GROWW MUTUAL FUND

VALUATION POLICY

(INVESTMENT VALUATION POLICY & PROCEDURE

FOR SECURITIES AND OTHER ASSETS)

Version Control Matrix

Approver	Board of AMC and Trustees
Owner	Risk Management Team
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Note: This document is applicable to Groww Asset Management Limited. Policy must be reviewed /updated as and when needed or once in a year

A. Background

Securities and Exchange Board of India (SEBI) has amended Regulation 47 and the Eighth Schedule of the SEBI (Mutual Funds) Regulations, 1996 and amendments thereto relating to valuation of investments on February 21, 2012 to introduce over-arching (overriding) 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 valuation 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 a true and fair manner through appropriate valuation policies and procedures approved by the board of the asset management company (AMC) and trustee company.

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. Objective of Policy & Policy Coverage

The objective of this Policy is to set the broad valuation norms to enable Groww Asset Management Ltd (AMC) to value the investments of the Schemes of Groww Mutual Fund (GMF) in accordance with the overarching principles of 'fair valuation' or such other principles/regulations as may be prescribed by SEBI from time to time so as to ensure fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of mutual funds in all schemes at all points of time.

This policy shall cover the following:

1. Valuation methodologies
2. INTER-scheme transfers
3. Valuation Committee
4. Periodic review
5. Conflict of interest
6. Exceptional events
7. Record keeping
8. Deviation from valuation guidelines
9. Waterfall Mechanism
10. Definitions

1. Valuation methodologies

a) The valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realizable value of the securities/assets.
b) Annexure I describe the methodologies for valuing each and every type of security held by the schemes.

c) Investment in any new type of security shall be made only after establishment of the valuation methodology for such security duly approved by the board of AMC.

2. Inter-scheme transfers

a) Inter-scheme transfers shall be done as per regulations and internal policy at prevailing market price/fair valuation price).
b) Annexure I describe the methodology to determine the fair valuation of securities/assets which are intended to be transferred from one scheme to another.

3. Valuation Committee

In accordance with the SEBI circular MFD/CIR No. 010/024/2000 dated January 17, 2000 every Asset Management Company should formulate Valuation Committee to review investment valuation practices. Valuation Committee comprising of the CEO, Heads of Investment, Head of Compliance, Chief Risk officer and the Head of Operations of the AMC will review and recommend matters pertaining to the valuation of securities/assets in which the various schemes of Groww Mutual Fund has invested or may invest.

4. Periodic Review

The valuation committee shall be responsible for ongoing review of the valuation methodologies in terms of its appropriateness and accuracy in determining the fair value of each and every security/assets. As per the provision of Eighth Schedule of SEBI (Mutual Funds) Regulations, 1996, Valuation Policy and procedures shall be reviewed at least once in a financial year by an independent auditor to ensure its continued appropriateness.
Valuation Committee will recommended for approval to Investment Committee. This shall also be put up to RMCBs of AMC and Trustees and to the Board & Trustees.

5. Conflict of Interest

The valuation committee shall be responsible for ongoing review of areas of conflict (including potential areas, if any) and should recommend changes if any in policy/methodology to the AMC Board or the procedures to mitigate it.

6. Exceptional Events

1. Following types of events could be classified as Exceptional events where current market information may not be available / sufficient for valuation of securities/assets:

    a. Major policy announcements by the Central Bank, the Government or the Regulator.
    b. Natural disasters or public disturbances that force the markets to close unexpectedly.
    c. Significant volatility in the capital markets.
    d. Events which lead to lack of availability of accurate or sufficient information to value the securities.
    e. Any other event perceived to be exceptional by the Valuation Committee.

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.

2. **Escalation Procedure:**

   a. Valuation Committee shall be responsible for monitoring Exceptional events and recommending appropriate valuation methods under the circumstances with due guidance from the AMC Board.
   b. Under such circumstances, Valuation committee shall seek the guidance of the AMC Board in deciding the appropriate methodology for valuation of affected securities.

7. Record keeping

Policy document should be updated in 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 & supporting documents) should be maintained in electronic form or physical papers. Above records will be preserved in accordance with the norms prescribed by the SEBI regulations and guidelines.

8. Deviation from valuation guidelines:

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. Similarly, AMC may deviate from the indicative haircuts and/or valuation price for money market and debt securities rated below investment grade provided by the valuation agencies.

