

**INVESTMENT VALUATION POLICY**  
**Version 1.3**

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## I. Introduction

SEBI vide Gazette Notification no. LAD-NRO/GN/2011-12/38/4290, dated February 21, 2012 amended Regulation 25, 47 and the Eighth Schedule titled '**Investment Valuation Norms**' under SEBI (Mutual Funds) Regulations, 1996 ("the Regulations") to introduce the overarching principles namely '**Principles of Fair Valuation**' in order to ensure fair treatment to all investors (including existing as well as new investors) seeking to purchase or redeem the units of the scheme(s) at all points of time. In the event of a conflict between the principles of fair valuation and valuation guidelines prescribed by SEBI under the Regulations, the principles of fair valuation shall prevail.

In order to ensure transparency of valuation norms to be adopted by the asset management company (AMIL) it is mandated by SEBI for AMIL to disclose their valuation policy and procedures as approved by the Board of AMIL on the website of the AMIL/Mutual Fund, etc. It is in this context that this Investment Valuation Policy & Procedures is prepared and disclosed for the benefit of investors. This Investment Valuation Policy & Procedures is subject to review and change from time to time with the approval of the Board of AMIL.

## II. Purpose

The purpose of the Valuation policy and procedures ('the Policy') adopted by the Investment Manager for valuation of investments made by the Scheme(s) is primarily to-

- describe the methodologies used for valuing each type of securities/assets held by the Scheme(s);
- ensure that the securities/assets are consistently valued as per the approved methodology/ies.
- ensure the appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/assets;
- describe the process to deal with the exceptional events;
- seek to address the conflict of interest;
- devise process to detect and prevent incorrect valuation;
- ensure transparency by making appropriate disclosures.

Therefore, the primary objective of the Policy is to

(a) ensure fair treatment to all investors (including existing as well as new investors) seeking to purchase or redeem the units of the Scheme(s) of YES Mutual Fund at all points of time.

(b) value the investments in a manner so as to reflect realizable value of the securities / assets and to ensure fair treatment to all investors.

### III. Principle, Policy, Procedure & Methodology for valuation of securities/assets

- (i) YES AMIL shall adopt the principle of fair valuation i.e. valuation shall be done in good faith and in true and fair manner to reflect the net realizable value of the securities /asset as determined by Valuation Committee. This principle shall be adopted by AMIL even during exceptional events specified in **Annexure II**.
- (ii) Detailed security/ asset -wise valuation policy, procedure & methodology for each type of investment made by the scheme(s) of YES Mutual Fund is described in **Annexure I**.
- (iii) The Board of YES Asset Management (India) Limited ('AMIL') and YES Trustee Company Limited ('Trustee') shall approve the valuation methodologies for any investments in new security/assets types (other than those mentioned in **Annexure I**).
- (iv) Further, the investments held by schemes of YES Mutual Fund would normally be valued according to the Valuation Guidelines specified by SEBI from time to time. In case of any conflict between the Principles of Fair Valuation as detailed above and valuation guidelines specified by SEBI, the Principles of Fair Valuation shall prevail.

### IV. Inter scheme Transfers

Inter-scheme transfers will be done in line with regulatory requirements and applicable internal policies as determined by the Valuation Committee.

In case of debt securities inter scheme transfers shall be valued basis average of prices received from independent agencies i.e. CRISIL and ICRA.

If the Inter-scheme price is not available from any one of the agencies, it will be valued at the price provided by the agency from which the price is received.

### V. Exceptional events

The Valuation Committee is authorized by the Board of YES AMIL and Trustee to determine the exceptional events and devise the process to deal with the exceptional events. Given the exceptional nature of the events, it is not possible to define a standard methodology to be adopted for fair valuation of securities/assets for such events.

The illustrative list of exceptional events is provided in **Annexure II**.

The Valuation Committee shall identify and monitor exceptional events and recommend appropriate procedures / methodologies with necessary guidance from the Board of YES AMIL and Trustee, wherever required, and get the same ratified.

## **VI. Conflict of Interest**

The implementation of valuation policy and methodologies as adopted / authorised by the Board of YES AMIL and Trustee shall be subject to review by Valuation Committee. The Valuation Committee shall be responsible for addressing areas of conflict of interest and therein recommend changes, if any, in policy/methodology. The same shall be ratified with the Board of YES AMIL and Trustee.

