

Navi AMC Limited

Investment Valuation Policy and Procedures

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Background

As per SEBI (Mutual Funds) Regulations as amended from time to time including all the amendments relating to valuation of investments requires 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 new 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 trustees. Further in case of any conflict between the principles of fair valuation and valuation guidelines as per Seventh Schedule and circulars issued by SEBI, the Principles of Fair Valuation shall prevail.

The valuation norm, methodologies and principles for valuation of investments by Mutual Funds are defined in the Seventh Schedule to the SEBI Master Circular for Mutual Funds (2026) and SEBI (Mutual Funds) Regulations as amended by SEBI from time to time.

In order to ensure transparency of valuation norms to be adopted by the Navi AMC Limited ("**AMC**") it is mandated by SEBI for the AMC to disclose their valuation policy and procedures as approved by the Board of the AMC and Trustees on the website of the AMC/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.

Purpose

The purpose of the Investment 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 main purpose of the Policy is 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) of Navi Mutual Fund.

Principles, Policy, Procedure & Methodology for valuation of securities/assets

- The AMC shall adopt the principle of fair valuation i.e. valuation will 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. The Board of Directors of the AMC and the Trustees have authorized the Valuation Committee to determine the exceptional events and devise the process to deal with the exceptional

events.

- Detailed security/ asset -wise valuation policy, procedure & methodology for each type of investment made by the scheme(s) of Navi Mutual Fund is described in Annexure A.
- The Board of Asset Management Company Limited and Trustees shall approve the valuation methodologies for any investments in new securities/assets (other than those mentioned in Annexure A).
- Further, the investments held by schemes of the Fund would normally be valued according to the Valuation Guidelines specified by SEBI from time to time.
  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 a true and fair manner as mentioned in this policy.

Inter-scheme transfers

All the Inter-scheme transfers shall be done in line with regulatory requirements and as per current internal policy viz. at prevailing market prices.

Annexure A describes the methodology that is followed in arriving at the fair valuation of securities which are intended to be transferred from one scheme to another.

Valuation Committee (SEBI Circular No. MFD/CIR No.010/024/2000 dated January 17, 2000)

1. Valuation committee comprises of the following personnel:

a. Chief Executive Officer (CEO)
b. Chief Investment Officer (CIO)/ Head of Investments
c. Debt Fund Manager
d. Fund Manager-Equity
e. Head - Operations
f. Head - Compliance

The CEO can reconstitute or nominate additional members of the valuation committee.

2. Scope of the Valuation Committee:

a. Define valuation procedure and methodology for different types of securities.
b. Review, approve and recommend the valuation policy/ procedures to the AMC & Trustee Board for their approval and noting.
c. Review the accuracy and appropriateness of methods used in arriving at the fair value of securities and recommend changes, if any.
d. Review and approve valuation methodologies at least annually or more frequently based on market condition
e. Review the policy and procedures on a periodic basis, at least once annually.
f. Review and approve the spread adjustment in the value of asset based on liquidity and issuer risk consideration.
g. Act as escalation body for pricing/ valuation issues, addressing areas of potential conflicts of interest
h. Lay down procedures to prevent incorrect valuation.
i. Recommend valuation method during exceptional events.
j. Recommend valuation methodology for a new type of security.

k. Report to the AMC / Trustee Board regarding any deviations or incorrect valuations and disclosures to the investors.

3. Handling conflict of Interest

The valuation committee shall be responsible for ongoing review of areas of conflict and should recommend to the AMC Board the procedures to mitigate it and therein recommend changes, if any, in policy/methodology. The same shall be ratified with the Board of the AMC and Trustee.

4. Exceptional Events

Following are the some of the events that can broadly be classified as exceptional events:

a. Major policy announcements by the Reserve Bank of India, Central Bank, the Government or any Regulatory body (SEBI/IRDA/PFRDA).
b. Natural disasters or public disturbances that force the markets to close unexpectedly.
c. Absence of trading in a specific security or similar securities
d. Significant volatility in the capital markets
e. Severe liquidity issue in the market
f. Any other events where realizable value may be substantially different from benchmark-based prices obtained. Any change/modification to the above list of exceptional events shall be updated from time to time. The Valuation Committee shall be responsible for monitoring exceptional events and recommending appropriate valuation methods under the circumstances.

