

[C] Pledging activity falls on shr mkt boost, high fund raising appetite  
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By Sanam Mirchandani

MUMBAI - The sharp rise in benchmark indices over the last few months and increased appetite for fund raising has helped in bringing down the overall pledging activity in the market by companies, experts said.

According to data from www.nseinfobase.com-developed and powered by PRIME Database, total pledged shares as a percentage of total promoters shareholding in NSE-listed companies has come down to 14.33% in October from 14.75% in February.

Market experts attribute the decline in overall pledged shares to the stupendous rise in benchmark indices and improvement in capital raising activity through routes such as Qualified Institutional Placements, which has helped relieve stress on balance sheet of companies.

"At an overall level, the pledge activity or the value of pledged shares has come down. As share prices go up, then there is no pressure for maintaining the margin. So a lot of promoters are able to release the shares which have been pledged," said Pranav Haldea, Managing Director at Prime Database said.

Pledged shares in Gammon Infrastructure Projects, 8K Miles Software Services, Housing Development and Infrastructure decreased the most from May 31, with no shares of these companies pledged as on Oct 31, the data showed.

Other companies where pledged amount has decreased significantly include Jensen & Nicholson (India), Orbit Corp, Tarapur Transformers, RattanIndia Power, Blue Coast Hotels, Kitex Garments and Dish TV India.

Companies where pledged shareholding as a percentage of total shareholding has increased the most include Entegra, Bharati Shipyard, Arshiya, Wanbury, Surana Industries, Astec Lifesciences, and Sanghvi Forging and Engineering.

Market participants believe that if the domestic equities remain buoyant, the pledging activity could come down further.

#### CONCERNS REMAIN

Although the overall pledging activity has come down, some in the market believe that power sector could see an increase in pledging activity in the coming months due to continued regulatory concerns.

"If the government is not able to fix the problems in terms of the availability of coal supply or in terms of price increases on the distribution side then potentially you could see more number of companies coming into the pledged share category... With the banks becoming more and more strict, they will definitely ask for more collateral in the form of pledged shares from promoters," said Sanjeev Prasad, Senior Executive Director and Co-Head at Kotak Institutional Equities said.

He added that steel sector companies could also see increase in pledged shares as many companies have already restructured their loans and there are uncertainties on supply of resources. End

Edited by xxx

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