Valuation Policy

Version 4 – August 2017

VALUATION POLICY AND PROCEDURES

A. Background

SEBI has amended Regulation 47 of SEBI (Mutual Funds) Regulations, 1996 ('Regulations') and the Eighth schedule of Regulations, relating to valuation of Investments on February 21, 2012 to introduce over-riding principles in the form of "Principles of fair valuation".

Prior to this amendment, Eighth schedule and various circulars issued from time to time provided detailed guidelines on valuation of traded securities, non-traded securities, thinly traded securities etc.

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 ('AMC').

The amendment also states that in case of any conflict between the principles of fair valuation and valuation guidelines as per Eighth schedule and circulars issued by SEBI, the principles of fair valuation shall prevail.

B. Valuation methodologies

- Mutual Fund shall value its investments in accordance with the overarching principles of fair valuation. The methodologies for each type of securities held by the schemes are provided in **Annexure I**. The above methodologies also take into account the guidelines stipulated under Regulations.

- In case of any conflict between the principles of Fair Valuation and valuation guidelines issued under Regulations, the Principles of Fair Valuation shall prevail.

- Investment in any new type of security shall be made only after establishment of the valuation methodology for such security with the approval of the Board of the AMC.

C. Inter-scheme transfers

- Transfer of securities through inter-scheme shall be at 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**.

D. Exceptional Events

The following types of events could be classified as exceptional events where current market information may not be available / sufficient for valuation of securities:

- Major policy announcements by the Central Bank, the Government or the Regulator.
- Natural disasters or public disturbances that force the markets to close unexpectedly.
- Significant volatility in the capital markets.
- Significant sale (more than 40% of the AUM) of securities in any open ended scheme other than interval schemes.
- Any other event perceived to be exceptional by the Valuation Committee which is headed by the Managing Director.

In case of exceptional events, the Valuation Committee of the AMC shall assess the situation and advise appropriate method of valuation for the impacted securities. Such decision of Valuation Committee shall subsequently/ suitably be reported to the AMC and Trust Boards.

E. Deviations

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 fair/ appropriate 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.

Deviations from the valuation policy, if any, will be informed to the AMC and Trustee Board and will be communicated to the investors vide appropriate disclosures on the Mutual Fund's website.

F. Periodic Review

The Valuation policy shall be reviewed at least annually and any modification shall be approved by the AMC and Trustee Boards.

The Valuation Policy shall also be reviewed by Independent Auditors at least once in a Financial Year to ensure the appropriateness of the valuation methodologies.

G. Conflict of Interest

If any situation arises that leads to conflict of interest, the same shall be raised to the Valuation Committee and the Committee shall endeavor to resolve the same such that the valuation provides for fair treatment to all investors including existing and prospective investors.

H. Disclosure and Record keeping

Policy document should be updated in Scheme Information Document (SID) / Statement of Additional Information (SAI), website and other documents as prescribed by the SEBI Regulations and guidelines.

All the documents which form the basis of valuation including inter-scheme transfers (the approval notes and supporting documents) should be maintained in electronic or physical form. These records will be preserved in accordance with the norms prescribed by the SEBI Regulations and guidelines.

Annexure I

The revised policy is to be implemented from 1st July 2012 and will stand modified to the extent it is inconsistent with any regulatory pronouncements thereafter:

A. EQUITY AND RELATED SECURITIES

Assets	Methodology
Traded Equity and Equity Related securities	Traded securities shall be valued at the last quoted closing price on the principal stock exchange. The AMC has selected NSE as principal stock exchange, for all schemes other than Index based Funds/ETF, which invest in domestic equity and equity related securities. 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. 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. 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
Thinly Traded / Non-Traded	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 Futures & Options are considered as Non-Traded, when such Futures & Options are not traded on respective stock exchange as on valuation date. 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

Assets	Methodology
	NSE and BSE shall be considered.
Non-Traded / Thinly Traded Equity Shares:	Thinly Traded / Non-traded equity shares shall be valued as below: (a) 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. (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. (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. (d) If the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning. (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. (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 total net assets of the scheme on the date of valuation shall be taken into account. 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.
Unlisted Equity	Unlisted equity shares of a company shall be valued on the

