

## NPS TRUST A/C - MAX LIFE PENSION FUND MANAGEMENT LIMITED

### SCHEME C TIER II

#### Schedule 6

#### Significant accounting policies & notes to accounts for the Half Year ended March 31, 2023

##### 1.1 Background

Max Life Pension Fund Management Ltd., (MLPFML) a Company incorporated under the Companies Act, 2013, and a subsidiary of Max Life Insurance Limited was appointed as a Pension Fund Manager (PFM) by the Pension Fund Regulatory and Development Authority (PFRDA) for the management of Pension Fund and for this purpose it has entered into Investment Management Agreements (IMA). As per unbundled architecture of the NPS Trust, the main responsibility of the PFM is to manage funds in accordance with the laid down guidelines and declare NAV. The PFM manage funds of subscribers till attaining the age of superannuation / death / voluntary withdrawal, whichever is earlier.

As per the architecture, Protean eGovernance Infrastructure Ltd., KFin Technologies Private Limited, and Computer Age Management Services Limited being the Central Recordkeeping Agencies (CRAs) provides consolidated data to PFM for allotment/redemption of units and Axis Bank Ltd., being the Trustee Bank, provides/receive funds on consolidated basis in respect of such allotment/redemption.

**Central Record Keeping Agency (CRA):** Protean eGovernance Infrastructure Ltd., KFin Technologies Private Limited, Computer Age Management Services Ltd and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS.

**Some of the key responsibilities of the CRA include the following:**

- Record keeping, Administration and Customer service function for NPS subscriber,
- Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- Maintaining database of all PRANs issued and recording transactions relating to each subscriber's PRAN,
- PRAN Transaction Statement,
- An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trust Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the fund flow to Pension Fund Managers (PFM) and also instruct Axis Bank to credit PFM's pool account maintained with them.

The Trustee bank i.e. Axis Bank provides subscription funds on a consolidated basis for all the schemes managed by PFM and credits the same to a control account maintained by the PFM, wherefrom the funds are transferred by the PFM to the respective schemes. The PFM record receipt of funds in the respective schemes only.

NPS trust has designated Deutsche Bank AG (DB) as the custodian, who is responsible for safe custody of securities and settlements of trades and informs/updates about the corporate actions.

The fees payable to CRA, in terms of IMA, is charged to the investor by redeeming the equivalent number of units on receipt of intimation from CRA. As stated above, the amount of funds received from the subscribers is intimated by the Trustee Bank on consolidated basis on T +2 basis. PFM records the same on receipt basis. Accordingly, funds with Trustee Bank at the yearend do not get reflected in the financial statements.

CRISIL has been designated as centralised valuation service provider appointed by NPS Trust, who is responsible for providing rates for valuation, which is used by PFM for valuation of investments.

## **1.2 Schemes Particulars**

The Company manages eight separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, G, C, A and Tax Saver based on the asset class prescribed under the NPS as follows:

Scheme E - Equity market instruments

Scheme G - Government securities

Scheme C - Credit risk bearing fixed income instruments

Scheme A -Alternate Investment funds

Scheme Tax Saver- Hybrid Investments

Tier-I: This is the non-withdrawable permanent retirement account into which the regular contributions made by the subscriber are credited and invested as per the portfolio/fund manager chosen of the subscriber.

Tier-II: This is a voluntary withdrawable account which is allowed only when there is an active Tier I account in the name of the subscriber. The withdrawals are permitted from this account as per the needs of the subscriber as and when required.

The objective of the schemes is to maximize the risk adjusted return by investing in specified securities as per investing pattern as prescribed by PFRDA.

## **1.3 Basis of preparation**

The financial statements have been prepared to comply with the Pension Fund Regulatory and Development Authority Act, 2013, PFRDA (Preparation of financial statements and

Auditor's report of Schemes under National Pension System) Guidelines- 2012, Accounting Standards notified under the Companies Act, 2013 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines- 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis under the historical cost convention, except valuation of investments, which are 'mark-to-market'.

#### **1.4 Accounting of Unit Capital**

Units are created and redeemed based on the intimation provided by Central Record Keeping Agency (CRA) and the same are reflected as Unit Capital and the net premium or discount to the face value is transferred to the Unit Premium Reserve.

#### **1.5 Investments**

Transactions for purchase and sale of securities are accounted on trade date at cost and sale price respectively.

The holding cost of investments is determined by the weighted average cost method and the cost includes applicable taxes, stamp charges and brokerage but exclude other transactional charges. Investments are reconciled with the custodian records on daily basis.

##### **Valuation of Investments**

The scheme marks all investments to market and carries investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.

The change in unrealised appreciation/depreciation in the value of investments is determined separately for each assets category at the year-end and is recognised in the Revenue Account. The change in net unrealised appreciation, if any, is transferred to /from "Unrealised Appreciation Reserve" shown as part of Reserves and Surplus.

As per directive received from NPS Trust, the valuation of investments is carried out by CRISIL Limited w.e.f. April 01, 2022. The Investment valuation methodology adopted by CRISIL Limited is as follows:

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines - 2012.

##### **Securities traded at a stock exchange:**

Traded debt securities (other than government securities) are valued at weighted average traded price on that day reported on National Stock Exchange (NSE) / Bombay Stock Exchange (BSE). Preference is given to NSE trade over BSE trade.