Aforesaid deviations from the valuation policy, if any, along with detailed rationale 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. Further, the total number of such instances shall also be disclosed in the monthly and half-yearly portfolio statements for the relevant period along with an exact link to the website wherein the details of all such instances of deviation are available.

9. Waterfall Mechanism for valuation of money market, debt and Government securities (Refer Annexure II)

10. Definitions:

Traded Securities

A Security would be considered as traded if:

- In the previous calendar month, the trading in a security is more than Rs 5 Lakh OR the total Volume is more than 50,000 shares across all exchanges, where the securities listed.

  AND

- On the Valuation date security is traded on the principal /Secondary Stock exchange or on any other stock exchange.

Non-Traded Securities:

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.

Thinly Traded Securities

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 NSE and BSE shall be considered.

Traded money market/debt security:

A money market or debt security shall be considered as traded when, on the date of valuation, there are trades (in marketable lots) in that security on any recognized Stock Exchange or there are trades reported (in marketable lots) on the trade reporting platform of recognized stock exchanges or The Clearing Corporation of India Ltd. (CCIL). In this regard, the marketable lots shall be defined by AMFI, in consultation with SEBI.

Non-Traded /Thinly Traded Money Market /Debt Security

A Money market or debt Security shall be considered as non-traded when, on the date of valuation, there are no trades (in marketable lots) in such security on any recognised stock exchange or no trades (in marketable lots) have been reported on any of the aforementioned trade reporting platforms.

As the Valuation Methodologies for thinly traded debt securities is same as non-traded debt securities, a separate definition of thinly traded debt securities is not required.

External Agencies for Valuation

All external agencies would be approved as recommended by AMFI. At present CRISIL /ICRA would be providing the security level Valuation.

Valuation Policy: Annexure I

A. Equity and related securities

Asset Class	Traded / Non-traded	Basis of Valuation
Equity Shares, Preference Shares, Equity Warrants & Rights	Traded	Valuation will be at the closing market price of 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/ preference shares. For index-based schemes/ETF the Principal stock exchange would be the exchange where the underlying benchmark index has been set up.for example SENSEX fund , the principal stock exchange will be the BSE. If no trade is reported on the principal stock exchange on a particular valuation date, traded securities shall be valued at the last 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 recognized stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than 30 [thirty] days prior to the valuation date.
	Non-Traded	AMCs shall value non-traded and/or thinly traded securities “in good faith” based on the Valuation norms prescribed below, 1. When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the recognized stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than 30 [thirty] days prior to the valuation date. 2. In all other cases: a. **Equity Shares:** Valuation price will be in accordance with the norms prescribed as per SEBI Circular no. MFD/CIR/8/92/2000 dated September 18, 2000 as detailed below Based on the latest available Balance Sheet, Net Worth shall be calculated as follows:

		i) Net Worth per share = [Share Capital+ Reserves (excluding Revaluation Reserves) – Miscellaneous expenditure and Debit Balance in Profit and Loss Account] / Number of Paid up Shares. ii) Average Capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which shall be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75 per cent i.e. only 25 per cent. Of the industry average P/E shall be taken as Capitalization rate (P/E ratio). Earnings per share (EPS) of the latest audited annual accounts shall be considered for this purpose. iii) The value as per the Net Worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10 per cent. for illiquidity so as to arrive at the fair value per share. iv) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning. v) In case 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. vi) In case an individual security accounts for more than 5 per cent. of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5 per cent. Of the total assets of the scheme, it shall be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs will be compared on the date of valuation. b. **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. c. **Equity Warrants / Rights entitlement / Partly Paid up rights shares/Partly Paid up shares:** Valuation price will be arrived, after applying appropriate discount / illiquidity discount (if deemed necessary, in case of Partly Paid up right shares/Partly Paid up shares) (Valuation committee delegated the power to decide the discount factor), after reducing the exercise price or issuance price from the closing price / uncalled

