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## PRESS RELEASE

# **HUGE INCREASE IN SHARE PLEDGING: NSE'S WEBSITE WWW.NSEINFOBASE.COM-DEVELOPED & POWERED BY PRIME DATABASE**

Pledging of shares by promoters in NSE-listed companies saw a huge increase in fiscal 2014-15, with the **value of pledged shares going up to Rs 1.94 lakh crore as on 31<sup>st</sup> March 2015 compared to Rs 1.52 lakh crore a year back**, according to Pranav Haldea, Managing Director of PRIME Database which has developed and powered **nseinfobase.com**. Share pledging is typically done by promoters to raise funds either in the same company or for financing other projects.

While the rise can be partly explained by the rising stock prices, even in terms of **percentage of promoter holding pledged, the same has gone up from 41.75 per cent a year back to 43.36 per cent on 31<sup>st</sup> March 2015**. According to Haldea, it was expected that promoters' pledged stakes would come down as higher share prices would create enough comfort zones for lenders. However, this has not happened. Ironically, the need for promoters to pledge their shares should have been high in 2012-13 and 2013-14, when many companies were cash-strapped and finances were difficult to raise.

As on 31st March 2015, there were pledged shares in as many as **495 of the 1448 NSE-listed companies**, up from 365 companies 6 years ago. Also during this 6-year period, the **percentage of total promoter holding pledged** went up dramatically from **about 30 per cent to 43 per cent**, with the **value of pledged shares going up from Rs. 1.12 lakh crore to Rs.1.94 lakh crore**.

### **Aggregate Promoters' Shares Pledged**

Year	Value of Pledged Shares (Rs.crore)	% of Total Promoter Holding Pledged	No.of Companies
31-Mar-15	1,94,054	43.36	495
31-Mar-14	1,52,566	41.75	482
31-Mar-13	1,31,858	38.28	473
31-Mar-12	1,19,301	35.60	456
31-Mar-11	1,45,168	31.25	437
31-Mar-10	1,43,987	29.15	394
30-Jun-09	1,12,018	29.96	365

Source: [www.nseinfobase.com](http://www.nseinfobase.com)- Developed & Powered by PRIME Database

### **High Pledges**

High pledge levels are typically not considered a good sign by the investors as a downturn in the market price can lead to invocation and change in management. Surprisingly, **there were as many as 25 companies in which the complete holding (100 per cent) of the promoters was under pledge as on 31<sup>st</sup> March 2015**, namely AGC Networks, Ankit Metal & Power, Bajaj Hindusthan Sugar, DQ Entertainment (International), Eastern Silk Industries, Era Infra Engineering, Gokaldas Exports, IL&FS Investment Managers, Ind-Swift Laboratories, IVRCL, Nissan Copper, Paramount Communications, Parenteral Drugs (India), PSL, Raj Rayon Industries, Rajshree Sugars & Chemicals, Rajvir Industries, Rohit Ferro-Tech, S.A.L.Steel, SEL Manufacturing, Servalakshmi Paper, Subex, Surana Industries, Suryajyoti Spinning Mills and XL Energy.

In all, there were as many as 200 companies in which more than 50 per cent of the promoter's shareholding was pledged and as many as 77 companies in which more than 90 per cent of the promoter's shareholding was pledged.

By value of pledged shares, the top 10 companies were as follows:

#### Top 10 companies by value of pledged shares

Company Name	Value of Pledged Shares (Rs.crore)
CAIRN INDIA LTD.	15,801
ADANI ENTERPRISES LTD.	7,976
TATA CONSULTANCY SERVICES LTD.	7,302
JSW ENERGY LTD.	6,305
ASIAN PAINTS LTD.	5,366
ZEE ENTERTAINMENT ENTERPRISES LTD.	5,318
UNITED BREWERIES LTD.	5,003
ADANI POWER LTD.	4,282
GMR INFRASTRUCTURE LTD.	4,209
APOLLO HOSPITALS ENTERPRISE LTD.	4,173

Source: [www.nseinfobase.com](http://www.nseinfobase.com)- Developed & Powered by PRIME Database

The top 10 companies which moved from zero per cent to the highest per cent pledging of promoters' holding were Bajaj Hindusthan Sugar, AGC Networks, DQ Entertainment, IVRCL, Rohit Ferro-Tech, Servalakhshmi Paper, Arvind Remedies (all from 0 to 100 percent), Burnpur Cement (0 to 90 per cent), Entegra (0 to 86 per cent) and Consolidated Construction Consortium (0 to 83 per cent). Overall, there were 206 companies in which the percentage of promoter holding pledged increased in this period.

