

Dated: July 30, 2020

Update on exposures of Scheme(s) of SBI Mutual Fund in Equity Shares of Manpasand Beverages Limited

The equity shares of Manpasand Beverages Limited had been suspended from the trading w.e.f. June 30, 2020 vide circular no. 0498/2020 dated June 17, 2020 issued by National Stock Exchange of India (NSE).

As per valuation policy, such suspended equity shares are valued at the last closing price upto a period 30 days. Since the 30 days period ended on July 29, 2020, as per valuation policy, these equity shares are to be classified as non-traded securities and valued as per the guidelines applicable for non-traded equity shares.

As per SEBI guidelines, 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:

Net Worth per share = [share capital + reserves (excluding revaluation reserves) – Miscellaneous expenditure and Debit Balance in P&L A/c] Divided by Number of Paid up Shares.

- ii) Average capitalisation rate (P/E ratio) for the industry based on either 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 Capitalization rate (P/E ratio). Earnings per share of the latest audited annual accounts will be consistently 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% for illiquidity so as to arrive at the fair value per share.

The above valuation methodology shall be subject to the following conditions:

- All calculation shall be based on audited accounts.
- If 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 company is negative, the shares of such companies shall be valued at zero.
- In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.

Based on the above methodology and as per the latest Audited Financials of Manapasand Beverage Limited for the year ended March 31, 2019, value of the equity shares is Rs. 25.4 per share.

The following additional events pertaining to the issuer needs to be considered.

- A GST raid was conducted on the Company on May 23, 2019 on suspected GST fraud. Immediately after which four Directors resigned.
- The previous Auditor of the Company informed the board that during their audit process they came across several discrepancies in the books of accounts.
- The financial disclosures and the raid also point towards possible misrepresentation and suppression in the financial statements. We are pursuing suitable legal remedies in these regards.
- As per the latest Half Yearly Un-Audited Financial Results for the period ended September 30, 2019 released by the Company to the BSE and NSE exchanges, value of the equity shares (considering the above valuation methodology) is Rs. 22.8 per share.

As per the Principles of Fair Valuation specified in Eighth Schedule of SEBI (Mutual Funds) Regulations, 1996, 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. The valuation shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures.

The responsibility of true and fairness of valuation and correct NAV shall be of the asset management company, irrespective of disclosure of the approved valuation policies and procedures i.e. if the established policies and procedures of valuation do not result in fair/ appropriate valuation, the asset management company shall deviate from the established policies and procedures in order to value the assets/ securities at fair value:

Provided that any deviation from the disclosed valuation policy and procedures may be allowed with appropriate reporting to Board of Trustees and the Board of the asset management company and appropriate disclosures to investors.

In case of any conflict between the Principles of Fair Valuation as detailed in the Eight Schedule and Valuation Guidelines issued by the SEBI, the Principles of Fair Valuation shall prevail.

Equity shares of Manapasand Beverage Limited were last traded on June 29, 2020 at Rs. 5.85 per equity share. Considering the above additional events pertaining to the issuer, continued operational losses and last traded price of the security, Valuation Committee finds it difficult to rely on the current financial statements (i.e. last available financials) until a forensic audit is conducted and is of the opinion that value of Rs. 25.4 per equity share does not reflect its current realizable value.

Based on the Principles of Fair Valuation specified in the Eighth Schedule, Valuation Committee believes that the last traded price Rs. 5.85 per equity share better reflects the scenario where operational losses continue and erode the Net worth. The financials of the Company are deteriorating rapidly and hence, **Valuation Committee has decided to conservatively mark the fair value to the last traded price i.e. 5.85 per equity share.**

As of July 29, 2020, the exposure in equity shares of Manpasand Beverages Limited (ISIN code - INE122R01018) is as under.

Scheme Name	Quantity	Market Price	Market Value	% of AUM
SBI Large and Midcap Fund	1,682,520	5.85	9,842,742	0.04
SBI Long Term Equity Fund	1,035,288	5.85	6,056,435	0.01
SBI Consumption Opportunities Fund	777,068	5.85	4,545,848	0.08
SBI Magnum Children's Benefit Fund - Savings Plan	103,000	5.85	602,550	0.09
SBI Magnum Midcap Fund	2,562,406	5.85	14,990,075	0.04

We will continue to monitor the developments around Manpasand Beverages Limited and take suitable measures with a view to protect the interest of the unit holders.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.