Listed Companies and High Promoter Holding-Boon or Bane? : A Study on Shareholding Pattern and Firm Performance of Indian Companies on the Sensex

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Abstract: *Indian companies follow Anglo-American model of corporate governance in which shareholders are the owners of the company. Since manager's pay package is linked to performance, their focus would be on short term maximization of profits whereas shareholders look for value maximization. This conflict of interest creates agency cost. From an Indian perspective, big family conglomerates have become public limited companies. Promoters continue to hold high percentage of holding. For e.g. Reliance Industries promoter holding is 46.53%, Wipro 73.34%, HCL technologies 60.38%, Jindal steel 61.89%, Adani ports 49.82% and so on. This paper examines the shareholding pattern in Sensex 30 companies and the impact of promoter holding on performance indicators. Secondary data which comprises of the published financial data of these 30 companies have been used to arrive at the findings and inferences. The paper also highlights other aspects about high promoter holding which are unique from an India context*

Keywords: *Promoter holding, Anglo American Model of governance, Agency cost, Dominant shareholder, Minority shareholder*

INTRODUCTION

The role of Family Managed Business in India

Family managed businesses have been key to the contributors of industrialization in India since the time of Independence. It is believed that family managed businesses account for almost two-thirds of India’s GDP, and employs approximately half of the country’s work force, making them key players in the country’s economic growth. A routine study of business houses in India post-Independence have examples of the businesses in family name - the Tatas, Birlas, Modis, Ambanis to name a few among many enterprises. The role of these businesses in nation building, wealth creation, employment generation and contribution to the wealth is significant. Some of the Indian family businesses have followed the same lines of business and carried the lineage and experience of the previous generations and grown significantly, while few others have diversified considerably by setting up new businesses, exploring new sectors and markets, expanding geographically and also increasing their global footprint.

From small and medium enterprises to large enterprises, family businesses have contributed to the growth in every sector in India. They have evolved over years witnessing highs and lows of our markets and business landscape and tackled challenges posed by the rapidly changing business environment. They have internal challenges to deal with like family conflict along with the external factors. Creating succession plans and getting the next generation involved and reacting to changes of digital world are other smaller hurdles that they tackle.

A large percentage of publicly listed Indian companies are family promoted and managed. According to a study conducted by global financial services major Credit Suisse in 2010, two out of every three listed companies in India are family-controlled, making it the country with the highest presence of family businesses in Asia.

There are a large number of companies in the developed world which were incorporated as family managed businesses of which a good percentage of them have succeeded in delineating management from ownership. While the promoters enjoy the fruits of ownership they consciously take a backseat when it comes to management. This approach has helped them to reduce conflicts of interest. However, the situation in India majorly revolves around the promoters being actively involved in day-to-day management of the companies. They run the business as their privately held business even when their holding is substantially low in comparison with outside holdings.

To cite an example a whole lot of questions were thrown open on the running and conflicting interests amongst the family managed business when the feud between the Ambani brothers became public and was later on settled amicably to the relief of India Inc. and government. The debates and discussions during the period brought to the fore more issues about the family managed business that require serious deliberations and more importantly, legislations that will protect the interests of other shareholders. Companies in the developed world like United Kingdom and The United States of America have been successful in delineating management from ownership; the scenario in India has a lot to improve in this aspect. With the family having a number of directors or key personnel on the board holding important portfolios, this kind of involvement in management gives rise to issues of conflicts of interests. These aspects throw up the question that if the promoters want to keep 80% of the holding with themselves, why should they even go public? Secondly, dominant shareholder being powerful - Who will discipline the dominant shareholder? Is performance of the companies better when there is a high promoter holding? This paper discusses the ownership structure in Sensex 30 companies and its impact on accounting and market performance indicators.

