

## **VALUATION COMMITTEE**

### **MINUTES OF THE MEETING FOR AUGUST 2020.**

**1<sup>st</sup> September 2020 11:00 AM**

- **Perusal of Valuations as on 31st August 2020 (hosted on Website)**
- **Identification of Nodal Points for the month of September, 2020**
- **Identification of liquid securities for short selling in GOI Securities.**

**1<sup>st</sup> September 2020 04:15 PM**

- **Approval of Corporate bond Spread Matrix (including ATI Bonds as of 1<sup>st</sup> September 2020)**
- **Identification Representative Issuers for the month of September, 2020**

**FIXED INCOME MONEY MARKET AND DERIVATIVES  
ASSOCIATION OF INDIA**

(Prepared by M/S Akash Surana & Praagy Srivastava)

## FIMMDA: Valuation Committee Meeting

In continuation of the partial lockdown and maintenance of social distancing, it was decided to continue holding virtual meeting for August 2020 as well. A virtual meeting of select market participants through video / audio conferencing (ZOOM – application) was held on 1st September 2020 in two parts, one for G Securities and related matters at 11:00 Hrs and another for Corporate Bond valuation matrix and related matters at 4:15 PM .

For G Securities, the data chosen was from 31/7 to 28/08/2020. All other agenda items usually forming part of a valuation committee meeting viz. GSEC nodal point identification, etc were prepared as per methodology document in consultation with FBIL. These items were earlier sent to Market participants and there were no observations.

A) Val.Com. meeting for G Securities – 1st September 2020 at 11:00 Hrs.

List of Participants for the meeting over video conferencing:

Sr. No	Name (Mr./Ms.)	Designation	Institution	Email id
1	N S S Moni, Director	SBI DFHI	SBIDFHI	<a href="mailto:evp@sbidfhi.com">evp@sbidfhi.com</a>
2	D.V.S.S.V. Prasad	CEO	FIMMDA	<a href="mailto:ceo@fimmda.org">ceo@fimmda.org</a>
3	R.N. Kar	CEO	FBIL	<a href="mailto:ceo@fbil.org.in">ceo@fbil.org.in</a>
4	P Das Gupta	DY CEO	FIMMDA	<a href="mailto:dyceo@fimmda.org">dyceo@fimmda.org</a>
5	Sarbeswar Lenka	DY CEO	FBIL	<a href="mailto:dyceo@fbil.org.in">dyceo@fbil.org.in</a>
6	Arnab Chakravarti		ICICI Bank	<a href="mailto:arnab.chakravarti@icicibank.com">arnab.chakravarti@icicibank.com</a>
7	Kalpesh Badgular		STCI PD	<a href="mailto:kalpesh2@stcipd.com">kalpesh2@stcipd.com</a>
8	Kaumudi Mankar	MANAGER	Bank of Maharashtra	<a href="mailto:midoffice@mahabank.co.in">midoffice@mahabank.co.in</a>
9	Manish Anand		SBI	
10	Manoj Kartheek		SBI	
11	Ramandeep Kaur	AM	FIMMDA	<a href="mailto:gsec@fimmda.org">gsec@fimmda.org</a>
12	Akash Surana	AM	FIMMDA	<a href="mailto:productdevelopment@fimmda.org">productdevelopment@fimmda.org</a>
13	Anisha Gawde	AM	FIMMDA	<a href="mailto:valuation@fimmda.org">valuation@fimmda.org</a>
14	Shiraz Daruwala		FIMMDA	<a href="mailto:shiraz@fimmda.org">shiraz@fimmda.org</a>

G-Sec:

**1. Identification of Nodal Points for the Month of Septembers, 2020**

As per the traded data (NDS-OM + Reported Deal and NDS-OM alone) for the month of August, 2020 from 31/7 to 28/08/2020 we identified the following Nodal Points for inputting into the Cubic Spline Model for generation of G-Sec YTM Curve for Day End Valuation for the month of September 2020.

