average yield on such market trades is at least at a 15 bps different spread compared to existing spread

Trade information sources for trade recognition

1) FIMMDA
2) NSE WDM
3) BSE
4) Own trades/interscheme trade

For the purpose of the recognitions of trade, the data from each of the above sources shall be evaluated independently and shall not be aggregated.

Schemes own trades
Weighted average trade price of schemes own trade may be taken if there is trade in marketable lot (i.e. Rs 5 Crores) for any security. In case of scheme trades and market trades, schemes trades will be second in priority viz a viz market trades for valuation. Since all interscheme trades would be done at

current market levels and follow the principle of fair valuation like any other own trade, hence such interscheme trades would be treated at par with own trades for valuation purpose.

### 1.2 Non Traded Security/Thinly Traded security

A security would be considered as thinly traded / non traded if on the valuation date, it does not suffice the recognition of trade criteria as mentioned in section 1.1

### 1.3 Non Performing Asset

An 'asset' shall be classified as nonperforming, if the interest and/or principal amount have not been received or remained outstanding for one quarter from the day such income/installment has fallen due. Any non-performing asset will also be treated as non-investment grade asset. Provisions will need to be made for any non-performing assets (debt securities) in the portfolio as per guidelines.

### 1.4 Traded Price/Yield

Traded price would be used for valuation based on Recognition of Trade criteria as defined in Section 1.1. To remove distortions due to the settlement dates (e.g. across a weekend/holidays, same day value), weighted average traded yields will be used to arrive at the t+1 equivalent trade price for valuation purposes

## 2. Valuation Guidelines -Investment Grade Securities

### 2.1 Valuation of Non-Traded Securities/Thinly Traded security

Less than upto 60 days

Instruments will be valued by amortization on a straight line basis to maturity from cost or last valuation price, whichever is more recent. However, it will be ensured that the amortized price is a fair reflection of market conditions, by comparing it to a Reference Price. CRISIL and ICRA shall be providing reference yields for all securities with a residual maturity of less than 60 days. The yields would be provided in a matrix format based on the residual maturity and rating of debt instruments. The yields provided by both agencies shall be aggregated and averaged. This will be done through software which is being developed by CRISIL.

Based on the relevant benchmark yield (which will be derived from the reference yield curve mentioned above based on the residual maturity and rating of each security) and a security specific spread, a reference yield for each security will be calculated on a daily basis. Security specific reference price will be calculated using the reference yield on a money market basis. This reference price will then be compared with the amortized price of each security. In case the difference between the reference price and the amortized price is within +- 10 bps, the security will be continued to be valued through amortization. However if on any day the price difference is more than +-10 bps, the valuation of the security will be adjusted so as to bring the difference within a band of +-10 bps. Adjustment should be done on the day of the breach so as to bring the difference down to +- 5 bps.

Benchmark yield curve:
The benchmark yield curve shall be constructed by CRISIL and ICRA on a daily basis, based on market trades and polling of market participants. For construction of this benchmark yield curve, traded prices / yields across all public platforms will be considered. For practical reasons, the benchmark yields will be provided for each calendar fortnightly interval, for tenors up to 91 days. Like for securities currently above 91 days to maturity, the yield curve shall be constructed in a matrix format, where each issuer can be benchmarked based on the credit rating and time to maturity.

Security Specific Spread:
An acquisition of a less than 60 day security could happen in two ways.
a) Residual maturity of an existing security falling below 60 days.
b) Fresh purchase of the security with a residual maturity of up to 60 days.

For every security acquired through any of the ways mentioned above, the difference between the yield of the security and the benchmark yield curve will be captured. This difference as on the first day of acquisition will be the spread for that security. The spread of the security over the benchmark yield curve will generally be kept constant through the life of the security and shall be changed only if there is a reasonable justification for the change.

The spread will be changed if there are market trades in the same security at yields which will result in significantly different spreads, vis a vis current spreads. For any reset along these lines, we will consider two aspects.