Document Map

The researchers have studied aspects of Family Managed Businesses in India and also the impact of high promoter holdings. The companies listed on the Sensex comprised the sample for the study. The document map for the paper under various sections is as per below:

- Defining important concepts and aspects that form part of the paper: There are some aspects that are unique to Indian companies, which are required to understand the relevance of the study.
- Literature Review
- Research Design and Methodology including objectives, scope and limitations of the study
- Data Analysis and Results
- Inferences, Implications and Conclusion
- References
- Annexures

Some important concepts forming part of paper

Corporations pool in money (capital) from various sources like large and small investors, domestic and foreign investors, institutional and retail investors, banks and financial institutions etc. Investors invest in these companies with a belief and hope that the businesses will be sustainable, profitable and ethical. The investment in the companies by various groups of investors is an act of faith and they look forward for maximization of shareholders wealth. The shareholders are the owners of the company as they enjoy voting rights and have a say in critical decisions of the business. The success of the company depends on how well it is governed taking into account the requirements of various stakeholders of the business.

Corporate Governance

The Securities and Exchange Board of India Committee on Corporate Governance defines corporate governance as the "acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders". It is about commitment to values, about ethical business conduct and about making a distinction between personal & corporate funds in the management of a company. Corporate governance is all about running a business by adopting fair business practices and being transparent in the affairs of the company. Across the globe, we can observe two types of models of governance adopted; Anglo-American model of governance and multi stake holder models (Japanese model of governance and German model of Governance). The principles of governance differ in these methods primarily because of the variety of capitalism embedded in their economy and culture. Anglo American model gives more focus to shareholder wealth maximization whereas multi stake holder model takes into account other stakeholders as well. Workers, suppliers, managers etc also are a part of the boards and generally in these set ups there are two tier boards i.e., executive boards and supervisory boards.

The principles of corporate governance as defined by Cadbury committee and Organization for Economic Co-operation and Development (OECD) are as follows: Rights and equitable treatment of shareholders, interests of other stakeholders, roles and responsibilities of the board, integrity and ethical behavior, disclosure and transparency. Apart from these six principles one more component which is closely observed and monitored is the percentage of shareholding in a public limited company or listed company.

Private limited vs. Public limited companies

Private limited companies are the businesses which are not listed on a stock market and the number of shareholders is restricted. The shares are not freely transferable. The financial statements of private limited companies are generally not publicly available as ownership lies in the hands of few - generally family members and friends. Public limited companies are listed on a stock market. Shares are tradable and hence freely transferable, except the promoters holding which is locked in shares, and so not traded. Since a public limited company has a different class of non-promoter shareholding like institutional shareholders, retail investors, government bodies and corporate bodies etc, the regulatory framework is rigorous and financial reporting to all the stakeholders is a must. All countries have their own capital markets regulator who will keep an eye on the activities of the companies as well as stock market to ensure fairness, good business practices and transparency. In India, Securities and exchange board of India (SEBI) is the market regulator. Do all private limited companies go public once they establish and start doing a good business? The answer is mostly yes, but not always. There are numerous examples across the globe where companies remain privately held and still do high volume business. Then an obvious question comes into picture. Why do companies go public?

Reasons for Privately held Companies to go Public

There are a lot of advantages to companies for going public. The obvious ones being: raising additional funds through issue of shares, better visibility especially for international investors and clients, expansion by mergers and acquisitions through better valuations, offering stock options to employees, easy availability of loans from banks and financial institutions etc. Also, companies run on a fundamental principle of entity which says companies have their own existence and they have perpetual succession. So unless companies go in for listing, they cannot exhibit the true characteristics of a large business corporation. Companies go public through a process called Initial Public Offering (IPO). There are many prerequisites for privately held companies to go public. From an Indian perspective, some of these conditions are mentioned below:

a. The paid up equity share capital of the company shall be INR 100 million or more
b. The privately held company must have fulfilled all conditions under Indian Companies Act throughout its operations previously.
c. The prospective company (the applicant seeking the listing or the promoters) must have good track record in the past 3 years with a revenue making and sustainable business model.

