

INFOSYS BUYBACK TRADE

(For Retail shareholders-value sub ₹ 2 lakhs)

Infosys CMP:- ₹ 880 (11/09/2017)

PARTICLUARS

	BUYBACK
Offer size value (₹ CR)	13000
Max Buyback Price (₹)	1150
Offer size no of shares (in lakhs)	1130

Details:

- ◆ Infosys announced buy back on proportionate basis through tender offer, same is subject to shareholders approval which is still pending.
- ◆ Buyback shall be at a maximum price of ₹ 1150/- equity share, not exceeding aggregate amount of ₹ 13000 Cr.

Time Line:

- ◆ Around 2 to 3 months

Calculation of Entitlement Ratio:

Retail Quota (15% of 1130 lakh Share)	169.5 lakh Shares
No of shares held by retail investors	287.17 lakh shares*
Derieved entitlement ratio (169.5/287.17)	59%

*from annual report of Infosys for FY16-17

Illustrative Profit/Loss: (Worst case scenario-even if the price goes down to ₹ 830)

Particulars	Qty	Price	Value
Buy	173	880	152240
Accepted in Buyback	102	1150	117300
Untendered Portion	71	830	58930

For better understanding:-

1. Buy Qty:- Total value should not exceed ₹ 2,00,000. Therefore Qty= ₹ 2,00,000/1150 = 173 shares.
2. CMP:- ₹ 880/-
3. Accepted in Buyback:- 59% of 173 shares = 102 shares
4. Untendered Position (Sold in Market) :- 173-102 shares = 71 shares @ ₹ 850 mkt price.
5. Net profit in this scenario :- (117300+58930) - 152240 = ₹ 23,990

Risk involved:-

- ◆ Sharp increase in shareholding of retail investors in the run up to record date which will lead to less acceptance ratio, i.e. lower than 59%.
- ◆ Delay in getting approvals, due to which your money may remain blocked.
- ◆ Overall Buyback is just 4.92% of Company, leaving minimal impact on stock price. Therefore stock price may go down due to various reasons.