

# Buybacks rise ahead of change in rules



A TOTAL OF 27 companies have launched share buybacks in less than two months since the Budget announcement on changes in taxation from October 1, data from PRIME Database show. This is higher than the 21 share repurchases launched in the first seven months of 2024, reports **Vivek Kumar M.** Among these, nine are currently either in the middle of their buyback process or have announced the repurchase, but are yet to begin. ■ **PAGE 6**

# Buybacks picking up pace ahead of change in rules

27 companies have launched buybacks in less than two months; total buybacks at 48 so far in 2024

VIVEK KUMAR M  
Mumbai, September 12

A TOTAL OF 27 companies have launched share buybacks in less than two months since the Budget announcement on changes in taxation from October 1, according to data from the PRIME Database. This is higher than 21 share repurchases launched in the first seven months of 2024.

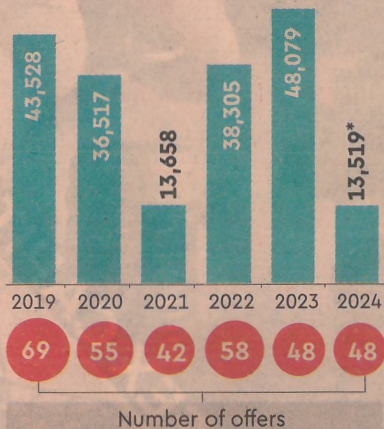
Among these, nine are currently either in the middle of their buyback process or have announced the repurchase, but yet to begin. Experts said more companies can announce buybacks in the coming days ahead of the changes in taxation rules, as they only need to launch the process before October 1 and not necessarily complete it.

"We have seen companies across the board launching buybacks. Historically, I don't think there have been these many buybacks in such a short time," said Pranav Haldea, MD of PRIME Database Group.

From October 1, buybacks will be taxed in the hands of shareholders – same as with the dividend income – at the respective income tax slabs.

## AT A GLANCE

Acquired amount (₹ crore)



Source : primedatabase.com

Currently, share buybacks are subject to 20% tax at the hands of companies, while investors do not pay any taxes.

With a slew of companies launching buybacks in the last couple of months, 2024 has already seen 48 share repurchases, equal to the number in 2023.

Companies that have done buybacks in August and September include Indus Towers, Aurobindo Pharma, AIA Engineering and Welspun Living. Matrimony.com, Suprajit Engineering, Transport Corp of India and Aarti Drugs, among others, are either in the middle of the process or have only



\*Figure for 2024 includes ongoing buybacks and the buybacks that are announced but yet to begin

■ Among 27 firms, 9 are either in the middle of buyback process or have announced the repurchase, but yet to begin

■ More buybacks likely as companies only need to launch the process before October 1, and not necessarily complete it

■ Change in rules aimed at removing difference in tax treatment for dividends & buybacks

announced the same.

While the number of buybacks has seen a sharp rise, the size has significantly been smaller compared to previous years due to absence of cash-rich information technology companies.

Compared to around ₹1,000-crore average size of share repurchases in 2023, the size of buybacks this year has been nearly ₹282 crore.

Haldea said while a greater number of companies are trying to complete buybacks, the size is smaller compared to ₹15,000-20,000-crore repurchases done by IT companies.

Sunny Agrawal, head of funda-

mental equity research at SBICAPS Securities, too, pointed out that predominantly IT companies have done big buybacks given their bigger balance sheets.

The change in taxation rules is aimed at removing the difference in tax treatment for dividends and buybacks.

Once the new rules come in, the incentive for promoters to do buybacks would be if they want to primarily to increase their holding by not participating in buyback, Agrawal said. "In the buybacks that have come after August, if promoters have not participated, it could be seen as a positive factor."