



## TATA Consultancy Services

### Buyback 2022

#### Buyback 2022 details

Particulars	Details
No. of Shares	4,00,00,000
Buyback Price	4,500
Premium to CMP	17.6%
Buyback Size	₹18,000 Cr
Record Date	TBA
Small Shareholding	<₹2Lk based on closing price on record date
Small Shareholder Reservation	15%
Max # of shares to be held	44

Source: Company, Angel Research

**The Board of Directors of Tata Consultancy Services Ltd (TCS), at its meeting held on January 12, 2022 has approved a proposal to buyback up to four crore shares at ₹4,500 per share. The buy-back aggregates to ₹18,000 Cr, which represents 1.08% of the total, paid up equity share capital. The buyback will be via the tender offer route and as per SEBI regulations, 15% of the offer size (~₹2,700 crore) will be reserved for small shareholders holding shares upto a value of INR `2 lakh as on the record date.**

As per the buyback norms, the reserved portion for the small shareholders is 15% or 60 lakh shares. At the price of ₹4,500 per share the maximum number of shares held by an individual will be 44 to qualify for the small shareholder criteria. Based on the offer letters and post buyback announcement for the last three buybacks, the total shares held by such shareholders was <1% of the total outstanding shares. Historically the participation rate by small investors has been less than 100% in all the three buybacks between 2017 to 2020. However the participation rate has increased from 49.8% in the 2017 buyback to 76.6% and may increase further in the forthcoming buyback given likely increase in retail participation.

Therefore we believe that the acceptance ratio in the small shareholder category would be lower than the past buybacks and could be in the range of 30-50% in the forthcoming buyback. Although the total returns can vary depending on the acceptance ratio, a 30% to 50% acceptance ratio can yield profits between 5.8% to 8.8% assuming that investors are able to sell the balance shares at current price of ₹3,827 per share.

#### Shares held by small shareholders as determined at the record date

Buyback Year	% of total o/s shares
2017	0.9
2018	0.7
2020	0.5

Source: Company, Angel Research; Note: Above data is for the small shareholder category

CMP ₹3,827  
Not Rated

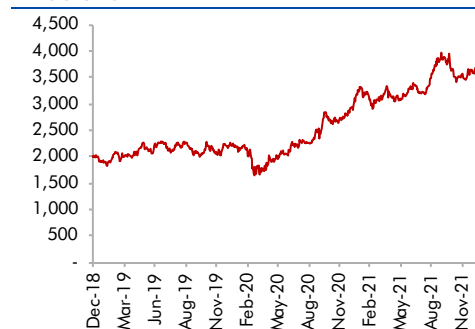
#### Stock Info

Sector	IT Services
Market Cap (₹ cr)	14,15,461
52 Week High / Low	4,043 / 2,880
Avg. Daily Volume	25,23,805
Face Value (₹)	1
BSE Sensex	59,465
Nifty	17,757
Reuters Code	TCS.BO
Bloomberg Code	TCS.IN

#### Shareholding Pattern (%)

Promoters	72.2
MF / Banks / Indian FIs	8.0
FII / NRIs / OCBs	15.0
Indian Public / Others	4.8

#### Price Chart



Source: Company, Angel Research

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As seen in the table(s) below, this group of category has higher entitlement and has seen limited participation which bodes wells from acceptance perspective. The past entitlement ratios have come down from 45% to 40% and it is likely that the upcoming entitlement ratio can trend lower between 35%-40%.

#### Past entitlement ratios for tendering of shares for small shareholders

Buyback Year	Shares Entitled	Against held	Ratio (%)
2017	9	20	45.0
2018	43	96	44.8
2020	2	5	40.0

Source: Company, Angel Research; Note: Above data is for the small shareholder category

Based on the below exhibit, the participation level for this category has been less than 100% which improves the chances of shares being accepted. Over the past three buybacks, the average response rate has been ~54% with 2020 seeing higher response rate of 76.6%.

#### Response by small shareholders has been less than 100%

Buyback Year	Shares Reserved	Shares Tendered	Response (%)
2017	84,21,052	41,97,408	49.8
2018	1,14,28,572	40,16,984	35.1
2020	80,00,000	61,25,386	76.6

Source: Company, Angel Research; Note: Above data is for the small shareholder category

Although the total returns can vary depending on the acceptance ratio, a 30% to 50% acceptance ratio can yield profits between 5.8% to 8.8% assuming that investors are able to sell the balance shares at current price of ₹3,827 per share.

#### Potential return assuming 50% acceptance and unchanged price

Particulars	Shares	Price (₹)	Value (₹)
Initial Purchase	44	3,826.6	-1,68,368
Shares Tendered	22	4,500.0	99,000
Price Impact on Balance Shares	22	3,826.6	84,184
<b>Total</b>			<b>14,816</b>
Returns			8.8%

Source: Company, Angel Research; Note: Calculation based on NSE closing as on 20 Jan, 2022

#### Sensitivity analysis of returns

Acceptance Ratio	Stock Price				
	3,367	3,597	3,827	4,056	4,286
30%	-3.3%	1.0%	5.2%	9.4%	13.7%
40%	-0.6%	3.1%	6.8%	10.5%	14.2%
50%	2.8%	5.8%	<b>8.8%</b>	11.8%	14.8%
60%	5.5%	7.9%	10.4%	12.9%	15.3%
65%	6.8%	9.0%	11.2%	13.4%	15.6%

Source: Company, Angel Research; Note: Calculation based on NSE closing as on 20 Jan, 2022

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<b>Ratings (Based on Expected Returns: Over 12 months investment period)</b>	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
		Reduce (-5% to -15%)	Sell (< -15%)
		Hold (Fresh purchase not recommended)	