<b>Maturity year</b>	<b>Coupon (%)</b>	<b>Maturity Date</b>
2021	6.17	15-Jul-21
2022	6.84	19-Dec-22
2023	7.68	15-Dec-23
2024	7.32	28-Jan-24
2025	5.22	15-Jun-25
2026	7.27	08-Apr-26
2027	6.79	15-May-27
2028	7.17	08-Jan-28
2029	6.45	07-Oct-29
2030	5.77	03-Aug-30
2031	6.68	17-Sep-31
2032	7.95	28-Aug-32
2033	7.57	17-Jun-33
2034	6.19	16-Sep-34
2035	7.40	09-Sep-35
2046	7.06	10-Oct-46
2050	7.16	20-Sep-50
2060	6.80	15-Dec-60

- **06.18 GS 2024 has been replaced by 07.32 GS 2024 based on the trade\* volume.**
- **05.77 GS 2030 will continue to be nodal Point though 05.79 GS 2030 is the highest traded security in that tenor as issuances of 05.77 GS 2030 is expected to increase.**
- **06.83 GS 2039 has been removed as Nodal Point as it did not fulfill the trade\*volume Filter criterion.**
- **7.06 GS 2046, though not qualifying the trade\* volume filter criteria will continue to be nodal point due to the long gap between 2035 tenor and 2050 tenor so as to ensure smoothness in the yield curve.**
- **06.62 GS 2051 has been removed as Nodal Point as it did not fulfill the trade\*volume Filter criterion.**

**2. Daily Filter criteria for considering Level 1 inputs for yield curve generation:**

Daily Filter criteria for considering Level 1 inputs shall be as under: -

The minimum number of trades for the security should be **0.6685%** (previous month 0.4786%) of the most traded bond on a particular day and the minimum volume should

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be **1.1349%** (previous month 0.6367%) of the most liquid bond on a particular day subject to a maximum of 2 trades and Rs.10 crores for tenors 15 year and beyond.

The ratios are calculated based on "3 Month Moving Average" as discussed and decided in the valuation committee meeting dated 1st October, 2014.

For calculating the ratio, the no. of trades and volume during previous month of "nodal security" having minimum volume\* No. of trades and of a "nodal security" having maximum volume\* no. of trades have been considered.

The model prices/ yields are replaced by LTP/LTY in case of all securities.

### **3. Identification of Liquid Securities for Short Selling in Government Securities:**

The list of liquid securities is to be provided by FIMMDA on monthly basis. The following liquid securities (previous month volume more than Rs.5000 Cr and number of trades more than 1000) identified for the month of Sep 2020 (from Sep 5, 2020 to Oct 4, 2020) were approved:

07.32 GS 2024  
06.18 GS 2024  
05.22 GS 2025  
06.45 GS 2029  
05.79 GS 2030  
05.77 GS 2030  
06.19 GS 2034

**\*\*\*\*\*End of document for G Securities\*\*\*\*\***

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### B) Valuation Committee meeting 1<sup>st</sup> September 2020- 4:15 PM - Corporate Bond Matrix and related matters.

List of Participants for the meeting over video conferencing on 1<sup>st</sup> September 2020:

Sr. No	Name (Mr./Ms.)	Designation	Institution	Email id
1	D.V.S.S.V. Prasad	CEO	FIMMDA	ceo@fimmda.org
2	P Das Gupta	DY CEO	FIMMDA	dyceo@fimmda.org
3	Debarata Sahoo		Bank of Baroda	
4	Ganpat Lal Phulwary	DGM	PNB	nonslr@pnb.co.in
5	Arpit Sarawagi	VP	IndusInd Bank	Arpit.sarawagi@indusind.com
6	Manish Anand	DGM	SBI	nslr.irm@sbi.co.in
7	Manoj Kartheek		SBI	
8	Arnab Chakravarti	SGM	ICICI Bank	arnab.chakravarti@icicibank.com
9	Padarbinda Patro		AU Bank	padarbinda.patro@aubank.in
10	Abhijit Vakharkhar	Chief Manager	ICICI Bank	abhijit.vakharkhar@icicibank.com
11	Avishake Choudhary		HDFC Bank	Avishake.Choudhary@hdfcbank.com
12	Trilok Gupta	VP	HDFC Bank	Trilok.gupta@hdfcbank.com
13	Rajasekhar Ambati		Union Bank	
14	Kalpesh Badgujar	Manager	STCI PD	kalpesh2@stcipd.com
15	Praveen Kumar		Union Bank	
16	Abhishek Jyotishi			
17	Sidhartha		Canara Bank	
18	Chandan		AU Bank	
19	Sudesh		PNB	
20	Kaumudi Mankar	Manager	Bank of Maharashtra	midoffice@mahabank.co.in
21	Praagy Srivastva	AM	FIMMDA	fimmda@fimmda.org

22	Deepika Rathod	AM	FIMMDA	nonslr@fimmda.org
23	Shiraz Daruwala		FIMMDA	shiraz@fimmda.org

4. The monthly spread matrix as on 31st August 2020 was discussed and approved by valuation committee members.

5. The difference between the 0.5 years (not polled) and 1 year (polled) traded spreads: Traded Spread between 1 year & 0.5 year.