Assets	Methodology
shares:	basis of the valuation principles given below: (a) Based on the latest available audited balance sheet, net worth shall be calculated as lower of (i) and (ii) below: i. Net worth per share = [share capital plus free reserves (excluding revaluation reserves) minus miscellaneous expenditure not written off, 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} The lower of (i) and (ii) above shall be used for calculation of net worth per share and for further calculation in (c) below. (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. (c) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share. The above methodology for valuation shall be subject to the following conditions: - 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

Assets	Methodology
	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. 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.
Equity and Equity related Securities awaiting listing (Merger/Demerger)	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. 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. 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.
Equity and Equity related securities under lock-in period / pending listing	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.
Suspended equity securities	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.
Initial Public Offering ('IPO') application	These shall be valued as below : (i) Prior to allotment – at Bid Price. (ii) Post allotment but awaiting listing – at allotment price

Assets	Methodology
Value of non traded "Rights" Entitlement	- Until they are traded, the value of the 'rights' entitlement should be valued based on difference between ex-rights price of underlying security and rights offer price as detailed below: Vr = n/m x (Pex - Pof) Where Vr = Value of rights n = No. of rights offered m = No. of original shares held Pex = Ex-rights price Pof = Offer price - 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	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. 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.
Non-traded Convertible debentures	In respect of convertible debentures and bonds, the non-convertible and convertible components shall be valued separately. The non-convertible component should be valued on the same basis as would be applicable to a debt instrument. The convertible component should be valued on the same basis as would be applicable to an equity instrument. If after conversion the resultant equity instrument would be traded pari passu with an existing instrument which is traded, the value of the latter instrument can be adopted after an appropriate discount 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.

Assets	Methodology
	The appropriate discount applied shall be approved by the Valuation Committee. The valuation of optional conversion shall be determined as follows - - If the option to exercise rests with the issuer, the lower of the value when exercised or value when not exercised shall be taken. - If the option to exercise rests with the investor, the higher of the value when exercised 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.
Non-traded Future and Options	Non Traded future 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)	These shall be valued as below: - 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 markets, the AMC shall value the security at suitable fair value. - 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

Assets	Methodology
	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.

B. DEBT AND MONEY MARKET (INCLUDING SOVEREIGN SECURITIES) INSTRUMENTS

i. Securities with residual maturity of up to 60 days

Assets	Methodology
All Instruments except instruments in which a fund scheme has traded (self trade)	These securities shall be valued based on amortization on a straight-line basis to maturity from cost or last valuation price whichever is more recent as long as the amortised price is within ±0.10% of the reference price (computed based on CRISIL / ICRA matrices plus applicable spreads). In case the variance exceeds ±0.10%, the valuation of the security shall be adjusted to bring it within the ±0.10% band. In case necessary details to value debt instruments are not available, the valuation committee will determine fair value based on available information.
Self Trade	Such security (if traded in market lot) may be uniformly valued across all schemes at the self-traded price. In the case of discounted money market instruments traded yield will be considered for valuation.

ii. **Securities with residual maturity of over 60 days**

Assets	Methodology
Valuation of Securities with residual maturity of over 60 days	All the debt and money market (including sovereign securities) instruments with residual maturity of over 60 days shall be valued based on average of the prices provided by CRISIL/ICRA. Where any security is purchased by any schemes of Mutual Fund and the prices from CRISIL/ICRA is not available on that day, such security shall be valued at Purchase price/ yield (in case of discounted security) on that day and till the day preceding the next business day. In case CRISIL and/or ICRA does not provide valuation price of any particular security on a given date, such security shall be valued at fair value as approved by Valuation Committee as per the available information.

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

Assets	Methodology
Valuation of securities wit h Put/Call Options	Securities with call option: Securities with call option shall be valued based on average of prices provided by CRISIL/ ICRA. Where the call option is exercised by the Issuer the same shall be amortized till the call date. Securities with put option: Securities with put option shall be valued based on average of prices provided by CRISIL/ ICRA. Where the put option is exercised the same shall be amortized till the put date. Securities with both Put and Call option on the same day: The securities with both Put and Call option on the same day will be deemed to mature on the Put/Call day and be valued accordingly.
Bank Fixed Deposit, CBLO / Reverse Repo / CROMS / Repo	Valued at cost

Further, after reviewing the valuation of the securities, if the prices as per the above methodology does not represent fair price then the same may be ignored and the valuation in such cases would be carried out based on input from the fund management team, duly approved by the Valuation Committee.