## **VII. Deviation**

Deviation in the valuation policy and procedures as stated above shall be allowed only with the prior approval of the Valuation Committee. This shall be followed by ratification from the Board of YES AMIL and Trustee.

## **VIII. Record Maintenance**

YES AMIL shall maintain and preserve documentation for valuation (including inter scheme transfers) either in electronic or physical form for a period of 8 years or such period as specified by SEBI from time to time.

## **IX. Periodic Review**

In order to ensure the appropriateness and accuracy of the methodologies as mentioned above, and its effective implementation, at regular intervals as specified by the Valuation Committee shall be carried out annually by the Internal Auditors. The said report shall be placed before the Audit Committee of the Board of YES AMIL and Trustee.

Further, the valuation policies and procedures shall be reviewed at least once in a Financial Year by the Statutory Auditor.

## X. Disclosure

In order to ensure transparency of valuation norms adopted by YES AMIL, the valuation policy and procedures shall be disclosed in the Statement of Additional Information (SAI), on the website, viz. [www.Yesamc.in](http://www.Yesamc.in) and at any other place as may be specified by SEBI.

The valuation committee shall be constituted by the AMIL. It shall have the following members:

1. Chief Executive Officer (CEO)
2. Chief Operating Officer (COO)
3. Head - Compliance
4. Chief Investments Officer - Fixed Income
5. Chief Investments Officer - Equity
6. Head - Risk

### Invitee (Optional)

1. Fund Manager - Debt
2. Fund Manager - Equity
3. Head - Operations

The committee shall be chaired by the CEO. In his absence the chair shall with CIO Fixed Income.

The terms of reference of the said Valuation Committee shall be as under:

- i. Review and approve the system and practices of valuation of securities
- ii. Review valuation related circulars of SEBI/AMFI
- iii. Approve change in approved methodology or process
- iv. Approve valuation of new (non-standard) instruments introduced in the Portfolio
- v. Such other matter incidental to above referred items

The meetings of the Valuation Committee shall be held at least 4 times a year, with 1 meeting being necessarily held each quarter on commencement of asset management business.

The quorum of the Valuation Committee shall be three Members. The CEO may invite anyone to attend the Committee meeting as deemed necessary on a periodic or regular basis. Any vacant position shall be represented by the next in line.

## Annexure 1

### Detailed security/asset-wise valuation policy, procedure & methodology for Investments made by the YES Mutual Fund:

The valuation policy, procedure & methodology adopted by the Investment Manager for investments in securities/assets made by the Scheme(s) is as under:

#### I. Equity & Equity Related Instruments

Security Type	Valuation Policy
Listed Securities (Equity Shares / Preference Shares/ Warrants/ Rights)	<p>Valuation shall be at the closing price at the principal stock exchange.</p> <p>National Stock Exchange (NSE) shall be the principal exchange for valuation except in case of schemes passively tracking an index published by Bombay Stock Exchange (BSE).</p> <p>For schemes passively tracking a BSE Index, the principal stock exchange for valuation shall be BSE.</p> <p>If security is not traded on principal stock exchange on a particular valuation day, the closing price at which it is traded on any other stock exchange shall be used.</p> <p>If security is not traded on any stock exchange, on a particular valuation day, then the price at which it traded on the principal stock exchange or any other stock exchange, as the case may be, on the earliest previous day shall be used, provided such date is not more than 30 days prior to valuation date.</p>
Thinly Traded Equity Shares/ Unlisted Equity Shares / Preference Shares/ Warrants/ Rights	They shall be valued at fair value as per procedures determined by the Valuation Committee #. The committee may decide to apply an Illiquidity discount, if needed.
Shares tendered for Buy Back	The shares tendered for buyback would be valued at the price of buyback on tendering of such shares, ignoring the



	market price provided the company has provided the confirmed buy back ratio. Else the market price of the security shall be considered for valuation till the date of receipt of formal communication of acceptance of shares tendered under buy back.
Qualified Institutional Placement (QIP)/Initial Public Offer (IPO)/ Follow on Public Offer (FPO)	Recognition and valuation would start from date of allotment/ listing.
Futures and Options	Valuation shall be done at the respective day end settlement price.
Lock in shares	In case of Equity shares under lock-in for more than 3 months from the date of purchase / allotment, which are traded on the stock exchanges, the Valuation Committee may apply appropriate discount to the closing price quoted on the stock exchange as may be decided by the committee on a case to case basis.