Further, the Valuation Committee shall seek the guidance of the AMC board in deciding the appropriate methodology for valuation of affected securities.

5.Deviation

Deviation in the valuation policy and procedures shall be allowed only with the prior approval of the Valuation Committee followed by reporting to the Board of the AMC and Trustee. Deviations from the valuation policy and principles, if any, will be communicated to the unit holders' through suitable disclosures on the fund website.

6. Record keeping

All the documents which form the basis of valuation including inter-scheme transfers (the approval notes & supporting documents) shall be maintained in electronic form or physical papers. The valuation records shall be maintained and preserved for a period of 8 years and in accordance with the norms prescribed by the SEBI from time to time.

7. Review

The policy shall be reviewed by the Board of Directors of Navi AMC Limited and Navi Trustee Limited at least annually on or need basis whichever is earlier.

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

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

8. Disclosure

In order to ensure transparency of valuation norms adopted by the AMC, the valuation policy and procedures shall be disclosed in the Statement of Additional Information (SAI), on the website, viz. www.navimutualfund.com and at any other place as may be specified by SEBI.

Annexure A

Following are the broad valuation methodology for each type of securities.

1. EQUITY AND EQUITY RELATED INSTRUMENTS

Traded	The securities shall be valued at the last quoted closing price on the BSE/ National Stock Exchange (NSE) or any other stock exchange, wherever such security is listed. NSE will be the primary stock exchange for us. If not traded on the primary stock exchange, the closing price on the other stock exchange will be considered. For valuation of securities held by Exchange Traded Funds (ETFs) and Index funds which are benchmarked to indices relating to a particular stock exchange, the primary stock exchange will be that exchange, e.g. for a Nifty 50 Index Fund, the primary stock exchange will be NSE, for a Sensex Index Fund, the primary stock exchange will be the BSE.
Thinly Traded/Non Traded Equity Shares	**VALUATION OF NON TRADED / THINLY TRADED SECURITIES (SEBI Circular No. MFD/CIR/8/92/2000 dated September 18, 2000 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019)** If the securities are not traded on any stock exchange for a period of thirty calendar days prior to the valuation date, the scrip must be treated as a non-traded scrip. Thinly traded equity/ equity related security is defined in SEBI (Mutual Fund) Regulations as follows: *When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs. 5 lacs and the total volume is less than 50,000 shares, it shall be considered as thinly traded security and valued accordingly* Below investment grade and default (a) 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. (b) 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, AMCs shall promptly inform 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. For the purpose of valuation of non-traded securities, the following principles

	shall be adopted: (i) equity instruments shall generally be valued on the basis of capitalization of earnings solely or in combination with the net asset value, using for the purposes of capitalization, the price or earning ratios of comparable traded securities and with an appropriate discount for lower liquidity; (ii) in respect of convertible debentures and bonds, the non-convertible and convertible components shall be valued separately. The non-convertible component shall 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 the latter instrument can be adopted after an appropriate discount of the non-tradability of the instrument during the period preceding the conversion while valuing such instruments, the fact whether the conversion is optional shall also be factored in; (iii) in respect of warrants to subscribe for shares attached to instruments, the warrants can 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 as referred to in Paragraph (ii) above shall be deducted to account for the period which must elapse before the warrant can be exercised; AMCs shall value non traded and/or thinly traded securities "in good faith" based on the Valuation norms prescribed 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% i.e. only 25%. 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% 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% 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 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 shall be compared on the date of valuation. (vii) In case trading in an equity security is suspended up to 30 calendar days, then the last traded price shall be considered for valuation of that security. If an equity security is suspended for more than 30 calendar days, then the AMC(s) or Trustees shall decide the valuation norms to be followed and such norms shall be documented and recorded. (e) In respect of rights, until they are traded, the value of the "rights" shares shall be calculated as: Value of Rights= (Number of rights offered/Number of original shares)*Ex-right price-Rights offer price Where the rights are not treated pari-passu with the existing shares, suitable adjustment shall be made to the value of rights. 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. .

