



ICRA Analytics Limited

# Valuation Workflow & Methodology

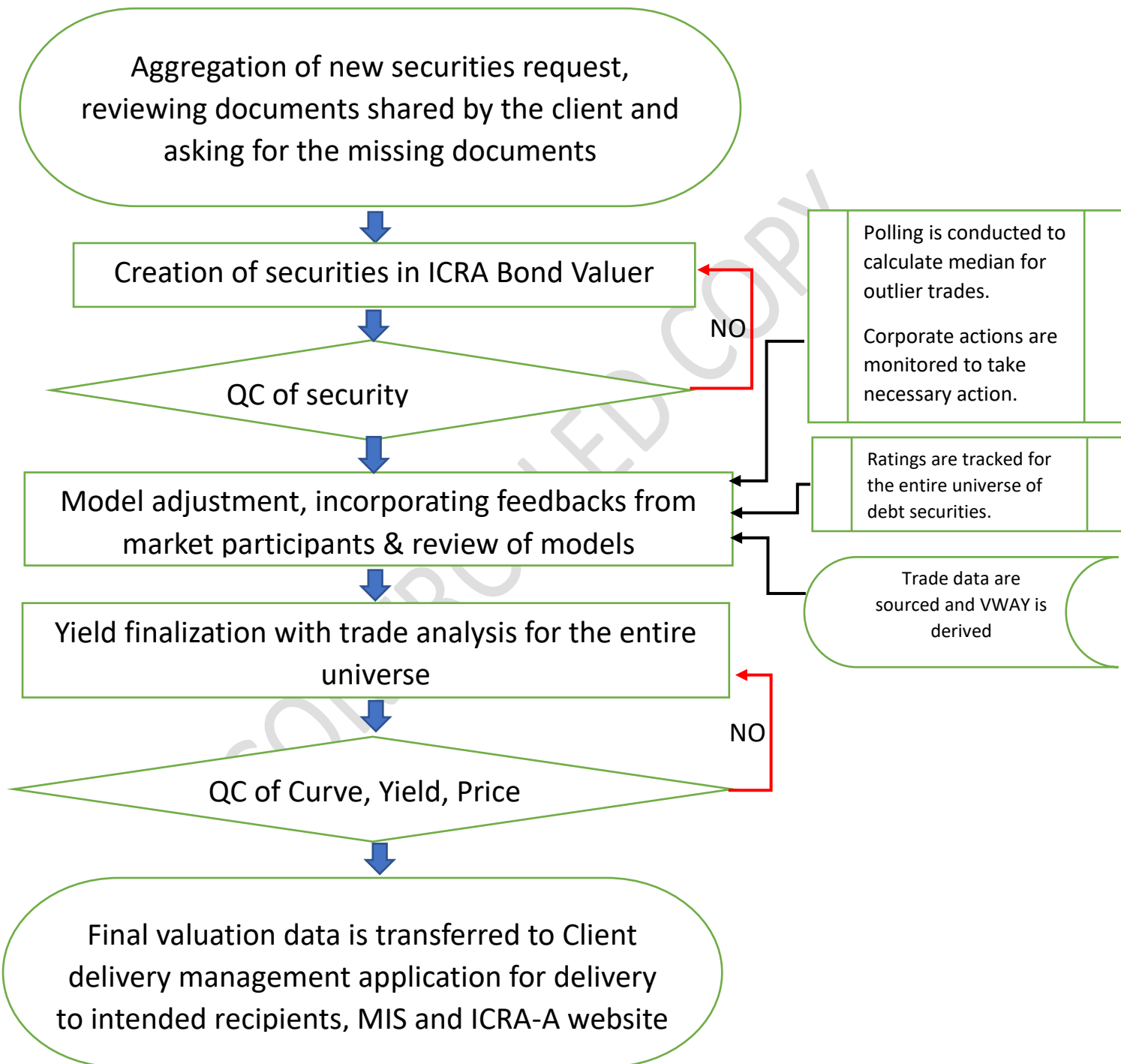
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Prepared by	Reviewed By	Approved By	Last Updated on
Fixed Income Team	Sector Head	Sector Head	01.01.2025

