SBI MUTUAL FUND

VALUATION POLICY

VERSION **3.00**

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Scope of the policy

The investment Valuation Policy aims to provide broad valuation guidelines to be followed for each type of security. The same shall be reviewed annually by the Valuation Committee and also by an independent Chartered Accountant firm.

Any introduction/modification / changes in the Valuation Policy for a new or an existing asset type shall be approved by the Valuation Committee and incorporated thereafter in the Valuation Policy.

Frequency of review: The policy shall be reviewed annually or more frequently, if required, either due to change in Regulations or business environment.

Following SEBI Circulars / Guidelines / Amendment Regulations are taken into account for valuation purpose

The following are the guiding circulars / schedules/guidelines/amendments for framing the Valuation Policy.

1. EIGHTH SCHEDULE SEBI(MUTUAL FUNDS) REGULATIONS,1996
2. Circular No MFD/CIR/010/024/2000 dated 17-01-2000 inter-alia on Valuation committee)
3. Circular No MFD/CIR/6/73/2000 dated 27-07-2000
4. Circular No MFD/CIR/8/92/2000 dated 18-09-2000
5. Circular No MFD/CIR/8(a)/104/2000 dated 03-10-2000
6. Circular No MFD/CIR/14/088/2001 dated 28-03-2001
7. Circular No MFD/CIR/14/442/2002 dated 20-02-2002
8. Circular No MFD/CIR/03/526/2002 dated 09-05- 2002
9. Circular No MFD/CIR No .23/066/2003 dated 07-03-2003
10. Circular No MFD/CIR No.9/141601/08 dated 18-10-2008
11. Circular No MFD/CIR No.2/166256/2009 dated 12-06-2009
12. Circular No IMD/CIR No.16/193388/2010 dated 02-02-2010
13. Circular No IMD/DF/4/2010 dated 21-06-2010
14. SEBI MUTUAL FUNDS (AMENDMENT) (REGULATIONS),2012 dated 21-02-2012
15. Circular No IMD/DF/6/2012 dated 28-02-2012
16. Master Circular for Mutual Funds issued on January 07,2011
17. AMFI Best Practice Guidelines Circular No.135/BP/29/2012-13 dated 15th May 2012
18. AMFI Best Practice Guidelines Circular No.35P/MEM-COR/3/12-13 dated 30th May 2012
19. AMFI Best Practice Guidelines Circular No. 42/ 2013-14 – Scrip level valuation for debt securities having maturity greater than 60 days dated November 19 ,2013

VALUATION COMMITTEE

All decisions pertaining to valuation, in conformity with the policy guidelines, shall be taken by the Valuation Committee. The constitution of the Valuation Committee is as under:

Constitution:

The Valuation Committee will comprise of the following members:

Chief Operating Officer

Chief Investment Officer

Fund Managers

Chief Risk Officer

Compliance Officer

Vice President (Operations)

Asst Vice President (Operations)

Frequency of Valuation committee meeting:

The Valuation Committee shall meet on a quarterly basis or more often, if required in order to deliberate on specific proposals. The Committee shall be responsible for addressing areas of conflict of interest and thereafter recommend changes if any in policy/methodology.

Functions of the Valuation Committee:

- to provide guidelines on valuation within the regulatory framework,
- decide on specific cases as may be referred to the Committee,
- appoint/recommend the appointment of third party agencies for valuation,
- evaluate the performance of such agencies on a periodic basis,
- review the valuation policy.

As prescribed by SEBI, valuation guidelines shall attempt to adhere to the principles of fair valuation, in order to ensure that securities are valued at prices/yields that are close to realisable/market values.

Investment in new type of securities shall be made only after the valuation guidelines for such securities are established and approved by the AMC Board.