Impacts on ownership structure after companies go public

Till the time the companies are privately held, there is no bifurcation in the shareholding as promoter holding and non-promoter holding. Once listed, the owner/promoter will dilute his share and new investors will join the company as non-promoter shareholders; these include retail investors, domestic institutional investors, foreign institutional investors, other corporate bodies, government institutions etc. The shareholding pattern will have different class of shareholders. In few cases percentage of shareholding will be more or less equally spread across different class of shareholders where as in few cases it will be dominated by one class of shareholders, generally the promoter. This depends on the percentage of shareholding the promoter is diluting. From an Indian context it is not uncommon to see publicly traded companies having as high as 80% promoter holding. This scenario throws a question if the promoters want to keep 80% of the holding with themselves, why should they even go public? Secondly a dominant shareholder is always very powerful.

LITERATURE REVIEW

The ownership structure, corporate governance and firm performance are highly researched topics in different scenarios. Berle and Means (1932) are the pioneers to bring in this topic into discussion through their path breaking work, The Modern Corporation and Private Property. M J Taylor and N Thrift (1980) in their article titled ‘Large corporations and Concentration of capital in Australia: A Geographical Analysis’ which considers the spatial and sectoral implications of changing ownership structure with reference to 100 largest companies in Australia for a period of 25 year during 1953-1978. The focus was basically to test the extent of foreign ownership and ownership within Australia. Richard Dobbins and Michael J Greenwood (1975) forecasted that future shareholding pattern of companies in the UK by the end of 20th Century would see close to 50% will be held by the foreign investors. In their article titled “Future Pattern of UK Share Ownership”, they also suggested that holding by individuals, executors and trustees will fall to 14% by 1990. In the article ‘Capital markets and Corporate control’, authors Julina Franks, Colin Mayer, Jeremy Hardie, and Edmond Malinvaud (1990), examine the relationship between corporate control and capital markets in France, Germany and UK. The authors discuss the impact of change in ownership structure and mergers and takeovers. M J Prior (1995), in his research work titled ‘Institutional Shareholdings and the Investment Trust Discount as an Agency Cost’ investigates the relationship between the proportion of investment trust shares held by institutions and the size of the investment trust discount is considered. Albert A CannellaJr (1995), in his article titled ‘Executives and Shareholders: A Shift in the Relationship’ suggests that a shift has developed in the ongoing relationship between executives and shareholders with shareholders gaining more power over executives. Two potential negative outcomes are a decreased willingness of executives to undertake risky strategies and a decreased ability of executives to build long-term, trusting relationships with stakeholders, even when these actions would be beneficial to shareholders. P.Kuznetsov and A Muravyev (2001) in the article 'Ownership Concentration and Firm Performance in Russia: The case of blue chips of the stock market', based on the data from 1995-97 study the impact of ownership concentration on the non-financial privatized Russian companies. The findings imply that ownership concentration results in higher technical efficiency of enterprises, but the benefits from productivity improvements do not accrue to all shareholders. S.Singh (2004) in his paper 'Ownership Pattern and Corporate Governance Theory' says that shareholding pattern can be broadly classified into 3 types-widely dispersed, promoter dominated and unique shareholding pattern in which banks, financial institutions hold significant proportion. Lal C Chugh and Joseph W Meador (2008) in their work titled 'An Analysis of the Levels and Patterns of Shareholder Rights' finds that the level of shareholder rights generally has not increased, despite the legislative reforms of the 2000s and contrary to the general perception. Rather, shareholder rights have declined amongst the large, S&P 500 companies. In the article 'Who owns Indian Companies? A Decade of Shareholding Pattern of Automobile and IT industry', authors Vincent KonaduTawiah, Sakshi Sharma, Mudahernwa Benjamin, Anil Chandok and Maniriho Emmy Arsonval (2014) reveal that concentrated promoter's ownership is still strong in both companies especially in the automobile industry with more than 50% promoters shares. Promoters' ownership in the IT industry had steep fall from 57.1% in 2004 to 45% in 2013. Authors Ganguli, Santanu K; Agrawal, Shail (2009), in their research work titled 'Ownership Structure and Firm Performance: An Empirical Study on Listed Mid-cap Indian Companies' highlight that the ownership of high growth mid-cap companies of India continues to remain concentrated, even in the post-1992 economic liberalization, impacting the performance amid the general perception that substantial diffuseness has occurred. In the article titled 'Capital structure in India and its affect on shareholders' value', authors Gopalakrishanan Kalkapam and Jain Adarsh (2016) examine the implication of capital structure of corporate entities in emerging markets. The study investigates the relationship between capital structure and firm performance. Soufeljil M, Sghaier A, Kheireddine H and Mighri Z, (2016), in their article titled Ownership Structure and Corporate Performance: The Case of Listed Tunisian Firms show the existence