

# 'For' votes by mutual funds rise as abstentions decline

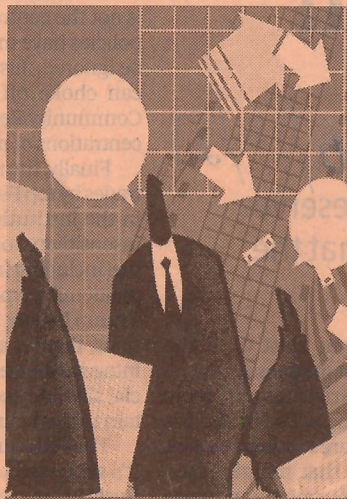
Share of 'against' votes on company resolutions has moved up slightly in FY22

SACHIN P MAMPATTA  
Mumbai, 15 November

Mutual funds are increasingly voting in favour of company resolutions and there is a marked decline in their abstentions, reveals the data for FY22.

The proportion of votes in which MFs abstained was 13.2 per cent in FY21, shows an analysis by tracker *primemfdatabase.com*. This has dropped to 2.4 per cent in FY22, so far. The share of "for" votes by these have also surged to 92.4 per cent this financial year, against 83.6 per cent in FY21. The figure for in-favour votes in FY22 is the highest since at least FY15, the earliest year for which data is available.

On the other hand, the share of votes against resolutions rose from 3 per cent in FY21 to 4.5 per cent in FY22, shows the data (as of September). This year's figure is in line with previous years when such shareholder activism was seen to cover less than 5 per cent of total votes. This is despite the focus being on activism with cases such as a tussle in the Zee group between institutional investor Invesco and the promoters. Investors also opposed an increase in the compensation for Balaji Telefilms management, including Ekta Kapoor, in

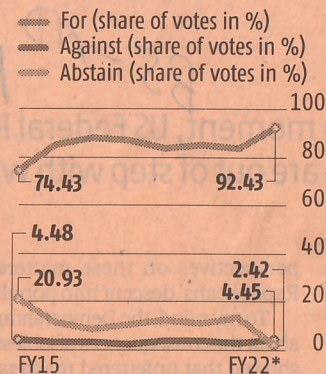


August 2021.

The data covered 765 companies in FY22. The number of companies has ranged between 680 and 820 since FY15. The data covers all companies in which MFs invested and voted during the relevant periods.

A company puts decisions, such as the appointment of independent directors, mergers and acquisitions, and declaration of dividends, for the approval of shareholders. Mutual funds buy shares in companies after pooling money from a large number of investors. They decide what would

## IN-FAVOUR VOTE SHARE AT THE HIGHEST



Note: \*FY22 data as of September end  
Source: *primemfdatabase.com*

be the best for their unitholders whenever a resolution is proposed and vote accordingly. There has previously been opposition to company decisions that would have affected shareholders negatively.

Many company resolutions are often routine. These can include changes in company documents like the articles of association. MFs have had a high rate of votes in favour of proposed resolutions and this varied between 74 per cent and 88 per cent in previous years.

There has been a regulatory direction for all asset managers to

take a proactive role and this could explain the drop in abstentions, suggested Shriram Subramanian, founder and MD of domestic proxy advisor InGovern Research Services. Sebi made it compulsory in March 2021 for MFs to vote on key company resolutions, including mergers and compensation. "Mutual funds, including their passive investment schemes like index funds, and exchange-traded funds, shall be required to cast votes compulsorily..." said the Sebi circular.

The regulator had in December 2019 also asked alternative investment funds to follow a stewardship code with respect to their investment. It required them to intervene to protect investor interests. "The mechanisms for intervention may include meetings/discussions with the management for constructive resolution of the issue and in case of escalation thereof, meetings with the boards, collaboration with other investors, voting against decisions."

Lack of higher opposition could be reflective of the kind of resolutions that are coming to vote, said Amit Tandon, founder and MD of Institutional Investor Advisory Services India (IIAS). Firms are reluctant to bring resolutions that they know would face opposition and dialogue with stakeholders has become more important, he added.