		liability per share from the value of fully paid share (in case of Partly Paid up right shares/Partly Paid up shares) for the underlying cash equity security. The ratio of rights i.e. (no of rights offered / no. of original shares held) will be adjusted in the quantity directly while booking the rights and hence not considered again for valuation. d. **Amalgamation/Merger/Demerger/Scheme of arrangement:** Valuation of merged/amalgamated entity shall be arrived at based on the previous day's last quoted closing price of the respective companies prior to merger. In case of demerger, where the resulting company is not immediately listed/ traded, valuation price shall be worked out by using previous day's closing price before demerger of demerged company as reduced for opening price/special preopening session (SPOS)price (wherever such SPOS session is conducted)of the demerged company. If value of the share of demerged company is equal or in excess of the value of the pre de merger share, then the resulting company share is to be valued at zero. Where none of the demerged company and resulting company is immediately listed/ traded, 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 as per the decision of the Valuation Committee. Further, after reviewing the valuation as listed above, 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 **e. Suspended equity securities** In case trading in an equity security is suspended up to 30 days, then the last 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.

f. Unlisted equity securities

Unlisted equity shares of a company shall be valued on the 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 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.
	Thinly Traded	Thinly Traded equity securities of a company shall be valued "in good faith" and as per valuation principles laid down by SEBI. Based on the latest available Balance Sheet, net worth shall be calculated. Net Worth per share = [share capital+ reserves (excluding revaluation reserves) – Misc. expenditure and Debit Balance in P&L A/c] Divided by No. of Paid up Shares. 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. 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. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning. 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. 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.
Futures & Options	Traded Non-Traded	On the valuation day, at the settlement price provided by (NSE). When a security is not traded on the respective stock exchange on the date of valuation, then the settlement price / any other derived price provided by the respective stock exchange.

Initial Public Offering (IPO) Application (prior to allotment)	-	These shall be valued as below: (i) Prior to allotment – at Bid Price (ii) Post allotment but awaiting listing – at allotment price
Compulsory Convertible Debentures (CCDs)		Valuation will be at the closing market price of the principal stock exchange . The National Stock exchange of india Limited (NSE) is designated as the principal stock exchange for the purpose of Valuation of Securities. If Security is not traded on the principal stock exchange on a particular valuation day , the closing market price at which it is traded on any other stock exchange will be used. If security is not traded on any stock exchange on a particular valuation day and the prices from AMFI approved valuation agencies are available, then the average prices provided by AMFI approved agencies will be used. In case the securities do not get traded for a period of 30 days or prices of AMFI approved agencies are not available , CCDs will be valued at fair value as per procedures determined by the Valuation Committee.
Inter-scheme transfers (IST)	Traded Non-Traded	**Equity or other traded instruments:** Transfers of investments from one scheme to another scheme in the same mutual fund shall be allowed only if,— (*a*) such transfers are done at the prevailing market price for quoted instruments on spot basis. [*Explanation*.—"Spot basis" shall have same meaning as specified by stock exchange for spot transactions;] (*b*) the securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made. **Debt and Money Market instrument** ➢ AMCs shall seek prices for IST of any money market or debt security (irrespective of maturity), from the valuation agencies. ➢ If prices from the valuation agencies are received within the pre-agreed TAT (as defined by AMFI), an average of the prices so received shall be used for IST pricing

		➢ If price from only one valuation agency is received within the agreed TAT, that price may be used for IST pricing. If prices are not received from any of the valuation agencies within the agreed TAT, AMCs may determine the price for the IST, in accordance with Clause 3 (a) of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996.
Listed Foreign Securities (Including ADR /GDR, units of overseas mutual fund and Index fund , Exchange traded Funds (ETFs) listed on overseas stock exchange etc)	Traded Unlisted/Non-Traded Foreign Securities	These shall be valued as below Traded These 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 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 selected stock exchange or any other stock exchange, as the case may be, shall be used provided such date is not more than thirty days prior to the valuation date.*(only the stock exchange(s) of the country where the securities were purchased will be considered while considering any other stock exchange. – 2) 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. **Unlisted/Non-Traded Foreign Securities** a) Unlisted/Non traded foreign securities shall be valued by AMC at fair value after considering relevant factors on case to case basis. b) Unlisted/Non-traded ADR /GDRs shall be valued after considering prices/ issue terms of underlying security. Valuation committee shall decide the appropriate discount for illiquidity

		c) Units of Unlisted Overseas Mutual Fund would be valued at their last Published net asset value (NAV) as on the valuation date.
Fund of Fund Investing in ETFs		The closing price of the units of ETFs on Stock Exchange shall be used for valuation by FoFs investing in such ETFs