of a positive impact and statistically significant concentration of ownership, on the performance of the company measured by the ROA. Also, the results show the existence of a positive effect of the ownership of institutional investors on the performance of the company. Foreign investors have a positive impact and statistically significant effect on the performance of the listed company. Jeremy Grant and Thomas Kirchmaier in their CEP Discussion Paper No 631 (2004), titled Corporate Ownership Structure and Performance in Europe show that ownership structures vary considerably across Europe and that ownership has a significant impact on firm performance. Bao Jiang, Jian LI, (2015) in their work titled 'Research on the Impact of Ownership Structure to Operation Performance of the Chinese Listed Port Companies', discuss the impact of ownership structure on the operation performance of the Chinese ports. This empirical research applies factor analysis to evaluate the operation performance of listed port companies, and then adopts linear regression analysis based on the evaluation results to explore the impact of ownership structure to operation performance. Bala N. Balasubramanian and Anand Ramaswamy (2014) in their NSE working paper Ownership Trends in Corporate India (2001–2011): Evidence and implications find out The first decade of the new millennium saw dramatic changes in the ownership patterns in major listed corporations in India. Two developments were striking: promoters, especially in the domestic private sector, bolstered up their holdings to ensure continued entrenchment; and institutional investors significantly increased their holdings, especially in the private sector management-controlled companies segment. N. Balasubramanian R V Anand, (2013) in their working paper titled Ownership Trends in Corporate India 2001 – 2011 Evidence and Implications opine that the first decade of the new millennium saw dramatic changes in the ownership patterns in major listed corporations in India. Liping Xu and Yiyang Jiang(2014),in their work titled The empirical study of ownership structure and performance of listed companies-based on manufacturing companies discuss that the ownership structure is the basis of the survival and development of listed companies, how to optimize the shareholding structure in order to improve corporate performance has been a problem of listed companies. Félix J. López-Iturriaga and Juan Antonio Rodríguez-Sanz (2012), in the article Ownership Structure, Financial Decisions, and Institutional Setting: An International Analysis through Simultaneous Equations analyze the mutual relations among firms' capital structure, ownership structure, and valuation. They conclude their study by suggesting that corporate finance decisions are taken simultaneously with other mechanisms of corporate governance and conditional on firms' valuation. Authors Apu Manna, Tarak Nath Sahu, Arindam Gupta,(2016) in their work titled Impact of Ownership Structure and Board Composition on Corporate Performance in Indian Companies study takes into account the National Stock Exchange (NSE)-listed Indian companies, which constitute the CNX Nifty Index, for the period from 1 April 2009 to 31 March 2013. In the study board size and foreign promoters' (FPs) shareholdings have been identified to have a positive impact on more than one corporate performance variable. Among the other independent variables, assets turnover is positively related with the performance variables. he study shows that ownership concentration has a positive association with corporate performance. Qiulin Ke, David Isaac (2005), in their work Ownership structure and corporate performance: empirical evidence of China's listed property companies, investigate the relationship of ownership structure and corporate performance of China's listed property companies. The study shows that ownership concentration has a positive association with corporate performance. Félix J. López-Iturriaga, Juan Antonio Rodríguez-Sanz, in their research paper 'Ownership Structure, Corporate Value and Firm Investment: A Simultaneous Equations Analysis of Spanish Companies, studied the set of mutual relationships. They conclude saying although valuation and investment of firms are determined by managerial ownership, it was found that ownership structure may also be influenced both by investment and value. Consequently, it is not completely right to infer that ownership structure determines firm value unidirectionally; however the benchmark should be broadened so as to take an explicit account of the mutual links between firm value, investment and ownership. Saeid Jabbarzadeh Kangarlouei1, Sajad Abbaszadeh, Morteza Motavassel, Comparative Investigation of Difference between Ownership Structure and Cost of Capital in Capitalized and Levered Companies of Tehran Stock Exchange (TSE) (2012) study the difference between ownership structure and cost of capital in capitalized and levered companies of TSE. The research results show that concentration of ownership reduces of cost of capital in capitalized companies more than levered companies, however, diffused ownership increases average cost of capital in capitalized companies than levered companies. Mahmood Osman Imam and Mahfuja Malik,(2007) in their research work titled Firm Performance and Corporate Governance Through Ownership Structure: Evidence from Bangladesh Stock Market examine how corporate governance is practiced through ownership structure and how firm's performance as well as its dividend payout policy is influenced by different ownership pattern. Empirical results provide evidence that foreign holding is positively and significantly related to the firm performance as measured by firm's holding period returns and Tobin's Q, and the relationship is a monotonic one.