(i) There has to be sufficient volume of such transactions. The qualification of the same would be at least 3 trades aggregating to Rs 100 crs or more.
(ii) A significantly different spread would mean a difference of at least 15 bps between current spreads, and spreads derived from the relevant market trades. Any decision to change the spread based on market trade would be taken by mid-office (risk department), based on adequate documentation and justification presented by the portfolio management team and

shall be presented in the subsequent valuation committee meeting for ratification.

The spread may also be changed if there is a change in credit profile of the underlying issuer which warrants a change in current spreads over benchmark yields. The change in credit profile of an issuer may arise due to one or a combination of the following factors.

(i) Change in credit rating of the said issuer.
(ii) Change in the credit rating outlook.
(iii) Significant change in the business and / or financial risk profile.
(iv) The above three factors are not exhaustive. There can be other reasons which may be considered for evaluating the credit profile of an issuer, based on adequate data, market information and analysis.

Further, given the dynamic nature of the markets, and due to changing market conditions, the risk department (mid office), may choose to revisit spreads at any point in time, based on the inputs / information received from internal / external sources. If so, then these changes shall also be reported post facto to the valuation committee for their ratification. Trades done by the fund in an existing holding, will lead to a change in valuation yield for that security, provided the trade is at least of a marketable lot. This would result in a change in the valuation price of the security which will be valued at the weighted average yield of all trades done by the fund on that day. The security will then start getting amortized from the new valuation price. An own trade will also lead to a reset in spreads. Based on the traded yield, the new spread will be calculated, over the benchmark yield curve. The reference yield will then be the combination of the benchmark yield and the new spread.

Since all interscheme trades would be done at current market levels and follow the principle of fair valuation like any other own trade, hence such interscheme trades would be treated at par with own trades for valuation purpose.

**2.2 Valuation of Traded/ Non-Traded Securities/Thinly Traded security**

For instruments maturity beyond 60 days

The valuation of these securities will be guided by the principles of fair valuation and fair reflection of market conditions. In case of traded instruments, the traded price will be used for valuation. In case of non-traded instruments, the valuation price will be arrived at using the reference yields (relevant benchmark yields + spread).

**Traded Instruments:**

a) In case of traded instruments, the traded price will be used for valuation. However to prevent frivolous and dated prices from distorting valuations, a cut-off criteria would be employed for recognizing qualifying trades. We propose that:

a. For instruments maturing above 1 year, the traded price may be taken if there are at least 2 trades aggregating to Rs 25 crs or more.

b. For instruments maturing between 60 days to 1 year, traded price may be taken if there are at least 3 trades aggregating to Rs 100 crs or more.

b) In case of own trade, we will recognize the traded price, if the traded amount is equal to or more than the market lot. Since all interscheme trades would be done at current market levels and follow the principle of fair valuation like any other own trade, hence such interscheme trades would be treated at par with own trades for valuation purpose.

c) Since there will be more than one market trade for recognizing qualifying trades, the weighted average price will be used for valuation.

d) For traded securities, if the traded price quoted on public platform is distorted due to forward settlement dates, the actual traded yield shall be used for valuation on a t+1 basis.

e) In case there are both AMC trades and Qualifying Trades, the qualifying trades shall be given higher priority.

f) In case trades in a particular security are reported on multiple platforms, the order of preference would be FIMMDA, NSE WDM, BSE and own trades in that order of priority.

**Non-Traded Instruments:**

(i) The current matrix based valuation shall be used to determine valuation price.

(ii) There will be no restriction on the allowed spread relative to the benchmark curve in respect of different issuers and instruments. The principle of fair valuation shall govern the spreads to be used.

(iii) Any spreads (as given in the CBV) that need to be modified on account of illiquidity or security specific factors will be done with appropriate justifications and incorporated into NAV (Net Asset Value) computations..

