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# Opportunity in Wipro buyback

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# Opportunity in Wipro buyback

Wipro has announced the buyback of shares worth ₹ 9500 crore on October 12, 2020, which is expected to be completed by December, 2020. In this regard, we advise our clients to tender shares in the buyback, especially those clients who hold up to 500 shares (retail category). The acceptance ratio in this category is likely to be greater than 50%. Currently, as per Sebi guidelines, 15% of buyback (₹ 1425 crore in Wipro case) is to be reserved for retail category (up to ₹ 2 lakh). This implies 3.56 crore shares can be tendered by retail investors based on buyback price of ₹ 400/share. As per Wipro's annual report (FY20) there are 8.23 crore shares in more than 5 lakh accounts where number of shares held are in the range of 1-5000 shares.

Sebi guidelines suggest 15% of the total buyback amount shall be reserved for small shareholders. 'Small shareholder' means a shareholder of a listed company, whose market value, on the basis of closing price of shares, as on record date, is not more than ₹ 2 lakh. Considering closing value of Wipro on record date at ₹ 400, a shareholder with up to 500 shares will be considered a small shareholder. At the current price of ₹ 340, the tender of shares in open offer can fetch a profit of ₹ 60/share on 50%\* of positions i.e. (250 shares \* ₹ 60 per share = ₹ 15,000). The break even price for the residual shares will be ₹ 280.

## Shareholding Pattern

No of Shares	No of Shareholders	No of shares
1-5000	507,272	82,232,977

## Buy back Ratio Calculation

Total Buy Back amount	9500 Cr
For Small Investors (15% of the total buy back)	1425 Cr
Buy Back price	400
Number of shares can be bought from small investors	3.56 Cr
Acceptance Ratio for small investors	<b>43.32%</b>

## Illustration

Number of shares	500
CMP	340
Acceptance ratio	50%
Number of shares Accepted	250
Buy Back Price	400
Profit on buyback price	60
Total profit on buyback offer	15000
Cost per share after Buyback	280

# Scenario Analysis

No of shares	CMP	Acceptance Ratio	Shares Accepted	Buy Back Price	Total Profit on Buy Back Offer (₹)	BEP
500	340	25%	125	400	7500	320
500	340	30%	150	400	9000	314
500	340	35%	175	400	10500	308
500	340	40%	200	400	12000	300
500	340	45%	225	400	13500	291
500	340	50%	250	400	15000	280
500	340	55%	275	400	16500	267
500	340	60%	300	400	18000	250
500	340	70%	350	400	21000	200
500	340	75%	375	400	22500	160
500	340	80%	400	400	24000	100

Likely scenario for Wipro buyback

'This is a high risk trade in which acceptance ratio continuously varies. We have arrived at a breakeven price of ₹ 280 per share base on assumption of 50% acceptance ratio. However, if the acceptance ratio changes to 25% the break even would be at ₹ 320 per share.

Source: Bloomberg, ICICI Direct Research

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*Source: Bloomberg, ICICI Direct Research*

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