



ICRA Analytics Limited

Valuation Workflow & Methodology

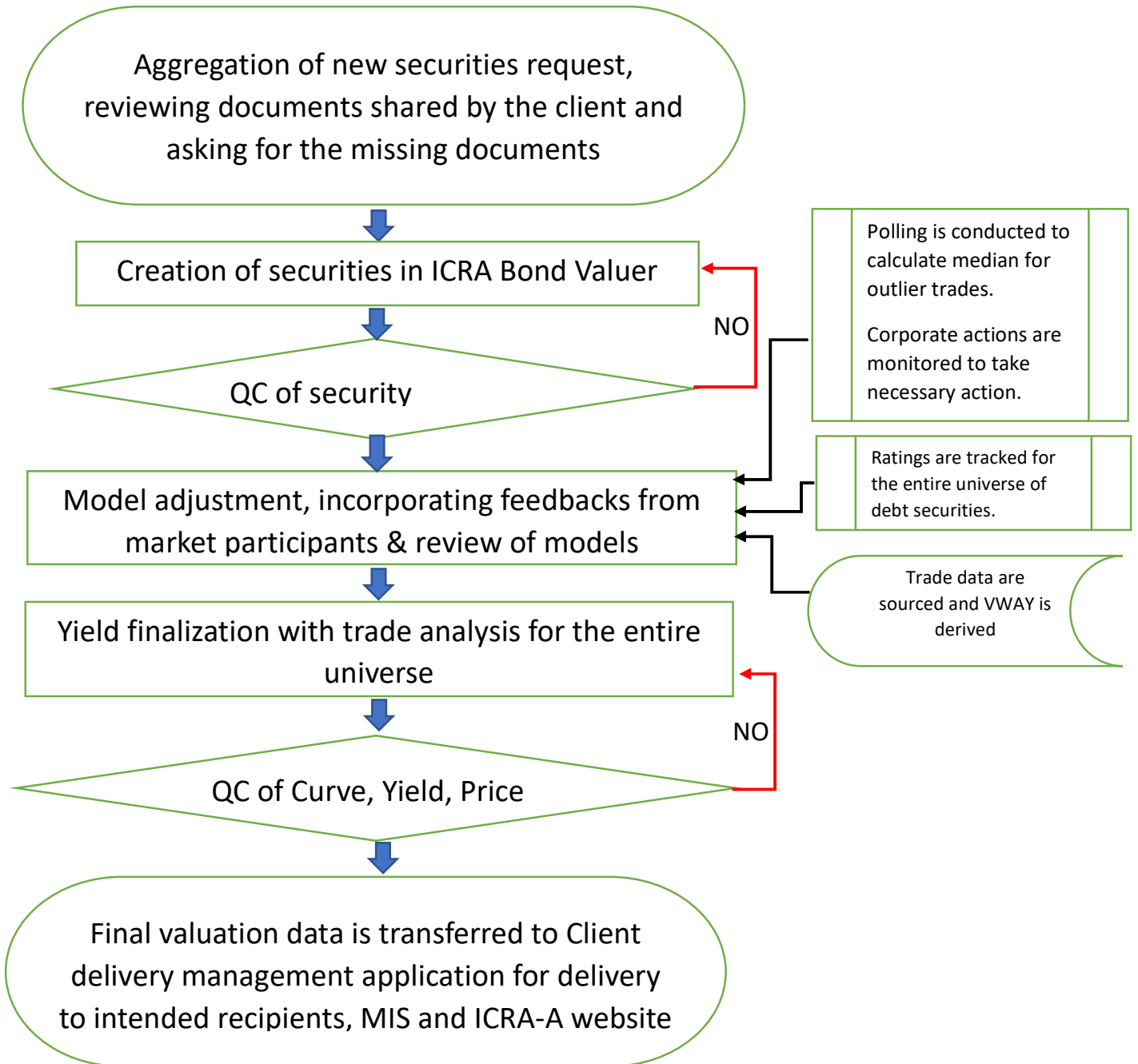
FIG-SOP-15

Version: 1; Revision: 2
Release Date: October 3, 2022

Prepared by	Reviewed By	Approved By	Last Updated on
Fixed Income Team	Sector Head	Sector Head	03.10.2022