Month	PSUFI, Banks			NBFCs			Corporates			
	AAA	Min	Max	AAA	Min	Max	AAA	AA+	AA	AA-
August-20	0.00	0.00	0.00	0.89	0.66	1.11				
July-20	0.00	0.00	0.00	0.90	0.90	0.90				
June-20	0.00	0.00	0.00	1.05	0.81	1.16				
Avg 3 months	0.00				0.95					
Avg 6 months	0.00				0.68					
<b>Considered</b>	<b>0.13</b>				<b>0.96</b>					

As per the above analysis, committee members decided to consider average of last 3 months, as the difference between the yield of 0.5 year and 1 year. As a result, the polled yield for 1-year PSU will be deducted by 13 bps to get 0.5-year polled yield (as there was no trade in last 3 months so repeated previous month traded spread). The polled yield for 1-year NBFC/Corp. will be deducted by 96 bps to get 0.5-year polled yield.

This spread will be calculated every month on rolling basis.

#### 6. Selection of Representative Issuers:

Below mentioned list of representative issuers was finalized for the month of September 2020 (To be used for 15-September-2020 and the second fortnight 30-September-2020) based on No. of trades and volume for the period from 03-08-2020 to 31-08-2020.

Rating	Segments	Representative Issuers
AAA	PSU,FI & Banks	(1) IRFC (2) NHAI (3) PGC (4) NTPC
AAA	NBFC	(1)HDFC
AAA	Corporates	(1)RIL
AA+	PSU,FI & Banks	-
AA+	NBFC	-
AA+	Corporates	-
AA	PSU,FI & Banks	-
AA	NBFC	-

AA	Corporates	-
AA-	PSU,FI & Banks	-
AA-	NBFC	-
AA-	PSU,FI & Banks	-

**7. Valuation of AT-1 Bonds:**

Traded spreads during the month of August 2020 were presented to the members along with the previous month spreads. Total of 20 out of 79 AT1 bonds issued were traded. The AT1 bonds are divided into two categories depending upon (a) Rating up to AA & (b) Rating AA- & below. Each rating category has two tenors viz. Up to 5 years and above 5 years.

For categories with minimum 5 traded ISIN's, outliers were identified using +/- 1 S.D. from the weighted average spread.

The spreads approved for AT1 bonds are as under; -

Ratings / Tenors	Up to 5 Years	Above 5 Years
AA & Above	293 (318)	318 (343)
AA- & Below	441 (485)	No AT1 Bond (510)

Note: Figures in brackets are that of last month.

As desired by the participants in the last month's meeting, an analysis of the 79 bonds was done and it was found that there are no bonds below AA- beyond 5 years residual maturity. It was decided that spread for AT1 bonds for above 5 year residual maturity for rating below AA- will henceforth not be provided till there is an AT1 bond issued and outstanding in the market with such Residual maturity and rating below AA-.

But subsequent to the meeting, it came to light that one AT1 bond Of Union bank of India is beyond 5 years and so a spread by adding a notional 25 bps, totaling 466 bps was assigned to AA- bonds beyond 5 years.

The meeting concluded with a vote of thanks to the Valuation Committee members for their participation.

