

Shares pledged by promoters decline to two-year low

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A rally in equities and a gradual improvement in the macroeconomy have led to a sharp decline in shares pledged by promoters of companies. According to data compiled by Prime Database, the percentage of pledged shares across listed companies is 14 per cent, the lowest since March 2015. During the December quarter alone, the share of pledging went down by 75 basis points, thanks to a 9-per cent rally in the broader Sensex. Generally, whenever share prices go up, pledge levels come down, as fewer shares will be required to meet the collateral amount. However, there are other factors, including the purpose of pledging and financial resources at disposal, which decide the eventual outcome. Typically, companies with high promoter share pledging are not looked at positively by investors. Also, in the event of a market downturn, companies with high pledged shares are more vulnerable, as lenders start dumping shares if promoters do not provide higher mar-

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Promoter pledging has been going down ever since markets have started to rally

	% of pledged shares	Value (₹ bn)
Sep '15	15.3	1,625
Dec '15	15.1	1,838
Mar '16	15.2	1,714
Jun '16	15.8	1,886
Sep '16	15.8	2,038
Dec '16	15.6	1,949
Mar '17	15.2	2,220
Jun '17	15.2	2,276
Sep '17	14.8	2,327
Dec '17	14.0	2,689

gins or more shares. In the December quarter, 132 listed firms reduced the percentage of pledged shares, with 12 bringing it down to zero. The firms that redeemed their pledged shares in entirety in the December quarter include Hindustan Motors, AGC Networks, and Bannari Amman Sugars. On the other hand, 100 firms saw pledging activity go up during the

Companies that have highest pledge levels in terms of value

	Value of pledged shares (₹ bn)	% of market cap
Reliance Power	74.1	52.6
GMR Infra	61.7	45.6
Future Retail	57.7	21.9
Emami	63.8	21.1
JSW Steel	129.8	19.9

*Data for all the listed companies; data includes only pledges by promoters and promoter group
Source: Prime Database

December quarter. Patel Engineering saw the steepest rise to 94 per cent compared with zero per cent in September 2017. Vividh Finvest, promoter of JSW Steel, had pledged 43.2 million shares for ₹11 billion in November 2017. Crompton Greaves Consumer Electrical redeemed a pledge of 48.5 million shares worth ₹12.6 billion, making it the biggest pledge revocation in the quarter.