Literature review suggests that there is evidence that the ownership structure does have an impact on value and performance of the companies. Few studies indicate the ownership structure has influence and accounting and market performance indicators.

METHODOLOGY

Statement of the problem

A public limited company in a true sense means that business organization is publicly held and ownership is not concentrated in few hands. This is to reiterate the fact that pubic limited companies run on entity and going concern concept. Shareholders are the owners of the company where as executives run the day to day activities of the business. This scenario can lead to agency problem. It is very common to see promoters diluting their shareholding and move away from the management of the company as organizations grow bigger in scale and operations. For e.g. Bill Gates holds just 4% in Microsoft. But in India, founders continue to hold a high % of shareholding even after many years of listing and they hold important positions like chairman and CEO. Since a very high percentage is held by the promoters, volume of shares traded in the stock markets will be obviously less and this makes the entire secondary markets less vibrant and redundant. Realizing the gravity of the situation, in the year 2013, SEBI passed an order that each and every public limited company in private sector must have 25% of non-promoter shareholding. This rule is now applicable to public sector undertakings also. This is a very complex scenario where a public limited company is dominated by promoters. Will it have any impact on the performance of the company? Such ownership structure is justifiable? The researcher proposes to undertake this study to examine shareholding pattern in Indian companies and its impact on the profitability of the business.

Objectives

a. To study the shareholding pattern of the sample companies
b. To identify companies dominated by promoter holding
c. To study the relationship between promoter holding and accounting performance indicators
d. To study the relationship between promoter holding and market performance indicator
e. To offer overall findings and suggestions, if any.

Scope of the study

The study is conducted on 30 Sensex companies. The companies are listed on the BSE and are publicly traded. All the companies are Indian companies. The period covered is from 2012 to 2016. The study is empirical in nature.

Type of data required

The data required for the study is purely a percentage of shareholding and financial information. The data is collected through financial statements and annual reports and stock market filings. (Secondary data)

Hypotheses for the study

H0: There is no significant relationship between promoter holding and accounting performance indicators of the firm

H1: There is a significant relationship between promoter holding and accounting performance indicators of the firm

H0: There is no significant relationship between promoter holding and market performance indicators of the firm

H1: There is a significant relationship between promoter holding and market performance indicators of the firm

Statistical Tools to be used

Descriptive analysis, correlation and regression analysis have been used for analysis.

Accounting Performance Indicators of Companies

These are performance indicators which highlight the performance of the company with reference to accounting books of the firm. The important accounting performance indicators are Gross profit, EBIT (Earnings before interest and tax), EBT (Earnings before tax), PAT (Profit after tax), EPS (Earnings per share), ROE (Return on equity), ROCE (Return on capital employed). The indicators considered for the study are EPS, EBITM (Earnings before interest and tax margin), net profit margin (NPM) and Return of equity (ROE).

