NEOMILE GROWTH FUND

VALUATION POLICY

As per SEBI Regulation / Guidelines, Neomile Asset Management Private Limited (NAMPL) has adopted the below mentioned Valuation Policy for valuation of investment securities.

I EQUITY / EQUITY RELATED SECURITIES

A Equity Shares

1. **Traded Securities:** For the purpose of valuation, NAMPL has adopted National Stock Exchange (NSE) as the Primary Stock Exchange and Bombay Stock Exchange (BSE) as the Secondary Stock Exchange.
   (a) The securities shall be valued at the closing price on the Primary Stock Exchange.
   (b) When on a particular valuation day, a security has not been traded on the Primary Stock Exchange; the value at which it is traded on the Secondary Stock Exchange will be considered.
   (c) When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than 30 days prior to valuation date. If no price is available on any Stock Exchange for more than 30 days, than the security will be treated as a non-traded security and valued accordingly.

2. **Thinly Traded Equity / Equity Related Securities**.
   (a) 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 a thinly traded security and valued accordingly.
   (b) In order to determine whether a security is thinly traded or not, the volumes traded in all recognised stock exchanges in India may be taken into account.

3. **(i) Non-Traded Equity securities** When a security is not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as a 'non-traded' security.

(ii) Non-traded / thinly traded equity securities:

Non-traded /thinly traded securities shall be valued 'in good faith' by NAMPL on the basis of the valuation principles laid down below:

(a) Based on the latest available Balance Sheet, net worth shall be calculated as follows:

Methodology:

(b) Net Worth per share = [share capital+ free reserves (excluding revaluation reserves) – Misc. expenditure and Debit Balance in P&L A/c, intangible assets and accumulated losses] Divided by No. of Paid up Shares.

(c) Average capitalization rate (P/E ratio) for the industry based upon either NSE or BSE data (which should be followed consistently and changes, if any, to be 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 of the latest audited annual accounts will be considered for this purpose.

(d) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged so as to arrive at the fair value per share.

Conditions:

(e) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning.

(f) 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.

(g) 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".

(h) If the networth of the company is negative, the share would be marked down to zero.

(i) All calculation as aforesaid shall be based on audited accounts.

(j) In case an individual security accounts for more than 5 percent 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 per cent. 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 will be compared on the date of valuation.

(k) In case trading in an equity security is suspended up to thirty days, then the last traded price shall be considered for valuation of that security. If an equity security is suspended for more than thirty days, then the AMC(s) or Trustees shall decide the valuation norms to be followed and such norms shall be documented and recorded.

(iii) Unlisted equity shares:

Unlisted equity shares will be valued as per the following methodology.

a. Based on the latest available audited balance sheet, Net Worth shall be calculated as the lower of item (1) and (2) below:
   1. Net Worth per share = [Share Capital + Free Reserves - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] / Number of Paid-up Shares.
   2. 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.
   3. The lower of (1) and (2) above shall be used for calculation of Net Worth per share and for further calculation in (c) below.

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 will be considered for this purpose.

c. 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 15 per cent for illiquidity so as to arrive at the fair value per share.

In the event that an unlisted equity share is given due to merger of companies, the average cost of the existing company should continue in the new unlisted company and the last market price of the existing company should be considered for valuation of the new unlisted company till such time that the shares are listed.

(iv) Tracking mechanism for 'thinly' / 'non-traded' securities:

Fund has appointed an independent agency for providing the data for thinly traded / non-traded securities.

(v) Initial Public Offer / Anchor investments / Other Public Offers:

Stocks allotted under IPO / Anchor investments / Other Public Offers will be held at cost until listing.

B Compulsory Convertible debentures (CCD)

(a) CCD shall be valued at the closing price available on the Primary Stock Exchange as on the valuation date.

(b) When on a particular valuation day, CCD has not been traded on the Primary Stock Exchange; the value at which it is traded on the Secondary Stock Exchange will be considered.

(c) When a CCD is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than 30 days prior to valuation date. If no price is available on any Stock Exchange for more than 30 days, than the security will be treated as a non-traded security and valued accordingly.

CCD with implicit characteristics of a debenture will be considered as a NCD and valued accordingly.

C Preference Shares

(i) Preference shares are valued at cost till the time they are listed and traded on a stock exchange.

(ii) The Preference shares when traded shall be valued at the closing price on the Primary Stock Exchange.

(iii) When on a particular valuation day, a Preference share has not been traded on the Primary Stock Exchange; the value at which it is traded on the Secondary Stock Exchange will be used.

(iv) When a Preference share is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than 30 days prior to valuation date. If no price is available on any Stock Exchange for more than 30 days, the Preference share will be valued at average cost.

D Warrants

(i) Warrants are valued at the value of the shares which would be obtained on exercise of the warrants as reduced by the amount which would be payable on exercise of the warrant.

(ii) The warrants when traded shall be valued at the closing price on the Primary Stock Exchange.

(iii) When on a particular valuation day, a warrant has not been traded on the Primary Stock Exchange; the value at which it is traded on the Secondary Stock Exchange will be considered.

E Rights Entitlement

Right entitlements if traded will be valued at the closing price on the Principal stock exchange (NSE). If the entitlements are not traded on NSE but are traded on any other stock exchange the closing price of the exchange where it is traded will be considered for valuation.