1. Valuation of Equity and Equity related Instrument :-

Equity and Equity related instruments include the following:

- Equity Stock
- Warrants
- Preference Shares
- Rights issue
- ADR/GDR
- IDR

1.1 Valuation of Equity Shares

1.1.1 Traded Securities:-

a) On a valuation day, traded securities are to be valued at the last quoted closing price on the principal Stock Exchange.

b) When on a particular valuation day, a security has not been traded on the principal stock exchange; the value at which it is traded on secondary stock exchange may be used.

c) When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the Principal 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 days prior to valuation date.

d) BSE is considered as the principal stock exchange for equity valuation except for SBI Nifty Index fund where NSE is considered as the principal stock exchange as per the Trustee Approval.

1.1.2 Thinly Traded / Non- traded Securities

a) A list of thinly trade securities is taken from stock exchanges (i.e. NSE and BSE) and also from Bloomberg on a monthly basis at every month end.
b) When a security is not traded in any of the stock exchange for the period of thirty days prior to the valuation date, it should be treated as Non-Traded Securities.
c) Thinly Traded/Non Traded securities are valued in "good faith" on the basis of the valuation principles laid down below:

i) Based on the latest available Balance Sheet, net worth shall be calculated as follows:
ii) Net worth per share would be calculated as follows: Net Worth per share = [share capital + reserves (excluding revaluation reserves) – Miscellaneous expenditure and Debit Balance in P&L A/c] Divided by No. of Paid up Shares.
iii) Average capitalisation rate (P/E ratio) for the industry based on either BSE or NSE data shall be taken and discounted by 75% for calculating the P/E ratio. Earnings per share of the latest audited annual accounts will be consistently considered for this purpose.
iv) 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

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

vi) 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.

vii) 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

1.1.3 Valuation of Suspended Security

1. If the equity is suspended upto 30 days, then the last traded price would be for valuation of that security.
2. If the equity security is suspended for more than 30 days, then the fair valuation of Non-Traded/Thinly traded security would be applied on the basis of valuation principles laid down by SEBI.

1.1.4 Valuation of Unlisted Securities:-

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

a. Based on the latest available audited balance sheet available within 9 months of the close of the year, net worth shall be calculated as lower of (i) and (ii) below:

i. Net Worth per share = [share capital plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares.

ii. After taking into account the outstanding warrants and option, Net Worth per share shall again be calculated and shall be = [share capital plus consideration on exercise of Option/Warrants received/receivable by the Company plus free reserves(excluding Revaluation Reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares plus Number of Shares that would be obtained on conversion/exercise of Outstanding Warrants and Options.

The lower of (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 upon either BSE or NSE data (which should be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.

c. The value as per the Net Worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.

- All calculation shall be based on audited accounts.
- 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.
- If Net worth of company is negative, 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.
- At the discretion of the AMC and with the approval of the Trustees, an unlisted equity share may be valued at a price lower than the value derived using the aforesaid methodology.
- In addition to the above, in respect of valuation of equity security of companies created out of demerger where in the absence of availability of Balance Sheets of the restructured entities in the public domain, such guidelines are difficult to adopt, the following guidelines shall be adopted. In such cases the securities come up for listing after a few days while the valuation is required to be carried out effective on the date of demerger itself. Besides, in such cases there are generally no comparative parameters readily available for carrying out the valuation exercise
- Following approaches /methods are being used to value equity securities in unlisted space

1. Price/Book Multiple approach
2. Price /Earnings Multiple Approach
3. Discounted Cash Flow Approach

Following methods are derivation of three methods outlined above. From the following any one method may be used for valuation of unlisted equity securities wherever considered appropriate.

1. Price to Sales Approach
2. Price to Cash Flow Approach
3. Economic Value added Approach
4. EV/EBITDA Approach.
5. EV/per operating metrics

d. In addition to the above ,in case an entity is demerged into 2 or more entities, and one of those entitles continues to be listed, the value of the unlisted security/securities can be calculated as the difference between the closing price of the security that continues to be listed on the ex-date and the previous trading date.

e. Securities awaiting listing on account of IPO is to be valued at allotment price.

