

# It's raining buybacks on bourses

## 11 firms buy back ₹5,388 crore shares in August, the highest in 8 months

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Eleven companies have collectively repurchased shares worth ₹5,388 crore in August. The value of shares bought back is the highest in 8 months, according to data from PRIME Database.

Analysts attribute the sharp rise to changes in India's share buyback tax regime from October 1. New rules announced in the Union Budget presented in July 2024 will shift the tax burden from companies to shareholders, altering the landscape for buyback strategies. Companies undertaking a buyback now have to pay effectively over 20 per cent as buyback tax. Shareholders tendering their shares do not attract any tax. Under the new structure, to be unveiled from October, the amount received on buyback of shares would be taxed as dividends in the hands of investors as per their tax slabs. The cost of acquiring shares tendered in a buyback will be considered as capital loss, which will be eligible for setoff against other capital gains.

"For investors, taxation on share buybacks could potentially dampen enthusiasm, as

### ON SHOPPING SPREE

2024	Issues (no.)	Amount (₹ crore)
January	3	757
February	5	973
March	3	4,038
April	3	270
May	0	0
June	4	666
July	3	852
August*	11	5,388

\*Includes buyback offer till August 30

Sources: PRIME Database, BSE

the income will now be taxed at the same rate as dividends. The elimination of the buyback tax will increase corporate cash flow but the new taxation of buyback income as dividends may decrease interest in share repurchase programmes, particularly among cash-rich firms and high-tax bracket investors. In future, companies might favour dividends over buybacks," said Vipul Bhowar, senior director — listed investments, Waterfield Advisors.

Five companies, Indus Towers, Aurobindo Pharma, Welspun Living, TTK Prestige and Navneet Publication, have repurchased ₹4,491 crore of shares from their equity shareholders. The buyback offers of

six companies, Symphony, Cera Sanitaryware, Savita Oil Technologies, Dhanuka Agritech, Chaman Lal Setia Exports and AIA Engineering, are open and scheduled to close on August 30. As many as 10 other companies, including Aarti Drugs, Transport Corporation of India, Nucleus Software Exports, KDDC, Technocraft Industries (India) and Mayur Uniquoters, have approved share buyback proposals.

All companies have announced share buyback on a proportionate basis through the tender offer route.

Among major buybacks prior to this year, in June 2023, two companies (Wipro and Axita Cotton) repurchased

shares amounting to ₹12,005 crore. Wipro and Larsen & Toubro made buybacks worth ₹10,000 crore in September 2023. TCS did buybacks of ₹17,000 crore and ₹18,000 in December 2023 and March 2022 respectively.

"Given the changes in the tax treatment post October 2024, I expect payouts via dividends to shareholders to pick up pace as buybacks will lose some of their edge. Information technology (IT) companies usually resorted to buybacks to reward shareholders, which may slow down going ahead," said Ambareesh Baliga, an independent market expert.

Large IT companies return 70-100 per cent of free cash flow FCF to shareholders through a combination of dividend and share buyback, according to analysts at Kotak Institutional Equities (KIE).

"TCS and Wipro use a mix of buyback and dividends. Among these, Wipro has the highest dependence on buyback as part of its capital return policy. Companies will exclusively use dividends for return of capital in future," wrote Sanjeev Prasad, co-head at KIE, in a recent note co-authored with Suvodeep Rakshit, Anindya Bhowmik and Sunita Baldawa.