C. OTHER SECURITIES

Assets	Methodology
Equity Linked Debentures	Traded (if there are representative trades as defined below) shall be valued at weighted average traded price. Traded instruments for the above purpose will be secondary market trades in market lot of ₹ 5 crore (Face Value) or more on any one exchange platform in the order of preference as follows: 1. NSE (CBRICS Platform) 2. BSE 3. MCX In case of non-traded securities valuation shall be on the basis of the quotation received from the issuers. Where the yields/payouts are crystallized by the issuer as per the terms of the issue, the Valuation policy as defined for Debt And Money Market (Including Sovereign Securities) Instruments will be followed.
Interest Rate Swap (IRS) / Forward Rate Agreements (FRA):	IRS/FRA with residual maturity period of more than 60 days shall be valued at net present value on the basis of expected future cash flows. Future cash flows for IRS/ FRA 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. IRS/ FRA with residual maturity of upto 60 days are considered for amortisation.
Gold	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: a) The London Bullion Market Association's (LBMA) AM fixing price per troy ounce would be considered. b) The Cost, Insurance, Freight premium, LBMA fixing

Assets	Methodology
	charges and other charges, as applicable, shall be added to the above LBMA price as determined above. c) The value arrived at based on (a) and (b) above shall then be converted to the equivalent price for 1 kilogram gold of 0.995 fineness by applying the conversion factor. d) The RBI reference rate shall be applied to convert the price from US dollars to Indian Rupees. e) Statutory taxes and levies, as applicable from time to time, shall be added to arrive at the final landed price of gold after adjusting for eligible input tax credit. If on any day the LBMA AM fixing or RBI reference rate is not available due to holiday or any other reason, then the immediately previous day's prices shall be applied for the purpose of calculating the value of gold.
Units of Mutual Fund (domestic)	<u>Traded:</u> Traded units of mutual fund shall be valued based on the last quoted closing price on the stock exchange. <u>Non Traded:</u> If units are not traded on a day the same shall be considered as non traded units. Non traded units shall be valued based on latest declared NAV per unit of respective underlying schemes.
Mutual Fund Units (Overseas)	Last Published NAV
Units of InvITs / ReITs	a) 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 National Stock Exchange (NSE) as principal stock exchange. 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. b) 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, shall be considered for valuation provided that such date is not more than thirty days prior to the valuation date.

Assets	Methodology
	c) Where units of InvIT and REIT are not traded on any stock exchange for a continuous period of 30 days than 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. d) 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.

Annexure II

Policy for Inter-Scheme Transfer ('IST'):

1. **IST of equity and related securities**

   IST of equity and equity related securities shall be done at the price determined by the exchange at the time of transfer.

   Where the IST of equity and equity related securities cannot be done as per the foregoing, the IST shall be executed based on Volume Weighted Average Price (VWAP) on NSE, or where the equity shares are not listed in NSE, then VWAP price on BSE will be considered.

2. **Policy for IST of debt and money market securities (excluding Government Securities)**

   A. Securities with residual maturity of up to 60 days

   IST will be executed at the weighted average yield in the case of discounted money market instruments at which security is traded (if traded in market lot) on CDSIL platform and at weighted average price for other debt instruments on any one exchange platform (in the order of preference) up to the time of transfer.

   If there are no such secondary market trades reported up to the time of transfer, the transfer will be executed at the weighted average yield in the case of discounted money market instruments at which similar security is traded (if traded in market lot) on CDSIL platform and at weighted average price for other debt instruments on any one exchange platform (in the order of preference) up to the time of transfer.

   Order of Preference will be :

   1 NSE (CBRICS Platform)
   2 BS
   E
   3 MCX

   If there are no such secondary market trades of same or similar securities reported up to the time of the IST on that day, IST shall be executed based on previous day's valuation price.

   The Valuation Committee shall specify norms for identifying similar security and such norms shall be documented and recorded.

   If the above methodology does not represent fair price then IST would be carried out based on input from the fund management team, duly approved by the Valuation Committee.

B. Securities with residual maturity of over 60 days

IST will be executed at the weighted average yield in the case of discounted money market instruments at which security is traded (if traded in market lot) on CDSIL platform and at weighted average price for other debt instruments on any one exchange platform (in the order of preference) up to the time of transfer.

Order of Preference will be :

1. NSE (CBRICS Platform)
2. BSE
3. MCX

If there are no such secondary market trades reported up to the time of the IST on that day, IST shall be executed based on average of the prices/Yields provided by CRISIL/ ICRA.