	VALUATION OF INVESTMENT IN UNLISTED SECURITIES Unlisted equity shares of a company shall be valued "in good faith" based on the valuation norms prescribed below: (a) Based on the latest available audited balance sheet, Net Worth shall be calculated as the lower of point (i) and (ii) below: (i) Net Worth per share = [Share Capital + Free Reserves (excluding revaluation reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] / 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 + consideration on exercise of Option and/or Warrants received/receivable by the Company + Free Reserves (excluding Revaluation Reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] / Number of Paid up Shares plus Number of Shares that would be obtained on conversion and/or exercise of Outstanding Warrants and Options. (b) Average capitalisation 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 capitalisation rate (P/E ratio). Earnings per share (EPS) of the latest audited annual accounts shall be considered for this purpose. (c) The value as per the Net Worth value per share at Paragraph (a) above and the capital earning value calculated at Paragraph (b) above shall be averaged and further discounted by 15 per cent for illiquidity so as to arrive at the fair value per share. The above valuation methodology shall be subject to the following conditions: (a) All calculations shall be based on audited accounts. (b) 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. (c) If the Net Worth of the company is negative, the share shall be marked down to zero. (d) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earnings. (e) 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 shall be valued in accordance with the procedure as mentioned above on the date of valuation. At the discretion of the AMCs and with the approval of the Trustees, unlisted equity shares may be valued at a price lower than the value derived using the aforesaid methodology.

	VALUATION OF ILLIQUID SECURITY IN EXCESS OF 15% OF TOTAL ASSETS OF THE SCHEME Aggregate value of "illiquid securities" under a 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. AMC shall disclose scheme-wise total illiquid securities in value and percentage of net assets while disclosing monthly portfolios. An asterisk mark shall be given against investments recognized as illiquid securities. AMC shall not transfer illiquid securities among schemes.

	VALUATION OF RIGHTS ENTITLEMENTS - When a company announces rights to the existing equity shareholders, under its Listing Agreement with Stock Exchange; it has to declare an ex-right date for the purpose of trading on the Stock Exchange. Ex-right date is a date from which the underlying shares, which are traded on the Stock Exchange, will not be entitled to the rights. These rights entitlements can also be renounced in favour of a willing buyer. These renunciations are in some cases traded on the Stock Exchange. In such cases these should be valued as traded equity related securities as detailed hereinabove. Till the rights are subscribed, the entitlements as per Regulations have to be valued as under: Valuation of non-traded rights entitlement is principally the difference between the right price and ex-right price. SEBI Regulations have explained this with the help of following formula: Vr= n / m x (Pex – Pof) Where Vr = Value of Rights n = Number of rights offered m = Number of original shares held Pex = Ex-right price Pof = Rights offer price
	The following issues while valuing the rights entitlements have to be addressed: **i)** In case original shares on which the right entitlement accrues are not traded on the Stock Exchange on an ex-right basis, right entitlement should be valued as zero**.** ii) When rights are not treated pari passu with the existing shares such as, restrictions with regard to dividend etc., suitable adjustment should be made by way of a discount to the value of rights at the last dividend announced rate. iii) Where right entitlements are not subscribed to but are to be renounced, and where renouncements are being traded, the right entitlements have to be valued at traded renunciation value. iv) Where right entitlements are not traded and it was decided not to subscribe the rights, the right entitlements have to be valued at zero. v) In case the Rights Offer Price is greater than the ex-rights price, the value of the rights share is to be taken as zero. vi) In case of rights listed on stock exchange and trading is suspended, such rights should be valued as per the methodology prescribed under SEBI regulations for right entitlement.

