

STRATAGE UPDATES

Modalities for Unliquidated Investments of AIFs

SEBI has issued a circular dated June 21, 2023 ([available here](#)) and provided modalities for launching liquidation scheme and in-specie distribution of unliquidated investments of scheme of Alternative Investment Funds (“**AIF**”), and an overview of the same is set out below:



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- A scheme of AIF is required to obtain the **approval of 75% of investors** by value of their investment, for: (i) launching of *liquidation scheme*; or (ii) *in-specie distribution* of the unliquidated investments, as the case may be. In the event an AIF fails to obtain the requisite approval, the unliquidated investments are required to *mandatorily be distributed in-specie*.
- AIFs are required to arrange *a bid for units, representing minimum of 25% of the value of unliquidated investments* of the investment portfolio of the scheme (“**Bid**”). The *Bid value*, along with the valuation of unliquidated investments, is required to be disclosed to investors.
- The *dissenting investors* would be provided an option to *exit* the original scheme, from the Bid value arranged by the AIF. Any unsubscribed portion of the Bid would be used to provide pro-rata exit to non-dissenting investors, subject to certain conditions.
- Subsequently, the unliquidated investments would be sold to the liquidation scheme or be distributed to the investors in-specie, as the case may be. For the purpose of track record of the manager and reporting, the value of such sale would be recorded at: (i) *Bid value*; or (ii) *INR 1 (in the event there is no Bid)*.

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