



APMI/2022-23/01

DATE: 23<sup>rd</sup> March, 2023

To,

All Portfolio Managers registered with SEBI

Dear Sir / Madam,

**Subject: Performance Benchmarking and Reporting of Performance by Portfolio Managers**

1. SEBI, vide circular SEBI/HO/IMD/IMD-PoD-2/P/CIR/2022/172 dated December 16, 2022 (“**B&V Circular**”) specified various modalities related to performance benchmarking, valuation of securities and reporting of performance by the Portfolio Managers.
2. This APMI Circular addresses the valuation related compliance requirements that the Portfolio Managers need to follow with effect from April 1, 2023.
3. Under the B&V Circular, SEBI mandated APMI to:
  - a. **Prescribe standardized valuation norms** for Portfolio Managers same as the corresponding norms applicable to the Mutual Funds, so that valuation of the portfolio debt and money market securities by portfolio managers shall be carried out in accordance with these standardized valuation norms prescribed by APMI. Please refer to Paragraph 2.7 of the B&V Circular.
  - b. **Empanel valuation agencies** for the purpose of providing security level prices to Portfolio Managers. Portfolio Managers shall mandatorily use valuation services obtained only from one or more of such empaneled valuation agencies for the purpose of valuation of debt and money market securities in portfolios managed by them. The ultimate responsibility for fair valuation shall be that of the Portfolio Manager. Please refer to Paragraph 2.8 of the B&V Circular.
4. APMI prescribes that the standardized valuation norms for portfolio managers shall be the same as the corresponding norms applicable to the Mutual Funds. Valuation of the portfolio debt and money market securities by portfolio managers shall be carried out in accordance with these standardised valuation norms prescribed by APMI.
5. **Valuing Unlisted Equity securities**
  - 5.1 APMI also intends to bring uniformity in methodology being followed by Portfolio Managers for valuing any unlisted securities with equity or quasi-equity (“**Unlisted Equity**”) like characteristics. At present, Unlisted Equity were either valued at cost or marked up/ down basis secondary market trades in the security or basis last funding round in the company. Also, there is no defined frequency for formal or informal valuation. Given portfolio value forms the basis for performance reporting and fees charged by the Portfolio Manager, it is important to bring an independent valuer’s perspective to ascribe value to a security. However, with the costs involved in valuing each company and no major changes happening in a company that warrant frequent valuations, APMI prescribes that independent valuation frequency of Unlisted Equity portfolio be semi-annual in line with the proposed valuation guidelines for AIFs.



## 5.2 Valuation Principles

5.2.1 APMI prescribes that the valuation principles to be followed by portfolio managers for valuing Unlisted Equity securities shall be in line with the SEBI Consultation Paper titled “Consultation Paper on standardised approach to valuation of investment portfolio of Alternative Investment Funds” published on January 6, 2023 (“**Consultation Paper**”). The Consultation Paper recommends that AIFs adopt International Private Equity and Venture Capital Valuation Guidelines (IPEV Guidelines) for valuing their portfolio companies.

5.2.2 IPEV guidelines specify that valuer uses one or more of following methodology to value the securities:

A. Market Approach,

- Multiple of earnings or revenue
- Industry Valuation Benchmarks
- Market Prices available for instruments quoted on an active market

B. Income Approach, based on Discounted Cash Flows

C. Replacement Cost Approach, based on Net Asset Valuation techniques

## 5.3 Selection of Independent Valuer

In line with the Consultation Paper, APMI prescribes that portfolio managers appoint independent valuers that satisfy **ALL** of the following conditions:

A. The valuer registered with Insolvency & Bankruptcy Board of India (IBB);

B. The valuer has membership of a professional institute established by an Act of Parliament enacted for the purpose of regulation of profession such as ICAI, Institute of Company Secretaries of India, Institute of Cost Accountants of India, etc. or has a charter CFA from CFA Institute;

C. The valuer has at least 3 years of experience in valuation of Unlisted Equities;

D. The valuer is not an associate/related party of the portfolio manager.

The portfolio managers may have a bilateral contract with independent valuers for valuing Unlisted Equities. Further, if the portfolio manager changes the valuer, the reason for such change should be communicated in writing to the investors.

6. Reference to Paragraph 2.8 of the B&V Circular, APMI has empaneled the following valuation agencies for providing security level prices to Portfolio Managers for valuation of debt and money market securities:

- a. NSE Indices Limited
- b. ICRA Analytics Limited
- c. CRISIL Limited

The comparative table of quotes offered for portfolio managers for valuation of debt securities and money market instruments is presented in **Annexure 1**.



7. Portfolio Managers shall mandatorily use valuation services obtained only from one or more of such empaneled valuation agencies for the purpose of valuation of debt securities and money market securities. The ultimate responsibility for fair valuation shall be that of the Portfolio Manager.
8. The above Circular along with SEBI's B&V Circular shall be applicable to all portfolio managers with effect from April 1, 2023.
9. This circular is issued as per the instructions of SEBI as included in the B&V Circular and SEBI's letter to APMI dated December 16, 2023.

Yours Sincerely

Rashim Bagga  
Principal Officer- Association of Portfolio Managers of India

**Encl: Annexure 1**



## Annexure 1

Sr. No.	No. of ISIN	NSE	ICRA	CRISIL
		Annual Fees (Rs.)	Annual Fees (Rs.)	Annual Fees (Rs.)
1	01-10	25,000	60,000	1,25,000
2	11-25	50,000	1,35,000	2,25,000
3	26 - 50	75,000	1,50,000	3,50,000
4	51 - 75	1,00,000	2,25,000	4,25,000
5	76 - 100	1,25,000	2,50,000	5,25,000
6	101 - 150	1,50,000	3,35,000	6,75,000
7	151 - 200	1,75,000	3,50,000	8,00,000
8	201 - 250	2,00,000	3,90,000	9,00,000
9	More than 250	2,50,000	Rs. 3,90,000 + Rs.1000 per ISIN p.a.	Rs. 9,00,000 + Rs. 2000 per ISIN p.a.

	<b>MLD</b>	N/A	Rs. 50,000/ISIN	Rs. 25,000/ ISIN
	<b>Sub Investment Grade Bonds</b>	N/A	Rs. 50,000/ISIN	Rs. 2,50,000 / ISIN
	<b>Unlisted debt securities</b>	N/A	Rs. 50,000 /ISIN	Rs. 2,50,000 to Rs. 5,00,000 / ISIN

Please refer to the following links for commercial proposals along with detailed terms and conditions.

1. CRISIL: <https://tinyurl.com/kx8tdpxx>
2. ICRA: <https://tinyurl.com/3359cfb3>
3. NSE: <https://tinyurl.com/25kcdn76>