1.1.5 Valuation of Illiquid Securities:-

Illiquid securities shall be valued in good faith. Aggregate value of "illiquid securities" of scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be assigned zero value.

1.1.6 QIP (Qualified Institutional Placement-Equity Shares)

The equity shares allotted through QIP process should be considered on the same lines as the existing listed equity shares and hence should be valued at the market/traded price of the existing listed equity shares.

1.2 <u>Warrants:-</u>

a) In respect of warrants to subscribe for shares attached to instruments, the warrants would 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. A discount similar to the discount to be determined in respect of convertible debentures shall be deducted to account for the period which must elapse before the warrant can be exercised.

b) In case the warrants are traded separately they would be valued as per the valuation guidelines applicable to Equity Shares.

1.3 <u>Rights Issue:-</u>

a) Where it is decided not to subscribe to the Rights but to renounce them and renunciations are being traded, the Rights can be valued at the renunciation value.

b) If the Rights are not traded then the rights entitlement will be valued as per the following methodology:

$$Vr = n/m * (Pex - Pof)$$

Where
Vr = Value of rights
n = No. of rights offered
m = No. of original shares held
Pex = Ex-rights price
Pof = Rights Offer Price

c) The valuation of the Rights shares as per the above methodology will be continued till the date of demat credit. From the date of credit in demat account, the valuation will be done as per the normal valuation applicable as in case of Equity Shares.

1.4 <u>Futures:</u>

a) On the valuation day, settlement price will be considered for valuation.
b) If the settlement price is not available, then closing price for the security will be considered for the valuation.
c) In case of Futures MTM is computed on daily basis.
d) MTM Gain/Loss = Current day settlement/Closing price- Previous day settlement/Closing price (If scrip is purchased first time then it is a Current day settlement / Closing price- Weighted Average Price (WAP)).
e) MTM is computed on scrip wise and series wise.
f) Day end closing prices or settlement prices are available on NSE website which will be uploaded in the system. System computes MTM by comparing prices from such file.

1.5 Options:

- On the valuation day settlement price will be considered for valuation.
- If the settlement price is not available, then closing price for the option will be considered for the valuation.

1.6 Preference Shares:

On a valuation day, traded securities are to be valued at the last quoted closing price. BSE will be the principal stock exchange and NSE will be the secondary stock exchange for all schemes except SBI Nifty Index Fund where NSE would be the primary stock exchange. Non- traded non convertible preference shares will be valued on the basis of norms governing the valuation of Non Convertible Debentures and Bonds under valuation of Debt Security category. Non traded convertible Preference shares will be valued on the basis of norms governing Equity Valuation.

1.7 Indian Depository Receipt:

Valuation of IDRs listed in the India Stock Exchange would follow the valuation norms adopted for the listed equity shares. IDR is valued at last quoted closing price at which they are traded on BSE/NSE exchange. In case the IDRs are classified as thinly traded, the criteria, as laid above for listed Indian Equity shares shall be applied taking into consideration the relevant company's balance sheet.

1.8 American Depository Receipt / Global Depository Receipt and all overseas securities:

If the security is listed in time zone ahead of ours then the same day's closing price would be used for valuation. The price in local currency would be obtained and closing RBI reference rate on valuation date would be used to calculate the closing price. If the security is listed in the time zone behind ours then the previous day's price would be used for valuation. The price in the local currency would be obtained and the closing RBI reference rate on valuation date would be used to calculate the closing price. If the stock is listed in the currency for which the RBI reference rate is not available, the exchange rates available from Reuters will be used. In case direct exchange rate is not available in Reuters, cross currency rates with USD will be used and converted into INR.

2. Valuation of Debt Securities:-

2.1 Valuation of Debt Securities which includes NCD, Bonds, ZCBs and Money Market securities which includes CPs, CDs:-

A) Instruments having maturity greater than 60 days

The valuation will be on the basis of average of prices (Scrip level prices) released by CRISIL and ICRA.

