

AS FUTURE GROUP DEFAULTS...

Franklin debt funds see further erosion in value

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More trouble is brewing for Franklin Templeton's six debt funds that are in the process of being wound up. Four of the six schemes have seen a value erosion of 1.3 per cent to 4.85 per cent due to the latest default by Future Group companies nuFuture Digital India Ltd (NIDL) and Future Ideas Co Ltd (FICL).

In a note to investors, Franklin Templeton said that due to payment defaults, the securities of FICL and NDIL will be valued at zero basis on AMFI standard haircut matrix, and the interest accrued and due will be fully provided.

These valuations only reflect the realisable value and do not indicate any reduction or write-off of the amount repayable by these companies, it said.

The net asset value of Franklin India Income Opportunities fell 4.85 per cent on Friday while that of Credit Risk Fund, and Short Term Income Plan dipped 2.31 per cent and 1.72 per cent, respectively. The value of Dynamic Accrual dropped 1.34 per cent.

Deteriorating credit profile

The downgrade was on account of the deteriorating credit profile of the "credit enhancer" Future Retail, on which these companies rely significantly for their income.

Kishore Biyani-owned Future Retail has been in trouble due to the lockdown. The high fixed cost and zero sales due to the closure of most large format outlets during the pandemic hit the company hard. It did not pay coupon on a \$500-million debenture on July 22.