

Promoter borrowing against shares crosses ₹7 trillion

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Mumbai, 26 August

Promoters are on a borrowing spree. They have raised more than ₹7 trillion against their shareholdings in companies listed on the National Stock Exchange (NSE) to meet their capital needs as of the June 2026 quarter, according to a Business Standard analysis of data compiled by Prime Database.

Such borrowings are typically used for a range of purposes from personal funding and acquisitions to increasing promoters' stakes in their own listed companies, experts said.

The ₹7 trillion so mobilised cover both pledged shares and shares under non-disposal undertaking (NDU). The latter enables borrowing without pledging, but the promoter promises not sell or transfer the shares against which they have borrowed.

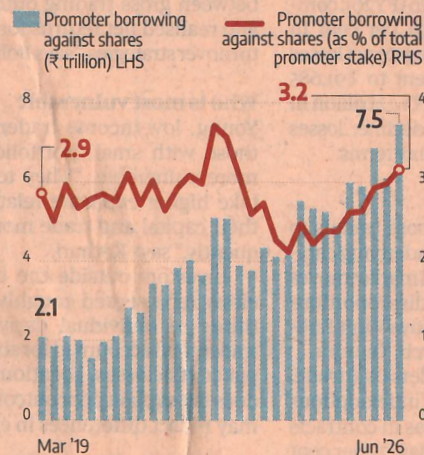
The absolute amount of money raised through both these means of borrowing against their stake is more than three times the ₹2 trillion seen before the pandemic (June 2019). The share of total promoter stake involved has gone up from the pre-pandemic figure of 2.52 per cent in June 2019 to 3.17 per cent as of June 2026.

Promoters are usually the majority owners of the company or those who assert significant control over its functioning. They can raise money from financial institutions against their stake in listed companies. Lenders can



ILLUSTRATION: BINAY SINHA

24% jump in a year



Source: primeinfobase.com

move to dispose of the stake if promoters are unable to meet their debt obligations.

The increase in borrowing is largely driven by sectors like the metals and commodity segment which are seeing capacity addition, noted Deepak Jasani, independent market expert and former head of research at a bank-based brokerage. Many corporate groups are setting up new companies. The capital for this is often coming from their existing listed ventures, according to Jasani.

"Promoter pledging is a function of expansion," he said.

UR Bhat, cofounder and director at financial services firm Alphaniti Fintech, pointed out that many conglomerates are starting companies in new sectors as well which are being

financed by borrowings against mature businesses. Borrowing to increase stake incrementally in the listed companies is also not ruled out, and some may even resort to lenders for private purposes, explained Bhat.

"In the case of first-generation entrepreneurs, personal expenses and liquidity (can also be a factor)," he said.

With promoters looking to fund acquisitions, meet capex and other requirements without diluting their ownership, shares are increasingly being used as collateral. The key, however, is what the funds are being used for — borrowing for productive purposes is very different from pledging to address financial stress, said Pranav Haldea, managing director at Prime Database. Risks, how-

ever, remain, he said.

"Tomorrow, if there is a downward spiral in prices, for reasons not even linked to the company or promoters, say a war, promoters have to meet the margin call by pledging more shares or repaying part of the loans. If you have already pledged 80-90 per cent of holdings, you may not have more shares to offer, which can then result in the lender invoking or selling your shares in the market which can create even more downward pressure on your stock," he said.

The number of companies with promoter borrowing against shares has risen from 481 in June 2019 to 491 in June 2026. The number of listed companies has risen from less than 1,700 to nearly 3,000 over this

period. The analysis considered companies listed on the National Stock Exchange (NSE).

Sectors with high promoter borrowing among the top companies included mining, metal, paint and power among others.

While promoters have been borrowing larger amounts, lenders too have tightened the screws in light of key court orders delivered in the last few years.

There have been many significant judgments in recent years clarifying the rights of lenders in the case of borrowings against pledged shares of a company, which has later gone into insolvency, including PTC India, Anuj Jain and others; noted Sourasubha Ghosh, partner at CMS IndusLaw.

Those who have lent money against pledged shares are considered secured creditors only to the extent of the pledged shares and not financial creditors of the borrower. This means that others would get back their money first if the company goes into liquidation.

This is because those who have lent against pledged shares already have collateral they can sell to recover their loan and therefore can only claim any shortfall after other stakeholders. Most lenders are now seeking other collateral in addition to shares to safeguard their loan, according to Ghosh.

"You will hardly see a case where a loan has been taken only on the basis of pledge of shares. There will be guarantees, mortgages, personal guarantees," he said.