SAHARA ASSET MANAGEMENT COMPANY PRIVATE LIMITED

INVESTMENT VALUATION POLICY AND PROCEDURES

A: VALUATION OF DEBT INSTRUMENTS

A (I) - The Valuation Policy of Debt and Money Market Instruments is given below:

Sr. No.		Instrument	Valuation applicable on the day of valuation
1	CBLO, REPO, Fixed Deposit, Call Money , etc and such Similar Instruments		On Amortization basis / Accrual basis.
2	Certificate of Deposit (CD), Commercial Paper (CP), Non-Convertible Debenture (NCD) Pass Through Certificate (PTC), Bonds, etc. where Scrip wise values are available from CRISIL/ ICRA (Over 60 days residual maturity)		The aggregated price provided by CRISIL / ICRA for the given security or any other agencies entrusted SEBI from time to time for that day
3	Certificate of Deposit (CD), Commercial Paper (CP), Non-Convertible Debenture (NCD) Pass Through Certificate (PTC), Bonds, etc where Scrip wise values are not available from CRISIL/ ICRA (Upto 60 days residual maturity)		
	i)	Same security traded and reported on public platforms.	On Weighted Average Yield of all trades (excluding abnormal and retail trades) on Public platforms, for that Securities on that day irrespective of settlement day .
	ii)	If Same Security not traded and reported on any of the public platforms.	The aggregated matrices of CRISIL/ ICRA for the respective category or any other agencies entrusted by SEBI from time to time for that day.
4	Central Government Securities / State Government Securities / Treasury Bills/Cash Management Bill etc		Aggregated valuation as provided by CRISIL/ ICRA or any other agencies entrusted by SEBI from time to time for that day.

A (II) Pricing of Inter -Scheme Transfer of Debt Instruments (ISTs):

Sr. No.		Instrument	Valuation applicable on the day of valuation
1.	Certificate of Deposit (CD), Commercial Paper (CP), Non-Convertible Debenture (NCD) Pass Through Certificate (PTC), Bonds, etc.		
	i)	Same security traded and reported on FTRAC up to the time of IST.	Pricing will be based on Weighted Average Yield of all trades in same security on FTRAC (Excluding abnormal and retail trades) irrespective of settlement day plus accrual/amortization, if any, based on settlement day of the IST. Example : If settlement is T+0 then no accrual/amortization and if the settlement is other than T+0, then appropriate accrual/amortization.
	ii)	If Same security is not traded but similar Security/securities are traded and reported up to the time of IST on FTRAC	Pricing will be based on Weighted Average Yield of all trades in similar security/securities on FTRAC (excluding abnormal and retail trades) irrespective of settlement day plus accrual/amortization, if any, based on settlement day of the IST. Example : If settlement is T+0 then no accrual/amortization and if the settlement is other than T+0, then appropriate accrual/amortization
	iii)	If Same or similar Security/securities are not traded and reported up to the time of IST on FTRAC	Previous end of the day valuation plus accrual, if any, based on settlement day of the IST shall be taken. Example: if settlement is T+0 then no accrual/amortization and if the settlement is other than T+0 then appropriate Accrual/amortization.
2.	Central Government Securities / State Government Securities / Treasury Bills/ Cash Management Bill etc		
	i)	Same security traded and reported on NDS-OM section of CCIL website.	On last traded price as given on NDS-Section of CCIL Website (Excluding abnormal trade).
	ii)	Same security not traded and reported on NDS-OM section of CCIL website	Previous end of the day valuation price plus accrual/amortization shall be taken

AMC may take screen shot/ downloaded excel file from FTRAC / NDS-OM for the same purpose.

Similar Security:

Similar security here shall mean those securities which are same nature security [Commercial Paper (CP), Certificate of Deposit (CD), Non-Convertible Debentures (NCD), etc] of different issuers having same or equivalent credit rating for Similar maturity profile (For both Short term rating and Long term rating), and falling in same “Maturity Bucket” as defined below. Further the instruments Commercial Paper (CP), Bonds and Non-Convertible Debentures (NCDs) etc are categorized into following sub-categories:—

1) NBFC
2) Real Estate,
3) PTC
4) Others

Maturity Bucket:

- For Debt Security having remaining maturity upto 91 days

Maturity date of securities falling between	Time Bucket
1st and 7th of the month	1-7 of the same month
8th and 15th of the month	8-15 of the same month
16th and 23rd of the month	16-23 of the same month
24th to end of the month	24- end of the month

- For Debt Securities having remaining maturities more than 91 days

“Time Bucket”for maturity profile of “Similar Securities” shall be same calendar month of that year.

