

MUMBAI: In what will be the second share buyback in two years under [Tata Group](#) chairman [N Chandrasekaran](#), the country's largest software services company [TCS](#) has announced to spend up to Rs 16,000 crore to repurchase its own stock for Rs 2,100 a piece. The buyback price is 14 per cent premium to TCS' Friday closing price of Rs 1,841 on the BSE. Aimed at distributing excess cash to shareholders, the company will repurchase 7.6 crore shares, representing about 2 per cent of its equity capital, on a proportionate basis.

The biggest beneficiary of this share buyback scheme will be TCS' parent Tata Sons. Based on its 72 per cent stake in the IT services behemoth, the parent will get Rs 11,502 crore from participating in the programme. The money will give Chandrasekaran additional resources to strengthen [Tata Sons](#)

' balance sheet, raise holdings in group companies, retire debt of the telecom business and finance buyouts like Bhushan Steel and Bhushan Power.

## CASH TO INVESTORS

Co	Year	Final amount (₹cr)
TCS	2018	16K
TCS	2017	16K
Infosys	2017	13K
Wipro	2017	11K
NMDC	2016	7,527
RIL	2012	3,900
Coal India	2016	3,650
HCL Tech	2017	3,500
Wipro	2016	2,500

Source: Prime Database, BSE, ETIG

TCS had cash and investments of Rs 79,755 crore on its books as on March 31, 2018. If the company spends the entire Rs 16,000 crore on the share repurchase programme, its cash

would come down to Rs 63,755 crore.

Early this month, TCS chief Rajesh Gopinathan had said that the company's plan is to return at least 80% of its free reserves to shareholders every year. Instead of maximising returns on cash and investments, its strategy would be to distribute surplus money to shareholders, Gopinathan had said. Last year too, the company had spent a similar amount of Rs 16,000 crore on share buyback.

Investors have been turning the heat on large IT companies to return excess cash to shareholders as they shy away from making big-ticket acquisitions and instead sit on huge cash piles.

In 2017, four IT companies, including Infosys and Wipro, spent Rs 43,500 crore on share buybacks. Buyback is a tax-efficient means of returning cash to shareholders as compared to giving dividends. It also helps in improving earnings per share and boosts the price of the stock during sluggish market conditions.