

Pg 2 109

# Share buybacks recover in 2022, surge to ₹38,735 cr

**SHORING UP.** Offer by 58 firms; tender route preferred; had topped ₹39,000 cr in 2020

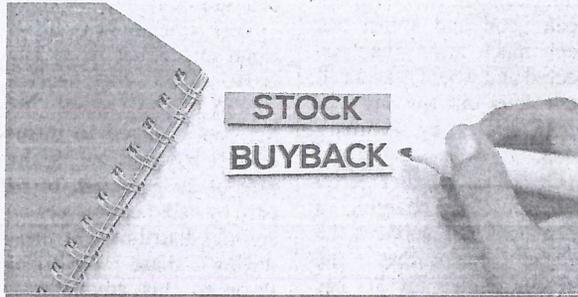
**Narayanan V**  
Chennai

The total value of buyback offers jumped over 170 per cent year-on-year in 2022 as public sector enterprises and IT firms used their surplus cash to reward shareholders or to shore up their dwindling stock price.

Data compiled from Prime Database show that a total of 58 buybacks amounting to ₹38,735 crore were offered in 2022 against 42 offers worth ₹14,341 crore in 2021. In 2020, buybacks had topped ₹39,000 crore.

Buyback refers to a company buying back its shares from shareholders, typically at a rate higher than the current market price. Companies can buyback through the tender (buy directly from shareholders) or open market (buy via stock exchanges) routes.

According to the Prime Database numbers, there were 23 buybacks worth ₹15,195 crore via the open market route, of which only up to ₹4,230 crore were bought back by the companies till date. On the other



## Gaining traction

Method	Year	No. of offers	Offer Amount	Acquired amount (in ₹ crore)
Stock Exchange	2022#	23	15,195	4,230
	2021	12	10,120	10,035
	2020	22	6,296	3,890
Tender	2022#	35	23,540	23,153
	2021	30	4,221	3,622
	2020	33	33,268	32,627

Source: primedatabase.com #16 offers are still open, acquired amount is not available for the same

hand, of the 35 buyback offers worth ₹23,540 crore via the tender route, ₹23,153 crore or 98 per cent of the buybacks were bought back.

### THE BIG DIFFERENCE

Pranav Haldea, Managing Director, Prime Database, said companies doing a buyback under the stock exchange route quote the maximum price for the buyback but it may not be the price at

which they will acquire the shares from the open market. "Hence, you see a big difference between total value of buybacks on offer and buybacks acquired under the open market route."

Whereas in the tender route, Pranav said, the company will announce the buyback price (usually premium to the current market price) and hence the acceptance rate is higher. In recent years,

the tender route has become the preferred buyback mode for companies and investors.

### TENDER ROUTE

In a recent discussion paper, the Securities and Exchange Board of India proposed phasing out buybacks done through the open market route.

Nilesh Sharma, Executive Director at Samco Securities, said buybacks under the tender route will be beneficial to retail shareholders since it has a special quota allocated to them.

Sharma added that although companies announce premium buyback prices under the stock exchange, the shares are bought at the market price mostly below the announced price.

For instance, on December 13, Paytm announced an ₹850-crore buyback at ₹810 apiece through the stock exchange route. The buyback price was 50 per cent higher than that day's closing price of ₹539.4 apiece. However, Paytm bought back 3.95-lakh shares at ₹498.74 apiece and 2.6-lakh shares at ₹513.34 per share over the last two days.

Also read p2