In case of new security purchased, CRISIL and ICRA are providing scrip level prices from T+1 date. Such securities are valued on the basis of weighted average yield at which the securities are purchased. The principle of T+1 valuation is followed to value such securities

In line with SEBI Regulations, Fund Managers are permitted to mark up/mark down the security yields to reflect the fair valuation on the basis of the following criteria. Justification shall be provided by the Fund Manager whenever mark up/mark down is done.

	Maximum Mark Up Bps	Maximum Mark Down Bps
Securities <= 365 days	150	-50
Securities > 365 days	75	-25

Whenever there is change in credit profile of the issuer a re-evaluation will be done for the appropriateness of the spread.

B) Instruments maturing upto 60 days

Instruments may be valued by amortization on a straight-line basis to maturity from cost or last valuation price whichever is more recent as long as it is within ±0.10% of the reference price. The reference price is the price derived from benchmark yield ± spreads on account of trade. Bench mark yield will be provided by CRISIL or any other independent agencies as may be appointed by AMFI from time to time.

In case such variance exceeds ±0.10%, the valuation shall then be adjusted to bring it within ±0.10% such that:

- If the amortized price is greater than the reference price +0.10%, the valuation shall be done at reference price +0.10%, or within the band of reference price +0.10% with proper justification for the same.
- If the amortized price is less than the reference price - 0.10%, the valuation shall be done at reference price - 0.10%, or within the band of reference price -0.10% with proper justification for the same.

Traded prices are to be used for construction of the benchmark yield curve. The yield curve will be provided by CRISIL or any other independent agency/ies as may be appointed by AMFI.

At the time of first purchase the spread between the purchase yield and the benchmark yield should be fixed. This spread should remain fixed through the life of the instrument & should be changed only if there is a justification for the change and the justification for the same should be recorded.

Wherever security has moved off from 61 days residual maturity category to 60 days residual maturity category then the 'valuation yield' of the 61st day shall be compared with the 'reference yield' and thereafter the spread will be fixed.

In case of subsequent trades in the same security / fresh purchase (i.e. security purchased first time) from secondary market by the fund (i.e. AMC's own trades), the valuation must reflect price considering weighted average yield as long as the trade is of market lot and also spread to be fixed. Market lot is defined as a single deal of face value of Rs.25 crores or more. The principal of T+1 valuation is followed to value such securities.

In case of purchases with T+n settlement but not meeting own trades criteria, weighted average yield is considered to value such securities. The principle of T+1 valuation is followed to value such securities. T+1 price so calculated will be used as valuation is case there is no existing position in the said security at the fund level and if there is existing position in the said security at the fund level, then T+1 price so calculated will be used to arrive at weighted average amortized price.

In case of floating rate securities with floor and caps on coupon rate, the same shall be valued on amortization basis taking the coupon rate as floor.

2.2 Valuation of securities with Put/Call Options

a) If the Put and Call option is on the same date then that date is considered as deemed maturity.
b) Security having residual maturity more than 60 days (based on deemed maturity or actual maturity whichever is earlier) is valued on the basis of average of prices (Scrip Level Prices) released by CRISIL and ICRA from CBV.
c) Security having residual maturity upto 60 days (based on deemed maturity or actual maturity whichever is earlier) is valued through amortization on the same basis as applicable to money market securities maturing upto 60 days.
d) Daily put call paper are valued at cost.
e) To compute residual maturity Put or Call date whichever is earlier is treated as deemed maturity.
f) Valuation start from trade date.

2.3 Floating Rate Securities with Floor & Cap on coupon rate:

a) If security has Residual maturity of more than 60 days, then security is valued based on the average of prices provided by CRISIL and ICRA.

b) Floating rate paper with residual maturity upto 60 days then security is valued as per amortization basis taking coupon rate as floor on the same basis as applicable to money market securities maturing upto 60 days.