Valuation Workflow & methodology

Valuation Workflow



Valuation Workflow & methodology

Valuation Methodology for SLR bonds.	
Waterfall	Secondary Trade>Primary Trade>2-way quote (not wider than 5 bps)>Previous Spread over benchmark>Polling
Trade quantum criteria	Minimum 5 cr for G-Sec & SDL and 25 cr for T-bill
Outlier criteria	+/-5 bps over and above benchmark movement
Sources for traded data	CCIL & Public platform (RBI)
Liquidity classification	Liquid
Day count convention	T-bill - Act/365 G-Sec and SDL - 30/360
Consideration of Yield	VWAY of last one hour, if not available then VWAY whole day
Benchmarking criteria	Based on liquidity
Poll consideration	Median of minimum 5 polls for benchmark and median of minimum 3 polls for non-benchmark
Trade cut-off	Market closing time
Exceptional events: (but not limited to)	<ol style="list-style-type: none"> 1. Monetary/Credit Policy 2. Union Budget 3. Material statement on sovereign ratings 4. Issuer or sector specific events which have a material impact on yields 5. Central government election days 6. Quarter end days
Deviation & exceptional event handling	By internal valuation committee of ICRA -A

Valuation Workflow & methodology

Valuation Methodology for CP-CD	
Waterfall	Primary Trade>Secondary Trade>Similar issuer similar maturity>Previous Spread over benchmark>Polling
Trade quantum criteria	Minimum 25 cr
Outlier criteria	Outlier criteria is defined as per tenor & liquidity
Similar Issuer	Similar issuer can be based on multiple factor such as; sector, industry, rating, parentage, guarantor etc.
Similar maturity criteria	Weekly, Fortnightly and Monthly
Sources for traded data	Ftrac
Liquidity classification	Liquid, Semiliquid and Illiquid
Day count convention	Act/365
Consideration of Yield	Volume weighted average yield
Benchmarking criteria	Based on liquidity and tenor wise availability
Poll consideration	Median of minimum 5 polls for benchmark and median of minimum 3 polls for non-benchmark
Trade cut-off	Market closing time
Exceptional events: (but not limited to)	<ol style="list-style-type: none"> 1. Monetary/Credit Policy 2. Union Budget 3. Material statement on sovereign ratings 4. Issuer or sector specific events which have a material impact on yields 5. Central government election days 6. Quarter end days
Deviation & exceptional event handling	By internal valuation committee of ICRA -A

Valuation Workflow & methodology

Valuation Methodology for Corporate Bonds	
Waterfall	Primary Trade>Secondary Trade>Similar issuer similar maturity>Previous Spread over benchmark>Polling
Trade quantum criteria	Minimum 5 cr for Secondary and 25 cr for Primary
Outlier criteria	Outlier criteria is defined as per tenor & Liquidity
Similar Issuer	Similar issuer can be based on multiple factor such as; sector, industry, rating, parentage, guarantor etc.
Similar maturity criteria	Weekly, Fortnightly, Monthly, Quarterly, Semi-annually, and Annually
Sources for traded data	NSE & BSE
Liquidity classification	Liquid, Semiliquid and Illiquid
Day count convention	Act/Act
Consideration of Yield	Volume weighted average yield
Benchmarking criteria	Based on liquidity and tenor wise availability
Poll consideration	Median of minimum 5 polls for benchmark and median of minimum 3 polls for non-benchmark
Trade cut-off	Market closing time
Exceptional events: (but not limited to)	<ol style="list-style-type: none"> 1. Monetary/Credit Policy 2. Union Budget 3. Material statement on sovereign ratings 4. Issuer or sector specific events which have a material impact on yields 5. Central government election days 6. Quarter end days
Deviation & exceptional event handling	By internal valuation committee of ICRA -A

Valuation Workflow & methodology

Notes:

- a) Polling can be done for outlier, spread review and/or market feedback. Polling level should have the primacy over traded level (outlier) subject to the criteria of minimum number of polls are met.
- b) Valuation policy shall be updated based on regulatory circulars/best practices issued from time to time.
- c) This policy shall be read with detailed policy/methodology document as adopted by ICRA-A from time to time. The latest version being Version: 1; Revision: 2 dt 29-Sep-2022.

Disclaimer:

ICRA Analytics Limited (“ICRA Analytics” or “the Company”) has taken due care and caution in preparing this Report based on the information obtained by ICRA Analytics from sources which it considers reliable (Data). However, ICRA Analytics does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a recommendation to invest / disinvest in any company / entity covered in the Report and no part of this report should be construed as an investment advice. ICRA Analytics especially states that it has no financial liability whatsoever to the subscribers/ users/ transmitters/ distributors of this Report. ICRA Analytics operates independently of, and does not have access to information obtained by ICRA Limited (Rating Services), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of ICRA Analytics and not of ICRA Limited. No part of this Report may be published / reproduced in any form without ICRA Analytics’ prior written approval”

To the fullest extent permitted by law, the Company shall have no liability or responsibility to any person or entity for any loss, damages, costs, charges, expenses or other liabilities, including without limitation liability for any special, punitive, indirect or consequential damages (including, without limitation, lost profits, lost time and goodwill), even if notified of the possibility of such damages, whether arising in tort, contract, strict liability or otherwise, in connection with the use of this Policy or in connection with any Methodology mentioned therein.