

THE HINDU BusinessLine

CFMA to tell investors to vote against winding down of Franklin debt schemes

PALAK SHAH | Mumbai | Published on December 08, 2020

Winding down will cause a great loss to unitholders who will get less than 50% of their money in staggered payments

The Chennai Financial Markets and Accountability (CFMA), an investor group, is going to urge investors vote against the winding down of Franklin Templeton's six debt schemes since it would lead to at least 50 per cent write-off on the assets of the scheme, sources close to the development told *BusinessLine*.

Investor money worth around ₹25,000 crore is now stuck in the debt schemes including Franklin India Low Duration Fund, Franklin India Dynamic Accrual Fund, Franklin India Credit Risk Fund, Franklin India Short Term Income Plan, Franklin India Ultra Short Bond Fund and Franklin India Income Opportunities Fund.

Last week, the Supreme Court (SC) court directed Franklin to conduct a shareholder voting and seek their approval to wind down the scheme. This vote is different from the vote that Franklin had originally sought in May to either choose its own trustees or Deloitte Touche Tohmatsu India LLP (an audit and consulting firm) to liquidate the assets of these six debt schemes.

Unitholders stand to lose

According to the sources, CFMA is of the view that the winding down of the schemes by Franklin will cause a great loss to unitholders who will all end up getting less than 50 per cent of their money that too not immediately but in staggered payments as and when the instruments that the scheme has invested in mature. This would just be what Franklin wanted, the sources said. This week, CFMA would be presenting complete evidence of how Franklin wind down would lead to massive write-offs.

On the other hand, the Trustee believes unitholders will benefit by voting 'Yes' to the proposed resolution. The Trustee is of the view that an orderly liquidation would maximise the value of the portfolio assets for distribution of cash to unitholders on a pro-rata basis. If the decision to wind up the schemes in an orderly manner is not implemented, it would precipitate a rush of redemptions, which would force a distress sale of the portfolio securities, leading to substantial losses for unitholders, Franklin said on Monday.

On June 3, the Gujarat High Court had stayed Franklin Templeton's e-vote on liquidation of debt schemes that was scheduled to be held from June 9-11 and ordered SEBI to put their forensic report in public domain. CFMA has said that this has not been complied with. The Karnataka High Court, which heard the matter on directions of the SC did not order putting the forensic report in public domain.

EOW of the Chennai Police has registered a first information report (FIR) against Franklin Templeton Asset Management India and Franklin Templeton Trustee Services (FTTSPL). It also names top executives of the AMC for an alleged criminal conspiracy to defraud three lakh investors by causing wrongful loss to them and unlawful gain to themselves.

Source: <https://www.thehindubusinessline.com/markets/cfma-to-tell-investors-to-vote-against-winding-down-of-franklin-debt-schemes/article33276890.ece>