

Cheaper stocks open gates for buybacks

Several Promoters Come Up With Offers, Delisting Plans To Strengthen Control In Cos

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Mumbai: Depressed stock valuations, triggered by coronavirus-induced business impacts, have prompted several companies to repurchase their shares and offered promoters a chance to delist their units from the bourses.

The moves allow management to increase stake in their companies, and signal their confidence in businesses amid an economic growth contraction projection for fiscal 2021. Delisting, which enables promoters to take their entities private, also gives them the liberty to restructure the businesses without public scrutiny.

Indo-Canadian billionaire Prem Watsa-backed Thomas Cook India, metal tycoon Anil Agarwal-led Sterlite Technologies and local search engine Just Dial have joined the list of those buying back their shares as valuations become attractive. Additionally, promoters of Vedanta, Adani Power and Hexaware Technologies have proposed to buy out the entire public float in order to remove the stock from the bourses. An equity security can be delisted from the stock exchange if promoters' holding in the company reaches 90%.

"Delisting offers have made a comeback, though the list comprises mainly Indian companies compared to MNCs as the latter continue to fetch premium valuations," said Ripple-Wave Equity Advisors' partner Mehul Savla. "Another fallout from the stock market slide has been buybacks by some companies, though amounts are not large as they conserve cash." Savla added that the trend of buybacks through the market route without promoter participation is likely to increase.

Thomas Cook India said the

perceived negative impact of Covid-19 on travel businesses has affected the company's share price, and hence the share buyback. Thomas Cook will buy its stock from shareholders at Rs 57.50 apiece. But, its promoters will not be participating in the buyback.

en climbing, now trending above Rs 100. Public shareholders, according to rules, will have to place bids above Rs 87.5 and the price that brings in the required quantum of shares permitting Agarwal to delist Vedanta from the stock exchanges will be the discovered rate. If Agarwal ac-

As stock prices fall, cos opt for share buyback

Prompted by depressed stock valuations because of the Covid-19 pandemic, many companies are repurchasing their shares and promoters are getting a chance to delist their units from the bourses, reports **Reeba Zachariah**.

PIO billionaire Prem Watsa-backed Thomas Cook India, Anil Agarwal-led Sterlite Technologies and search engine Just Dial have joined the list of those buying back their shares as valuations become attractive. Promoters of Vedanta, Adani Power and Hexaware Technologies have proposed to buy out their entire public float in order to remove the stocks from the stock markets.

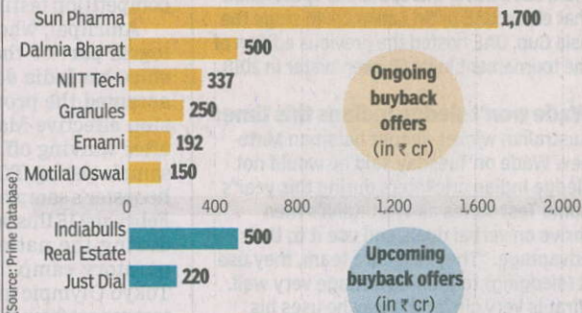
These moves allow the management to increase stake in a company and signal its confidence in businesses. Delisting gives promoters the liberty to restructure their businesses without public scrutiny. **P17**

INCREASING STAKES

Delisting announcements
(in ₹ cr)

3,194
Hexaware

16,200
Vedanta



15 Buyback offers since Lockdown 1.0

7 Cos have board nods for buybacks

3 Cos aim for delisting

"Companies which don't need excess capital on account of lack of growth opportunities are providing an exit to shareholders through buybacks," said J Sagar Associates' partner Anand Lakra. He added, "Delisting is a win-win situation for promoters and public shareholders. Promoters gain operational flexibility with less compliance burden of managing listed enterprises, and shareholders get to exit at valuations determined by them."

Agarwal, who also leads Vedanta, is offering Rs 87.5 a share to the mining company's non-promoters. Since the business tycoon announced the delisting offer, Vedanta's share price has be-

he could go ahead with the delisting process. He also has the option to make a counter offer to the discovered price.

Delisting, which gains momentum during a downturn, like what was seen during the 2008-financial crisis, makes it easier for promoters to call the shots in the business. If they want to sell the unit, then the prospective acquirer needn't go through the lengthy process of making an open offer to minority shareholders. Private equity firm Baring Asia, which made attempts to sell Hexaware in the past, has made a delisting offer of Rs 285 for a share of the IT services company.