Market performance Indicators of companies

Apart from accounting performance, the other parameters very closely looked at while analyzing the performance of the company is the market performance of the listed companies. The important indicators are stock returns, P/E Ratios, market capitalization, dividend yield etc. The indicators considered for the study are price earnings ratio (P/E Ratio), annual returns of the stocks, Sharpe ratio and dividend yield.

Limitations of the study

The study has been limited to the selected Indian companies listed on the Sensex. The 30 companies are listed on the BSE and are publicly traded. The period for the study is 2012 to 2016, and the findings of the study could be influenced on account of the limitation of the number of companies and the restricted time frame.

The study is restricted to study the impact on only two variables i.e., accounting performance indicators and market performance indicators, and the impact of the promoter holding on other variables has not been included as part of this study.

RESULTS AND DISCUSSION

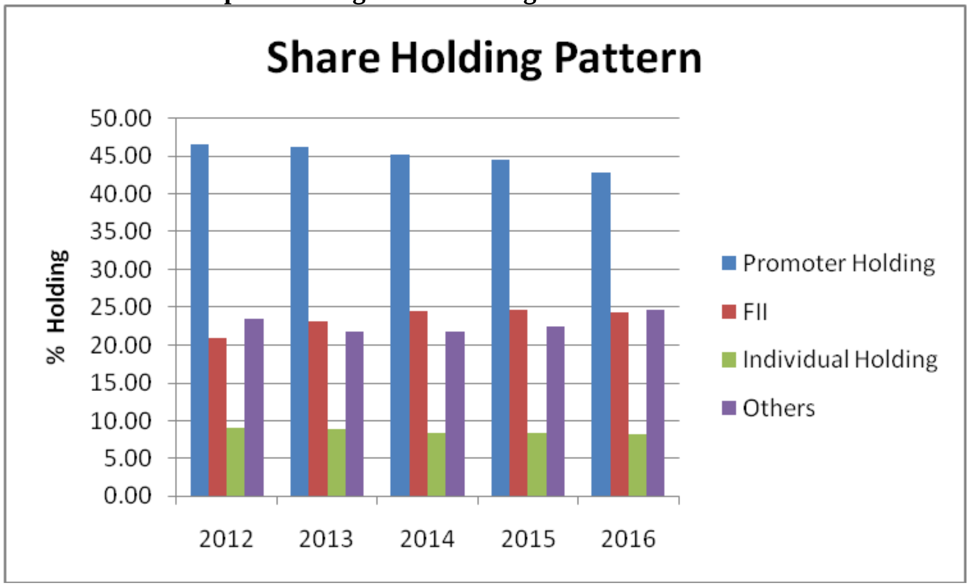
Analysis of Shareholding pattern for the period of 2012-1016

Table1: Average Shareholding of different class of investors

YEAR	Promoter Holding	FII	Individual Holding	Others	Total
2012	46.67	20.88	9.04	23.40	100.00
2013	46.34	23.12	8.86	21.69	100.00
2014	45.30	24.48	8.41	21.81	100.00
2015	44.56	24.62	8.40	22.42	100.00
2016	42.94	24.32	8.09	24.65	100.00

(Source: www.bseindia.com)

Graph1: Average Shareholding of different class of investors



(Source: www.bseindia.com)

Inference: The average promoter holding for all the five years is above 40% whereas retail holding is between 9% and 8%

Companies with a high promoter holding

Table2: Showing companies with a promoter holding of above 55%

Company	Average Share holding (%)
Adani Ports	72.788
BhartiAirtel	66.976
Coal India (PSU)	85.79
GAIL India (PSU)	56.982
Hindustan Unilever	61.332
NTPC (PSU)	75.84
Power Grid Corporation (PSU)	62.508
ONGC (PSU)	69.054
State Bank of India (PSU)	61.594
Sun Pharma	64.51
Wipro	75.66
TCS	73.814
Maruti Suzuki	55.81
HDFC	NIL
ITC	NIL
ICICI Bank	NIL

Larsen and Tubro	NIL

(Source: www.bseindia.com)

Inference: Out of 30 companies, 13 companies are having a promoter holding of 55% and above. Out of this 5 companies are public sector undertakings. It is also interesting to observe 4 companies out of the sample studied are having zero promoters holding.