On the other hand, the top 10 companies which saw a decrease in pledging of promoters' holdings were Jenson & Nicholson (96 to 0 per cent), HDIL (96 to 0 per cent), Raj Oil Mills (92 to 0 per cent), Dr. Datsons Labs (90 to 0 per cent), Pioneer Distilleries (86 to 0 per cent), Emco (75 to 0 per cent), 8K Miles Software Services (53 to 0 per cent), IL&FS Engineering & Construction (50 to 0 per cent), Blue Coast Hotels (98 per cent to 49 per cent) and Rico Auto Industries (70 per cent to 23 per cent).

There were 24 companies in which pledged shares were brought down to zero during the year: 8K Miles Software Services, Accel Frontline, Ashima, Astra Microwave Products, Bajaj Auto, Chromatic India, Dr.Datson's Labs, Emco, Genus Power Infrastructures, HBL Power Systems, HIL, HDIL, IL&FS Engineering & Construction, Indian Metals & Ferro Alloys, IZMO, Jenson & Nicholson, Kalindee Rail Nirman (Engineers), Kitex Garments, Orient Paper & Industries, Pioneer Distilleries, Raj Oil Mills, Ratnamani Metals & Tubes, Strides Arcolab and Uttam Galva Steels. Overall, there were 215 companies in all in which the percentage of promoter holding decreased in this period.

The largest pledge creation transaction in the year was that of Reliance Inceptum, promoter of Reliance Capital, pledging 2.90 crore shares on 6<sup>th</sup> August 2014 to Axis Trustee Services, the value of the pledged shares being Rs.1,688 crores. In all, shares of promoters of 245 companies were pledged during 2014-15.

The largest release of pledged shares transaction was that of Hinduja Automotive Ltd., promoter of Ashok Leyland, on 19<sup>th</sup> February 2015. 26.4 crore shares worth approximately Rs. 1851 crore were released. In all, shares of promoters of 205 companies were released during 2014-15.

### Entity in whose favour pledge created

In terms of the pledgee, maximum amount of shares were pledged to Centbank Financial Services, followed by Punjab National Bank.

### TOP 10 PLEDGEEES

Entity in whose favour pledges created	Value of Pledged Shares (Rs.crore)
CENTBANK FINANCIAL SERVICES LTD.	4,033
PUNJAB NATIONAL BANK	2,859
KOTAK MAHINDRA PRIME LTD.	2,726
STCI FINANCE LTD.	2,504
YES BANK LTD.	2,134
ECL FINANCE LTD.	2,127
IFCI LTD.	2,034
INDUSIND BANK LTD.	1,663
L&T FINANCE LTD.	1,445
IDBI BANK LTD.	1,234

Source: [www.nseinfobase.com](http://www.nseinfobase.com)- Developed & Powered by PRIME Database

The above table excludes all cases where the eventual lenders name has not been provided in the disclosures and only the trustees' names have been provided. Such cases have been given below.

### TRUSTEE COMPANIES

Entity in whose favour pledge created	Value of Pledged Shares (Rs.crore)
IDBI TRUSTEESHIP SERVICES LTD.	27,301
AXIS TRUSTEE SERVICES LTD.	12,353
IL&FS TRUST CO.LTD.	7,978
SBICAP TRUSTEE CO.LTD.	3,172
GDA TRUSTEESHIP LTD.	259

Source: [www.nseinfobase.com](http://www.nseinfobase.com)- Developed & Powered by PRIME Database

There were also share pledging transactions of Rs. 1566 crore in which the lenders name was not disclosed at all.

### Invocation of Shares

In all, shares of promoters of as many as 49 companies were invoked in 2014-15. Incidentally, 38 of these 49 companies (or 77 per cent) saw a fall in their stock price in the same period from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015.

The top 10 companies in which maximum value of shares were invoked during the year 2014-15 are as follows:

Company	Value of Shares Invoked (Rs.crore)
UNITED SPIRITS LTD.	2348
BHUSHAN STEEL LTD.	462
COX & KINGS LTD.	382
PIPAVAV DEFENCE & OFFSHORE ENGINEERING CO.LTD.	111
GUJARAT NRE COKE LTD.	90
ABG SHIPYARD LTD.	76
ORBIT CORP.LTD.	42

<b>UNITECH LTD.</b>	28
<b>ERA INFRA ENGINEERING LTD.</b>	19
<b>RASOYA PROTEINS LTD.</b>	18

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