

1. While the circular provides clarity on that valuation of unlisted securities, thinly traded & non traded will not be covered as per Mutual Fund Regulations, we would like to highlight that the industry also needed **clarity on valuation of securities below investment grade**, and we have recommended that MF Regulations of hair cut methodology is not appropriate and should not apply for such securities held by AIFs, and these securities should be valued as per IPEV guidelines. This is what we had requested even in our earlier submission dated 12th February 2024, attached herewith for your reference.
2. Another issue which is concerning the AIF industry is the aspect of valuation of AIF portfolio based on audit of investee companies. As you are aware that companies are allowed time upto 30th Sept to undertake audit, and practically quite a few number of unlisted companies even go for extension beyond Sept end for completing audit this may lead to non compliance by AIFs for Income Tax laws for filing form 64C/D and listing requirements of declaring results as per listing regulations by listed sponsors/managers. **Further, also please note that as per IPEV guidelines, valuation of companies is largely based on future business prospects and cash flows. Audited financial statements of the latest year is not a pre-requisite for valuing**, and past audited financial statements and unaudited results/MIS are some of the factors taken into account while valuing companies. This was also submitted by us in our submission dated Sept 2023; attached and highlighted herewith for your easy reference and thus **we request that the audit/valuation of fund needs to be delinked from the audit of the portfolio companies.**
3. Further post the 19th September circular, there is a confusion on the applicability of the new inserted clause 22.3.4. A plain reading of the revised Clause 22.3 gives an impression that an independent valuer has to fulfil any one of the conditions of Clause 22.3.3 and is also required to fulfil the eligibility criteria of Clause 22.3.4. **Consequently a subsidiary of a Credit Rating Agency is also required to fulfil the eligibility criteria of Clause 22.3.4.** and thus the independent valuers need confirmation of this interpretation.