**Note:** Enclosed is the list of 79 AT1 Bonds

ISIN	Description	Coupon	Earliest Call Date	Rating	Rating Date
INE428A08069	ALLAHABAD BANK / INDIAN BANK	11.15	17-Mar-22		
INE428A08085	ALLAHABAD BANK / INDIAN BANK	9.34	08-Nov-22		
INE434A09149	ANDHRA BANK / UNION BANK OF INDIA	9.55	26-Dec-19	CARE A+	07-Oct-19

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INE434A08067	ANDHRA BANK / UNION BANK OF INDIA	10.99	05-Aug-21	CARE A+	07-Oct-19
INE434A08083	ANDHRA BANK / UNION BANK OF INDIA	9.20	31-Oct-22	CARE A+	07-Oct-19
INE238A08427	AXIS BANK LIMITED	8.75	14-Dec-21	ICRA AA+	21-Jun-17
INE238A08443	AXIS BANK LIMITED	8.75	28-Jun-22	ICRA AA+	21-Jun-17
INE028A08075	BANK OF BARODA	9.48	09-Jan-20	IND AA+/Stable	06-Sep-19
INE028A08083	BANK OF BARODA	8.50	02-Dec-21	IND AA+/Stable	06-Sep-19
INE705A08094	BANK OF BARODA	10.49	17-Jan-22	IND AA+/Stable	06-Sep-19
INE028A08091	BANK OF BARODA	9.14	22-Mar-22	IND AA+/Stable	06-Sep-19
INE028A08109	BANK OF BARODA	8.60	01-Aug-22	IND AA+/Stable	06-Sep-19
INE028A08117	BANK OF BARODA	8.65	11-Aug-22	IND AA+/Stable	06-Sep-19
INE028A08174	BANK OF BARODA	8.7	28-Nov-24	IND AA+/Stable	06-Sep-19
INE028A08182	BANK OF BARODA	8.99	18-Dec-24	IND AA+/Stable	06-Sep-19
INE028A08216	BANK OF BARODA	8.25	17-Jul-25	IND AA+/Stable	06-Sep-19
INE028A08224	BANK OF BARODA	8.5	28-Jul-25	IND AA+/Stable	06-Sep-19
INE084A08078	BANK OF INDIA	11.50	22-Jun-21		
INE084A08102	BANK OF INDIA	9.95	15-Mar-22		
INE084A08128	BANK OF INDIA	8.79	02-Nov-22		
INE084A08052	BANK OF INDIA	11.00	08-Aug-24		
INE084A08086	BANK OF INDIA	11.50	23-Jun-26		
INE457A08043	BANK OF MAHARASHTRA	11.60	15-Dec-21		
INE457A09215	BANK OF MAHARASHTRA	9.48	12-Jan-20		
INE476A08068	CANARA BANK	8.60	13-Dec-21	IND AA	04-Sep-19
INE476A08035	CANARA BANK	9.55	05-Mar-25	IND AA	04-Sep-19
INE112A08010	CORPORATION BANK / UNION BANK OF INDIA	9.51	09-Feb-20		
INE112A08028	CORPORATION BANK / UNION BANK OF INDIA	10.28	24-Mar-22		
INE112A08036	CORPORATION BANK / UNION BANK OF INDIA	9.23	14-Nov-22		
INE077A08072	DENA BANK / BANK OF BARODA	10.20	18-Mar-20		
INE514E08FL5	EXPORT IMPORT BANK OF INDIA	8.60	31-Mar-22	CRISIL AA+	29-Mar-17
INE040A08377	HDFC BANK LIMITED	8.85	12-May-22	CARE AA+/Stable	06-Jan-20
INE090A08TW2	ICICI BANK LIMITED	9.20	17-Mar-22	CARE AA+/Stable	07-Oct-19
INE090A08TZ5	ICICI BANK LIMITED	8.55	20-Sep-22	CARE AA+/Stable	07-Oct-19
INE090A08UA6	ICICI BANK LIMITED	0.09	04-Oct-22	CARE AA+/Stable	07-Oct-19