Correlation and Regression Analysis

Analysis was conducted by using correlation and regression. Promoter holding is the independent variable and accounting performance/market performance indicators are the dependent variables. 5-year average (from 2012-2016) is used for the analysis.

Table2 showing Correlation and Regression Analysis between the variables

	Data Analysis		**Correlation**	**Regression**		
Pairs	X	Y	r	b	a	R^2
1	Promoter's Share Holding (%)	EPS (Rs.)	-0.2117	-0.3267	63.8284	0.0448
2	Promoter's Share Holding (%)	EBITM (%)	-0.1243	-0.1316	35.4586	0.0154
3	Promoter's Share Holding (%)	NPM (%)	0.1491	0.0604	12.8601	0.0222
4	Promoter's Share Holding (%)	ROE (%)	0.1517	0.1138	17.7307	0.0230
5	Promoter's Share Holding (%)	P/E Ratio	0.0518	0.0183	18.4956	0.0027
6	Promoter's Share Holding (%)	Annual Return (%)	-0.1390	-0.0006	0.1622	0.0193
7	Promoter's Share Holding (%)	Sharpe Ratio	-0.1609	-0.0027	0.3672	0.0259
8	Promoter's Share Holding (%)	Dividend Yield (%)	0.3190	0.0151	0.9528	0.1017

Summary of findings and Inference

a. Out of 4 accounting indicators considered for the study, EPS and EBITM are having negative correlation where as NPM and ROE is having a positive correlation with the promoter holding. But the correlation is very weak at 0.15 and 0.15. Similarly, R-Square of all the 4 components is very weak. This shows that there is no significant relationship between promoter holding and accounting performance indicators.
b. Out of 4 market performance indicators considered for the study P/E ratio and dividend yield are having a positive correlation with promoter holding. P/E ratio correlation is very negligible whereas dividend yield has a positive correlation of 0.32. Annual returns on stock and Sharpe ratio are having a negative correlation with the promoter holding. R-Square of all the 4 indicators is very low indicating that there is no significant relationship between promoter holding and market performance indicators.

CONCLUSION

For successful business operations, a strong corporate governance structure is very essential. If the corporate governance model adopted is not strong and transparent, big business corporations can collapse no matter how profitable their business models are. When we say corporate governance, it is the systems and processes set in place is what matters the most. These components of corporate governance to a large extent are a collective decision of the shareholders who will appoint an able and efficient board of directors to oversee the affairs of the company operations. If the shareholding pattern is represented by different groups and not controlled by any one set of people, this model works well. But in case the shareholding pattern is dominated by one set of shareholders, the decisions may not be democratic. SEBI guideline makes it mandatory for listed companies in India to maintain a minimum of 25% non promoter holding. This means companies can hold up to 75% in the form of promoter holding. The problem with Indian companies is, many listed companies continue to be dominated by promoter holding. This research was conducted to study if there is any relationship between performance of the company and its promoter holding. The results clearly show that there is no significant relationship between the performance and promoter holding. SEBI made it mandatory for the companies to maintain 25% non-promoter holding if they are listed in the year 2013. In the study, we observed the promoter holding is as high as 75% for few companies. This kind of shareholding has certain issues. Since decision making is controlled by one group of shareholders, it can also be viewed as a corporate governance nightmare. This study clearly shows there is no significant relationship between promoter holding and performance of the companies. It is high time promoters dilute their shares and make the capital markets more vibrant with more volumes to trade.

