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# Gujarat High Court stays Franklin's voting process

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The Gujarat High Court (HC) stayed unitholders' voting for winding up of six debt schemes by Franklin Templeton MF (FT MF), following a plea by Areez Pirozsha Khambatta, who is part of the business family that runs the popular Rasna juice brand.

The senior counsel appearing for the petitioner along with Khambatta Trust contended that FT MF had not followed regulations in the wind-up process.

"Attention of the court was invited to sub-clause 15(c) of regulation-18 of the SEBI (Mutual Funds) Regulations ... to bring out the point that when majority of the trustees decide to wind up or prematurely redeem the units, the trustees have to obtain the consent of the unitholders," the court order read, citing the petitioners' plea.

The petitioners, who had investments of ₹6.55 crore in FT MF schemes, said no such consent was obtained.

Apart from FT MF and FT Trustee, the plea has also made the Securities and Exchange Board of India (Sebi) and government respondents.

Further, the petition stated that regulation 39 says that "scheme of a mutual fund may be wound up only after repayment of the amount due to the unit-holders, which has also not been followed in this case".

Responding to the development, a FT MF spokesperson said, "We are examining the matter and will take appropriate steps as may be required. We continue to follow due process, both in making investment decisions and in the winding up of these schemes. We have acted in the best interest of our investors and in accordance with all regulations."

## IN THE BALANCE

- Sebi, Franklin Templeton MF, trustees named respondents
- Reply sought by June 12
- Voting to start from June 9
- ₹24,931 crore worth of investor assets hanging in the balance

The ad-interim relief of stay will be effective, subject to the respondents' reply, which has been sought by June 12.

The FT MF voting process was scheduled to be held between June 9 and 12.

According to experts, this could delay the winding up process of monetising the scheme assets and distributing the payouts to investors.

"Now, the wind-up process would need intervention from Sebi and competent authorities, to say this is how the process should be taken forward," said Amol Joshi, founder of Plan Rupee Investment Services.

Further, experts say as the petitioners have laid down their contentions on the basis of current regulatory framework, the regulator would need to clarify its stance.

Recently, FT MF had sent notices to unitholders informing them about the voting process and the options they could choose from.

Unitholders could either authorise the trustees to monetise the scheme assets. The trustees will be advised by the debt capital markets (DCM) team of Kotak Bank and supported by the FT MF.

The other option audit and consulting firm Deloitte, where it will be assisted by the fund house, advised by Kotak Bank's DCM. Unitholders could also select 'No', but trustees had advised that a rejection of the authorisation could delay the monetising of scheme assets.