2.4 Valuation of Pass Through certificate :-

a) If the residual maturity of the security is more than 60 days then security is valued based on the average of prices provided by CRISIL and ICRA and if residual maturity of the security is upto 60 days then it is valued at amortization on the same basis as applicable to money market securities maturing upto 60 days.

b) Periodical cash flow is considered for valuation of security.

2.5 Valuation of Reset Papers.

If the residual maturity is more than 60 days, then the valuation would be done on the basis of average of prices provided by CRISIL and ICRA and if the residual maturity is upto 60 days, then the valuation would be done on the basis of amortization on the same basis as applicable to money market securities maturing upto 60 days.

2.6 Valuation of Treasury Bills:-

a) Treasury Bills having maturity greater than 60 days are valued at the average of prices released by CRISIL and ICRA.

b) Treasury Bills having maturity upto 60 days, the amortized price may be used for valuation as long as it is within ±10 basis points (bps) of the reference price. In case the variance exceeds ±10 bps of the reference price, the valuation shall be adjusted to bring it within the ±10 bps band.

At the time of first purchase the spread between the purchase yield and the benchmark yield is fixed. This spread would remain fixed through the life of the instrument & shall be changed only if there is a justification for the change and the justification for the same should be recorded.

Wherever security has moved off from 61 days residual maturity category to 60 days residual maturity category then the 'valuation yield' of the 61^{st} day shall be compared with the 'reference yield' and thereafter the spread will be fixed.

c) T-bill purchased before issue date is valued at cost prices prior to issue date.

d) Above policy applies to all type of T-bill like 91 days, 182 days, 364 days.

2.7 Valuation of Bills purchased under rediscounted (BRDS):-

Bills purchased under rediscount shall be valued as per the same methodology applicable for CPs/CDs.If security rating is available the same will be considered for the purpose of valuation. If security rating is not available then issuer rating will be taken into account.

2.8 Valuation of Reverse Repo :-

The valuation is done on cost plus repo interest. (Interest per day equals to Second Leg minus First Leg divided by numbers of days).

2.9 Valuation of Collateral Borrowing and Lending Obligation (CBLO):-

CBLO is valued at cost plus accrual method.

3 Government Securities

a) As per SEBI Circular No. MFD/CIR/14/442/2002 dated February 20, 2002 Government securities will be valued at prices for government securities released by an agency suggested by AMFI to ensure uniformity in calculation of NAVs.

b) Currently the price used for valuation is aggregate average of CRISIL and ICRA prices.

4 Inflation Index Bonds (IIBs)

Inflation Indexed Bonds are valued at the average of prices provided by CRISIL and ICRA.

5 <u>Inter-scheme transfers:</u>

As per the regulations of SEBI contained in the seventh schedule of the SEBI (Mutual Funds) Regulations 1996, transfer 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;

b) All transfers would be effected at the prevailing spot market price of the security at the time the transfer is effected. For this purpose, at the time of effecting the inter-scheme transfer, a record of the prices for the security quoted in the relative stock exchange and reporting platform (BSE/NSE for equity, RBI NDS for G-Sec/Treasury Bills/SDL and FIMDAA/NSE/BSE for other Debt instruments.) in which it is traded would be obtained, which would indicate the date, time and the currently quoted price. The price given in the quotation of the stock exchange and reporting platform would be the effective price for the inter-scheme transfer.

c) For market lot size following will be the criteria:-

i) For instruments maturing above 1 year, the price may be taken if there are at least two trades aggregating to Rs. 25 crores or more.

ii) For instruments maturing between 92 days and 1 year, the price may be taken if there are at least three trades aggregating to Rs. 100 crores or more.

d) Outlier trades, if any, shall be ignored after suitable justification provided by Fund Managers.

e) In case the securities are not traded on a particular day in any of the above relevant exchanges and reporting platform mentioned in point (b), the valuation price of the securities on the earliest available previous date will be taken.

