

Mutual funds making voices heard loud and clear at companies

Resolutions opposed were about exorbitant pay, misallocating funds, or even objectionable appointments.

by Rajesh Mascarenhas

Mutual fund managers are becoming increasingly aggressive in voting against some of the company resolutions they believe will adversely impact the company and its shareholders. Their proportion of votes against resolutions put forth by the companies was 6.93% in 2022-23, the highest ever, data compiled by *primemfdatabase.com* showed.

Also, the proportion of votes in which mutual funds abstained was 0.16% in 2022-23, the lowest in history.

The proportion of MFs voting against was 4.58% in 2021-22, 2.33% in 2020-21, and 3.62% in 2019-20. Between 2014-15 and 2018-19, the proportion of votes in which MFs voted against was an average of 3%.

"Mutual funds play their role through voting, highlighting the management that some of the resolutions put forward are not in the interest of shareholders or unit holders and harm the company in the long term," said A. Balasubramanian, CEO of Aditya Birla Sun Life AMC. "Fund managers are careful in resolutions related to corporate governance issues, changes in capital structure, related party transac-

How the mutual funds voted



Financial year	For (%)	Against (%)	Abstain (%)
2022-23	92.87	6.93	0.16
2021-22	92.35	4.58	2.40
2020-21	83.35	2.33	14.06
2019-20	85.06	3.62	11.15
2018-19	83.44	3.11	13.43
2017-18	87.16	1.85	10.98
2016-17	87.49	2.69	9.68
2015-16	85.06	3.31	11.59
2014-15	74.41	4.48	20.98

Source: www.primemfdatabase.com

tions, among others."

Most of the resolutions fund managers opposed were about exorbitant pay packets of company officials, misallocating the company's funds, or even objectionable appointments. These money managers are making their displeasure evident by voting against the moves in shareholder meetings.

In March, many funds opposed a special resolution that proposed an annual

remuneration of ₹3 crore to the chairman of Max Financial Services, Anajit Singh, in 2023-24. Earlier fund houses opposed a resolution to change the article of association of Castrol. Most of the mutual funds in October opposed payments to non-executive directors of Jindal Steel & Power.

In Force Motors, resolutions related to contribution to bona fide charitable and other funds and authority to the board for entering into related party transactions

with Pinnacle Industries during 2022-23 were opposed by most fund managers.

Similarly, many fund houses opposed some of the resolutions of companies such as SJVN, Binani Industries, Dish TV, Lux Industries, Lemon Tree, Karnataka Bank, PVR, VIP Industries, and Indian Energy Exchange, among others, in the last fiscal.

"Fund managers are more cautious nowadays as unitholders and the regulator are closely watching them," said Amit Tandon, managing director of Institutional Investor Advisory Services. "Earlier they were abstaining from voting where detailed information was not available regarding the resolutions."

Market regulator Sebi introduced the Stewardship Code for all mutual funds and all categories of alternative investment funds (AIFs) on 1 July 2020, and asked institutional investors like banks, insurance companies and pension funds to follow the 'transparent' Stewardship Code to be accountable to their clients and beneficiaries.

The market regulator mandated that all mutual fund schemes vote on the resolutions, even if the company's equity shares are passive investments through an index or exchange-traded fund (ETF), effective 1 April 2022.