B. Fixed Income and related securities

Asset Category	
1. Government Securities	Government Securities shall mean and include such securities issued by Central government or State Government, Cash Management bills, Treasury bills, State Development Loans, etc. Government Securities (including Treasury Bills) shall be valued at the average of Valuation prices provided for individual securities by CRISIL & ICRA, or any other external independent agency(ies) prescribed by AMFI irrespective of the residual maturity. 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
2. Money market and Debt Securities across all maturities	All money market and debt securities including floating rate securities shall be valued at average of security level prices obtained from valuation agencies appointed by AMFI on each valuation day. Where any security is purchased by any scheme of Mutual Fund and the security level price from the agency(ies) appointed by AMFI is not available on that day, such security shall be valued at weighted average purchase yield on that day. In case necessary details to value debt and money market securities are not available, the valuation committee will determine fair value based on available information.
3. Bank Fixed Deposit	Investments in short-term deposits with banks (pending deployment) shall be valued on cost plus accrual basis.
4. Securities with Put / Call option /Valuation of Perpetual Bonds	Securities with call option Securities with call option: Securities with call option shall be valued based on average of prices provided by the agency(ies) appointed by AMFI. Securities with Put option Securities with put option shall be valued based on average of prices provided by the agency(ies) appointed by AMFI. Any put option inserted subsequent to the issuance of the security shall not be considered for the purpose of the valuation and original terms of the issue will be considered for valuation

	With effect from October 1, 2021 (in line with SEBI Circular SEBI/HO/IMD/DF4/P/CIR/2021/593 dated July 9, 2021):- In respect of valuation of securities with multiple put options present ab-initio wherein put option is factored into valuation of the security by the valuation agency, the following will apply:- If the put option is not exercised by Groww MF, while exercising the put option would have been in favour of the scheme; i. A justification for not exercising the put option shall be provided by Groww MF to the Valuation Agencies, Board of AMC and Trustees on or before the last date of the notice period. ii. The Valuation Agencies shall not take into account the remaining put options for the purpose of valuation of the security. The put option shall be considered as 'in favour of the scheme' if the yield of the valuation price ignoring the put option under evaluation is more than the contractual yield/coupon rate by 30 basis points. Securities with both Put and Call option on the same day 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: 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. 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. Further as per SEBI Circular SEBI/HO/IMD/PoD1/CIR/P/2024/206 dated August 05 , 2024 to align with NFRA (National Financial Reporting Authority) recommendations to ensure consistency in Valuation practices and compliance with established financial reporting standards

	➢ The Valuation of AT 1 bonds should be calculated on YTC basis with suitable risk adjustments. ➢ For all other purpose , since Liquidity risk of perpetual bonds is required to be suitably captured , deemed maturity of all perpetual bonds shall continue to be in line with Master Circular 9.4.2 regulations i.e. maturity of all perpetual bonds shall be treated as 100 years from the date of issuance of the bond for the purpose of Valuation.
5. Below investment grade securities	A money market or debt security shall be classified as “below investment grade” if the long term rating of the security issued by a SEBI registered Credit Rating Agency (CRA) is below BBB- or if the short term rating of the security is below A3. A money market or debt security shall be classified as “Default” if the interest and / or principal amount has not been received, on the day such amount was due or when such security has been downgraded to “Default” grade by a CRA. In this respect, Mutual Funds shall promptly inform to the valuation agencies and the CRAs, any instance of non-receipt of payment of interest and / or principal amount (part or full) in any security. i. Securities which are rated below investment grade or default shall be valued at the price provided by AMFI appointed valuation agencies. ii. Till such time the valuation agencies compute the valuation of money market and debt securities classified as below investment grade, such securities shall be valued on the basis of indicative haircuts provided by these agencies. These indicative haircuts shall be applied on the date of credit event i.e. migration of the security to sub-investment grade and shall continue till the valuation agencies compute the valuation price of such securities. These haircuts shall be updated and refined, as and when there is availability of material information which impacts the haircuts. iii. Consideration of traded price for valuation a. In case of trades during the interim period between date of credit event and receipt of valuation price from valuation agencies, AMC shall consider such traded price for valuation if it is lower than the price post standard haircut. The said traded price shall be considered for valuation till the valuation price is determined by the valuation agencies. b. In case of trades after the valuation price is computed by the valuation agencies as referred above and where the traded price is lower than such computed price, such traded price shall be considered for the purpose of valuation and the valuation price may be revised accordingly. c. The trades referred above shall be of a minimum size as determined by valuation agencies.