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Annexures

Average of Promoter holding and accounting performance indicators for the period 2012-2016

Companies	Promoter's Share Hoding (%)	EPS	EBITM (%)	NPM (%)	ROE (%)
Adani Ports	72.788	9.742	70.21	52.642	22.132
Asian Paints	52.79	50.42	17.57	10.2	31.86
Axis Bank	31.83	69.794	79.16	19.98	16.6
Cipla	37.1	16.436	19.70	14	13.9
BhartiAirtel	66.976	23.002	22.44	4.7	6.86
Baja Auto	49.734	108.9	21.99	16.72	35.68

Coal India (PSU)	85.79	19.86	32.15	21.82	36.82
Dr.Reddy's	30	100.944	21.59	14	23.44
GAIL India (PSU)	56.982	27.416	10.64	7.12	12.68
Hero Motor Corp	42.724	121.386	12.47	9.34	42.04
HDFC Bank	27.118	39.39	74.80	19.94	18
Hindustan Unilever	61.332	17.344	17.16	13.1	106.46
Infosys	16.834	131.868	33.56	22.9	24.68
Lupin	46.736	50.116	29.39	15.56	24.24
NTPC (PSU)	75.84	12.642	21.31	14.42	13.08
Reliance Industries	46.424	69.798	10.14	6.54	10.24
Power Grid Corporation (PSU)	62.508	9.91	89.63	30.04	14.1
ONGC (PSU)	69.054	22.146	37.01	16.942	13.94
State Bank of India (PSU)	61.594	83.078	11.31	8.46	11.12
Sun Pharma	64.51	-5.06	-12.45	22.46	18.26
TATA Motors	34.236	-5.412	2.40	5.72	25.48
Wipro	75.66	30.494	24.04	16.94	22.14
TCS	73.814	85.952	34.01	22.14	37.36
TATA Steel	31.35	59.098	26.59	-0.82	-4.48
Mahindra & Mahindra	25.306	55.846	10.99	5.22	16.5
HDFC	0	35.332	96.73	19.84	20.8
ITC	0	11.37	37.80	24.58	31.46
ICICI Bank	0	49.874	11.36	20.66	13.24
Larsen and Tubro	0	56.778	13.04	6.06	13.52
Maruti Suzuki	55.81	113.7	8.77	6.44	13.92

Average of market performance Indicators for the period 2012-2016

Companies	P/E	Annual Return (%)	Sharpe Ratio	Div Yield (%)
Adani Ports	20.86	23.32%	0.3529	0.56
Asian Paints	39.08	29.36%	0.9164	1.08
Axis Bank	18.92	19.14%	0.2301	1.3
Cipla	27.22	14.25%	0.2752	0.46

BhartiAirtel	37.12	-3.50%	-0.3703	0.44
Baja Auto	17.46	13.74%	0.2885	2.52
Coal India (PSU)	14.34	0.44%	-0.2769	6.1
Dr.Reddy's	22.08	15.57%	0.4017	0.78
GAIL India (PSU)	13.14	4.21%	-0.1198	2.08
Hero Motor Corp	18.42	12.35%	0.1777	2.78
HDFC Bank	20.3	24.86%	0.9238	0.94
Hindustan Unilever	34.02	16.20%	0.4029	2.42
Infosys	17.22	0.73%	-0.5014	2.14
Lupin	24.92	30.49%	1.0090	0.6
NTPC (PSU)	11.66	1.58%	-0.2208	2.6
Reliance Industries	11.64	9.29%	0.0600	1.06
Power Grid Corporation (PSU)	13.22	14.86%	0.3419	1.9
ONGC (PSU)	11.88	-4.13%	-0.3337	3.2
State Bank of India (PSU)	10.88	13.19%	0.2133	1.46
Sun Pharma	33.62	9.36%	0.3005	0.46
TATA Motors	9.2	23.38%	0.4568	0.66
Wipro	16.08	5.37%	-0.1939	1.64
TCS	20.36	18.16%	0.3943	2.02
TATA Steel	-1.68	6.49%	-0.0279	2.46
Mahindra & Mahindra	16.46	13.04%	0.2152	1.38
HDFC	17.88	15.75%	0.3767	0
ITC	27.62	6.77%	0.1352	2.08
ICICI Bank	13.12	18.59%	0.4345	1.94
Larsen and Tubro	22.3	10.91%	0.1865	1.22
Maruti Suzuki	20.32	43.39%	1.3238	0.76

Regression Scatter plots for accounting and market performance indicators