



## Tata Consultancy Services board okays up to Rs 16,000 crore buyback

The board of [Tata](#) Consultancy Services (TCS) on Friday approved a proposal to buy back shares worth Rs 16,000 crore. The move comes a year after the company completed a successful repurchase of its shares, on which too it spent Rs 16,000 crore. This will be the biggest buyback in the last two decades.

The country's biggest software services firm proposes to repurchase 7.61 crore shares at a price of Rs 2,100 each, a 14% premium to the stock's closing price of Rs 1,841.45 on Friday on the BSE.

The offer represents 1.99% of the total paid-up equity share capital of the company. The promoters hold 71.92 % as on June 8, 2018. The company had cash and cash equivalents of Rs 42,646 crore as on March 2018, data sourced from Bloomberg revealed.

MD and CEO Rajesh Gopinathan said on the sidelines of the company's annual general meeting it was beyond him to comment on what analysts expect. "Last year also the premium was close to about 18% and people were sceptical about it. This is not a directional call. It is about what the board considered where the market is and where the opportunities are. It decided that this should be the right amount," Gopinathan observed.

The CEO said a capital allocation policy is paramount to the company. “We have always believed in rewarding shareholders and as the chairman mentioned we have steadily increased our payout, raising it to the upper end of the band 80-100%,” he added.

Gopinathan noted an acquisition or any other requirement would take precedence over returns but any excess cash will be returned to shareholders.

In 2017-18 cash-rich IT companies who returned their surpluses to shareholder, through share repurchases, drove up buyback offers to a 20-year high. In all, 59 companies completed their share repurchase offers worth a staggering Rs 53,306.94 crore. Seven of these buyback offers were made by software services companies; they spent Rs 44,984 crore or 84% of the total amount.

Earlier, Infosys completed a share repurchase programme worth Rs 13,000 crore in December 2017. Apart from TCS and Infosys, Wipro completed its buyback worth Rs 11,000 crore on December 2017. Mphasis, Nucleus Software, HCL Technologies and Mindtree are the other IT companies that bought back shares in FY18.

Buybacks have become the preferred route for companies to return wealth to shareholders, especially since dividend income, of over Rs 10 lakh per annum, is taxable at 10% in the hands of all residents, domestic companies, trusts or funds except those established for religious, educational or charitable purposes. Buybacks are the process by which companies repurchase their shares from stakeholders. The bought-back shares are extinguished shrinking the firms’ equity base.

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