	VALUATION OF CORPORATE DEBT MARKET DEVELOPMENT FUND (CDMDF) Corporate Debt Market Development Fund (CDMDF) an Alternative Investment Fund (AIF) To be valued at NAV of the AIF units: NAV of CDMDF (AIF) Units will be disclosed by 9:30 PM on all business days on the website of its Investment Manager and that of AMFI. For times when CDMDF would have exposure to corporate debt, such NAV shall be disclosed by 11 PM on all business days **VALUATION BY FUND OF FUNDS (FOFS) 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***.*** **VALUATION OF SECURITIES NOT COVERED UNDER THE CURRENT VALUATION POLICY *(SEBI/IMD/CIR No.16/193388/2010 dated February 02, 2010 and Cir/IMD/DF/4/2010 dated June 21, 2010)*** 1. In case the securities purchased by AMCs do not fall within the current framework of the valuation of securities then such AMCs shall report immediately to AMFI regarding the same. 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. 2. AMFI has been advised that the valuation agencies shall ensure that the valuation of such securities gets covered in the valuation framework within six weeks from the date of receipt of such intimation from the mutual fund. 3. In the interim period, till AMFI makes provisions to cover such securities in the valuation of securities framework, the AMCs shall value such securities using their proprietary model which has been approved by their independent trustees and the statutory auditors. **USE OF OWN TRADE FOR VALUATION (*SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019)*** Mutual Funds shall not use their own trades for valuation of debt and money market securities and for Inter-scheme transfers. **VALUATION AND DISCLOSURE OF UPFRONT FEES (*SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019, Refer SEBI letter No. SEBI/HO/IMD/DF4/OW/P/2019/29520 dated November 07, 2019)*** Guidelines for valuation of any upfront fee (or any other consideration, by whatever name called) received in a Mutual Fund scheme, has been issued by AMFI, in consultation with the Board.

MONEY MARKET AND DEBT SECURITIES

(i) All money market and debt securities including floating rate securities shall be valued at average of

security level prices obtained from valuation agencies.

(ii) 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.

(iii) The AMC shall take into consideration prices of trades of same security or similar security reported at all available public platforms.

Methodology (as per SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019, Refer SEBI letter No. SEBI/HO/IMD/DF4/OW/P/2019/29520 dated November 07, 2019): For arriving at security level pricing, a waterfall approach shall be followed for the valuation of money market and debt securities.

(i) AMFI shall ensure that valuation agencies have a documented waterfall approach for valuation of money market and debt securities. The said waterfall approach has been documented in consultation with the Board.

(ii) The following broad principles shall be adopted as part of the aforesaid waterfall approach, for arriving at the security level prices:

(I) All traded securities shall be valued on the basis of traded yields, subject to identification of outlier trades by the valuation agencies.

(II) Volume Weighted Average Yield (VWAY) for trades in the last one hour of trading shall be used as the basis for valuation of Government Securities (including T-bills). Valuation of all other money market and debt securities (including Government securities not traded in last one hour) shall be done on the basis of VWAY of all trades during the day.

(III) An indicative list of exceptional events shall form part of the documented waterfall approach mentioned above. In case of any exceptional events on a day, only VWAY of trades post such event may be considered for valuation. Further, all exceptional events along-with valuation carried out on such dates shall be documented with adequate justification.

(IV) All trades on stock exchanges and trades reported on trade reporting platforms till end of the trade reporting time (excluding Inter-scheme transfers), shall be considered for valuation on that day. Towards this end, the timing for disclosure of NAV on the website of respective AMCs and AMFI shall be as per Paragraph 9.3.4 of this Master Circular.

(V) Considering the importance of polling in the valuation process, guidelines have been issued by AMFI on polling by valuation agencies and on the responsibilities of Mutual Funds in the polling process, as part of the aforesaid waterfall approach. These guidelines inter-alia includes the following:

(A) Valuation agencies shall identify the Mutual Funds which shall participate in the polling process on a particular day, taking into account factors such as diversification of poll submitters and portfolio holding of the Mutual Funds. Mutual Funds which are identified by the valuation agencies shall necessarily participate in the polling process. However, in case any Mutual Fund does not participate in the polling process, detailed reason for the same shall be recorded and made available during inspections by the Board.

(B) The minimum number of polls to be considered for valuation along-with the operational modalities of polling, shall be specified.

(C) AMCs shall have a written policy, approved by the Board of AMC and Trustees, on governance of the polling process. The aforesaid policy shall include measures for mitigation of potential conflicts

of interest in the polling process and shall identify senior officials responsible for polling.

