Episode 12: Decoding Shareholding Patterns & Tracking Smart Money (SAST)

Course: 4-Month Fundamental & Technical Analysis Practical Workshop

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Target Audience: Intermediate to Advanced Investors

PART 1: COMPREHENSIVE DRAFT DOCUMENT (STUDY MATERIAL)

1. Introduction: Following the "Smart Money"

In the stock market, fundamentals tell you *what* to buy, technicals tell you *when* to buy, but the Shareholding Pattern (SHP) tells you *who* is buying.

Tracking the SHP is essentially tracking the "Smart Money"—the Promoters, Foreign Institutional Investors (FIIs), and Domestic Institutional Investors (DIIs). They have better resources, deeper industry insights, and access to management. By aligning our investments with them, we significantly increase our probability of success.

2. The Core Components of Shareholding

A company's ownership is divided into four main buckets:

- **Promoters:** The founders and owners. High promoter holding (>50%) shows immense "skin in the game" and confidence in their own business.
- **FIIs (Foreign Institutional Investors):** Global funds. They bring in large capital and usually indicate that a company meets strict global quality standards.
- **DIIs (Domestic Institutional Investors):** Indian Mutual Funds, Insurance companies, etc. Their entry provides tremendous stability to the stock price.
- **Public (Retail):** Everyday investors. Generally, the "dumb money" or weak hands.

The Golden Rule of SHP: * Bullish Trend: Promoters/FIIs/DIIs are buying, and the Public is selling.

- **Bearish Trend (Value Trap):** Promoters/Institutions are dumping their shares, and the Public is enthusiastically buying (often driven by FOMO or news hype).

3. The Hidden Trap: Pledged Shares

A critical and often overlooked part of SHP is **Pledged Shares**.

Promoters sometimes use their own shares as collateral to take loans from banks (for personal use or business expansion).

- **Why is it dangerous?** If the stock price falls dramatically, the value of the collateral drops. The bank will issue a "margin call," asking the promoter to bring in more cash. If the promoter fails, the bank dumps the shares in the open market to recover the loan. This creates a massive, sudden crash in the stock price.
- **The Rule:** Avoid companies with more than **15% to 25%** pledged promoter shares, unless you deeply understand the reason behind the pledge and the company's cash flows. Zero pledge is the gold standard.

4. Beyond the Quarter: Real-Time Tracking via SAST

Quarterly SHP data is a lagging indicator (it's published 15-20 days after the quarter ends). To get a real-time edge, we track **SAST (Substantial Acquisition of Shares and Takeovers)** and Insider Trading disclosures.

Under SEBI rules, if a promoter or major shareholder buys or sells shares from the open market, they must disclose it to the exchange within 48 hours.

A. Tracking SAST for a Specific Company:

1. Go to the BSE India website.
2. Search for the company.
3. Scroll down to "Corp Information" or "Disclosures".
4. Look for "SAST Regulations" or "Insider Trading".
5. *Insight:* If you see a promoter buying shares directly from the open market during a price correction, it is the highest conviction signal you can get.

B. Tracking SAST Market-Wide (Week-to-Week):

Instead of checking company by company, advanced investors track overall market insider activity weekly to find new ideas.

1. Go to the BSE India homepage -> "Corporates" -> "Disclosures" -> "SAST Disclosures".
2. Filter by the last 7 days.
3. Look for large acquisitions marked as "Market Purchase".
4. *Tools:* We will also use screeners like Trendlyne or Screener.in to filter companies where "Promoter Buying" has occurred in the last month.

PART 2: SHORT VIDEO SCRIPTS (2-3 Minutes Each)

Video 1: The Concept of "Smart Money" & SHP Basics

Video 2: Live Practical - Analyzing SHP Trends (Good vs. Bad)

Video 3: The Danger of Pledged Shares

Video 4: Beating the Crowd - Introduction to SAST Disclosures

Video 5: Live Practical - Tracking Insider Activity Week-to-Week