	iv. AMCs may deviate from the indicative haircuts and/or the valuation price for money market and debt securities rated below investment grade provided by the valuation agencies subject to the following: a. The detailed rationale for deviation from the price post haircuts or the price provided by the valuation agencies shall be recorded by the AMC. b. The rationale for deviation along-with details such as information about the security (ISIN, issuer name, rating etc.), price at which the security was valued vis-a-vis the price post haircuts or the average of the price provided by the valuation agencies (as applicable) and the impact of such deviation on scheme NAV (in amount and percentage terms) shall be reported to the Board of AMC and Trustees. c. The rationale for deviation along-with details as mentioned at para (b) above shall also be disclosed to investors. In this regard, all AMCs shall immediately disclose instances of deviations under a separate head on their website. Further, the total number of such instances shall also be disclosed in the monthly and half-yearly portfolio statements for the relevant period along-with an exact link to the website wherein the details of all such instances of deviation are available.
	v. Treatment of accrued interest and future accrual of interest, in case of money market and debt securities classified as below investment grade or default. a. The treatment of accrued interest and future accrual of interest, in case of money market and debt securities classified as below investment grade or default, is detailed below: • The indicative haircut that has been applied to the principal will also be applied to any accrued interest. • In case of securities classified as below investment grade but not default, interest accrual will continue with the same haircut applied to the principal. In case of securities classified as default, no further interest accrual shall be made. b. The following shall be the treatment of how any future recovery should be accounted for in terms of principal or interest: • Any recovery shall first be adjusted against the outstanding interest recognized in the NAV and any balance shall be adjusted against the value of principal recognized in the NAV. • Any recovery in excess of the carried value (i.e. the value recognized in NAV) will be applied first towards amount of interest written off and then towards amount of principal written off.
6. Units / shares of mutual funds	Units / shares of mutual funds which are listed on a recognised stock exchange will be valued at the last quoted closing price on valuation date on the principal stock exchange / recognised stock exchange. Units / shares of mutual funds which are not listed on any stock exchange will be valued at the last published NAV.

7.	Units of Corporate Debt Market Development Fund, an Alternative Investment Fund ("AIF")	Units of Corporate Debt Market Development Fund (CDMDF), an Alternative Investment Fund (AIF) shall be valued based on the latest Net Asset Value ("NAV") per unit declared by Investment Manager of CDMDF.
8.	Inter-scheme transfers (IST)	Prices for Inter Scheme Transfer of money market and debt securities are being obtained from valuation agencies (appointed by AMFI), irrespective of maturity of security. AMFI vide its email dated December 23, 2019 has decided a turn-around-time (TAT) within which IST prices are provided by valuation agencies. If prices are received from valuation agencies within this TAT, average of prices so received shall be used for IST pricing. If price is received only from one agency within the TAT, then that price may be used for IST pricing. If prices are not received from any valuation agency within the TAT, the following methodology shall be adopted: a) Inter scheme transfers shall be effected at the current market prices. For this purpose quotes in same or similar securities shall be obtained from 2 brokers at the time of executing the inter-scheme transfer. Such inter-scheme transfers shall be executed within the bid-ask range obtained from brokers. b) In case no quotes are available, inter-scheme shall be effected at the fair value based on justification from the Fund Manager. c) Under abnormal market condition inter-scheme may be effected at previous day valuation price, for this purpose the process laid out for determination of abnormal Situations & Market Disruptions mentioned below in this policy needs to be adhered to.
9.	Treps/Reverse Repo/Corporate Reverse Repo below or equal to 30 days	Overnight money deployed for less than 30 days will be valued at cost plus the accrual. Valuation of repurchase transactions including TREPS with tenor of upto 30 days shall valued at mark to market basis as described below 1. All Money Market and debt Securities including floating rate securities shall be valued at average of security level prices obtained from Valuation agencies 2. In case Security level prices given by Valuation agencies are not available for a new security (which is currently not held by any Mutual Fund) , then such security may be valued at purchase yield/price on the date of allotment /purchase.
10.	Treps/Reverse Repo/Corporate Reverse Repo above 30 days	Overnight money deployed for greater than 30 days will be valued at the average prices provided by AMFI approved agencies