(D) AMCs shall ensure that participation in the polling process is not mis-used to inappropriately influence the valuation of securities. The officials of the AMC who are responsible for polling in terms of Paragraph (C) above, shall also be personally liable for any mis-use of the polling process.

(E) AMCs shall maintain an audit trail for all polls submitted to valuation agencies.

(iii) The aforesaid waterfall approach shall form part of the valuation policy of individual AMCs which shall be uploaded on their respective websites. AMFI shall ensure that the said waterfall approach is also available on the website of the valuation agencies.

(c) Deviation from valuation guidelines: (SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019)

(i) In case an AMC decides to deviate from the valuation price given by the valuation agencies, the detailed rationale for each instance of deviation shall be recorded by the AMC.

(ii) 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 as per the valuation agencies and the impact of such deviation on scheme NAV (in amount and percentage terms) shall be reported to the Board of AMC and Trustees.

(iii) The rationale for deviation along-with details as mentioned under Paragraph (ii) above shall be disclosed immediately and prominently, under a separate head on the website of AMC.

(iv) Further, while disclosing the total number of instances of deviation in the monthly portfolio statements, AMCs shall also provide the exact link to their website for accessing the information mentioned at Paragraph (iii) above.

Valuation of money market and debt securities which are rated below investment grade & Default:

- All money market and debt securities which are rated below investment grade shall be valued at the price provided by valuation agencies.
- 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. Further, these haircuts shall be updated and refined, as and when there is availability of material information which impacts the haircuts.
- Consideration of traded price for valuation:

  (I) In case of trades during the interim period between date of credit event and receipt of valuation price from valuation agencies, AMCs 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.

  (II) 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.

  (III) The trades referred above shall be of a minimum size as determined by valuation agencies.
- 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:

(I) The detailed rationale for deviation from the price post haircuts or the price provided by the valuation agencies shall be recorded by the AMC.

(II) 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.

(III) The rationale for deviation along-with details as mentioned at Paragraph (II) 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 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.

- Treatment of accrued interest, future interest accrual and future recovery274:

(I) The indicative haircut that has been applied to the principal shall be applied to any accrued interest.

(II) In case of securities classified as below investment grade but not default, interest accrual may continue with the same haircut applied to the principal. In case of securities classified as default, no further interest accrual shall be made.

- The following shall be the treatment of how any future recovery shall be accounted for in terms of principal or interest:

(I) 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.

(II) Any recovery in excess of the carried value (i.e. the value recognized in NAV) shall then be applied first towards the amount of interest written off and then towards the amount of principal written off.

Valuation of physical gold and Silver:

Physical Gold and Silver shall be valued using polled spot prices published by recognized stock exchanges which are used for settlement of physically delivered Gold and Silver derivatives contracts. The spot polling mechanism and uniform valuation policy prescribed by AMFI in consultation with SEBI shall be followed ((SEBI Circular No. HO/(68)2026-IMD-POD-2/I/5780/2026 dated February 26, 2026)

Valuation of securities with Put / Call option

The valuation of securities with Put / Call options would be in accordance with SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 and SEBI Circular No. SEBI/HO/IMD/PoD1/CIR/P/2024/106 dated August 05, 2024 as amended from time to time.

The option embedded securities shall be valued as follows:

(a) <u>Securities with call option</u>

(i) The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity date and call option date. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date shall be taken as the

value of the instrument.

(ii) In line with the recommendation of NFRA, since market practice for AT-1 bonds has been observed to usually trade at or quote prices closer to Yield to Call (YTC), AT-1 Bonds shall be valued on Yield to Call basis (adjusted with appropriate risk spreads), consistent with the principles of market-based measurement under Ind AS 113276.

(iii) NFRA, in its report, has further stated that the above recommendation on YTC methodology is confined only to the interpretation of Ind AS 113 with reference to the valuation of AT-1 bonds and the issue of deemed maturity date for other purposes is outside NFRA's remit.

(b) Securities with Put option

(i) The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity date and put option date. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date shall be taken as the value of the instruments.