Notes:

1. For the purpose of Valuation of securities and for Inter Scheme Transfer, Weighted average of all trades of 5 crs and above, excluding abnormal trades and retail trades shall be taken. Since retail trades are of small value and generally may deviate materially from the yield at which the market lots in WDM is traded, it would be appropriate to exclude the retail trades for the more realistic valuation of the security.

2. Abnormal Trade is defined as those transaction/s which is/are over+/- 250 Basis Point compared to the previous day valuation yield of the security in question

   For the Valuation/Inter-scheme transfer, the available trades of various public platform shall be considered where the face value of trade per transaction is Rs. 5 crs and above. If in any given day in same/ similar security, the value of total trade is less than minimum market lot of 5 Crs, the same shall be ignored for the valuation purpose.

3. CRISIL and ICRA provide the valuation matrices for various maturity bucket. Scrip wise value for various debt instruments are also provided by CRISIL and ICRA . Trades are also reported and settled on various public platform.

4. Public platform for the purpose of valuation of security shall mean FIMMDA managed FTRAC, NSE, BSE, (except NSER- NSE retail and BSER- BSE Retail), RBI managed NDS-OM or any other Public platform for Debt market launched from time to time. Market trades from different Platforms are usually collected by BILAV Information LLP, which may be used for the purpose of Valuation of traded security for which scrip wise values are not available from CRISIL/ICRA

5. The data on yield and prices are generally provided upto 4 decimal point which shall be considered. Price upto 4 decimal points shall be considered on respective face value of the instruments for arriving at valuation.

6 For the valuation of **traded security where scrip wise values are not** available by CRISIL/ICRA, price derived from (corresponding to) Weighted Average yield of all available trades excluding abnormal and retail trades on any public platform for the same security on t+1 settlement basis shall be taken.

In case, on any other day because of technical and other reason, if the Required Bilav file is not sent by 7.30 PM, FIMMDA managed FTRAC platform and NDS OM section of CCIL website may be used for the calculation of weighted average yield of traded security for which scrip wise values are not available .

7. For **non traded security where scrip wise values are not available**, the valuation shall be done on the price derived from(corresponding to) the aggregated yield matrices for the respective category as provided by CRISIL/ICRA on T+1 settlement basis.

8. For Government Securities, SDL, T-Bills, Cash Management Bill etc, the valuation shall be done on aggregated script wise pricing as provided by CRISL/ICRA and as applicable for that day.

In the absence of scrip wise values the valuation shall be based on aggregated matrices if available from CRISIL/ICRA on T+1 settlement and as applicable for that day.

9. In case the valuation matrices/script wise value is available either from CRISIL/ICRA upto a reasonable time limit, the same shall be considered for arriving at valuation

10. In case on any given day neither the script wise value nor the valuation Matrices is available from CRISIL/ICRA within the reasonable time limit, the Valuation shall be done based on accrual/amortization based on last valuation.

B. VALUATION POLICY / PROCEDURES - EQUITY & EQUITY RELATED SECURITIES

1. Traded Equity Securities

A security would be treated as ‘Traded’ if it is traded on the “Designated Stock Exchanges” namely, National Stock Exchange (NSE), or/and Bombay Stock Exchange (BSE) or/and MCX Stock Exchange, within a period of 30 days (including the date of valuation). The order in which the three designated exchanges would be used for the purposes of valuation would always remain as NSE, BSE and MCX. The price for valuation would be the last quoted closing price on the valuation date. If the equity security is not traded on the valuation date in NSE, then BSE price would be considered and if BSE is not available MCX Stock Exchange price would be considered for valuation.

The principal “Designated” stock exchange for valuation of equity security would be NSE. When an equity security is not traded on the valuation date on any of the “Designated Stock Exchanges”, then the closing price of the earliest previous date shall be used for valuation provided such date is within a period of 30 days (including the date of valuation).

2. Thinly Traded Securities

"When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs.5 lakhs and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security and valued accordingly". In order to determine whether a security is thinly traded or not, the volumes traded in all “designated” stock exchanges shall taken into account.

3. Non-traded / Suspended / Unlisted Equity Securities

When a security (other than Government Securities) is not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip would be considered as a Non-Traded security. This would include at least four categories:

i. Shares remaining non-traded for more than 30 days in all the “Designated Stock Exchanges”
ii. Shares that are suspended from trading in all the “Designated Stock Exchanges” due to any reason
iii. Shares remaining unlisted for more than 30 days from the date of closure of any public issue
iv. Shares issued by way of corporate actions by companies and remaining unlisted for more than 30 days from the ex-date of the respective corporate action.