11. Exchange Traded Fund	a. The closing price of the Principal Stock Exchange shall be considered for valuation of such security b. If units are not traded on Principal Stock Exchange on a valuation day, the closing price on any other stock exchange where units are traded will be used for valuation. c. If units are not traded on any stock exchange on a valuation day, then the latest published NAV per unit will be considered for valuation.
12. Changes in Terms of Investment	1. Any changes to the terms of investment, including extension in the maturity of a money market or debt security, shall be reported to valuation agencies and SEBI registered Credit Rating Agencies (CRAs) immediately, along-with reasons for such changes. 2. Any extension in maturity of money market or debt security shall result in the security being treated as 'Default' for purpose of valuation. 3. If maturity date of a money market and debt security is shortened and then subsequently extended, the security shall be treated as 'Default' for valuation purposes. 4. Any put option inserted subsequent to the issuance of security shall not be considered for valuation and original terms of issue only shall be considered.
13. Upfront Fees on Trades	a. Upfront fees on all trades, by whatever name and manner called, would be considered by the valuation agencies for the purpose of valuation of the security b. Details of such upfront fees should be shared by the AMC on the trade date to the valuation agencies as a part of trade reporting. c. For the purpose of accounting, such upfront fees should be reduced from the cost of the investment in the scheme that has made the investment d. In case upfront fees are received across multiple schemes, then such upfront fees should be shared on a pro-rata basis across such schemes
14. Investment in Partly paid Debentures	AMFI best practices Guidelines Circular no 115/2024-25 dated July 26th, 2024 a) Yield for the Security to be derived on daily basis using the standard waterfall approach prescribed for corporate bonds b) Valuation wherein pay in dates and pay in values are not clearly defined: Pricing will be on face value of Rs 100 (when fully paid) and as per actual paid up value as on the valuation date.

Other Securities

Asset Category	Valuation Methodology
Units of InvITs / ReITs	**I. Allotted but Listing awaited** (i) Valuation of units of InvIT and REIT post allotment but awaiting listing- at allotment price. **II. Listed and Traded/Non- Traded** 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. 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 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. 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. 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). 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. Further, after reviewing the valuation of Units of InvITs / ReITs, 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 decided by the Valuation Committee.
Gold	Valuation of gold ascertained as per SEBI guidelines (1) The gold held by a exchange traded fund schemes shall be valued at the AM fixing price of London Bullion Market Association (LBMA) in US dollars per troy ounce for gold having a fineness of 995.0 parts per thousand, subject to the following:

a) adjustment for conversion to metric measures as per standard conversion rates.
b) adjustment for conversion of US dollars into Indian rupees as per the RBI reference rate declared by the Foreign Exchange Dealers Association of India (FEDAI); and
c) addition of i) transportation, insurance and other charges that may be normally incurred in bringing such gold from London to the place where it is actually stored on behalf of the mutual fund; and ii) notional customs duty and other applicable taxes and levies that may be normally incurred to bring the gold from London to the place where it is actually stored on behalf of the mutual fund

(2) If the gold acquired by the exchange traded fund schemes is not in the form of standard bars, it shall be assayed and converted into standard bars which comply with the good delivery norms of the LBMA and/or acceptance criteria

Process

a. LBMA Gold Fixing: - Designed to fix a price for settling contracts between the fixing members of the LBMA (London Bullion Market Association) , the Gold Fixing provides a recognised benchmark for pricing the majority of spot gold products throughout the world's markets. As per SEBI Guidelines Gold would be valued at AM fixing price.
b. Premium/discount would be fixed on a daily basis. MCX domestic price would be considered along with the LBMA AM price to arrive at the premium/discount.
c. Fixing charges is the commission charged by the bullion bank to fix gold prices. The fixing charges for valuation purpose would be as per the LBMA guidelines.
d. LBMA Fixing prices are quoted for USD/Oz for 999 fineness. For conversion of Troy Ounces to Kilogram we use the NYMEX conversion factor of 32.1507 Troy ounces per kilogram. The fineness quotient is adjusted by using the factor 0.995
e. To convert it into Rs./Kg, it has to be multiplied by INR reference rate from RBI
f. Custom duty is calculated as per Tariff value and the Exchange Rate prescribed by the appropriate authorities irrespective of the price of Gold as per LBMA and the RBI Reference Rate for USD.
g. Stamp Duty is on ad valorem basis on the price including customs. As of now it is 0.1% of price, it will change as when the appropriate authority changes the rate of duty. Stamp duty calculation for different locations where gold is stored would be as per the method and rates specified by the respective authorities.

