

# Pledged BSE 500 stocks' value shrinks to Rs 1.6 lakh crore

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MUMBAI: Value of pledged promoter holdings fell to its lowest in recent quarters as controlling investors released shares offered as collateral after repaying loans taken by them. Promoters of Adani Ports, Asian Paints, Tata Motors, Tata Steel, TCS, JSW Steel and Sun Pharma reduced their pledged stakes in the companies on the back of aggressive deleveraging efforts.

The combined value of pledged holdings in BSE 500 stocks declined to 1.6% (Rs 1.6 lakh crore) in the March quarter of fiscal 2021 — the lowest in the last nine quarters — from about 2.1% in the preceding quarter, according to a Kotak Securities report. The report highlighted that there were no listed companies where

controlling shareholders pledged more than 90% of their stakes. In some companies like Dhanuka Agritech, promoters released their entire pledged holdings.

“The trend of reduction in promoter pledged shares is secular and likely to witness continued decline,” said RippleWave Equity Advisors partner Mehul Savla. “Investors have fretted over pledged holdings as, in many instances, these were an indicator of promoters raising funds to invest in other ventures. Lack of transparency of such investments and the uncertainty of their financial outcome led to investors exiting such stocks. Promoters now realise the pitfalls of such actions and are taking steps towards rebuilding the trust by reducing the pledged holding in a progressive manner,” added Savla.

Risks related to pledged shares by promoters came to the fore in the recent past following the financial woes at Essel and Anil Ambani's Reliance groups. To protect retail shareholders, India's securities markets regulator Sebi mandated companies to disclose the reasons for encumbrances if the shares pledged by controlling shareholders exceed 50% of the total promoter holding or 20% of the companies' equity capital. Promoters of Adani Ports, Adani Transmission, Adani Enterprises and Adani Green Energy reduced their pledged holdings in these companies to 16%, 12%, 6% and 0.8%, from 38%, 28%, 17% and 5% in the December quarter of the previous fiscal 2021.

Sajjan Jindal lowered his pledged holdings in JSW Energy and JSW Steel to 25% and 18% from 36% and 22%. On the other hand, promoters of IndusInd Bank, Ashok Leyland, Aurobindo Pharma and Wockhardt increased their pledged holdings in the firms, according to the Kotak Securities report.