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WINDING UP OF 6 DEBT PLANS: HEARING ON JUNE 12

Guj HC Puts E-voting for Franklin Funds on Hold

Our Bureau

Mumbai: The Gujarat High Court on Wednesday put on hold Franklin Templeton Mutual Fund's electronic voting process for winding up of the six debt mutual fund schemes following a petition that the asset manager's trustees did not seek unitholders' consent before scrapping them. The case will be heard on June 12.

The petitioners were led by 83-year-old Areez Phirozsha Khambatta, one of the promoters of instant drink maker Rasna, who have invested ₹6.55 crore into Franklin's schemes.

Franklin had sent notices to unitholders announcing that the e-voting windows would open between June 9 and 11.

"...by way of ad-interim relief, the operation and implementation of the notice dated 28.05.2020 regarding e-voting and unitholders' meeting send through email...herein shall remain stayed," the court order by Justice Gita Gopi said.

The investors' lawyers argued that trustees have to obtain the consent of the unitholders when they decide to wind up or prematurely redeem the units. Under regulation-39, a scheme of a mutual fund may be wound up only after repayment of the amount due to the unitholders, which has also not been followed in this case, according to the petition.

A senior lawyer familiar with the petition told ET, "Under the regulation 18(15)(c) and 41(1) as well as section 78 of the Indian Trusts Act, 1882, the trustee should seek approval of the unitholders to windup schemes."

On April 23, Franklin Templeton had announced shutting down six debt schemes handling money worth ₹25,856 crore. The fund house also put on hold redemptions indefinitely.

In response to an email query, a Franklin spokesperson said "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."