Any other taxes that are non-refundable in nature would be accounted in valuation as & when it is applicable.

	If on any day the LBMA AM fixing or FBIL reference rate is not available due to holiday, then the immediately previous day's prices are applied for the purpose of calculating the value of gold
Gold Deposit Scheme	In case Scheme invests in Gold Deposit Scheme (GDS) of banks, 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 in this policy. Interest received on such Gold Deposit Scheme shall be accrued in proportionate manner till the maturity of the deposit.
Sovereign Gold Bonds	Sovereign Gold Bonds are listed on National Stock Exchange. Since these bonds are listed and traded on exchange, these bonds will be valued at closing price given by exchange. In case if these bonds are not traded on a particular day then previous day price will be considered.
<u>Silver</u>	Valuation of Silver ascertained as per SEBI guidelines (1) The Silver held by a exchange traded fund schemes shall be valued at the AM fixing price of LBMA in US dollars per troy ounce for silver having a fineness of 999.0 parts per thousand, subject to the following: d) adjustment for conversion to metric measures as per standard conversion rates. e) adjustment for conversion of US dollars into Indian rupees as per the RBI reference rate declared by the Foreign Exchange Dealers Association of India (FEDAI); and f) addition of i) transportation, insurance and other charges that may be normally incurred in bringing such silver from London to the place where it is actually stored on behalf of the mutual fund; and ii) notional customs duty and other applicable taxes and levies that may be normally incurred to bring the silver from London to the place where it is actually stored on behalf of the mutual fund Process h. LBMA Silver Fixing: - Designed to fix a price for settling contracts between the fixing members of the LBMA (London Bullion Market Association) , the Silver Fixing provides a recognised benchmark for pricing the majority of spot Silver products throughout the world's markets. As per SEBI Guidelines Silver would be valued at AM fixing price. i. Premium/discount would be fixed on a daily basis. MCX domestic price would be considered along with the LBMA AM price to arrive at the premium/discount. j. Fixing charges is the commission charged by the bullion bank to fix silver prices. The fixing charges for valuation purpose would be as per the LBMA guidelines. k. LBMA Fixing prices are quoted for USD/Oz for 999 fineness. For conversion of Troy Ounces to Kilogram we use the NYMEX conversion factor of 32.1507 Troy ounces per kilogram. The fineness quotient is adjusted by using the factor 999.0 l. To convert it into Rs./Kg, it has to be multiplied by INR reference rate from RBI

	m. Custom duty is calculated as per Tariff value and the Exchange Rate prescribed by the appropriate authorities irrespective of the price of silver as per LBMA and the RBI Reference Rate for USD. n. Stamp Duty is on ad valorem basis on the price including customs. Any other taxes that are non-refundable in nature would be accounted in valuation as & when it is applicable. If on any day the LBMA AM fixing or FBIL reference rate is not available due to holiday, then the immediately previous day's prices are applied for the purpose of calculating the value of Silver T

Notes:

1. Public Platforms and their order of preferencor trade consideration:
   a) FIMMDA
   b) CBRICS
   c) NSE WDM
   d) BSE WDM
   e) NDS-OM/CCIL: For Government securities &Treasury bills

2. Market Lot = 25 Cr & more – CP, CD & Tbills
   5 Cr & more - Bonds ,NCDs, ZCBs

3. Haircuts 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 II

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 3 months to 1 year	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	INR 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, Semiliquid, 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 above 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. For bonds thresholds are defined as upto 15 bps for liquid; > 15-75 bps for semi-liquid; > 75 bps for illiquid. (Here, spread is computed as average spread of issuer over AAA Public Sector Undertakings/Financial Institutions/Banks matrix), For CP/ CD- upto 25 bps for liquid; >25-50 bps for semiliquid; > 50 bps for illiquid. (Here, 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:

Steps	Detailed process
Step 1	**Segmentation of corporates-** The entire corporate sector is first categorised across following four sectors i.e. all the corporates will be catalogued under one of the below mentioned bucket: 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 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. 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.
Step 3	Calculation of benchmark curve and calculation of spread 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.
Step 4	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 illiquidity 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. Residential 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 quotes, 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.