6 **Foreign Securities**

In case of investment in foreign debt /equity securities, on the Valuation Day, the securities shall be valued in line with the valuation norms specified by SEBI for Indian debt/equity securities. However, in case valuation for a specific debt /equity security is not covered by SEBI (MF) Regulations, then the security will be valued on fair value basis after obtaining due approval from Board of AMC. Exchange rate applied for valuation will be RBI Reference rate as on the NAV date.

7. **Valuation of Gold**

Gold held by a gold exchange traded fund scheme 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 measure 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) In addition of:-

(i) transportation 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 the London to the place where it is actually stored on behalf of the mutual fund;

i) Provided that the adjustment under clause (c) above may be made on the basis of a notional premium that is usually charged for delivery of gold to the place where it is stored on behalf of the mutual fund;

iii) Provided further that where the gold held by a gold exchange traded fund scheme has a greater fineness, the relevant LBMA prices of AM fixing shall be taken as the reference price under this sub-paragraph.

iv) If the gold acquired by the gold exchange traded fund scheme 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 thereafter valued in terms of above subparagraph

8. **Valuation of Non-convertible and convertible debentures and bonds**

The non-convertible and convertible components of convertible debentures and bonds shall be valued separately. The non-convertible component would be valued on the same basis as would be applicable to a debt instrument. The convertible component shall 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 later instrument can be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding conversion. While valuing such instruments, the fact whether the conversion is optional will also be factored in.

9. Valuation of Mutual Fund Units :

- If quoted price of Investee scheme is available at NSE/BSE exchange, then the same will be used for day end portfolio valuation and NAV computation. Order of preference will be NSE and then BSE.
- If quoted price of investee scheme is not available at NSE/BSE exchange, then day end NAV of investee scheme will be used for portfolio valuation and NAV computation**.**

10. Valuation of Fixed Deposits :

Fixed Deposits will be valued at cost plus accrual (rate given).

11. Abnormal situations & market disruptions

In normal situations the valuation methods detailed above shall be used. However in abnormal market conditions, due to lack of market trading or otherwise it may not be possible to obtain fair valuation using 'normal' means. In such situations, the 'realizable value' may be substantially different from the benchmark-based prices obtained.

The following occurrences would normally be considered as abnormal situations:

- Major Policy announcements by Central Government, State Government, SEBI or RBI.
- Geo-political situations (Natural disasters, terror attacks, public disturbances, riots, wars) that may force the market to function abnormally.
- Absence in trading in specific securities or equivalent.
- Significant volatility in capital markets.
- Significant illiquidity in fixed income markets.
- Global events like Sovereign bankruptcy, corporate bankruptcy, closure of stock markets, disruptive political scenario that may impact the markets.
- Events which lead to lack of availability of accurate information to value a security.
- Technological breakdown in trading systems.
- Errors and omissions with respect to transaction processing.
- Large redemptions in the fund.
- Quarter-ending & tax-related liquidity tightness.

The events mentioned above are only indicative and may not reflect all possible exceptional events or circumstances. In case of any exceptional circumstances, the Valuation Committee may assess the situation and decide on the valuation methods and document the same.

12. Non - Performing Assets (NPA)

An “asset” shall be classified as non-performing, if the interest and/or principal amount have not been received or remained outstanding for one quarter from the day such income / instalment has fallen due. The valuation of Non- Performing Assets (NPA) would be in accordance with SEBI Circular No. MFD/CIR/8/92/2000 dated September18, 2000, SEBI Circular No. MFD/CIR/8(a)/104/2000 dated October 03, 2000 and SEBI Circular no. MFD / CIR /14 / 088 / 2001 dated March 28, 2001 as amended from time to time.

13. **Valuation of securities not covered under the current Valuation Policy:**

In case of security/ies purchased by the fund does not fall within the current framework of the valuation of securities then the same fund shall be reported immediately to AMFI. Further, at the time of investment AMCs shall ensure that the total exposure in such securities does not exceed 5% of the total AUM of the scheme.

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