

Economic Times Online interview with Sanjay Sapre – June 01, 2020

We aim to have a clear, transparent liquidation process: Sanjay Sapre, President, Franklin Templeton India

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By
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The e-voting to finalise the liquidation process of six wound-up schemes of Franklin Mutual fund will take place in a week. The remote e-voting is scheduled to start on June 9 and it will end on June 11. Shivani Bazaz of ETMutualFunds.com reached out to Sanjay Sapre, President of Franklin Templeton India, to get an insight into the process. Edited interview.

Finally, the e-voting date is here. Can you share the details of the process? How will investors go about the process?

Our Trustees released the Notices on e-voting and Unitholder's Meet on 28 May 2020 to investors in the six schemes under winding up. Due to the lockdown, voting will be conducted online and the Unitholder's Meet via Video Conference (VC). We have partnered with "K Fintech" for the same. To be a part of both these activities, unitholders must have an email IDs can do so upto 8 June 2020 on our website.

Login credentials will be sent by K Fintech to unitholders on their registered email IDs or via SMS on their registered mobile number if email IDs are not registered. The email / SMS will have a link to the K Fintech website which will provide a user id and a password. This user id is unique for each scheme. That is, if unitholders have invested in more than one scheme, they will receive a separate email / SMS with a unique user id and password for each scheme. Unitholders will have a 3-day window, from 9 June – 11 June to participate in the e-voting while the unitholder Meet will happen on 12 June at different time slots for respective schemes, as specified in the Notice.

The e-voting facility will remain open during the unitholder's Meet only for those investors who are present in the meeting and if they have not recorded their vote already. Each unitholder is entitled to vote only once per scheme, irrespective of the number of units, and a vote once cast, cannot be changed.

Investors are given three options. How do these options work? What are the dos and don'ts that investors need to keep in mind?

Firstly, unitholders will choose between "Yes" and "No" to proceeding with the liquidation of the funds as proposed. For unitholders who vote "Yes", they can then select between two options – Option 1 will authorize the Trustee to monetize the assets with the assistance of the AMC and Kotak Mahindra Bank as an independent advisor while Option 2 will authorize Deloitte Touche Tohmatsu India LLP to monetize the assets with the assistance of the AMC and Kotak Mahindra Bank as an independent advisor. Fees payable to Kotak Mahindra Bank and / or Deloitte will be borne by the AMC and will not be charged to the scheme.

In the case of Option 2, the role of Trustees will be restricted to distribution of proceeds to unitholders after payment of liabilities and expenses. They will not be responsible for disposal or realization of Scheme assets.

In the case of a majority of unitholders choosing “No” in any scheme, the Trustees will be required to seek another unitholder authorization by way of a subsequent voting exercise, which may delay the monetization and distribution of assets.

Investors are advised to use their discretion to vote after understanding the pros and cons of each option. However, it is important to clarify that choosing “No” does not change the status of the schemes and the schemes will remain under winding up.

Many mutual fund advisors say that the option of going with the fund house seems like the easiest option. Can you shed more light on this?

We wanted to ensure investors have a choice of whether they want the Trustee to lead the process. We have partnered with two prominent firms to ensure investors feel comfortable that whichever option they choose, the process will be transparent and in their best interest. We hope that investors will also take comfort from our willingness to have such reputed and independent firms involved in the process, looking at the portfolios, and in fact the entire liquidation process. As we have always said, our only focus is returning money as soon as possible and both these options help us do that in a transparent manner. The Trustees are supportive of both these options.

What about the other options? How will it pan out?

Option 2 with Deloitte managing the liquidation of the portfolio and assisted by Franklin Templeton AMC with the AMC being advised by Kotak Mahindra Bank is an equally good option. Deloitte is a prominent professional services firm for liquidation, resolution, restructuring and debt advisory in India with a dedicated Restructuring and Corporate Finance team consisting of over 40 senior professionals who are specialists and experts in these fields. Deloitte in India has handled assignments involving stressed debt of over USD 60 billion (INR 450,000 crores) over the last three years, with successful deal closures of USD 20 billion (INR 150,000 crores over 30+ deals) in the same period.

Deloitte and Kotak Mahindra Bank have strong capabilities to discharge their respective roles. Unitholders will have the advantage of professional services from both Deloitte and Kotak (as an independent advisor to the AMC) in option 2.

Deloitte will manage the liquidation process on behalf of the unitholders, and the Trustee will continue to act in its capacity as the trustee of the Mutual Fund and its schemes, including the schemes under wind-up. However, the Trustee will restrict its role in the winding up process to disbursement of sale proceeds in compliance with regulations and will not be responsible for realization of Scheme assets.

The Trustee is equally supportive of both options. In case unitholders reject the authorization by voting ‘No’, the Trustee will be required to seek another unitholders authorization by way of a subsequent voting exercise, which may delay the monetization and distribution of assets. Please note that voting ‘No’ to the authorization will not change the winding up status of the scheme.

Kotak Mahindra Bank is helping Franklin in this process. Can you tell us more about the association?

Kotak Mahindra Bank is acting as an independent advisor to our Trustees (Option 1) or the AMC (option 2, where Deloitte will lead the liquidation). Kotak's role in both cases is to work closely with the fixed income team of the AMC to ensure a transparent process around liquidating and monetizing scheme assets. The Debt Capital Markets (DCM) team at Kotak Mahindra Bank Limited (KMBL) is one of the most prominent DCM desks in the country and has been active in the debt markets for over 25 years.

Over the last 4 years, the Kotak DCM team has placed a cumulative debt of over Rs. 600 bn across the entire product suite and has been actively involved in various marquee transactions in the DCM space.

You are also holding an investor's meet on 12th. What is the agenda for that meeting?

The remote e-voting will be completed by June 11, 2020. The meet is to allow Trustees to present the liquidation plan and answer any pre-submitted questions from the investors and also to answer questions from Unitholders attending the VC meet subject to availability of time.

The e-voting facility will remain open during the Unitholder's Meet only for those investors who are present in the meeting and who have not recorded their vote already. Unitholders who would like to express their views/ask questions during the meeting must register before logging into the Video Conference. To access the Video Conference unitholders will have to log into Karvy's website.

There are a lot of questions in investors' minds. Do you have anything to say to your investors?

We know investors are most concerned about how much money they will receive and when. The first step in this process is the unitholder vote. We aim to have a clear, transparent liquidation process and communicate updates to investors regularly. The Trustees have brought on strong partners to assist us with an orderly and equitable liquidation of the portfolio so that we can start to return money in the near future. Two of the six schemes have already repaid their bank borrowings and are cash positive now. These schemes can start repayments to investors shortly, subject to a successful unitholder vote. We hope that as we start paying back investors, some of these concerns will begin to abate.

Link to the article : <https://economictimes.indiatimes.com/mf/analysis/we-aim-to-have-a-clear-transparent-liquidation-process-sanjay-sapre-president-franklin-templeton-india/articleshow/76128748.cms>