



The Hidden Landmine

Understanding the severe dangers of 'Pledged Shares' and how they can destroy retail wealth overnight.

What are Pledged Shares?

Promoters often need capital for business expansion or personal use.

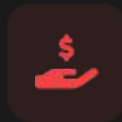
Instead of selling their ownership, they use their shares as a **guarantee (collateral)** to take a loan from a bank.

While the business is doing well, this isn't an issue. But when the market turns, it becomes a ticking time bomb.



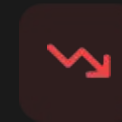
The Liquidation Cycle

1. The Loan



The Promoter pledges shares to the bank in exchange for cash. The shares act as collateral for the loan.

2. Price Falls



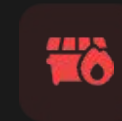
Due to bad earnings or market corrections, the stock price drops. The value of the bank's collateral shrinks rapidly.

3. Margin Call



The bank asks the promoter to bring in more cash or pledge more shares to cover the shortfall. The promoter lacks liquidity.

4. Ruthless Selling



To recover its loan, the bank automatically dumps the promoter's shares in the open market, causing a massive crash.

The Strict 'No-Go' Zone

>15%

Pledged Shares Limit

Rule of Thumb for Retail Investors

- ✓ 0% Pledge: The Gold Standard. Total peace of mind.
- ⚠ 1% to 15%: Monitor closely. Understand why the loan was taken.
- 🚫 >15% to 20%: Strict No-Go Zone. Do not risk your capital unless you possess deep insider knowledge of the cash flows.

Real-World Examples: Pledged Share Percentages

Company	Approx. Pledged Shares % (Historical/Illustrative)	Status/Zone
TCS	0% (Never Pledged)	✓ Safe Zone
Ultratech Cement	~1.5%	⚠ Monitor Closely
Bajaj Finance	~0.02%	✓ Safe Zone
India Cements	~35%	⊘ Danger Zone
JP Associates	>85%	⊘ Danger Zone
Videocon	>99% (Historically)	⊘ Extreme Danger/Insolvent

Note: Percentages are illustrative historical snapshots and fluctuate. Always verify current data before investing.



Protect Your Capital

Before you buy, always check the '**Pledged Percentage**' alongside the Promoter Holding.