TAURUS MUTUAL FUND

VALUATION POLICY

This Valuation Policy documents the policies and procedures to be adopted for valuation of the securities of the schemes of Taurus Mutual Fund. As required by the SEBI (Mutual Funds) Regulations, 1996, the Valuation Policy lays down the valuation policies and procedures approved by the Boards of Taurus Asset Management Company Limited and Taurus Investment Trust Company Limited. The following guidelines will be used for valuation of different securities with effect from September 24, 2019:

A. Debt securities:

Investments in debt securities can be classified into the following types:

1) Overnight instruments like CBLO/Reverse repo and term deposits;

2) Money Market Instruments, Bonds/Debentures, Pass Through Certificates, etc
3) Treasury Bills and Cash Management Bills;

4) Central/State Government securities

The valuation policy and process for the above securities is as under:

1) Overnight instruments like CBLO/Reverse Repo/TREPS will be valued at cost and then amortised till maturity. Investments in term/fixed deposits will be valued at cost and interest will be accrued daily (daily basis). In the case of deposits with step up rates, interest will be accrued on a daily basis as per the interest rates provided.

2) Valuation of Money Market Instruments like Certificate of Deposits, Commercial Papers, Non Convertible Debentures, Pass Through Certificates, Bills Rediscounting instruments and other similar securities.

    1. Amortisation based valuation is permitted for Money Market and Debt Securities, with residual maturity up to 30 days. Further amortised price will be compared with reference price which shall be average of security level price of such security as provided by agency(ies) appointed by AMFI (Valuation agencies). In case the amortised price is within +/- 0.025% of the price derived using the reference price, the same shall be used; else the price of the security shall be adjusted to bring it within this range. Internal trades including inter-scheme trades would not be considered for valuation.

    2. In case security level prices given by valuation agencies are not available for new security (which is currently not held by any Mutual Fund), then such security may be valued on amortization basis on the date of allotment/Purchase.

       Further, with effect from 1st April 2020 onwards, amortization based valuation shall be dispensed with and irrespective of residual maturity, all money market and debt

securities shall be valued as per conditions laid for valuation of money market and debt securities with residual maturity above 30 days.

Valuation of money market and debt securities with residual maturity above 30 days

Securities maturing after 30 days will be valued at the average of the prices of each such security provided by AMFI approved agencies (CRISIL and ICRA). If it is believed that the price determined as per this process is not the fair value of the security, the procedure laid out in Section D of the Policy shall be followed.

In case any new securities are purchased and the price of such security is not provided by AMFI approved agencies (which is currently not held by any Mutual Fund), then such security will be valued on the purchase yield.

Valuation of Government Securities: Government Securities (including T Bills) irrespective of any residual maturity 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 other OTC derivatives :

1. The Valuation of bills purchased under rediscounting scheme shall be as per guidelines mentioned for valuation of money market instruments (ie. Residual maturity upto 30 days)
2. Investment in short term deposit with banks (pending deployment) and repurchase (repo) transactions (including tri-party repo i.e. TREPS) with tenor of 30 days, shall be valued on cost plus accrual basis.
3. Prices of OTC derivatives and market linked debentures shall be obtained from valuation agencies.

Valuation of Securities with Put /Call Options:

1. Securities with put /call options on the same day and having same put and call 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 security shall be valued on following basis :

   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.

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.

In case no Put Trigger date or Call Trigger date is available, then valuation would be done to maturity price. In case one trigger date is available then valuation would be done as to the said trigger date. In case both Trigger dates are available, then valuation would be done to the earliest date.

If a put option is not exercised by a mutual fund when exercising such put option would be in favour of the scheme, a justification for not exercising the put option shall be provided to the board of AMC / Trustees by the fund manager.

Security to be valued in case of default or traded below investment grade:

In case of trades during the interim period between credit event and receipt of valuation price from valuation agencies, the Valuation Committee shall consider such traded/fair price for valuation to mark down the paper in default as it deems fit after considering the various subjective factors including but not limited to Regulatory aspects, expected recovery in the future (from the paper in default), past experiences etc. The said price shall be continued for valuation till the valuation price is determined by valuation agencies. The Valuation Committee shall inform the Board of the AMC and the Board of Trustees of its decision.

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 valuation and the valuation price may be revised accordingly.

Waterfall approach for Valuation of Money Market and Debt Securities:

The broad principles as mentioned in SEBI circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 para 2.2 will be adopted as part of waterfall approach for arriving at the security level prices by the Valuation agencies.

Broad Principal of waterfall approach, for arriving at security level prices will be as follows till AMFI ensures that Valuation agencies comes out with documentation on waterfall approach in consultation with SEBI.

- All traded securities shall be valued on the basis of traded yields, subject to identification of outlier trades by valuation agencies.
- Volumes Weighted Average yield(VWAY) for the trades in the last one hour of the trading shall be used as the basis pf 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.

- 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 event along with valuation carried out on such dates shall be documented with adequate justification.

