

Promoter pledge up 0.86% to ₹1.57L crore in March quarter

NESIL STANEY
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PROMOTER SHARES PLEDGED for loans in the BSE 500 universe rose by 0.86% in the March quarter.

The net value of promoter pledge stood at ₹1.57 lakh crore or 0.43% of the BSE 500 market capitalisation.

Promoters of 69 companies freshly pledged shares during this period, according to data from Kotak Institutional Research.

Companies in which the promoter pledge rose include Ashok Leyland, Easy Trip, Kalyan Jewellers, Max Financial Services and PVR Inox.

The firms where the promoter pledge declined include Aster DM Healthcare, GMR Airports, Jindal Steel and Power, Lloyds Metals and Swan Energy, among others.

Easy Trip and Max Financial are the firms where promoters pledged shares newly.

High promoter pledge is often seen as a distress signal, which can lead to negative perception in the equity markets and increased volatility in their shares.

Companies with extremely high pledge include Vedanta, where 100% of promoter shares are pledged even as they are moving to a demerger to address debt woes.

Some other companies like Sagility, International Gemological Institute also have full promoter share pledge.

If the share prices fall, lenders may offload pledged shares in

DISTRESS SIGNAL?

Companies with the highest pledged holdings by promoters

■ Pledged shares value (₹ cr) ● Pledged holding as a % of promoter holding



Source: Kotak Institutional Equities report

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the open market to recover their funds.

This poses risks of promoter losing control and sharp fall in share prices.

Companies where the promoter pledges are high and the share prices have fallen are most at risk of margin calls and forced sale risks.

"While pledges are viewed negative, in some cases they can be in the interest of minority shareholders. Some promoters raise money for business expansion than personal interests," said Dhiraaj Sachdev, chief investment officer of Roha Ventures.

Large companies in the Nifty 50, with more than 5% of pledged holdings include IndusInd Bank, which

is facing an accounting fiasco.

The promoter pledge in IndusInd is 50% in March after the Hindujas raised money to buy Reliance Capital.

Apollo Hospitals with 13.5%, Asian Paints at 9.3% and JSW Steel with 13.4% are some other large companies with significant pledges.

Some other companies in the BSE 500 where pledges increased in the March quarter include Emami, Medplus Health Services and TVS Holdings.

In all three, the promoter pledge increased by 4%.

Anupam Rasayan, Jyoti CNC Automation, JSW Energy, Archean Chemical, Ajanta Pharma and Solar Industries. Chalet Hotels, Hindustan Zinc, Aurobindo Pharma and

Apollo Hospitals also have significantly large promoter pledges.

Five largest declines during the quarter happened in Aster DM Healthcare, GMR Airports, Swan Energy, Jindal Steel and Power and Lloyds Metals.

In Aster DM, the percentage of pledged shares fell sharply from 98.9% to 40.7%.

Aster, which merged with Quality Care India, is an example of how markets reward lower pledge. Its stock price is currently trading at an all time high of around ₹600.

In value terms, Hindustan Zinc, an affiliate of Vedanta, has the largest pledge at ₹180 billion. It is followed by JSW Steel and Ashok Leyland with ₹155 billion and ₹126 billion, respectively.