(c) Securities with both Put and Call option on the same day

(i) 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:

(I) 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.

(II) 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.

(III) In case no Put Trigger Date or Call Trigger Date ('Trigger Date") is available, then valuation shall be done to maturity price. In case one Trigger Date is available, then valuation shall be done as to the said Trigger Date. In case both Trigger Dates are available, then valuation shall be done to the earliest date.

(ii) If a put option is not exercised by a Mutual Fund while exercising such put option would have been in favour of the scheme, the justification for not exercising the put option shall be provided to the Board of AMC and Trustees.

(iii) 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, if the put option is not exercised by a Mutual Fund, while exercising the put option would have been in favour of the scheme;

(a) A justification for not exercising the put option shall be provided by the Mutual Fund to the Valuation Agencies, Board of AMC and Trustees on or before the last date of the notice period.

(b) The Valuation Agencies shall not take into account the remaining put options for the purpose of valuation of the security.

(iv) 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.

Valuation of Perpetual Bonds as per SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/034 dated March 22, 2021, Refer SEBI letter No. IMD/DoF4/OW/P/6697/1 dated March 22, 2021

- Valuation of bonds with call and/or put options shall be in line with Paragraph 10.3 above irrespective of the nature of issuer.
- The deemed maturity of all perpetual bonds shall be treated as 100 years from the date of issuance of the bond for the purpose of valuation.
- AMFI has issued detailed guidelines with respect to valuation of bonds issued under Basel III framework.

Valuation of Government Securities as per SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated February 20, 2002, SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

- Irrespective of the residual maturity, Government Securities (including T-bills) shall be valued on the basis of security level prices obtained from valuation agencies.

Valuation of other money market / debt securities, short-term deposits with banks (pending deployment) and OTC derivatives: SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

- The valuation of bills purchased under the rediscounting scheme shall be as per the guidelines mentioned for valuation of money market instruments, at Paragraphs 10.2.3 above, as the case may be.
- Investments in short-term deposits with banks (pending deployment) shall be valued on cost plus accrual basis. (SEBI Circular No. SEBI/HO/IMD/IMD-I PoD-1/P/CIR/2024/163 dated November 26, 2024)
- In order to have uniformity in valuation methodology, prices for all OTC derivatives and market linked debentures shall be obtained from valuation agencies.

Inter Scheme transfers : SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

- AMCs shall seek prices for IST of any money market or debt security (irrespective of maturity), from the valuation agencies.
- AMFI, in consultation with valuation agencies, shall decide a turn-around-time (TAT), within which IST prices shall be provided by the agencies.
- If prices from the valuation agencies are received within the pre-agreed TAT, an average of the prices received shall be used for IST pricing.
- If a 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 Paragraph 13.19.1 of this Master Circular

New Inter-scheme transfers (IST) guidelines applicable within 90 days from 24th September, 2019

1) The price at which IST of any money market or debt security (irrespective of maturity) is to be done will be taken from the valuation agencies
2) IST prices will be given by the agencies within a turn-around-time (TAT) decided by agencies.

3) If prices from the valuation agencies are received within the pre-agreed TAT, an average of the prices so received will be used for IST pricing

4) If price from only one valuation agency is received within the agreed TAT, that price will be used for IST pricing

5) If prices are not received from any of the valuation agencies within the agreed TAT, the IST pricing will be based on market price of same or similar security available on F-Trac/CBRICS at the time of doing IST provided the security traded is in a marketable lot

6) If the market price is not available, the previous day's valuation price will be considered.

Changes in terms of investment: (SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019)

While making any change to terms of an investment, Navi AMC shall adhere to the following conditions:

(a) 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. (SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/126 dated November 06, 2019)

(b) Any extension in the maturity of a money market or debt security shall result in the security being treated as "Default", for the purpose of valuation.

(c) If the maturity date of a money market or debt security is shortened and then subsequently extended, the security shall be treated as "Default" for the purpose of valuation.

(d) Any put option inserted subsequent to the issuance of the security shall not be considered for the purpose of valuation and original terms of the issue shall be considered for valuation.