## 3. Asset wise valuation

### 3.1 Commercial Paper/Certificate of Deposits/Debentures/Perpetual Bond/PTCs

| Category | Sub category | Valuation Guidelines |
|---|---|---|
| 3.1.1 Less than and upto 60 days | Valuation based on the approach outlined in the above Section | |
| 3.1.2 More than 60 days | Traded securities | Based on the Recognition of Trade criteria as mentioned in the above section |

| | | |
|---|---|---|
| | Non Traded Securities | Valued on CRISIL Bond Valuer by assigning/taking a long term equivalent rating |

Maturity in case of PTC's shall be considered as Weighted Average Maturity

### 3.2 Central G-Sec

Central G-Sec would be valued based on the aggregated prices of CRISIL & ICRA.

### 3.3 Floating rate securities

| Category | Sub category | Valuation Guidelines |
|---|---|---|
| 3.3.1 Less than and upto 60 days | Valuation based on the approach outlined in the above Section.<br>For Securities with floor and cap, the floor rate will be taken as the coupon of the bond, and it will be valued like a fixed coupon bond. | |
| 3.3.2 More than 60 days | Traded securities | Based on the Recognition of Trade criteria as mentioned in the above section |
| | Non Traded Securities | CRISIL Bond Valuer |

### 3.4 T-Bills

| Category | Sub category | Valuation Guidelines |
|---|---|---|
| 3.4.1 Less than and upto 60 days | Traded securities | Valuation based on the approach outlined in above section subject to any fresh guidelines issued by AMFI in this regard. |
| | Non Traded Securities | Amortize from last traded prices / Valuation Yield |
| 3.1.2 More than 60 days to maturity | Valuation prices of | ICRA & CRISIL |

### 3.5 Repo

All securities taken under reverse repo will not be considered for valuation. Only the interest income earned would be considered for NAV calculation.

### 3.6 Interest Rate Swaps

Swaps with the residual maturity of less than six months would be valued on accrual basis. For the Swaps with more than six months of residual maturity would be valued on following on following basis:

- Floating Rate Leg.
- The floating rate leg would be valued as floating rate bond at cost.
- Fixed Rate Leg:

- The fixed rate leg would be valued as a fixed rate bond at the prevailing YTM.
- SWAP/INBMK rates quoted on Bloomberg would be the applicable data points for YTM
- Calculation of YTM. If the applicable YTM is not quoted then YTM would be arrived by using Log Normal Interpolation of available data points
- The IRS value would be the net of Receive Position less Pay position.
- In case the SWAP/INBMK rates are not available from Bloomberg, then the quotes received independently from Brokers shall be used. Bloomberg at present does not quote for less than 2 years.

**3.7 State Government Loans**

State government loans would be valued on the aggregated prices of CRISIL & ICRA.

**3.8 Fixed Deposits**

**3.8.1 Normal**

Fixed deposits will be valued at cost plus accrual at the contracted rate. Fixed contracted rate FDs interest would be accrued at the contracted rate.

**3.9 Valuation of securities with Put/Call Options**

**3.9.1 Securities with call option:**

The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.

**3.9.2 Securities with Put option**

The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instruments.

**3.9.3 Securities with both Put and Call option on the same day**

The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly. Further the valuation policy for traded /non traded securities as applicable would be applicable for securities with PUT/CALL options.

## 4. Valuation Guidelines – Non - Investment Grade Securities

### 4.1 Non-Investment Grade-Performing Asset

| Category | Valuation Guidelines |
|---|---|
| 4.1.1 Traded | Traded prices would be taken |
| 4.1.2 Non Traded – more than 182 days to maturity | Valued at 75% of Face Value |
| 4.1.3 Non Traded – less than and upto 182 days to maturity | 1. Valued after markdown by 2.5% to the Face Value every 2 weeks cumulatively starting from the day of the downgrade. The value of such discounting would remain same over the tenure of the fortnight.<br>2. If during the intervening period, any payments are received against the outstanding or any fees, charges received, the impact of the same shall be taken into consideration while valuing the securities in the subsequent fortnight. |

### 4.2 Non-Investment Grade -Non - Performing Asset

Classification of an asset as an NPA , provisioning and valuation of same would be done as per SEBI circular MFD/ CIR/8 /92/ 2000 , dated September 18, 2000.