The investment/ dealing team will also review the price to ensure that the ISTs are executed at a fair value.

Further, after reviewing the IST prices of the securities, if the prices provided by CRISIL and/or ICRA does not represent fair price or if CRISIL and/or ICRA does not provide price of any particular security on a given date in such cases IST would be carried out based on input from the fund management team, duly approved by the Valuation Committee

3. Policy for inter-scheme of Sovereign Securities

Interscheme Pricing of Sovereign securities with residual maturity up to 60 days

Inter-scheme transfer (IST) shall be executed at the last traded price/yield in the case of discounted instruments at which the security is traded in one or more marketable lot on Negotiated Dealing System Order Matching (NDS OM) platform of the Clearing Corporation of India Limited (CCIL) website up to the time of transfer.
If there are no market trades reported up to the time of the IST on that day, IST shall be executed based on previous day's valuation price/yield in the case of discounted instruments.
If the above methodology does not represent fair price then IST would be carried out based on input from the fund management team, duly approved by the Valuation Committee

Interscheme Pricing of Sovereign securities with residual maturity of over 60 days

Inter-scheme transfer (IST) shall be executed at the last traded price/yield in the case of discounted instruments at which the security is traded in one or more marketable lot on Negotiated Dealing System Order Matching (NDS OM) platform of the Clearing Corporation of India Limited (CCIL) website at to the time of transfer.

If there are no market trades reported up to the time of the IST on that day, IST shall be executed based on average of the prices provided by CRISIL/ ICRA.
The investment/ dealing team will also review the price to ensure that the ISTs are executed at a fair value.

Further, after reviewing the IST prices of the securities, if the prices provided by CRISIL and/or ICRA does not represent fair price or in case CRISIL and / or ICRA do not provide price, in such cases IST would be carried out based on input from the fund management team, duly approved by the Valuation Committee.

In respect of the following cases the AMC, valued certain securities in compliance with the fair valuation principles which were at a deviation from the documented policy. The policy has now been suitably revised to address such situations. The AMC has consistently and continuously followed fair valuation principles for valuation of securities.

The details of such cases are as under:

1. **Valuation of Bonus Debentures where maturity date of debentures is not known**

Details:

Various schemes were holding equity shares of Coromandel International Ltd (‘Investee Company’). Pursuant to the Scheme of Arrangement, shareholders of the Investee Company were allotted one fully paid non-convertible bonus debenture of ₹15 each for every existing equity share of ₹ 1 each of the Investee Company. On the ex-date for the above corporate action, schemes were entitled for these debentures. However, on the ex-date, the date of maturity of debenture was not known. Debt instruments are valued on yield to maturity basis. However, in this case since date of maturity was not known, these debentures in the interim period were valued at face value.

2. Valuation of Treasury Bills on Friday/day preceding Non Business day

Details:

In accordance with the approved Valuation Policy, Treasury Bills are valued as per aggregated prices given by CRISIL/ICRA. Treasury bills are discounted instruments and are settled on T+1 basis. Treasury bills traded on Monday are settled on Tuesday and similarly Treasury Bills traded on Friday are settled on Monday (Saturday and Sunday being holidays). Monday's settlement price contains discount for Saturday/Sunday. It may be noted that discount for Saturday/Sunday is accrued at the time of computation of NAV for Saturday/Sunday respectively.

CRISIL/ICRA provides Treasury Bills price based on traded prices. Treasury Bills traded on Friday is settled on Monday and accordingly, Treasury Bills price provided by CRISIL/ICRA on Friday is for settlement on Monday. Valuing Treasury bills traded on Friday at Friday's traded price, results in over valuation of Treasury bills to the extent of discount for Saturday/Sunday.

In view of the above, the Valuation Policy for valuation of Treasury Bills was changed to make suitable adjustments for discount for Saturday/Sunday/holiday where applicable.

3. Valuation of Government Security where CRISIL price was not proper

Details:

ICICI Prudential Short Term Plan had purchased 7.68% WEST BENGAL SDL 2019 on November 19, 2012, at price of ₹ 98.29. This security has a put option on October 30, 2014 while maturity date of the security is October 30, 2019. CRISIL ignored the above traded price as an outlier trade for 2019 maturity paper and provided the valuation price of ₹ 94.24 based on yield to maturity ignoring yield to put. It may be noted that SEBI's valuation guidelines provide that 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.
This was discussed with CRISIL official who verbally confirmed that valuation was arrived without considering the put date.
In view of the fact that there was an apparent error in the price given by CRISIL, CRISIL price was ignored and security was valued as per price provided by ICRA, which was the same price at which the security was purchased by the scheme.