The valuation methodology for the above four categories, until the date of listing, would be as follows:

(a) Based on the latest available Balance Sheet, net worth would 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 capitalization rate (P/E ratio) for the industry based upon NSE prices or BSE prices and discounted by 75% i.e. only 25% of the Industry average P/E would be taken as capitalization rate (P/E ratio). Earnings Per Share (EPS) of the latest audited annual accounts would be considered for this purpose.

(b) The value as per the net worth value per share (i) and the capital earning value (ii) calculated as above would be averaged and further discounted by 10% (15% for Unlisted) for ill-liquidity so as to arrive at the fair value per share.
(c) In case the EPS is negative, EPS value for that year would be taken as zero for arriving at capitalized earning.
(d) 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 would be valued at zero.
(e) In case an individual security accounts for more than 5% of the total assets of the scheme, then an Independent Valuer shall be appointed for the valuation of the said security.

4. Demerger/ Spin-Off/Carve-Out/Divestiture etc.

Generally on any of the above corporate actions, a currently listed security in the portfolio gets bifurcated into securities of two or more entities (Demerger/ Spin-Off/Carve-Out/Divestiture etc.)

The valuation of the shares of these entities would be as under.

1. In case shares of all entities post the corporate action are traded on the "Designated Stock Exchanges", the closing traded price would be used for valuation purpose.
2. In case one or all of the entities post the corporate action, are not traded, then it would be ensured that:
    a. Listed entity would be valued at the closing price
    b. Unlisted entity would be valued = Value of combined entity(s) immediately prior to corporate action – Value of listed entity immediately prior to corporate action AND this valuation of the unlisted entity would be persisted till the entity gets listed. However, if the entity remains unlisted for a period of 30 days (including the valuation date) from the date of the corporate action, it would be valued as per the valuation rules applicable for a non-traded security.

5. Warrants

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 warrants 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 on 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.

6. Rights

Until they are traded, the value of "rights" shares would be calculated as:

$Vr = n \div m \times (Pex - Pof)$

Where

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

Where the rights are not treated pari passu with the existing shares, suitable adjustment would be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights would be valued at the renunciation value.

7. Derivatives

Market values of traded open futures and option contracts would be determined with respect to the exchange on which contracted originally, i.e., a future or an option contracted on the National Stock Exchange (NSE) would be valued at the closing price on the NSE.

The price of the same futures and option contract on the Bombay Stock Exchange (BSE) cannot be considered for the purpose of valuation, unless the futures or option itself has been contracted on the BSE.

The same will be valued at closing price if the contract is traded on the valuation day. In case there is no trade on valuation day then the same would be valued at Settlement prices.

However, the contracts which are going to expire on valuation date would be valued at Settlement prices only.

8. Mutual Fund Units

a. In case of traded Mutual Fund schemes, the units would be valued at closing price on the stock exchange on which they are traded like equity instruments. In case the units are not traded for more than 7 days, last declared Repurchase Price (the price at which Mutual Fund schemes buys its units back) would be considered for valuation.

b. If the last available Repurchase price is older than 7 days, the valuation will be done at the last available NAV reduced by illiquidity discount. The illiquidity discount will be 10% of NAV or as decided by the Valuation Committee.

c. In case of non-traded Mutual Fund scheme, the last declared Repurchase Price (the price at which Mutual Fund schemes buys its units back) would be considered for valuation.

<u>Related matters</u>

i) In case of any other instruments not mentioned above and not covered in the policy above, the same shall be referred to the Investment and Valuation Committee which is empowered to take decision.

ii) In case of any perceived conflict of interest while valuing the securities, the matter shall be dealt and decided by Investment and Valuation Committee.

iii) For non– business day the Valuation shall be done on aggregated Scrip wise prices as provided by CRISIL/ICRA. In absence of Scrip wise prices the valuation shall be done on accrual basis/amortization basis based on last valuation.

iv) In case of exceptional circumstances like, exceptional policy announcements by government/regulatory bodies, natural disasters, public disturbances, extreme volatility in capital market, shut down of market, war etc and on those days if scrip- wise value or valuation matrices are not available from CRISIL/ICRA and if security is not traded, the valuation for the day shall be done based on last valuation plus accrual/amortization or as may decided by the Investment and Valuation Committee.

v) The Valuation Policy shall be reviewed by the Statutory Auditor at least once in a year.

vi) Valuation Policy and Procedures as updated and approved by the Board of AMC / Board of Trustees shall be applicable for the schemes of Sahara Mutual Fund

Note:

1) Reference is drawn to Securities and Exchange Board of India (Mutual Funds) (Amendment)Regulations, 2012, Notification of date 21st February, 2012.

2) The Valuation policy has been approved by Board of AMC and the Board of Trustees.

Date: December 31,2013