



FRANKLIN TEMPLETON

10 September 2020

Subject: An Update on Winding up of 6 Fixed Income Schemes

Dear Investor,

I hope you continue to stay safe and healthy. I am writing to update you on the latest developments on the six fixed income schemes under winding-up.

Schemes continue to receive cash flows:

- I am happy to inform you that we have now added two more schemes to the basket of “cash positive” schemes. As on August 31, 2020, Franklin India Low Duration Fund and Franklin India Credit Risk Fund turned cash positive taking the total count of cash positive schemes to four. Borrowing levels in the balance two schemes continue to steadily come down.
- I wish to reiterate that the cash flows received so far are without the ability to efficiently monetize assets. The schemes will endeavor to accelerate monetization post the successful completion of the e-voting exercise and the Unitholder meet, which can only take place after the completion of the legal process.
- From April 24 till August 31, 2020 the schemes have received INR 6,486 crore from maturities, pre-payments, and coupons.
- From August 1 till August 31, 2020 the schemes have received cash flows of Rs 2,206 crore from various issuers. A large portion of this was from the money received from Vedanta Ltd. On August 17, 2020 four out of the six schemes under winding up cumulatively received INR 1050 cr. as part of maturity proceeds and interest payments.

Update on the Future Group:

On August 29, 2020, Reliance Retail Ltd. announced the acquisition of the retail, wholesale logistics and warehousing business of the Future group, for a lumpsum

aggregate consideration of INR 24,713 crores, subject to adjustments as per the terms of the composite Scheme of arrangement.

The above acquisition is being done as part of the Scheme through which Future Group is amalgamating certain companies (including Rivaaz Trade Ventures Pvt Ltd - RTVPL) carrying on the aforesaid businesses into Future Enterprises Limited (FEL). After the amalgamation, FEL is expected to conclude the sale. Further, FEL is expected to raise ~INR 2,800 crores by way of

preferential allotment to Reliance Retail through a combination of equity shares and warrants. Reliance Retail will hold ~13.14% in FEL (post-merger).

Based on a representation received from the Future Group, we understand that the NCDs held by four of the six schemes under winding up ([click here for more details](#)) are proposed to be repaid from proceeds of the transaction. This proposed sale and the scheme of restructuring will be subject to regulatory approvals and approval from equity shareholders and creditors of the transferor companies and transferee companies. Due to default in payment, the securities of RTVPL are being valued at zero, basis AMFI's standard hair cut matrix. This valuation only reflects the realizable value on the date of valuation and does not indicate any reduction or write-off of the amount repayable by RTVPL to the schemes.

We believe, the proposed sale announcement is a positive development for the NCDs held by the schemes. We are closely tracking developments around the same.

Update on other investee companies:

Barring issues in payment by a small number of issuers such as the Future Group, Essel and Anil Dhirubhai Ambani Group (ADAG), all other investee companies in our portfolio have made the payments as scheduled, since the day of the winding up. In all these cases, we are actively pursuing all remedies for a full recovery. I know many of you have seen the NAV of the funds move up and down, but I want to assure you that this is largely due to mark-to-market movements.

I am also pleased to inform you, that Vodafone Idea has made a payment of INR 146.02 crore which has been distributed to the unitholders of the segregated portfolio in proportion to their entitlement.

Update on cases filed against Franklin Templeton:

The Hon'ble Karnataka High Court hearings on the schemes under winding-up commenced on August 12th, 2020 and the matter is being heard on a near daily basis. The court has finished hearing the petitioners from the Delhi, Gujarat and Madras High Courts. The court is expected to hear us after SEBI completes their arguments. You might have heard some news about the possibility of distributing surplus cash to the unitholders. The interpretation of the regulation in this regard is currently under the consideration of the Hon'ble Karnataka High Court and it would

be inappropriate to comment on the same. We will be happy to distribute the investment proceeds realized by the schemes in compliance with the applicable regulations, at the earliest.

As we have always maintained, the decision on winding up of the six schemes was taken with the sole objective of safeguarding the interest of our investors. We know that this decision has significantly impacted our reputation, which we built painstakingly over the last 25 years. As I end this message, I want to re-affirm our commitment to India and our investors. Our focus is to return the maximum possible value to all investors in the shortest possible time in these unprecedented times, and we continue to make progress in this regard.

We will continue to share progress and updates on matters that are important to you. Thank you once again for your continued patience and co-operation.

In case of any further queries, please feel free to call our dedicated helpline at 1- 800-258-4255 or 1-800-425-4255 from 8 a.m. to 9 p.m., Monday to Saturday. Alternatively, you can also e-mail us at service@franklintempleton.com.

Yours Sincerely,

Sanjay Sapre

President

Franklin Templeton Asset Management (India) Pvt. Ltd.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.