## # Procedure for valuation of unlisted or thinly traded equity/equity related securities

### I. Equity Shares

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) – Misc. expenditure and Debit Balance in P&L A/c] Divided by No. of Paid up Shares.
- ii) 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. A discount rate as deemed appropriate by the Valuation committee shall be considered. The discounted Industry average P/E shall be taken as capitalisation 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 for ill-liquidity so as to arrive at the fair value per share. The illiquidity discount shall be determined by the valuation committee.
- iv) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earnings.
- 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% 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 by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs would be compared on the date of valuation

The intrinsic value so arrived shall be periodically reviewed by Valuation Committee till listing of such shares.

Where the unlisted equity shares are acquired as result of corporate actions like demerger/amalgamation, the unlisted equity shares shall be valued at the intrinsic value on the ex-date as follows:

- A. The intrinsic value for new entity resulting out of corporate actions where financial details are available shall be valued as the valuation procedure stated in para I above.
- B. The intrinsic value for new entity resulting out of corporate action where financial details are not available shall be valued as per differential pricing method after applying appropriate illiquidity discount as determined by valuation committee.

Example: If AB Company gets demerged in to A Company & B Company and the new company B is not a listed company. The value of B Company is arrived as follows:

Market Value of AB Company (Pre Merger closing price) (X)	Rs.250/-
Market Value of A Company (Post Merger closing Price) (Y)	Rs.150/-
Valuation of B Company as per differential pricing method (X - Y)	Rs.100/-
Illiquidity Discount (20%)	Rs.20/-
Valuation of B Company (After illiquidity discount)	
Rs.80/-	

All SEBI guidelines for valuation of Thinly Traded Securities as laid down in various circulars shall be adhered to.

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

- i. All calculations as aforesaid shall be based on audited accounts.
- ii. 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.
- iii. If the net worth of the company is negative, the share would be marked down to zero.

- 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 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. 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.
- i) **Preference Shares** - Preference shares can be convertible or non- convertible. 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.
- ii) **Warrants** - Warrants shall 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. The value arrived shall be reduced by appropriate discount.
- iii) **Right entitlements** - Right entitlements shall be valued as difference between the value of closing price of the underlying equity share and the rights offer price.

## II. Debt & Debt Related Instruments

	Category	Procedure
For securities with residual maturity $\leq$ 60 days <sup>##</sup> : (including Government Securities, Treasury Bills, Cash Management Bills, State Development Loans, Ujwal DISCOM Assurance Yojana (UDAY) Bond, etc.)	<b>Traded Assets</b>	A self-traded security (including inter scheme) having a single trade with face value of at least INR 5 crore, shall be recognized at weighted average YTM for valuation across all schemes.
	<b>Non Traded Assets</b>	Assets to be amortized on straight line amortization as long as their valuation remains within $\pm 0.10\%$ <sup>##</sup> band of the price derived from the reference rate for each bucket (reference rate for every 15-day bucket shall be provided by AMFI appointed agencies (currently CRISIL and ICRA)  In case of amortised value falling outside the above band, the YTM of the asset shall have to be adjusted in order to bring the price within the $\pm 0.10\%$ <sup>##</sup> band with suitable justification to the valuation committee.
For securities with residual maturity $>$ 60 days <sup>##</sup> : (including Government Securities, Treasury Bills, Cash Management Bills, State Development Loans, Ujwal DISCOM Assurance Yojana (UDAY) Bond, etc.)		At valuation prices provided by AMFI appointed agencies (currently CRISIL and ICRA) Refer note 3 & 4.

	<b>Interest Rate SWAP/ Forward Rate Agreements (FRA's)</b>	All SWAP/ FRA's shall be valued at net present value after discounting the future cash flows. Future cash flows for SWAP/FRA contract shall be computed daily as per terms of contract and discounted by suitable Overnight Interest Swap rates (OIS) available on Reuters/Bloomberg or any other provider as approved by Valuation Committee.  From 60 <sup>th</sup> day ## to maturity, the unrealised gain / loss accounted for IRS/FRA shall be amortized.
	<b>Overnight Money (CBLO/ Tri party Repo/Reverse Repo/CROMS)</b>	Overnight money deployed shall be valued at cost plus the accrual/ amortisation.