## Valuation Workflow & methodology

### Valuation Workflow



## Valuation Workflow & methodology

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

## Valuation Workflow & methodology

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

<b>Valuation Methodology for G-sec Strip.</b>	
<b>Waterfall</b>	Secondary Trade>2-way quote (not wider than 5 bps)>Previous Spread over benchmark>Polling
<b>Trade quantum criteria</b>	Minimum 5 cr
<b>Outlier criteria</b>	+/-5 bps over and above benchmark movement
<b>Sources for traded data</b>	CCIL & Public platform (RBI)
<b>Liquidity classification</b>	Liquid
<b>Day count convention</b>	30/360
<b>Consideration of Yield</b>	VWAY of last one hour, if not available then VWAY whole day
<b>Benchmarking criteria</b>	Tenor based linked with G-sec
<b>Poll consideration</b>	Median of minimum 3 polls
<b>Trade cut-off</b>	Market closing time
<b>Exceptional events: (but not limited to)</b>	<ol style="list-style-type: none"> <li>1. Monetary/Credit Policy</li> <li>2. Union Budget</li> <li>3. Material statement on sovereign ratings</li> <li>4. Issuer or sector specific events which have a material impact on yields</li> <li>5. Central government election days</li> <li>6. Quarter end days</li> </ol>
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<b>Valuation Methodology for T-bill &amp; Cash Management Bill.</b>	
<b>Waterfall</b>	Secondary Trade>Primary Trade>2-way quote (not wider than 5 bps)>Previous Spread over benchmark>Polling
<b>Trade quantum criteria</b>	Minimum 25 cr for T-bill
<b>Outlier criteria</b>	+/-5 bps over and above benchmark movement
<b>Sources for traded data</b>	CCIL & Public platform (RBI)
<b>Liquidity classification</b>	Liquid
<b>Day count convention</b>	Act/365
<b>Consideration of Yield</b>	VWAY of last one hour, if not available then VWAY whole day
<b>Benchmarking criteria</b>	Fortnightly till 91 days and monthly for >91 days
<b>Poll consideration</b>	Median of minimum 5 polls for benchmark and median of minimum 3 polls for non-benchmark
<b>Trade cut-off</b>	Market closing time
<b>Exceptional events: (but not limited to)</b>	<ol style="list-style-type: none"> <li>1. Monetary/Credit Policy</li> <li>2. Union Budget</li> <li>3. Material statement on sovereign ratings</li> <li>4. Issuer or sector specific events which have a material impact on yields</li> <li>5. Central government election days</li> <li>6. Quarter end days</li> </ol>
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## Valuation Workflow & methodology

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

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

Valuation Methodology for G-sec Repo.				
<b>Waterfall</b>	Trade>Similar Maturity>Previous Spread over benchmark>Polling			
<b>Trade quantum criteria</b>	Minimum 5 cr			
<b>Outlier criteria</b>	<i>Tenor</i>	<i>Upto 15 days</i>	<i>&gt;15 -30 days</i>	<i>&gt;30days</i>
	<i>Repo</i>	<i>30 bps</i>	<i>20 bps</i>	<i>10 bps</i>
<b>Sources for traded data</b>	CCIL			
<b>Liquidity classification</b>	Liquid			
<b>Day count convention</b>	Act/365			
<b>Consideration of Yield</b>	WAR (weighted average rate)			
<b>Benchmarking criteria</b>	Linked with T-bill			
<b>Poll consideration</b>	Median of minimum 3 polls			
<b>Trade cut-off</b>	Market closing time			
<b>Exceptional events: (but not limited to)</b>	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			
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## Valuation Workflow & methodology

Valuation Methodology for TREPS				
<b>Waterfall</b>	Trade>Similar Maturity>Previous Spread over benchmark>Polling			
<b>Trade quantum criteria</b>	Minimum 25 cr			
<b>Outlier criteria</b>	<i>Tenor</i>	<i>Upto 15 days</i>	<i>&gt;15 -30 days</i>	<i>&gt;30days</i>
	<i>Repo</i>	<i>30 bps</i>	<i>20 bps</i>	<i>10 bps</i>
<b>Sources for traded data</b>	CCIL			
<b>Liquidity classification</b>	Liquid			
<b>Day count convention</b>	Act/365			
<b>Consideration of Yield</b>	WAR (weighted average rate)			
<b>Benchmarking criteria</b>	Linked with T-bill			
<b>Poll consideration</b>	Median of minimum 3 polls			
<b>Trade cut-off</b>	Market closing time			
<b>Exceptional events: (but not limited to)</b>	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			
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<b>Valuation Methodology for IRS Securities (Mibor-OIS)</b>	
<b>Waterfall</b>	Trade on CCIL>MIBOR OIS
<b>Trade quantum criteria</b>	Minimum 25 cr on CCIL
<b>Outlier criteria</b>	NA
<b>Sources for traded data</b>	CCIL & Reuters
<b>Valuation done for Floating leg/Fixed leg</b>	Only Fixed leg
<b>Day count convention</b>	Act/365
<b>Consideration of Yield</b>	VWAY whole day
<b>Yield finalisation</b>	Yield is finalised based on residual tenor of securities. If the residual tenor of security falls in between the available tenor in the curve than interpolation method is used.
<b>Poll consideration</b>	NA
<b>Trade cut-off</b>	Market closing time
<b>Exceptional events: (but not limited to)</b>	<ol style="list-style-type: none"> <li>1. Monetary/Credit Policy</li> <li>2. Union Budget</li> <li>3. Material statement on sovereign ratings</li> <li>4. Issuer or sector specific events which have a material impact on yields</li> <li>5. Central government election days</li> <li>6. Quarter end days</li> </ol>
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### **Data retention policy**

All valuation related data are kept in the access controlled shared drive for eight years and more as per AMFI guidance.

### **Business Continuity Plans (BCP)**

ICRA-A has a robust Business Continuity Plan and Business Continuity Tests are conducted periodically as per a predetermined schedule. CISO is overall responsible for preparing BCP, recovery strategy, test plan, and implementation of the same.

ICRA-A has formed the Crisis Management Team (CMT) responsible for planning, implementation, and monitoring of BCP when it is invoked during a disaster situation. CMT is responsible for taking decisions and coordination at the time of any disaster or emergency. They are also responsible for the successful execution and implementation of BCP at the time of disaster or emergency.

### **Review Policy:**

- a) Share drive permission is reviewed on periodic basis for authorized access.
- b) Application login permission is reviewed on periodic basis for authorized access.
- c) Valuation process and policy is reviewed as and when required or at least on yearly basis. If there is any material change than it should be uploaded on the website 15 days prior to implementation.

### **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.

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### **Disclaimer:**

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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.