

TCS unveils another buyback worth Rs 16k cr, Tata Sons to gain most

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MUMBAI: Tata Consultancy Services (TCS), India's second most-valued company, will spend Rs 16,000 crore to repurchase its stock "to return capital to shareholders". Largest stakeholder Tata Sons will be the biggest beneficiary of this programme, which has been announced two weeks after it told the Supreme Court that it was willing to buy the 18.4% stock held in the company by the Mistry family-owned Shapoorji Pallonji (SP) Group.

With a 72% stake in TCS, Tata Sons will receive about Rs 11,500 crore from the buyback if it tenders all the shares it is eligible to offer under the programme. Historically, TCS has been the biggest contributor to the Tata Sons kitty as the parent earns huge dividends from the world's third-largest software services provider's shares and makes gains through its buyback programmes.

The cash transfers from TCS help Tata Sons in its various activities like financing acquisitions (it is currently in the midst of restructuring AirAsia India, working out funding plans to buy SP's stake following a legal dispute that will be heard on October 28 by the SC and weighing bidding options for Air India, the deadline for which is October 30 but is expected to be extended owing to the pandemic).

On Wednesday, the TCS board voted to buy back 5.3 crore shares (1.4% of its capital) at Rs 3,000 each. This is at a 10% premium to Wednesday's closing price of Rs 2,737 on the BSE. The buyback, its third since its listing in 2004, comes as cash

and investments swelled to Rs 58,594 crore at the end of September. The TCS board also declared an interim dividend of Rs 12 per share — Tata Sons will earn Rs 324 crore from this.

“TCS has been a robust cash generator for Tata Group and has consistently delivered cash flows that provide Tata Sons with significant strategic capital. This capital has been historically deployed across various strategic initiatives including consolidation of its holding in group companies, pursuing inorganic opportunities and undertaking new ventures. While the buyback by TCS is in normal course, markets may be attributing a greater significance in the current context when Tata Group could be looking to consolidate its holding in Tata Sons,” said RippleWave Equity Advisors’ partner Mehul Savla.