

Spectre of pledged shares won't haunt stock market this meltdown

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As global stock markets, including India, crashed on tariff turmoil, data show Indian companies may be well placed when it comes to risks associated with shares pledged by the promoters.

DATA FOCUS.

While companies with high levels of pledged promoter holdings do face significant risks in a falling market, data from research firm Prime Database show that out of the Nifty500 companies, promoters of only 80 companies (16 per cent) have pledged shares as of April 4, 2025. Further, in only 22 of the Nifty500 companies, promoters have pledged over 10 per cent of the company's share capital.

TOP COMPANIES

Sagility India, International Gemological Institute, Hindustan Zinc, Vedanta and Nuvama Wealth are among the top companies where promoters have pledged 82.4 per cent, 76.5 per cent, 59.3 per cent, 56.4 per cent and 34.5 per cent of total company share capital respectively.

Among these, in case of Sagility, International Gemological Institute and Vedanta, promoters have pledged all their own holdings (100 per cent). Hindustan Zinc and Jaiprakash Power Ventures are the other companies where promoters have pledged a substantial portion of their holdings at 93.5 per cent and 79.2 per cent respectively.

"Companies where the promoters have pledged a substantial part of their holding already and where the stock prices have fallen 40 per cent from their 52-week highs could be at more

Peril in pledges

80

Nifty500 companies where promoters have pledged shares

22

Nifty500 companies where promoters' pledged shares are over 10 per cent of total share capital

Company	Promoters' pledged shares as % of total share capital as of April 4	Promoters' pledged shares as % total promoter holding as of April 4
Sagility India	82.4	100.0
International Gemmological Institute (India)	76.6	100.0
Hindustan Zinc	59.3	93.5
Vedanta	56.4	100.0
Nuvama Wealth Management	34.5	62.8
Transformers & Rectifiers (India)	28.1	21.8
Afcons Infrastructure	21.8	43.5
Chalet Hotels	21.5	31.9
Ashok Leyland	21.0	41.2
Jaiprakash Power Ventures	19.0	79.2
HFCL	17.1	47.6
Aster DM Healthcare	17.0	40.7
IRB Infrastructure Developers	16.1	55.5
Valor Estate	15.9	33.5
Kalyan Jewellers India	15.6	24.9
Raymond Lifestyle	14.3	26.2
Sterling & Wilson Renewable Energy	12.6	27.6
GMR Airports	11.8	17.8
Chambal Fertilisers & Chemicals	11.5	19.1
Lloyds Metals & Energy	10.7	16.8
Just Dial	10.3	13.9
Eris Lifesciences	10.2	18.5

Source: Prime Database

risk than others when it comes to pledged shares. However, Indian markets have held up stronger compared to global markets," Feroze Azeez, Deputy CEO, Anand Rathi Wealth Ltd, said.

businessline's analysis of share price change in the last six months showed that Sterling & Wilson Renewable, Raymond Lifestyle, HFCL, and Kalyan Jewellers are amongst firms with steepest share price fall in the range of 35-60 per cent; but in those cases, the promoter pledge levels are only in the 12-17 per cent range.

In case of pledged shares,

lenders typically enforce a 50 per cent loan-to-value (LTV) ratio. When share prices decline, collateral value of pledged shares falls and margin calls are triggered. If promoters cannot meet margin calls, forced liquidation of shares may occur. This increases supply in the market, pushing prices further down.

Karthick Jonagadla, smallcase manager and Founder at Quantace Research, said: "The market decline exacerbates the risks for companies with high pledged promoter holdings, particularly through margin call exposure, forced sales, and governance concerns..."