

NATIONAL PENSION SYSTEM TRUST
NPS Trust - A/c Max Life Pension Fund Management Scheme E – Tier II

Schedules forming part of the Balance Sheet (Unaudited) as at September 30, 2022 and the Revenue Account (Unaudited) for the period ended September 30, 2022

Significant Accounting Policies and Notes to the Financial Statements

A. Background

1. Max Life Pension Fund Management Ltd., (MLPFM) a Company incorporated under the Companies Act, 2013, and a subsidiary of Max Life Insurance Company Limited (MLICL) was appointed as a pension Fund Manager (PFM) by the National Pension System Trust (NPS Trust) 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. As per the architecture, NSDL eGovernance Infrastructure Ltd., Karvy Computershare 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.
2. CRA's responsibilities includes:
 - a. Recordkeeping, Administration and Customer service functions for NPS subscribers,
 - b. Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
 - c. Maintaining database of all PRANs issued and recording transactions relating to each subscriber's PRAN,
 - d. PRAN Transaction Statement,
 - e. An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trustee Bank etc.
 - f. CRAs are responsible to resolve all queries pertaining to investors. CRAs inform about the subscription and redemption to Pension Fund Managers (PFM) and also instruct Trustee Bank to credit PFM's pool account maintained with them.
3. NPS Trust has designated Deutsche Bank AG as the custodian, who is responsible for safe custody of securities and settlement of trades.
4. CRISIL has been designated as valuation service provider, who is responsible for providing rates for valuation, which is used by PFM for valuation of investments.
5. The Trustee 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.
6. The fees payable to CRAs as per the architecture is charged to the investors by redemption of units as claimed by CRAs.

B. Scheme particulars

1. **Investment objective:** The investment objective of the scheme is to optimise returns.
2. **Commencement:** The Scheme commenced operations on September 12,2022.
3. Contributions to the Scheme by the investors are withdrawable without any lock-in period.

C. Significant Accounting Policies

1. **Basis of preparation of Financial Statements:** The financial statements have been prepared pursuant to the PFRDA.
2. **Basis of Accounting:** The Scheme maintains books of account on an accrual basis under the historical cost convention, as modified for investments, which are 'marked-to-market'.

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3. **Investments transactions**

- a. Purchase and Sale of investments are recorded on the date of the transaction.
- b. Rights/ Bonus entitlements, if any, are accounted on ex-rights/ex-bonus date of the principal stock exchange.
- c. In determining the holding cost of investments and the gain or loss on sale of investments, the “weighted average cost” method is followed.
- d. The cost of Investments acquired includes brokerage charges.

4. **Valuation of investments:** Investments are valued using the price determined in the following manner:

a. Equity:

- **Traded:** When a security is traded on National Stock Exchange (NSE) on a valuation day, the last quoted closing price at which it was traded on the NSE. When on a valuation day, a security has not been traded on NSE, the value at which it is traded on BSE is used.
- **Non-traded:** When a security is not traded on any stock exchange on a particular valuation day, the last quoted closing price at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than 30 days prior to valuation date.

1. Right entitlement:

- **Traded:** Right entitlement is valued at the closing market price on the valuation date.
- **Non-traded:** Right entitlement is valued at the difference of the Ex-right price and the offer price multiplied by the ratio of Right Entitlement.

2. Valuation of Warrants:

- **Traded-** In case the warrants are traded separately they would be valued as per the valuation guidelines applicable to equity shares.
- **Non-traded-** If not traded, warrants can be valued at the value of the share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant.

b. Mutual fund units: Mutual fund units are valued at the latest available/previous day's NAV from AMFI website.

c. Preference Shares will be valued at closing price as per the bhav copy published on NSE & BSE. If it is not traded, it would be valued as per norms governing the valuation of Non-Convertible Debentures and bonds.

5. **Income Recognition**

- (i) Dividend income is accrued on the “ex-dividend” date.
- (ii) Profit/Loss on sale of investments is accounted on the date of transaction on which the contract for sale is entered into, except for redemption of investments in Mutual Fund schemes, wherein the profit/loss on sale are recorded on the next business day after receipt of the confirmation.
- (iii) Appreciation/Depreciation, as the case may be, in the value of the investments at the year-end have been computed for the Scheme, whereby the aggregate market value of all investments taken together is compared with aggregate cost of acquisition. The change in net appreciation/depreciation is recognised in Revenue Account. The change in net appreciation/depreciation, if any, is transferred to/from the “Unrealised Appreciation account” shown as part of Reserves and Surplus.

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6. **Computation of Net Asset Value (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.
7. **Unit Premium Reserve:** Difference between the issue/redemption price and face value of units is credited/debited to Unit Premium Reserve.
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.

D. Investment Management Fees: The Scheme has paid/provided for investment management fees to PFM for managing the Scheme at an annual rate of 0.09% p.a. as per slab rate prescribed by PFRDA for PFMs upto AUM 10000 crores on the daily scheme assets managed by PFM as per the Investment Management Agreement (IMA) signed with NPS Trust, the details of which are as under:

Management Fees % p.a.		Management Fees (₹)	
Apr'22 – Sep'22	Apr'21 – Sep'21	Apr'22 – Sep'22	Apr'21 – Sep'21
0.09%	NA	2	NA

E. Net Asset Value:

Current Year (₹)	Previous Year (₹)
As on 30 th September, 2022	As on 30 th September, 2021
9.8349	NA

F. Other disclosures

Particulars	Current Year	Previous year
Contingent liabilities	Nil	Nil
Non performing investments- Carrying value	Nil	Nil
Non performing investments- Market value	Nil	Nil
Brokerage, custodial fees and other charges to entities where PFM or its subsidiaries or its major shareholders have substantial interest.	Nil	Nil

G. Major Industry group within the Asset class >5%

Industry	Market Value of Investment (₹ in lakhs)		% of Total Investment in Particular Category	
	As at 30.09.2022	As at 30.09.2021	As at 30.09.2022	As at 30.09.2021
Equity Shares Investment				
Manufacture of Other Petroleum n.e.c.	4,756	NA	6.54%	NA
Writing , Modifying, Testing of Computer Program to Meet the Needs of a Particular Client excluding Web-Page Designing	4,240	NA	5.83%	NA
Other Civil Engineering Projects n.e.c.	3,695	NA	5.08%	NA

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Manufacture of Cigarettes, Cigarette Tobacco	3,654	NA	5.02%	NA
Mutual Funds				
Units in Overnight Mutual Fund	17,006	NA	23.37%	NA

H. Investment in Group Concerns of PFM: NA

I. Previous year's figures

NA – Company commenced operations in FY 22-23

Signatures to Schedules forming part of the Balance Sheet and Revenue Account.

For Max Life Pension Fund Management Ltd

Suresh Bhagavatula
Chief Financial Officer

Ranbheer Dhariwal
Chief Executive Officer

Date: Oct 14, 2022
Place: Gurugram

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Place: Gurugram