- All trades on stock exchanges and trades reported on trade reporting platforms till end of the trade reporting time (Excluding Inter scheme transfers), should be considered for valuation of that day. Towards this end, the timing for disclosure of the Net Asset Value(NAV) on website of respective AMC and AMFI.

- Considering the importance of polling in the valuation process, guidelines shall be 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 shall inter-alia include the following

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  - Valuation agencies shall identify the Mutual Funds who 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 who 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 SEBI inspections.

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

  - 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. 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 above shall also be personally liable for any mis-use of the polling process

B. Equity and equity related securities:

1. Traded Equity shares will be valued at their closing prices reported on the Bombay Stock Exchange, which is the principal stock exchange for all schemes of Taurus

Mutual fund (except Taurus Nifty Index Fund). Equity Shares of Taurus Nifty Index Fund will be valued at the closing prices reported on the National Stock Exchange. If the shares are not traded on the Bombay Stock exchange, they will be valued at the closing price of National Stock Exchange which is the secondary stock exchange for all the schemes. If security is not traded on Bombay Stock Exchange or National Stock Exchange then same will be valued at closing price of any other stock exchange where the share is traded. If the share is not traded on any exchange, it should be valued at the closing price of the earliest previous day provided such date is not more than thirty days prior to the valuation date.

2. Ill-liquid equity instruments : Unlisted, thinly traded or ill-liquid equity instruments which have not traded for more than thirty days will be valued on the basis of latest available Balance Sheet on average of capitalization of earnings and net asset value per share further discounted by 10% (15% in case of unlisted securities) as detailed in the SEBI circulars. In case where the latest Balance Sheet is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies will be valued at zero. Definition of Thinly Traded Equity/Equity Related Securities : When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is less than Rs. 5 lacs or the total volume is less than 50,000 shares, it shall be considered as a thinly traded security.

3. Equity derivatives: Settlement prices of NSE will be used for valuation. If the same are not available, then the closing prices will be used.

4. IPO application monies will be valued at application cost till the date of listing and thereafter will be valued in accordance with the procedure for valuation of traded equity shares. This will apply to Follow on public offers as well as offer for sale applications. Valuation of additional quantity will only commence after the confirmation of allotment.

5. Rights: Until they are traded, rights entitlement will be valued at the difference between closing price and the rights offer price. Renounced rights will be valued at renunciation price and unsubscribed rights will be valued at zero. 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.

6. Equity warrants: Equity warrants will be valued at traded price if traded. In case they are ill-liquid, the same will be valued at closing price of share reduced by the amount payable on exercise of the warrant. If amount payable on exercise is higher, then it will be valued at zero.

7. Preference shares will be valued at cost. Traded preference shares will be valued at their closing prices similar to traded equity shares.

8. Valuation in case of demerger and other corporate actions: In case of demerger following situation may arise :

a. Both the shares are traded on demerger: In such cases, both the shares are valued at their closing prices.

b. Shares of only one company continued to be traded on de-merger: Traded shares will be valued at closing prices. Valuation price of non-traded / unlisted resulting company will be arrived at using traded price of demerged company on the day before de-merger less value of traded share of resulting company post demerger. In case value of non-traded / unlisted resulting company arrived at is less than zero, then same will be valued at zero.

c. Both the shares are not traded on de-merger: In such a scenario, market capitalization of demerged company prior to demerger will be allocated to resulting companies on appropriate basis such as cost of shares, Price Earnings ratio or on other basis as considered appropriate by Valuation Committee..

d. In case of any other corporate action such as merger, amalgamation etc where in shares of companies are not traded. Valuation Committee will arrive at fair price on case to case basis.

9. Shares with differential voting rights: Shares with differential voting rights will be valued as per their closing prices. In case of ill-liquid DVR shares, a discount for ill-liquidity may be applied to arrive at the fair value.

C. Other securities:

1. Mutual Fund units: Mutual Fund units will be valued at the latest NAV available at the time of valuation.

2. Exchange Traded Funds: Units of Exchange Traded Funds will be valued at the closing prices on the BSE. If the units are not traded on the BSE, then the price available on any other stock exchange will be considered. If price are not available on any stock exchange, then the NAV per unit will be used for valuation.

3 Convertible debentures: The non-convertible and convertible components of convertible debentures and bonds shall be valued separately. The nonconvertible 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.

4. Convertible Preference Share will be valued at the traded prices. If it is not traded it will be valued based on the procedures as Valuation Committee may decide.

D. Deviation from Valuation guidelines:

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

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

3. The rationale for deviation along with details as mentioned under paragraph D 2 above shall be disclosed immediately and prominently, under a separate head on the AMC Website.

4. Further, while disclosing the total number of instances of deviation in the monthly and half yearly portfolio statements, AMC will disclose exact link to their website for accessing the information at par D 3.

Periodic Review

The Valuation Policy shall be reviewed at least annually and any modification shall be approved by the AMC and Trustee Boards. The Valuation Policy shall also be reviewed by Independent Auditors at least once in a Financial Year to ensure the appropriateness of the valuation methodologies.