**Notes:**

- 1) AMFI approved agencies (currently CRISIL and ICRA) consider all trades reported at all public platform viz. FIMDDA/NDS-OM/NSE/BSE for determining the prices for debt securities with residual maturity more than 60 days##.
- 2) **Own Trade of any security:** Any debt security having at least one own trade of Rs. 5 Crore (Face Value) or above shall be considered as traded for the particular day and shall be valued at weighted average traded price /yield.
- 3) In case of price being available from **only one agency**, the same shall be considered for valuation.
- 4) In case of non-availability of prices from AMFI approved agencies- Traded (Own) securities shall be valued at weighted average traded price /yield on the date of trade.
- 5) Non-traded securities shall be at the fair value as per procedures determined by the Valuation Committee.

## Basis SEBI circular SEBI/HO/IMD/DF4/CIR/P/2019/41 dated March 22, 2019, the following changes shall be carried out effective June 20, 2019:

- (a) the residual maturity for amortization based valuation shall be reduced from 60 days to 30 days.
- (b) the amortized price shall be used for valuation only if it is within a threshold of  $\pm 0.025\%$  of the reference price. In case of deviation beyond this threshold, the price shall be adjusted to bring it within the threshold of  $\pm 0.025\%$  of the reference price.

### III. Others

Security/ Asset Type	Valuation Policy
<b>Listed Mutual Fund Units</b>	Valuation shall be at the closing price at the principal stock exchange. If units are not traded on principal stock exchange on a particular valuation day, the closing price on any other stock exchange where units are traded shall be used. If units are not traded on any stock exchange on a particular valuation day, then closing price at which it traded on the principal stock exchange or any other stock exchange, as the case may be, on the earliest previous day shall be used provided such date is not more than 30 days prior to valuation date.
<b>Unlisted Mutual Fund Units</b>	Valuation shall be based on Net Asset Value (NAV) of Mutual Fund units.
<b>Fixed Deposits</b>	Fixed deposits shall be valued at cost.

### Non-Performing assets

An asset shall be classified as non-performing asset, if the interest and / or principal amount have not been received or remain outstanding for 1 (one) quarter from the day such income / instalment has fallen due. The provision to be made for a non-performing assets (NPA) should be in accordance SEBI Circular MFD/CIR 8/92/2000 date Sept 18, 2000, SEBI Circular No MFD/CIR 8(a) / 104/2000 dated October 3, 2000 and Oct/CIR / 14/ 088 / 2001 dated Mar 28, 2001 as amended from time to time.

## Annexure II

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

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

- a. Policy announcements by the Reserve Bank of India (RBI), the Government or any Regulatory body like SEBI/IRDA/PFRDA.
- b. Natural disasters or public disturbances that may impact the functioning of the capital markets.
- c. Absence of trading in a specific security or similar securities.
- d. Sufficient market information may not be available for the Valuation of Securities.
- e. Valuation Agencies do not provide Valuation for Securities.
- f. Significant volatility in the capital markets.

### **Note:**

1. Any change/modification to the above list of exceptional events shall be updated from time to time.
2. The Valuation Committee shall identify and monitor the exceptional events and recommend appropriate procedures/methodologies with necessary guidance from the Board of YES AMIL and Trustee, wherever required, and get the same ratified.

Disclaimer for Security Level Pricing provided by CRISIL/ICRA: By using the valuation prices provided by CRISIL/ICRA(together referred to as service providers), YAMIL acknowledges and accepts that the valuations are provided severally (and not jointly) by the service providers and are subject to the following disclaimers and exclusion of liability which operate severally to the benefit of the relevant service provider and AMFI. The valuation uses the methodology discussed by the service providers with the Association of Mutual Funds of India (AMFI) and reflects the service provider's assessment as to the value of the relevant securities as at the date of the valuation. This is an indicative value of the relevant securities on the valuation date and can be different from the actual realizable value of the securities. The valuation is based on the information provided or arranged by or on behalf of YAMIL or obtained by the service providers from sources they consider reliable. Neither AMFI nor the service providers guarantee the completeness or accuracy of the information on which the valuation is based. YAMIL takes the full responsibility for any decisions made on the basis of the valuations. Neither AMFI nor the service providers accept any liability (and each of them expressly excludes all liability) for any such decision or use. All the other terms and conditions of the Statement of Additional Information of YES Mutual Fund, read with the addenda issued from time to time, remain unchanged.