

Mutual funds flex voting muscle

ASHLEY COUTINHO
Mumbai, July 16

THE SHARE OF mutual fund votes against company resolutions has seen a steady uptick over the past five years--from 2.5% five years ago to 13.1% for the financial year ended March 2026. This marks the highest share of dissent on record and assumes significance given that funds now own a significant chunk of Indian equities.

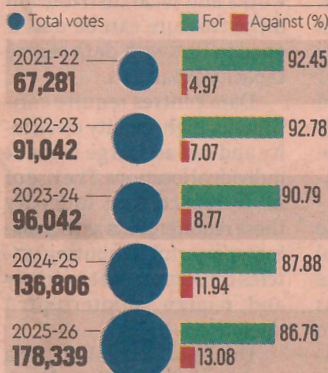
Interestingly, smaller fund houses are emerging as the most vocal institutional share-

holders, opposing as many as three in every 10 company resolutions. Groww Mutual Fund voted against 30.7% of resolutions in the year ended March 2026, followed by Angel One Mutual Fund at 29.7%, Navi Mutual Fund at 28.4% and Zerodha Mutual Fund at 25.5%, according to data from primeinfobase.com.

Larger fund houses such as SBI MF, ICICI Prudential MF, Aditya Birla Sun Life MF and Tata MF have a far lower share of such votes (less than 3.3%).

Continued on Page 10

SMALL MFs LEAD THE CHARGE



Source: primeinfobase.com

Smaller fund houses emerge as the most vocal institutional shareholders, opposing as many as three in every 10 resolutions

MFs flex voting muscle

"MUTUAL FUNDS AS a whole do seem to be finding their voice and making their dissent known towards some of the resolutions which companies are passing. This is a positive sign," said Pranav Haldea, managing director, PRIME Database. "The rising number of 'against' votes ties in with the growing heft of mutual funds over the last 4-5 years and the increasing pools of capital they represent."

The share of domestic mutual funds in companies listed on the NSE stood at 11.46% as on March 31 this year. The net assets under management for equity schemes stood at ₹37.3 lakh crore at the end of June.

"Most of us take proxy voting recommendations as a North Star," said Nilesh Shah, managing director of Kotak Mahindra Asset Management Company. "Any deviation has to be explained to our trustees and our board of directors. If the share of negative proxy votes go up, collectively our industry's share of 'against' votes go up too."

Changes in capital structure, a merger or acquisition not in the interest of shareholders, compensation or ESOP issues usually come under the scrutiny of institutional investors.

According to Shriram Subramanian, Founder and MD of InGovern Research Services, most fund houses will follow the proxy advisory firms when it comes to the 'for' votes but may reject 50-70 per cent of the



'against' recommendations.

This is because the funds often see the business exigencies that the companies have and their paradigm may be somewhat different than that of the proxy advisory firms. For instance, funds don't see a proposal for executive compensation or reappointment in isolation but see it through the lens of past performance and promoter versus non-promoter pedigree. Market observers believe that the 'against' votes alone may not be enough to stop the company resolutions--both ordinary and special resolutions--from going through because of the high promoter holding.

"With promoters holding around 50% of the shares, they wield significant influence over voting outcomes. While regulatory measures such as special resolutions and majority-of-minority approvals offer some checks, they only partially limit promoter control. This suggests a need to introduce a shareholder review or dissent mechanism," said a recent note put out by proxy advisory firm IiAS.

An ordinary resolution passes when more than 50% of

the votes cast are in favour, while a special resolution requires more than 75% of the votes cast to support it. A majority-of-minority resolution needs more than 50% of the minority shareholders' votes in favour, while promoters or related parties are excluded from voting.

Given that most companies are promoter controlled, voting against resolutions can put fund houses in a tricky position and impact their access to the promoters and management. "There can be resolutions that can create conflicts of interest with the company. We have become better at managing these conflicts but they have not gone away entirely. Sometimes, there is extensive engagement with the company management before voting against a resolution. Ultimately, we have to think about what is appropriate from the minority shareholder's and good governance point of view," said Shah.

Over the last few years, companies too have become vigilant on the kind of resolutions they propose to pass. This is because proposals that are questioned by analysts during conference calls or taken up by the media can show the company in a negative light. "Companies are engaging with the proxy firms beforehand to get a sense of how they view the proposals. The proxy firms are also putting out voting guidelines on the kind of proposals that may or may not be acceptable to them," said Haldea.