

## PRESS RELEASE

### PLEDGING OF SHARES WITNESSES MARGINAL INCREASE: PRIME DATABASE

Pledging of shares by promoters in NSE-listed companies witnessed a marginal increase on a year-on-year basis as on 31st March 2016, according to Pranav Haldea, Managing Director of PRIME Database.

The percentage of promoter holding pledged (in companies which have at least some pledging) went up from 44.99 per cent a year back to 45.98 per cent on 31st March 2016. Across all NSE listed companies (including companies with no pledging), it went up from 14.80 per cent a year back to 15.25 per cent on 31st March 2016.

In value terms though, promoter share pledging saw a slight decrease of 1.66 per cent on a year-on-year basis with the **value of pledged shares going down to Rs 1.78 lakh crore as on 31st March 2016 compared to 1.81 lakh crore as on 31st March 2015.**

According to Haldea, this shows that even though overall pledge levels have gone up, given the fall in equity markets over the last year, the value has remained constant.

As on 31<sup>st</sup> March 2016, shares were pledged in as many as **505 of the 1514 NSE-listed companies, up from 492 companies a year back.** Promoter pledging status for the last 6 years has been given in the table below:

#### Aggregate Promoters' Shares Pledged

Year	Value of Pledged Shares (Rs.crore)	As % of Total Market Capitalisation	As % of Total Promoter Holding Pledged (for companies with at least some pledging)	As % of Total Promoter Holding Pledged (across all companies)	No.of Companies which have at least some pledging	Total No.of Companies listed at NSE
31-Mar-2016	1,78,751	8.21	45.98	15.25	505	1514
31-Mar-2015	1,81,853	8.11	44.99	14.80	492	1445
31-Mar-2014	1,45,257	7.82	42.41	13.78	463	1411
31-Mar-2013	1,21,160	6.11	35.80	10.66	454	1382
31-Mar-2012	1,12,617	5.71	34.93	9.75	439	1342
31-Mar-2011	1,38,432	4.98	30.80	8.43	421	1281
31-Mar-2010	1,36,185	4.93	28.17	8.29	384	1166

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 31<sup>st</sup> March 2016**, namely AGC Networks, Arshiya, Bajaj Hindusthan Sugar, Bharati Defence & Infrastructure, DQ Entertainment (International), Eastern Silk Industries, Flexituff International, Gokaldas Exports, IL&FS Investment Managers, Ind-Swift Laboratories, IVRCL, JMT Auto, Paramount Communications, Parenteral Drugs (India), PSL, Raj Rayon Industries, Rohit Ferro-Tech, S.A.L.Steel, SEL Manufacturing Co., Servalakshmi Paper, Spentex Industries, STI India, Subex, Surana Industries and Venus Remedies.

**In all, there were as many as 73 companies in which more than 90 per cent of the promoter's**

shareholding was pledged and 209 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)	As % of Total Promoter Holding Pledged	As % of Market Capitalisation
TATA CONSULTANCY SERVICES LTD.	11,490	3.15	0.05
CAIRN INDIA LTD.	9,931	57.49	34.43
ADANI PORTS & SPECIAL ECONOMIC ZONE LTD.	9,865	34.18	6.91
JSW STEEL LTD.	7,069	54.98	6.73
ASIAN PAINTS LTD.	5,801	13.19	6.96
RELIANCE POWER LTD.	5,195	49.99	19.25
FORTIS HEALTHCARE LTD.	4,556	78.62	43.89
EMAMI LTD.	4,237	27.41	7.95
JSW ENERGY LTD.	4,193	49.01	33.86
APOLLO HOSPITALS ENTERPRISE LTD.	4,189	65.95	8.29

Source: PRIME Database

**Top 10 companies which moved from zero per cent to a high per cent pledging of promoters' holding from 31<sup>st</sup> March 2015 to 31<sup>st</sup> March 2016** were JMT Auto (0 to 100 per cent), STI India (to 100), Surana Corp. (to 98), MSP Steel & Power (to 91), Kirloskar Electric (to 90), Impex Ferro Tech (to 90), Bannari Amman Sugars (to 83), Castex Technologies (to 77), Adlabs Entertainment (to 65) and Jindal Stainless (Hisar) (to 60). **Other cases of huge increases (more than 50 per cent change)** were Atlanta (9 to 89 per cent), Hindusthan National Glass & Industries (27 to 93 per cent), Pioneer Embroideries (6 to 68 per cent), Tantia Constructions (33 to 93 per cent), Tree House Education & Accessories (29 to 86 per cent) and Unity Infraprojects (47 to 100 per cent). Overall, **there were 217 companies in which the percentage of promoter holding pledged increased in this period.**

On the other hand, there were **39 companies in which pledged shares were brought down to zero** during this period, the top 10 being Suryajyoti Spinning Mills (from 100 to 0 per cent), Shri Aster Silicates (from 98), GSS Infotech (from 95), Entegra (from 86), Golden Tobacco (from 72), JHS Svendgaard (from 53), Mangalam Cement (from 52), GHCL (from 47) and ANG Industries (from 39). Other cases of huge decreases (more than 50 per cent change) were Royal Orchid Hotels (98 to 2) and A2Z Infra Engineering (93 to 43). Overall, **there were 180 companies in which the percentage of promoter holding decreased in this period.**

**The largest pledge creation transaction of the year was that of Vinod Shantilal Adani, promoter of Adani Ports & Special Economic Zone, pledging 12.82 crore shares on 13<sup>th</sup> June 2015 to IDBI Trusteeship Services, the value of the pledged shares being Rs. 3,999 crores.** In all, creation of pledges took place in shares of promoters of **244 companies** during the year.

**The largest release of pledged shares transaction was also again of Vinod Shantilal Adani (Adani Ports & Special Economic Zone) on 11<sup>th</sup> September 2015. 7.30 crore shares worth approximately Rs. 2,359 crore were released.** In all, release of pledges took place in shares of promoters of **191 companies** during the year.

#### Entity in whose favour pledge created

In terms of the pledgee, **maximum amount of shares were pledged to Kotak Group** followed by Axis Group in the last 1 year.

### TOP 5 PLEDGEEES

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.,KOTAK SECURITIES LTD.	5,199.04	9.04
2	AXIS ASSET MANAGEMENT CO.LTD.,AXIS BANK LTD.,AXIS FINANCE LTD.	4,611.13	8.02
3	YES BANK LTD.	4,581.10	7.97
4	LIFE INSURANCE CORP.OF INDIA	3,857.11	6.71
5	STCI FINANCE LTD.,STCI LTD.	3,233.26	5.62

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.	34,672.29
AXIS TRUSTEE SERVICES LTD.	6,162.40
IL&FS TRUST CO.LTD.	5,890.35
SBICAP TRUSTEE CO.LTD.	2,067.08
GDA TRUSTEESHIP LTD.	436.70

Source: PRIME Database

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

**There were also share pledging transactions of Rs. 864 crore in the last 1 year in which no lenders name was disclosed at all.**

### Invocation of Shares

**Shares of promoters of as many as 40 companies were invoked in the last 1 year.** The company in which the maximum value of shares were invoked during last 1 year was Unitech (Rs. 350 crore). In the previous year, shares of promoters of 44 companies were invoked.