

# Fears of Margin Pressure Hammer Low-cap Stocks

Prices of the pledged shares of many promoters are close to their threshold limit of margin calls

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Investors continue to sell shares of several mid-cap and small-cap companies despite denials by promoters of any margin funding pressure. As the broader market continues to fall in the absence of positive triggers, lenders are asking promoters to be ready to meet margin calls while brokers are turning cautious in margin funding clients.

Shares of GTL fell 7% to close at ₹108 on the BSE, after hitting intra-day low of ₹93. It has lost about three-fourth of its value so far this year. GTL Infra ended the day 1% up at ₹16, after touching an intra-day low of ₹13. GTL Infra has lost about 63% so far this year amid speculation of bank debt and margin funding issues and concern that lenders sold GTL and GTL Infra shares pledged to borrow money. The company has denied the rumours. However, it has not explained any possible reason for the fall in its stock price and has requested the regulator to investigate the matter.

S Kumars Nationwide lost 4% to close at ₹49. It has lost 44% this year. Orchid Chemicals, which gained 4% to close at ₹253, has lost 20% this



## Worry Lines

Lenders Ask Promoters to be Ready to Meet Margin Call

**Any sharp fall in pledged shares from current levels can trigger selling. Investors are worried some promoters may lose control over companies. Brokers put in place checks and balances to stem any panic. Brokers refuse clients funding of specific securities. The number of scrips eligible for funding has fallen.**



COMPANY	CMP (₹)	% CHG	YTD CHG (%)	INTRA-DAY LOW (₹)	52-WEEK HIGH (₹)
GTL	108	-7	-74	93	477
Orchid Chem & Pharma	253	4	-20	219	344
S Kumars Nationwide	49	-4	-44	46	97
GTL Infrastructure	16	1	-63	13	54
	CURRENT	% CHG	YTD CHG (%)	52-WEEK CHG (%)	
SENSEX	17727.49	1.01	-13.78	-0.16	

SOURCE: ETIC DATABASE

year on similar fears. Officials from both the companies have denied any such sale and termed it as speculation.

"There are question marks on certain companies. Investors should refrain from investing in such companies. It is always possible to see situation of promoter losing his control in a falling market like this. While pledging is not bad, one needs to look at the reason why the funds were raised and even regulators should make that disclosure

mandatory," said Rajen Shah, chief investment officer, Angel Broking. He said that some companies have been unnecessarily targeted by this scare. Investors fear that many promoters face the risk of losing their pledged shares for failing to meet margin calls. In the past, Orchid Chemicals' Raghavendra Rao and Vijay Sheth of Great Offshore lost hold on their companies due to margin funding pressure.

"The fall in shares is a matter of concern as some fall 4-5% even on a

## Maruti Hits 52-week Low

**NEW DELHI** Shares in Maruti Suzuki plunged 1.72% to close at ₹1,099.8 on Thursday on the BSE, after its Japanese parent Suzuki cut the growth forecast for the leading car company in India for the financial year. The company's shares had touched its 52-week low of ₹1,095.

"With inflation and other issues, a decision was made (at Maruti) to lower the sales growth forecast for this financial year to 8% from the initial 13%. But I personally think a 5% rise would be about right," said Suzuki Motor chairman Osama Suzuki. The maker of Swift saw its sales rising by 5% to 1.80 lakh cars for the first two months of the fiscal against the projected growth of 13-14%.

sale of few thousand shares. Many promoters are getting margin calls. Lenders are also becoming flexible as they know that it is more of an aberration in some cases," said Prakash Diwan, head of institutional equities, Networth Stock Broking.

Broking firms are advising clients to square off positions if there is any possibility that they would be unable to sustain mark-to-market margin pressure.

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Industry.