

Franklin Templeton MF schemes see dip after Future group firms default

Two group companies missed their payments due on Thursday

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The downgrade was on account of deteriorating credit profile of the “credit enhancer” Future Retail (FRL), on which these companies have significant reliance for their income.

Four debt schemes of Franklin Templeton Mutual Fund (MF) that are winding up saw up to 4.85 per cent decline in their net asset value (NAV) on Friday, following payment defaults by two Future Group firms — Nufutre Digital (NDIL) and Future Ideas (FCIL).

Of the six schemes that are under wind-up, four are exposed to NDIL, FCIL, and Rivaaz Trade Ventures (RTVPL). While the latter was able to meet its dues on Thursday, the other two missed their payment obligations.

In a note, the fund house said: “Due to default in payment, the securities of FICL and NDIL will be valued at zero basis AMFI standard hair cut matrix, and 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”.

Opportunities saw its NAV dip 4.85 per cent on Friday. For Credit Risk Fund, the NAV was down 2.31 per cent. Short Term Income Plan and Dynamic Accrual Fund saw a NAV decline of 1.72 per cent and 1.34 per cent, respectively.

Franklin MF schemes have already taken a 25 per cent markdown on exposure to RTVPL, in line with the valuation matrix. **This was after the non-convertible debentures (NCDs) of the firms were downgraded to BB+ by Brickwork Ratings on Wednesday.**

The downgrade was on account of the deteriorating credit profile of the “credit enhancer” Future Retail (FRL), on which these companies have significant reliance for their income.

Lower sales due to closure of most of its outlets during the pandemic and lockdown have impacted FRL, which has also led to the latter missing a coupon payment on a \$500 million on July 22, the MF’s note pointed out.

The fund house said the Future Group firms could benefit if Reliance Industries bought a controlling stake in Future Group’s retail business, as “reported in certain sections of the media” last month.