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PRESS RELEASE

PLEDGING OF SHARES AT 7-YEAR HIGH: PRIME DATABASE

Pledging of shares by promoters in NSE-listed companies hit a 7 year high in the quarter ending December 2015, according to Pranav Haldea, Managing Director of PRIME Database.

Promoter share pledging saw an increase of 14 per cent in the last quarter of calendar year 2015, with the value of pledged shares going up to Rs 2.03 lakh crore as on 31st December 2015 compared to 1.78 lakh crore as on 30th September 2015. According to Haldea, given the fall in equity markets, this points to a high level of financial distress.

Even in terms of percentage of promoter holding pledged, the same has gone up from 43.92 per cent a year back to 46.35 per cent on 31st December 2015.

As on 31st December 2015, there were pledged shares in as many as 517 of the 1506 NSE-listed companies, up from 370 companies 6 years ago. Also during this 6-year period, the percentage of total promoter holding pledged has gone up dramatically from about 27 per cent to 46 per cent, with the value of pledged shares going up from Rs. 1.28 lakh crore to Rs. 2.03 lakh crore.

Aggregate Promoters' Shares Pledged

Year	Value of Pledged Shares (Rs.crore)	% of Total Promoter Holding Pledged	No.of Companies
31-DEC-15	2,02,969	46.35	517
31-DEC -14	1,78,495	43.92	486
31-DEC -13	1,38,187	41.46	468
31-DEC -12	1,41,430	35.69	459
31-DEC -11	94,914	34.37	441
31-DEC -10	1,55,542	29.56	411
31-DEC-09	1,27,807	27.11	370

Source: PRIME Database

High Pledges

According to Haldea, 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 31st December 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, Impex Ferro Tech, Ind-Swift Laboratories, IVRCL, Paramount Communications, Parenteral Drugs (India), Pipavav Defence & Offshore Engineering, PSL, Raj Rayon Industries, Rajshree Sugars & Chemicals, Rohit Ferro-Tech, S.A.L.Steel, SEL Manufacturing, Servalakshmi Paper, Spentex Industries, Subex, Surana Industries and Suryajyoti Spinning Mills.

In all, there were as many as 79 companies in which more than 90 per cent of the promoter's shareholding was pledged and 208 companies in which more than 50 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)
ADANI PORTS & SPECIAL ECONOMIC ZONE LTD.	10,065
CAIRN INDIA LTD.	8,914
TATA CONSULTANCY SERVICES LTD.	6,967
JSW STEEL LTD.	6,608
ESSAR OIL LTD.	6,558
ZEE ENTERTAINMENT ENTERPRISES LTD.	6,302
RELIANCE POWER LTD.	5,932
ASIAN PAINTS LTD.	5,902
JSW ENERGY LTD.	4,866
GMR INFRASTRUCTURE LTD.	4,795

Source: PRIME Database

Companies which moved from zero per cent to a high per cent pledging of promoters' holding in September-December 2015 quarter were JMT Auto (0 to 93 per cent), Bedmutha Industries (0 to 50 per cent), and Khaitan Electricals (0 to 42 per cent). Other cases of huge increases were Zenith Birla India (33 to 88 per cent), Sharon Bio-Medicine (7 to 40 per cent), Shriram EPC (6 to 30 per cent), Melstar Information Technologies (66 to 88 per cent) and Uttam Sugar Mills (12 to 33 per cent). Overall, **there were 82 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 Mangalam Cement (52 to 0 per cent), Ashapura Minechem (36 to 0 per cent), Tree House Education & Accessories (43 to 12 per cent), NCL Industries (68 to 38 per cent), Mangalam Timber Products (28 to 0 per cent), Prakash Industries (75 to 50 per cent), Century Enka (20 to 0 per cent), Ganesh Housing Corp. (47 to 29 per cent), Gujarat NRE Coke (100 to 81 per cent) and Sical Logistics (67 to 50 per cent) .

There were **9 companies in which pledged shares were brought down to zero** during this period: Mangalam Cement, Mangalam Timber Products, Century Enka, Astec Lifesciences, Sanghvi Movers, Jay Shree Tea & Industries, Essel Propack, Blue Star and Vaibhav Global. Overall, **there were 78 companies in all in which the percentage of promoter holding decreased in this period.**

The largest pledge creation transaction in this quarter was that of S.B.Adani Family Trust, promoter of Adani Ports & Special Economic Zone, pledging 7.60 crore shares on 13th October 2015 to IDBI Trusteeship Services, the value of the pledged shares being Rs. 2,459 crores. In all, shares of promoters of **115 companies** were pledged during September-December 2015 quarter.

The largest release of pledged shares transaction was that of Adani Properties Pvt.Ltd., also a promoter of Adani Ports & Special Economic Zone on 6th November 2015. 6.61 crore shares worth approximately Rs. 1,883 crore were released. In all, shares of promoters of **100 companies** were released during September-December 2015 quarter.

Entity in whose favour pledge created

In terms of the pledgee, **maximum amount of shares were pledged to Kotak Group** followed by Indusind Bank during the quarter.

TOP 5 PLEDGEES- MAKE AS PER GROUP ENTITIES

Rank	Entity in whose favour pledge created	Value of Pledged Shares (Rs. crore)	Market Share (%)
1	KOTAK MAHINDRA ASSET MANAGEMENT CO.LTD./KOTAK MAHINDRA BANK LTD./KOTAK MAHINDRA INVESTMENTS LTD./KOTAK MAHINDRA PRIME LTD.	2188.35	17.49
2	INDUSIND BANK LTD.	1893.15	15.13
3	ADITYA BIRLA FINANCE LTD./BIRLA SUN LIFE	1252.66	10.01
4	IL&FS FINANCIAL SERVICES LTD./IL&FS SECURITIES SERVICES LTD.	851.43	6.80
5	AXIS ASSET MANAGEMENT CO.LTD./AXIS BANK LTD./AXIS FINANCE LTD.	681.62	5.45

Source: 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.	8,912
IL&FS TRUST CO.LTD.	2,074
AXIS TRUSTEE SERVICES LTD.	78
SBICAP TRUSTEE CO.LTD.	50

Source: PRIME Database

This is despite the SEBI circular on 5th August 2015 asking for both the name of the lender and the trustee to be filed.

There were also share pledging transactions of Rs. 53 crore in the quarter in which the lenders name was not disclosed at all.

Invocation of Shares

In all, shares of promoters of as many as 19 companies were invoked in September-December 2015 quarter.

The company in which the maximum value of shares were invoked during the quarter was Pipavav Defence & Offshore Engineering Co.(Rs. 300 crore).