When a traded rights entitlement is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than 30 days prior to valuation date. If no price is available on any Stock Exchange for more than 30 days, than the security will be treated as a non-traded security and valued accordingly.

Non-traded rights entitlement will be valued as the difference between the ex-rights price of the underlying equity share and the rights offer price. 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.

Value of right entitlement = No. of rights X (ex-rights price of the underlying shares at primary stock exchange – rights offer price)

Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights can be valued at the renunciation value.

Partly paid-up equity shares issued as rights will be valued at the value of the underlying fully paid up share less amount payable in future.

F Merger /Demerger

Merger

In case of merger, when company 'A' is merged with company 'B' and company 'B' continues to be listed, the proportionate shares allotted of 'B' company against company 'A' will be valued at the closing price of company 'B' on the stock exchange. The cost of company 'A' shares will be added to the cost of company 'B' shares.

In case of merger when company 'A' and company 'B' are merged to form company 'C', the value of unlisted company 'C' will be the total valuation price of company 'A' and company 'B' before the ex-date till the new entity company 'C' is listed and traded on a stock exchange. The cost of company 'A' and company 'B' shares will be added to derive the cost of company 'C' shares.

Demerger

In case where one entity is demerged into two or more entities and one of those entities continues to be listed, the value of unlisted entity will be calculated as the difference between the closing price of the security that continues to be listed on the ex-date (after demerger) and the previous trading day (before demerger). The difference in price of two dates will be the valuation price of the unlisted entity/entities proportionately, till they are listed and traded on a stock exchange. The cost price of new entity/entities would be derived proportionately from the cost price of parent entity and the same will be kept constant until listing.

The benefit of this method of valuation is that it is not a subject matter and is determined based on the market price.
In case of a demerger in which the resultant security is the same as the base security, then the price of the base security will be considered.

On merger / demerger, in case the company specifies any regulations / method for cost bifurcation or valuation the same will be adopted. In case there are no details available by the company, the same will be valued at fair value as determined by the valuation committee.

If the above companies remained unlisted for more than 3 months, illiquidity discount on the derived prices may be applied. Valuation committee will take decision regarding discount to be given on the basis of the market capitalization of the issuer not less than 5%, 10% and 15%, for Large cap, Mid cap, and Small cap respectively. Discount will be re-visited after every three months.

However, if more than 9 months have elapsed from the date of corporate action and the security is still not listed, the same shall be valued at the higher discount as decided by the Valuation Committee on case to case basis.

G Stock Split/ Face value change

In case of stock split, the face value of a stock is reduced and proportionately number of shares is increased. The valuation price will be derived on the basis of the closing price before the ex-date and adjusted in proportion of stock split, till the new stock split shares are listed and traded on a stock exchange. The cost of one share will be proportionately adjusted in line with stock split change, to derive the new cost of share.

On stock split/face value change, in case the company specifies any regulations/ method for cost bifurcation or valuation the same will be adopted.

H Derivative Product – Index and Stock Futures

(1) Valuation of Traded Futures

Futures are valued at the settlement price on the valuation day provided by the respective stock exchanges.

(2) Valuation of Non -Traded Futures

When the security is not traded on the respective stock exchange on the date of valuation, then any other derived price provided by the respective stock exchange will be used.

Derivative Product – Index and Stock Options

(1) Valuation of Traded Options

Options are valued at the settlement price on the valuation day provided by the respective stock exchanges.

(2) Valuation of Non -Traded Options

When the security is not traded on the respective stock exchange on the date of valuation, then any other derived price provided by the respective stock exchange will be used.

I Partly / Fully Convertible debentures and bonds.

In respect of convertible debentures, the non-convertible and convertible components shall be valued separately. The non-convertible component should be valued on the same basis as would be applicable to a debt instrument. The convertible component should 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 during the period preceding the conversion. While valuing such instruments, the fact whether the conversion is optional should also be factored in.

J**. Partly Paid-up Equity shares.**

1. Listed partly paid-up Equity shares will be valued in the same manner as Equity shares.

2. Exception will be made when the shares are suspended for installments due and in that case, the last traded price plus the current amount of installment paid will be considered from the date of payment. Till the payment is made it will be valued at the last traded price.

3. On paying the last installment the security will be merged with the main security and valued accordingly.

A. Other Instruments:

Investments in short-term deposits with banks (pending deployment) and repurchase (repo) transactions (including tri-party repo i.e. (TREPS) with tenure of upto 30 days, shall be valued on cost plus accrual basis.

The interest accruals / amortisation on the above instruments will be booked separately as income.

Deviations:

The investments of TMF schemes shall be valued as per the methodologies mentioned in this Valuation Policy, which shall endeavor true and fairness in valuing them. However, if the valuation of any particular security does not result in a fair valuation, the Valuation Committee would have the right to deviate from the established policies in order to value the security at fair value.

Deviations from the valuation policy and principles, if any, will be informed to the AMC and Trustee Boards alongwith detailed rationale. This information will also be displayed on our website and will be disclosed in the monthly and half yearly portfolio statements.

Conflict of interest:

In case if any situation arises that leads to conflict of interest, the same shall be raised to the Valuation Committee and the Committee shall endeavor to resolve the same such that the valuation provides for fair treatment to all investors including existing and prospective investors.

Audit review:

The valuation policies and procedures shall be reviewed yearly by the internal auditors to ensure their continued appropriateness.

Applicable with effect from 08th June 2023