

Stop Franklin Templeton MF from using cash flow to repay bank loans: CFMA to SEBI

Without repaying loan in 6 debt schemes, investors cannot be paid, says fund house

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The Chennai Financial Markets and Accountability, an investors protection body, has urged market regulator SEBI to stop Franklin Templeton Mutual Fund from repaying bank borrowings in the six debt schemes that are being wound up.

The fund house cannot be allowed to make priority repayment to bank borrowings from the cash flow when about 40,000 investors are waiting to get their dues, said CFMA.

Earlier, the fund house

had claimed that since the six debt schemes were closed on April 24, it had received ₹2,667 crore on their AUM of ₹28,000 crore.

2 schemes cash-positive

The four debt schemes — Low Duration, Short Term Income, Income Opportunity and Credit Risk — have a total debt of ₹2,336 crore. Ultra Short Term and Dynamic Accrual turned cash positive after repaying bank debt of ₹1,393 crore and ₹140 crore, respectively.

To meet extraordinary re-

demption pressure, SEBI allows mutual funds to borrow up to 20 per cent of their assets.

While directing the agitating investors to the Karnataka High Court, the Supreme Court had said no decision could be taken until the Court decides on the matter, noted CFMA.

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Franklin Templeton refuted the 'misleading and baseless accusations' in the CFMA report which it said are 'factually incorrect and misguided'.

They appear to be making these statements and passing judgement on matters under the considera-

tion of the judicial authorities, it said.

In accordance with Regulation 41(2) of the SEBI Mutual Fund Regulations, the scheme must discharge its liabilities, including outstanding borrowings, before returning monies to unit holders.

Portfolio value

Effectively, the portfolio value is higher than the AUM reported and any repayment of borrowing will not reduce the AUM further, said Franklin Templeton.

"Our focus remains on maximising value for unit holders in these schemes and returning monies as soon as possible," it said.