



PRESS RELEASE

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**PROMOTER SHARE PLEDGING AT A 3-YEAR HIGH IN AUGUST:**  
**primeinfobase.com**

**Pledging of shares by promoters in companies listed on NSE reached a 3-year high of 1.86 per cent of total market capitalization of all companies listed on NSE as on 31<sup>st</sup> August 2020, as per primeinfobase.com, an initiative of PRIME Database Group.** The last time when it was higher was as on 30<sup>th</sup> April 2017 at 1.88 per cent.

In value terms, promoters' share pledging increased by a huge 55.97 per cent from last month with the **value of pledged shares going up to INR 2.77 lakh crore as on 31<sup>st</sup> August 2020 compared to INR 1.78 lakh crore as on 31<sup>st</sup> July 2020, according to Pranav Haldea, Managing Director, PRIME Database Group.** According to Haldea, "this increase was primarily driven by pledging of shares by promoters in Hindustan Zinc and Vedanta for the purpose of the delisting of Vedanta".

Across all companies listed on NSE (including companies with no pledging), the percentage of promoter holding pledged as a percentage of total promoter holding though saw a marginal decrease going down to 12.36 per cent on 31<sup>st</sup> August 2020 from 12.43 per cent as on 31<sup>st</sup> July 2020. Even considering only such companies which have at least some pledging, the per cent of promoter shares pledged as a percentage of total promoter holding went down from 44.34 per cent as on 31<sup>st</sup> July 2020 to 44.20 per cent on 31<sup>st</sup> August 2020.

As on 31<sup>st</sup> August 2020, shares were pledged in 463 of the 1656 main-board companies listed on NSE, as compared to 461 companies on 31<sup>st</sup> July 2020.

**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 29 companies in which the complete holding (100 per cent) of the promoters was under pledge as on 31<sup>st</sup> August 2020. **At another level, there were as many as 81 companies in which more than 90 per cent of the promoter's shareholding was pledged and 192 companies in which more than 50 per cent of the promoter's shareholding was pledged.**

SEBI at its board meeting held on 27<sup>th</sup> June 2019 had mandated that where pledging of promoters (and PACs) is more than 20% of the Total Share Capital of the company or 50% of the Total Promoter Holding, promoters shall be required to disclose detailed reasons for encumbrance separately. As on 31<sup>st</sup> August 2020, there were 230 such companies listed on NSE.

**Increase in Pledges:** Companies which moved from zero per cent to some per cent pledging of promoters' holding from 31<sup>st</sup> July 2020 to 31<sup>st</sup> August 2020 were Hindustan Zinc (to 100), Vedanta (to 99.99) and Max Healthcare Institute (to 13.35). Overall, **there**



were 13 companies in which the percentage of promoter holding pledged increased in August 2020.

**Decrease in Pledges:** There were 2 companies in which pledged shares were brought down to zero in August 2020, these being Tirupati Forge (from 47.92) and Jyothy Labs (from 6.58). Overall, there were 51 companies in which the percentage of promoter holding pledged decreased in August 2020.

**Creation of Pledge:** Pledge creation transactions (fresh or additional pledge) took place in shares of promoters of 29 companies worth a huge INR 90,353.22 crore in August 2020 (July 2020: 28 companies worth INR 6402.26 crore). In 21 of these 29 companies, promoters also had released their shares worth INR 6769.04 crore in August 2020.

Companies in NIFTY-200 which saw creation of fresh or additional pledges were Adani Ports & Special Economic Zone, Ajanta Pharma, Apollo Hospitals Enterprise, GMR Infrastructure, Hindustan Zinc, Jindal Steel & Power, JSW Energy, JSW Steel, Mahindra & Mahindra, Max Financial Services and Vedanta.

**Release of Pledge:** Pledge release transactions took place in shares of promoters of 49 companies worth INR 9352.23 crore in August 2020 (July 2020: 40 companies worth INR 8300.25 crore). In 21 of these 49 companies, promoters also created fresh or additional pledges worth INR 2715.23 crore in August 2020.

Companies in NIFTY-200 which saw release of pledges were Adani Ports & Special Economic Zone, Adani Power, Adani Transmission, Ajanta Pharma, Apollo Hospitals Enterprise, Apollo Tyres, Asian Paints, Edelweiss Financial Services, Emami, GMR Infrastructure, Jindal Steel & Power, JSW Energy, JSW Steel, Max Financial Services, Motherson Sumi Systems and Sun Pharmaceutical Industries.

**Invocation of Pledged Shares:** Shares of promoters of 11 companies worth INR 643.67 crore were invoked in August 2020. In July, shares of promoters of 13 companies had been invoked.

**Exposure of Domestic Mutual Funds, Indian Banks and Non-Banks/Others to Promoter Pledged Shares:** The market share of domestic Mutual Funds (including cases where debenture trustees' names, who may hold shares directly or on behalf of the lender, are reported under name of entity in whose favour shares are encumbered) increased from 26.23 per cent as on 31<sup>st</sup> July 2020 to 49.76 per cent as on 31<sup>st</sup> August 2020, with the value of such pledged shares going up from INR 46,654 crore to INR 1,38,049 crore. Non-Banks/Others saw a decrease from 52.85 per cent to 36.68 per cent during the same period, while the share of Indian Banks went down from 20.21 per cent to 14.43 per cent.

To view detailed report, [Click here](#).

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