4. Valuation of Thinly traded/Non traded equity shares at a price lower than the value derived using the methodology as specified under the Policy and relevant SEBI guidelines.

Details:

The schemes of ICICI Prudential Mutual Fund (the Fund) were holding equity shares of ABG Infralogistics Limited (ABG) which were thinly traded for the calendar month of May 2013. Therefore from June 3, 2013 onwards, the shares of ABG were to be valued as per the valuation policy for thinly traded equity shares. It may be noted that the equity shares of ABG were not thinly traded for the month of April 2013 and were valued as per the last quoted closing price in May 2013. The Policy provides that 'Thinly traded equity shares are required to be valued based on networth per share and average capitalization rate'. In accordance with the Policy, the valuation per share of ABG was ₹ 103.41 per share. However, the last quoted closing price as on May 31, 2013 was ₹ 46.50 and ABG had also incurred loss in FY2013. The shares of ABG were traded in the range of ₹ 46.50 to ₹ 51.50 during April 2013 and May 2013. Considering the above, the derived valuation price of ₹ 103.41 (based on net worth per share and average capitalization rate) did not reflect the fair value. Accordingly, the Valuation Committee decided that the shares of ABG be valued at the price of ₹ 46.50, which was the last traded price on May 31, 2013.

5. Valuation of Sovereign securities (including T-Bills) with residual maturity up to 60 days

Details:

AMFI vide its best practice guidelines circular no 135/BP/29/2012-13 dated May 15, 2012 had provided Guidelines on Valuation Principles for valuing Debt and Money Market Instruments (the Guidelines). As per the Guidelines, "Instruments having maturity upto 60 days may be valued by amortisation on a straight-line basis to maturity from cost or last valuation price whichever is more recent. However the AMCs should ensure that the amortised price is reflective of fair value by comparing it to the reference price. The amortised price may be used for valuation as long as it is within ±0.10% of the reference price. In case the variance exceeds ±0.10%, the valuation shall be adjusted to bring it within the ±0.10% band". However as per the Valuation policy, sovereign securities (including T-Bills) with residual maturity up to 60 days are valued on the basis of the prices obtained from the AMFI approved agencies viz. CRISIL & ICRA after making suitable adjustments for discount for Saturday/Sunday/holiday(s), where applicable.

In order to bring uniformity in the valuation methodology of all debt and money market securities with residual maturity up to 60 days, AMFI Valuation Committee vide its best practice guidelines circular no 41/2013-14 dated September 19, 2013 had recommended to apply the amortization methodology for valuing Debt and Money Market Instruments up to 60 days to sovereign securities (including T-Bills) with residual maturity up to 60 days.

Further CRISIL/ICRA has informed that they would phase out the dissemination of prices for sovereign securities (including T-Bills) with residual maturity up to 60 days.

Hence based on the above circular of AMFI, the AMC had given effect to the change from September 19, 2013 and adopted the changes as deviation to the existing Valuation Policy with the approval of the Valuation Committee. The Valuation Policy has been accordingly revised and approved by the Trustees on October 31, 2013.

6. Inter-scheme Pricing of Sovereign securities (including T-Bills) with residual maturity up to 60 days

Details:

On October 7, 2013, ICICI Prudential Corporate Bond Fund and ICICI Prudential Liquid Fund had transferred 38 Day Cash Management Bill (CMB) having maturity date of October 14,2013 to ICICI Prudential Money Market Fund and ICICI Prudential Long Term Plan respectively after 10.00 a.m.

As per the existing policy, "Inter-scheme of Government Securities executed upto 10 a.m. would be done at previous day's price. Inter-scheme of Government Securities executed after 10 a.m. would be at current day's valuation price as given by CRISIL/ICRA."

CRISIL/ICRA had discontinued the service to provide the prices for sovereign securities (including T-Bills) with residual maturity up to 60 days. Consequently price/yield adopted for the inter-scheme was done based on the Fund's own trade of the same security with Andhra Bank on negotiated dealing system (NDS) platform in deviation to the present methodology for pricing of sovereign securities in inter-scheme transfers. The Valuation Policy has been accordingly revised and approved by the Trustees on October 31, 2013.

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