- An asset will be classified as an NPA after a quarter past due date of interest. For e.g. if the due date for interest is 30.06.2000, it will be classified as NPA from 01.10.2000.
- After the expiry of the first quarter from the date the income has fallen due, there will be no further accrual interest accrual on the asset. e.g. if the due date for interest falls on 30.06.2000 and if the interest is not received, accrual will continue till 30.09.2000 after which there will be no further accrual of income. That is from the beginning of the 2nd quarter there will be no further accrual on income.
- On classification of the asset as NPA from a quarter past due date of interest, all interest accrued and recognized in the books of accounts of the Fund till the date, should be provided for. For e.g if interest income falls due on 30.06.2000, accrual will continue till 30.09.2000 even if the income as on 30.06.2000 has not been received. Further, no accrual will be done from 01.10.2000 onwards. Full provision will also be made for interest accrued and outstanding as on 30.06.2000
  - Once an investment has been recognized as NPA, provisioning would be made in a manner to ensure full provisioning prior to the closure of the scheme or the scheduled phasing which ever is earlier. The provisioning against the principal amount or installments should be made at the following rates irrespective: 10% of the book value of the asset should be provided for after 6

months past due date of interest i.e. 3 months form the date of classification of the asset as NPA.

- 20% of the book value of the asset should be provided for after 9 months past due date of interest i.e 6 months from the date of classification of the asset as NPA.
- Another 20% of the book value of the assets should be provided for after 12 months past due date of interest i.e 9 months form the date of classification of the asset as NPA.
- Another 25% of the book value of the assets should be provided for after 15 months past due date of interest i.e. 12 months from the date of classification of the asset as NPA.
- The balance 25% of the book value of the asset should be provided for after 18 months past due date of the interest i.e 15 months form the date of classification of the assets as NPA. Thus, 1½; years past the due date of income or 1¼; year from the date of classification of the 'asset' as an NPA, the 'asset' will be fully provided for.

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

**5. Valuation Guidelines -Unrated Securities**

Investments in unrated papers would be assigned an internal rating.

**5.1 Traded**

Based on the Recognition of Trade criteria as mentioned in Section 1.1.

**5.2 Non -Traded - Less than and upto 60 days to maturity**

Valuation based on the approach outlined in Section 2.1.

**5.3 Not Traded - more than 60 days to maturity**

Valuation based on the approach outlined in Section 2.2.

**6. Guidelines - Interscheme Transfers**

Interscheme transactions will follow the same guiding principles as that for normal market trades and valuation,

1. For less than 1 year instruments,

a. The last 3 trades (relative to the time of interscheme) of at least Rs 25 crores each in the same/similar securities will be considered for determining the price of interscheme. Weighted average price/yield of such trades would be considered for arriving at the interscheme price.

b. For price validation, broker market quotes may also be used. In such instances, market quotes from at least 3 market participants at the time of interscheme would be taken.

c. If the same/ similar security is not traded on the public platform, then the interscheme price would have to be justified and such price shall be properly validated internally.

2. For more than 1 year instruments

a. The last 2 trades (including own trades) (relative to the time of interscheme) of at least Rs 5 crores each in the same/similar securities will be considered for determining the price of interscheme. Weighted average price/yield of such trades would be considered for arriving at the interscheme price.

b. For price validation, broker market quotes may also be used. In such instances, market quotes from at least 3 market participants at the time of interscheme would be taken.

c. If the same/ similar security is not traded on the public platform, then the interscheme price would have to be justified and such price shall be properly validated internally.

Similar security criteria would be as follows :

- Clustering of Debt Issuer universe based on outstanding rating (long term & Short term) & type of entity.
- Similar Security Type -CD/CP/PTCs/NCDs
- Similar Maturity

**7. Valuation of Mutual Fund Units / ETFs**

MF units listed and traded would be valued at the closing traded price as on the valuation date. Unlisted MF units and listed untraded MF units would be valued at NAV (adjusted for load if any) on the valuation date.

**The illustrative list of exceptional events is provided as under:**

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

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

**Note:**
Any change/modification to the above list of exceptional events shall be updated from time to time.