MARKET MATTERS

Share buybacks rose to a record high last year

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MUMBAI: Share buybacks in 2017 nearly doubled from the previous year to hit a record ₹55,236 crore, data showed. At a time of strong rally in equities, companies were exhausting their cash reserve to reduce share count through stock buybacks.

In a year that saw benchmark equity indices rise 27-28%, 50 companies bought back shares worth ₹55,236.03 crore, a jump of 98.06% from 2016, data from Prime Database showed. In 2016, 37 firms had bought back shares worth ₹27,887.44 crore. The two years before that—2014 and 2015—saw just 16 and 13 companies repurchasing shares worth ₹2,019.28 crore and ₹1,263.15 crore respectively.

Upping the ante

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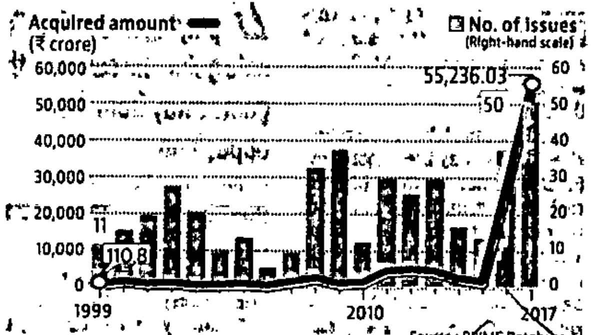

Source: PRIME Database

Divestments by the government and lack of investment avenues prompted companies to turn to buybacks, analysts said. "Divestment by the government has contributed to it. Secondly, with the dividend distribution tax (DDT), buybacks were used by promoters to increase their stake in the company in a more tax efficient manner," said Pranav Haldea, MD, Prime Database.

Companies are required to pay DDT of 15% of the aggregate dividend declared, distributed or paid.

"Buybacks are undertaken by companies that do not have any immediate need for cash. They want to distribute cash amongst shareholders and find buybacks a tax-efficient way to do so as compared to dividends. PSU companies also undertake buybacks to meet the revenue needs of the government," said Deepak Jasani, head (retail research) at HDFC Securities Ltd.

IT companies led the year's buybacks, with 11 of them accounting for nearly ₹45295.75 crore.

Some of the largest were from Wipro Ltd, Infosys Ltd and Tata Consultancy Services, which repurchased shares worth ₹11,000 crore, ₹13,000 crore and ₹15999.99 crore respectively.