

BONANZA WEALTH MANAGEMENT RESEARCH



03 November 2020

Tata Consultancy Services Ltd

CMP : Rs. 2,632.65

TCS Buy Back Offer

TCS at its board meeting held on October 7, 2020 approved to buy back 53,333,333 shares (1.42% of its equity) through a tender offer at a price of INR 3000 per share resulting in a total offer size of INR 16,000 Cr. As per SEBI regulations, 15% of the offer size (appx INR 2,400 crore) is reserved for small shareholders holding shares upto a value of INR 2,00,000 as on the record date.

Buyback offer details

Size	INR 16,000 Cr
Price	INR 3000/Share
CMP (2020-11-03)	2,632.65
Premium	367.35
Total number of share to be bought back	53,333,333 share (1.42% of paid-up capital)
Share reserved for small shareholder	8,000,000 shares (15% of buyback offer)

Based on buy back price of INR 3000, one can buy upto 66 shares (INR 2,00,000/ INR 3000) to be eligible for Retail category.

Distribution of equity share holding as on March 31, 2020 (As per FY20 annual report)

Number of shares	% of shareholding
1 - 100	0.5%
101 - 500	1.0%
501 - 1000	0.4%
1001 - 5000	0.7%
5001 - 10000	0.2%
10001 - 20000	0.2%
20001 - 30000	0.2%
30001 - 40000	0.1%
40001- 50000	0.1%
50001 -100000	0.6%
100001 - above	95.8%
GRAND TOTAL	100.0%

Stock Details	
Market Cap (Rs Cr)	9,87,871.56
BSE Code	532540
NSE Code	TCS
Sector/Index	IT-Software
Year End	March
52 w.High/Low	2,885.0/1,504.40
Shares in Issue	3,75,23,84,706
BSE Sensex	40,261.13
NSE Nifty	11,813.50

The retail holding in TCS is less than 0.5% (as on March 31, 2020). 15% reservation for the buy back of 1.4% of paid-up equity implies at least 0.21% of paid up equity will be bought from retail investors (as on March 31, 2020)
 Acceptance ratio = $0.21/0.5=39.8\%$

Scenario Analysis

Acceptance Ratio	35%	50%	75%	100%
Amount Invested in BUYBACK	175,510	175,510	175,510	175,510
Buy Back Profit	8,572	12,245	18,368	24,490
Profit as % of amount invested	4.9%	7.0%	10.5%	14.0%

View

We expect the acceptance ratio to be in range of 35% to 50% which will potential return of just 4% to 7%. We believe that it would not yield significant return for retail investor, from buyback perspective. Any decline in current price before record date could provide better opportunity.

Team Details

Name	Designation
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