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L&T to buy back Rs 10,000cr shares, biggest this year

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Mumbai: Larsen & Toubro, India's largest engineering company, will buy back shares worth Rs 10,000 crore, in its second attempt to repurchase stock after four years. L&T's board on Tuesday approved the repurchase of 3.3 crore shares having a face value of Rs 2 each at a maximum price of up to Rs 3,000 apiece, returning cash to investors at a substantial premium to Tuesday's closing price of Rs 2,562.

In 2019, L&T had to drop its Rs 9,000-crore share buyback plan after Sebi rejected it for being non-compliant with rules. If the company successfully completes the share buyback programme this time, it will be its first such capital distribution to shareholders since it got listed in 1950. This is the largest share repurchase announcement of this year till date, according to Prime Database. Excluding L&T, boards of eight companies have approved share buyback proposals ranging from Rs 18 crore to Rs 500 crore in 2023, the research firm said. The engineering major's buyback programme comprises 2.4% of its paid-up equity.

L&T CFO Shankar Raman said the company will announce the final buyback price after obtaining shareholder approval. The upper price band for the buyback has been set as Rs 3,000 a share. Rules allow L&T to offer a price beyond the upper band (Rs 3,000), he said. The CFO said that after the company's previous buyback experience, it had worked with Sebi to make the guidelines clearer.

Last time, Sebi directed L&T not to proceed with the buyback as its financial ratios would be adversely impacted after the implementation of the scheme and would not be compliant with rules. Raman said under the current guidelines, if the group has a non-banking finance company whose debt-to-equity ratio is under six, then its debt would be excluded from calculating the debt-to-equity ratio for the purposes of buyback. He said that the group's financial services company currently has a debt-to-equity ratio of less than 4, adding that companies no longer have to get Sebi's prior permission for share buybacks so long as they are following the mandated guidelines. A buyback through tender offer route is beneficial to small shareholders as there is a 15% reservation for retail

investors which provide them a higher entitlement than other shareholders, said RippleWave Advisors partner Mehul Savla.

L&T has also announced a special dividend of Rs 6 per share — an outgo of Rs 843 crore.

“The special dividend is a celebration of sharing our joy with the shareholders about the glorious completion of our chairman A M Naik’s tenure with the company,” said Raman.

Naik had joined L&T as a junior engineer in 1965 and became its CEO in 1999 and chairman in 2003. He will step down from the chair in October. “As a mark of this extraordinary contribution, the board felt it appropriate that a special dividend be declared to add to the kitty of the buyback proposal”.