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INE090A08UB4	ICICI BANK LIMITED	9.15	20-Jun-23	CARE AA+/Stable	07-Oct-19
INE090A08UC2	ICICI BANK LIMITED	9.90	28-Dec-23	CARE AA+/Stable	07-Oct-19
INE008A08V42	IDBI BANK LIMITED	10.95	20-Jan-22		
INE008A08V34	IDBI BANK LIMITED	11.09	30-Aug-21		
INE008A08U84	IDBI BANK LIMITED	10.75	17-Oct-24		
INE565A09231	INDIAN OVERSEAS BANK	10.00	04-Feb-20		
INE095A08066	INDUSIND BANK LIMITED	9.50	22-Mar-22	IND AA/Negative	31-Mar-17
INE095A08074	INDUSIND BANK LIMITED	9.50	18-Apr-22	IND AA/Negative	31-Mar-17
INE141A08027	ORIENTAL BANK OF COMMERCE / PNB	9.48	10-Feb-20		
INE141A08050	ORIENTAL BANK OF COMMERCE / PNB	10.95	22-Jun-21		
INE141A08068	ORIENTAL BANK OF COMMERCE / PNB	10.95	30-Sep-21		
INE608A08025	PUNJAB AND SIND BANK	10.9	07-May-22	CARE A+/Negative	27-Dec-19
INE160A08100	PUNJAB NATIONAL BANK	8.95	03-Mar-22	IND A	04-Sep-19
INE160A08118	PUNJAB NATIONAL BANK	9.21	29-Mar-22	IND A	04-Sep-19
INE160A08126	PUNJAB NATIONAL BANK	9.21	31-Mar-22	IND A	04-Sep-19
INE160A08134	PUNJAB NATIONAL BANK	8.98	25-Jul-22	IND A	04-Sep-19
INE160A08076	PUNJAB NATIONAL BANK	9.15	13-Feb-25	IND A	04-Sep-19
INE062A08124	STATE BANK OF INDIA	9.00	06-Sep-21	CARE AA+/Stable	05-Jul-19
INE062A08132	STATE BANK OF INDIA	8.75	27-Sep-21	CARE AA+/Stable	05-Jul-19
INE062A08140	STATE BANK OF INDIA	8.39	25-Oct-21	CARE AA+/Stable	05-Jul-19
INE062A08157	STATE BANK OF INDIA	8.15	02-Aug-22	CARE AA+/Stable	05-Jul-19
INE062A08173	STATE BANK OF INDIA	9.56	04-Dec-23	CARE AA+/Stable	05-Jul-19
INE062A08181	STATE BANK OF INDIA	9.37	21-Dec-23	CARE AA+/Stable	05-Jul-19
INE062A08199	STATE BANK OF INDIA	9.45	22-Mar-24	CARE AA+/Stable	05-Jul-19
INE062A08215	STATE BANK OF INDIA	8.75	30-Aug-24	CARE AA+/Stable	05-Jul-19
INE062A08223	STATE BANK OF INDIA	8.5	22-Nov-24	CARE AA+/Stable	05-Jul-19
INE667A08062	SYNDICATE BANK / CANARA BANK	11.25	30-Mar-21	CARE A+	11-Sep-19
INE667A08070	SYNDICATE BANK / CANARA BANK	11.25	15-Jul-21	CARE A+	11-Sep-19
INE667A08088	SYNDICATE BANK / CANARA BANK	9.95	25-Oct-21	CARE A+	11-Sep-19
INE667A08104	SYNDICATE BANK / CANARA BANK	9.80	25-Jul-22	CARE A+	11-Sep-19
INE683A08051	THE SOUTH INDIAN BANK LIMITED	13.75	24-Jan-25	IND A- /Negative	09-Dec-19

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INE691A08039	UCO BANK	11.70	04-Nov-21		
INE692A08060	UNION BANK OF INDIA	9.10	30-Mar-22	IND AA	07-Oct-19
INE692A08078	UNION BANK OF INDIA	9.10	31-Mar-22	IND AA	07-Oct-19
INE692A08086	UNION BANK OF INDIA	9.08	03-May-22	IND AA	07-Oct-19
INE692A08029	UNION BANK OF INDIA	9.50	15-Sep-26	IND AA	07-Oct-19
INE695A08014	UNITED BANK OF INDIA / PNB	11.95	29-Sep-20		
INE695A08022	UNITED BANK OF INDIA / PNB	12.00	29-Mar-22		
INE705A08060	VIJAYA BANK / BANK OF BARODA	10.40	27-Mar-20	CARE AA- /Stable	03-Jul-19
INE705A08045	VIJAYA BANK / BANK OF BARODA	9.54	02-Feb-20	CARE AA- /Stable	03-Jul-19
INE705A08086	VIJAYA BANK / BANK OF BARODA	11.25	30-Mar-21	CARE AA- /Stable	03-Jul-19
INE528G08352	YES BANK LIMITED	9.50	23-Dec-21	CARE D	06-Mar-20
INE528G08394	YES BANK LIMITED	9	18-Oct-22	CARE D	06-Mar-20
INE528G08261	YES BANK LIMITED	10.50	31-Dec-23	CARE D	06-Mar-20

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