IL&FS MUTUAL FUND (IDF)-INVESTMENT VALUATION POLICY

A. INTRODUCTION

The Securities and Exchange Board of India (SEBI) has outlined investment valuation norms and accounting policies under SEBI (Mutual Funds) Regulations, 1996 (the Regulations) as amended from time to time. The Investment Valuation Norms are prescribed in the Eighth Schedule of the Regulations (Regulation 47) and circulars issued by SEBI from time to time. Further, SEBI has amended Regulation 47 and the Eight Schedule vide a gazette notification dated February 21, 2012 and has introduced overriding guiding principles in the form of "Principles of Fair Valuation". The amended regulation requires that Mutual Funds shall follow principles of fair valuation to minimize the difference in valuation of mutual fund assets relative to market values and also to enable fair treatment across all classes of investors i.e. existing investors as well as investors seeking to subscribe or redeem units. It further prescribes that the valuation of investments shall be based on the principles of fair valuation i.e. the valuation shall be reflective of the realizable value of securities / assets. The valuation shall be done in good faith and in a true and fair manner through appropriate valuation policies and procedures as approved by the Board of the asset management company. The amendment also states that in case of any conflict between the principles of fair valuation and valuation guidelines as per Eighth Schedule and circulars issued by SEBI, the Principles of Fair Valuation shall prevail. This Policy reflects the guiding principles to ensure fair valuation of all securities under the Schemes to comply with the amended Regulation 25 (19), 47and the Eight Schedule relating to valuation of investments

B. SCOPE OF THE POLICY

1. The scope of the policy is stated below:
   - Ensure fair treatment to all investors in the scheme
   - Defining valuation procedures/methodologies for various types of securities including any new security
   - Ensure that the valuation methods adopted are being adhered to consistently as per the approved framework
   - Devise process to detect and prevent incorrect valuation
   - Ensure transparency by making appropriate disclosures
   - Valuation of securities/assets during exceptional events and recording of deviations from established policies and procedures for escalation to the Board of AMC and Trustees
   - Dealing with conflict of interests (including potential conflict of interest).

2. An exceptional event is defined as a situation wherein there is lack of clarity on the market movement and/or when sufficient information for valuation of securities for such events is not available.

3. The Valuation Committee shall be responsible for monitoring exceptional events and recommending appropriate valuation methods with the guidance of the Boards of the AMC, as the case may be.

4. The Valuation Committee shall review the valuation methodologies at least annually in terms of its appropriateness and accuracy in determining the fair value of each and every security. The Boards of the AMC and Trustee Company shall be updated on effectiveness of the policy annually and deviations, if any or inadequate valuation of securities.

C. DISCLOSURE OF THE POLICY

The Valuation Policy approved by the AMC Board shall be disclosed in Statement of Additional Information (SAI), website of the AMC and other documents as prescribed by the Regulations and guidelines.

D. VALUATION METHODOLOGIES

1. The valuation of investment shall be based on the guiding principles of fair valuation.

2. Where it is observed that Valuation methodology mentioned below, does not lead to fair valuation of securities, Valuation Committee may on a prospective basis deviate from the defined methodology and adopt such alternate procedures / methods in conformance with the guiding principles of fair valuation in good faith to arrive at the true and fair estimation of the realizable value of the security. The rationale for any such deviations would be recorded in writing and placed before the Board of Directors of the AMC and the Trustee.

3. Valuation price of the Security; arrived as per the policy; shall be applied consistently across the portfolios. In other words; any particular security shall be valued at same price across all the portfolios and it cannot have different prices for valuation on a particular day.

4. The methodologies for valuing different type of securities are mentioned below.

E. VALUATION METHODOLOGOES

1. **Debt, Money Market and related securities-**All debt, money market and related securities with residual maturity <= 60 days:-

   All traded investments are valued at price derived from the weighted average Yield to Maturity (YTM) of the traded security for the day. All non-traded investments are valued at amortised price which is computed on straight line basis using the last valuation price so long as their valuation remains within ±0.10% band of the price derived from the reference rate provided by CRISIL Limited (CRISIL) and ICRA Management Consulting Services Ltd (IMACS). In case of amortized value falling outside the above band, the YTM of the asset is adjusted in order to bring the price within the ±0.10% band with suitable justification.

2. **Debt, Money Market and related securities -**All debt, money market and related securities with residual maturity > 60 days :-

   All debt, money market and related securities with residual maturity > 60 days. All traded and non-traded investments are valued at average of scrip level prices provided by CRISIL & IMACS for individual securities. In case CRISIL & IMACS are unable to provide Scrip level prices for the investments due to unavailability of market inputs such as - trades, polls and primary issuances for securities, the securities will be valued at face value or at their effective yield, as determined appropriate by the Investment Manager.

3. **Investment in Reverse Repo, Collateralised Borrowings and Lending Obligations (CBLO) and Bills Rediscounting (BRDS):**

   Investment in Reverse Repo's, CBLO's and BRDS are valued at cost plus accrued interest.