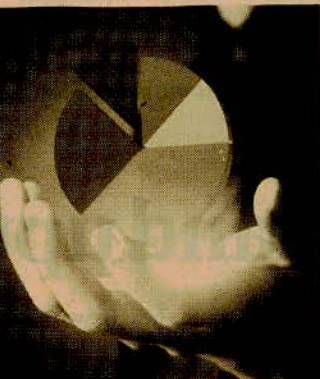


PROMOTERS TURNED CAUTIOUS WITH SHARE PLEDGING IN JUNE QTR



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Mumbai, 5 August

The value of pledged promoter holdings in the BSE 500 companies during the June quarter declined to 1.95 per cent, from 2.34 per cent in the previous quarter. The number of companies were promoters, or major shareholders, have pledged their holdings stood at 89, down from 105 during the March 2020 quarter, the data analysed by Kotak Institutional Equities showed. The brokerage said the decline is on account of rejig in the BSE 500 index and also due to the complete release of pledged shares in case of some companies. Typically, promoters pledged their shares to generate liquidity. If a stock falls, promoters have to provide more shares to maintain the

cover or repay the lender. In the past, lenders have sold shares of some companies in the open market after promoters failed to maintain the cover. This prompted many promoters turn cautious. At the end of the June quarter, ₹1.3 trillion worth of promoters shares were pledged — less than 1 per cent of India's total market cap.

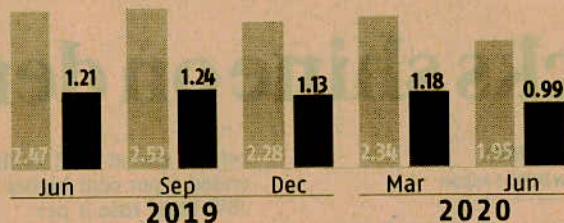
The companies where over 90 per cent of promoter shareholding is pledged declined from five in the March quarter to just three — Future Consumer, Max Financial Services, and Emami. DB Corp, Zee Entertainment, and Metropolis Healthcare saw the highest increase in pledged promoter holding. Adani Ports & SEZ, Granules India, Indusind Bank and Parag Milk were on the other end of the spectrum.

Positive signs

Promoter holding fell sharply during the June quarter

Pledged holding as % of

■ Promoter holding ■ Total holding



Danger zone

Some promoters have pledged over 80% of their holdings

Companies with the highest pledged holdings by promoters

Company	Value (₹ cr)	June 2020*	QoQ chg (bps)
Future Consumer	1,320	92.5	-50
Max Financial	3,790	91.5	-330
Emami	4,790	90.5	130
Jindal Stainless	840	87.7	0
Dish TV	290	84.9	-860
Jindal Stainless	1,110	82.5	0
GMR Infrastructure	5,970	75.3	-110
Future Retail	2,180	74.9	-540
Crompton Greaves	2,570	65.6	0
Kalpataru Power	1,050	57.5	0

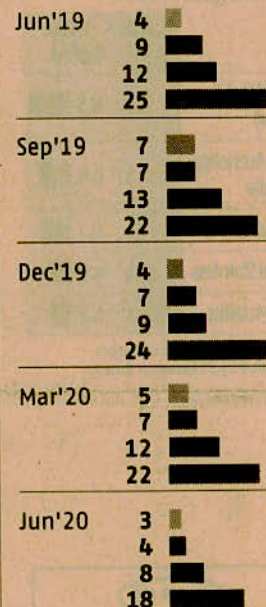
Note: *Pledged holding as % of promoter holding; Universe BSE 500 stocks

Shedding the excess

Firms where over 90% promoter holdings are pledged have declined

No. of companies with % promoter pledged shares

■ 90% or more
■ 75-90%
■ 50-75%
■ 25-50%



Source: Kotak Institutional Equities Research