**Securities not traded at a stock exchange:**

Non-traded debt securities (i.e. securities not reported on exchanges) are valued at a yield to maturity basis by using matrix of spread over risk free asset constructed by CRISIL Limited. Matrix is classified into two categories TRAD & NPR. TRAD Matrix (Comprises of sectors like MFTG, BANK, HFC) & NPR Matrix (Comprises of sectors like NBFC, Real Estate). Matrix is constructed basis each rating category and for all tenor. Any security falling into respective matrix type (TRAD or NPR) are valued as per that matrix basis conservative rating of that security and modified duration.

**Valuation of securities having call and/or Put options:**

- a) Callable Bonds with single / daily / multiple call options will be valued at lowest value basis.
- b) Puttable Bonds with single / daily / multiple call options will be valued at highest value basis.
- c) The securities with both Call & Put options on the same day would be deemed to mature on the Call/Put day and will be valued accordingly.
- d) For perpetual bonds with single / daily / multiple call options, the price for all options dates till the maturity date will be computed and the lowest price will be used for valuing the bonds.
- e) For perpetual bank bond, the first Call date of the bond shall be considered as deemed date of maturity for the valuation purpose.

**Valuation of Partly Paid up Bonds**

Partly paid bonds will be valued on the paid up value of the bonds till it is fully paid.

**Valuation of debt securities below Investment grade of BBB-**

Valuation of performing non-government debt securities below Investment grade of BBB- at a discount of 25% to face value ( as per SEBI guideline CIR MFD/CIR/8/92/2000 dated September 18,2000).

On Friday or on last working day before the market holiday, the valuation convention shall be T+1 for corporate bonds.

**Valuation of Money Market Investment and Mutual Fund**

Money market instruments like, commercial paper, and certificate of deposit are valued at last quoted price / applicable Matrix based valuation for investment grade securities. Mutual fund units are valued based on the net asset value of the preceding day of the valuation date.

## 1.6 Income Recognition

Interest income on all interest bearing investment is recognised on daily accrual basis; when investments are purchased, interest paid for the period from the last interest due date up to the date of purchase is debited to Interest Recoverable Account and not

included in cost of purchase. Similarly interest received at the time of sale for the period from the last interest due date up to the date of sale credited to Interest Recoverable Account and not included in sale value.

Accretion of discount and amortisation of premium relating to debt securities like Zero Coupon Bond and Money Market Investment are recognised over the holding / maturity period on a straight-line basis.

Profit or loss on sale of debt securities is the difference between the sale consideration net of expenses and the weighted average amortised cost as on the date of sale.

Profit or loss on sale of mutual fund units is the difference between the sale consideration net of expenses and the weighted average book cost.

### **1.7 Computation of NAV**

The NAV of the units is determined by dividing the net assets, including investments recognised and valued as per the accounting policies, by the number of outstanding units on the valuation date.

### **1.8 Income Taxes**

No Provision for Income tax has been made since the income of the Scheme is exempt under Section 10(44) of the Income tax Act, 1961.

### **1.9 Net unrealized gain or loss in value of investments**

The net unrealized gain or loss in the value of investments is determined separately for each category of investment. The net change in unrealized gain or loss between two balance sheet dates is recognized in the revenue account. Later, the change in unrealized gain (net) in the value of investment is transferred from/to unrealized appreciation reserve through appropriation account.

### **1.10 Unit Premium Reserve**

Difference between the issue/redemption price and face value of units is credited / debited to Unit Premium Reserve.

### **1.11 Units reconciliation**

The subscribers' units as per Investment management system are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.

### **1.12 Investment management fee**

Investment management fees are recognised on daily accrual basis on closing Asset Under Management (AUM) in accordance with IMA. The Investment management fee excludes custodian charges and applicable taxes, if any.

The Company has charged investment management fee as per the below slab structure basis the aggregate AUM managed by the PFM under all Scheme during the period of operation.

<b>Slab of AUM</b>	<b>Investment Management Fees</b>
Upto 10,000 Cr	0.09%
10,001 - 50,000 Cr	0.06%
50,001 - 1,50,000 Cr	0.05%
Above 1,50,000 Cr	0.03%

### **1.13 Trustee fees**

The Trustee fees is charged to the scheme at 0.005% p.a. on Net Assets Value.

### **1.14 Other Expenses**

Custody charges are recognised on accrual basis in accordance with IMA. Trustee bank charges, if any, are recognised when they are debited by the trustee bank on a quarterly basis.

NAME OF PENSION FUND  
SCHEME NAME  
PERIOD

MAX LIFE PENSION FUND MANAGEMENT LIMITED  
SCHEME C TIER II  
31ST MARCH 2023

ISIN No.	Name of the Instrument	Industry	Quantity	Market Value	% of Portfolio
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**Money Market Instruments**  
**Liquid Funds**

INF209K01VA3	Aditya Birla Sun Life Liquid Mutual Fund - Direct Plan - Growth	Management of Mutual Funds	2,148.44	779,494	79.65%
INF789FB1S71	UTI Overnight Fund - Direct Plan - Growth	Management of Mutual Funds	64.42	197,644	20.20%
	<b>Subtotal</b>			<b>977,138</b>	<b>99.85%</b>

Equity				-	0.00%
Money Market Instruments				977,138	99.85%
Cash / Cash Equivalent Net Current Assets				1,495	0.15%
<b>Grand Total</b>				<b>978,633</b>	<b>100.00%</b>

NAV DATE	NAV
at the beginning of the period	10.0000
at the end of the period	10.3193
Total NPAs provided for and its percentage of NAV	Nil
Total value and Percentage of illiquid equity shares	Nil
Total Outstanding exposure in derivative instruments at the end of the period	Nil
Total Infrastructure investments	-
Average Maturity of Portfolio ( in Yrs.)	-
Modified Duration ( in Yrs.)	-
Yield to Maturity (%)	-