

HCLTECH BUY- BACK

17-May-17

INDUSTRY - IT
BSE Code - 532281
NSE Code - HCLTECH
NIFTY - 9512

Company Data

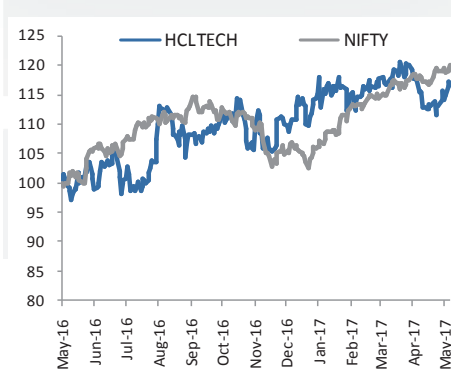
CMP	850
Target Price	Attractive to Retail Investor
Previous Target Price	
Upside	-
52wk Range H/L	890/710
Mkt Capital (Rs Cr)	1,21,405
Av. Volume (,000)	99

Share Holding patterns %

	4QFY17	3QFY17	2QFY17
Promoters	59.7	60.3	60.4
Public	40.32	39.66	39.64
Total	100.0	100.0	100.0

Stock Performance %

	1Mn	3Mn	1Yr
Absolute	1.3	3.4	17.6
Rel.to Nifty	-0.9	-3.9	-1.4



BUYBACK OF EQUITY SHARES

DETAILS OF BUY-BACK

Boad Meeting Date	20-Mar-17
Buy Back Size	35000000 equity shares 2.48% of total paid up capital
Buy Back Size (Amount)	3500 cr
Buy Back Price/Share	1000/-
Buy Back Route	Tender Offer
Promoters Tendering their shares	YES
Dispatch of Notice of Postal Ballot to Shareholders	10-Apr-17
Result of Postal Ballot	-
Record Date for Buy-Back	25-May-17
Ex-Date for Buy-Back	24-May-17
Reservation for Retail Shareholders	15%
No of shares reserved for Retail Shareholders	5250000
Opening Date for Buy-Back	To be announced later
Closing Date for Buy-Back	To be announced later

BUY-BACK ANALYSIS FOR RETAIL SHAREHOLDERS (HOLDING SHARES WORTH UPTO 2 LAC)

Retail Shareholding upto 2 lac as on 31 Dec 2017	36269495
Retail Shareholding upto 2 lac as on 31 Mar 2017	37376029
Change in Mar quarter (Post Buy-back announcement)	1106534

The retail investor who wants to participate in the aforesaid Buy-Back , should buy shares worth 1.85-1.9 Lac (below 2 Lac),on or before 23rd May 2017; keeping in mind possible upside till the date of 'Record Date'.

Our Target Case Scenario

No of shares tendered	9344007	Reserved for Retail	5250000
CMP	850	Acceptance Ratio	56%
Buy-Back Price	1000	Returned from Buy-Back	44%
Upside	18%	Max Upside	18% 1000/- Buy-back Price
		Max. Expected Downside	5% Share Price post Buy Back @ 810
		Net Return in %	5.5% After adjusting Tax of 30%
		Approx Holding Period	40-45 Days

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TABLE SHOWING EXPECTED RETURN POTENTIAL IN DIFFERENT SCENARIOS

Scenario	Shares tendered as a % to total retail shareholders	Calculated Acceptance Ratio	Expected Market Price post Buy-Back	Expected Return to Investors (Tax Adjusted)
1	20%	70%	800	7.5%
2	25%	56%	800	5.1%
3	35%	40%	800	2.5%
4	50%	28%	800	0.5%
5	20%	70%	810	7.7%
6	25%	56%	810	5.5%
7	30%	40%	810	3%
8	50%	28%	810	1%
9	20%	70%	820	7.9%
10	25%	56%	820	5.9%
11	30%	40%	820	3.5%
12	50%	28%	820	1.7%

Wipro buy-back case study

We have observed from the Buy-Back done by Wipro which was completed in July 2016, where 5.5 crore shares were held by retail shareholders (holding shares worth upto 2 Lac as on record Date). Total shares reserved for retail category were 60 lac, however only 22.09 Lac shares were tendered by retail shareholders, constituting only 4% tendering by total retail shareholders. Shares tendered were 37% of total reserved portion for retail constituting 100% acceptance.

View & Recommendation

After studying Wipro's (Direct Industry Peer) Buy-back Tendering pattern of last years, and on the basis of our analysis of various other buy backs done in past, We have a positive view on this particular Buy-back.. **We recommend retail shareholders "BUY" the stock around in the range of 840-850/- for tendering in Buy-Back**. As per our fundamental analysis, near term downside risk is capped at 5-6% from current market price..Our analysis suggest **potential return of upto 5.5%** safer arbitrage return (after adjusting 30% tax on offline transfer of shares) in this Buy-back.. The holding period would be approx 40-45 days from now.

Key Points to be noted:

- ◆ Investor who wants to buy shares for tendering in Buy-Back will have to buy shares on or before 2 days prior to Record Date(23th May 2017), in this particular Buy-back
 - ◆ Record Date means the date to decide the name of the investors eligible for Buy-Back..
 - ◆ Ex-Date means the day 1 working days prior to Record Date (Last Date for Buying shares for Buy-Back)
 - ◆ According to terms of aforesaid Buy-Back, Last date for buying shares is 23th May 2017.. Anyone who will buy shares after 23th May will not be eligible for the Buy-back..
 - ◆ Retail shareholder means shareholder holding shares worth upto 2 Lac as on market closing on Record Date.. Investors should keep this point in mind while buying share in Buy-back..**Investors should keep in mind that worth of the shares bought in the buyback should not be above 2 Lac mark as on closing market hours on record date, hence one should keep space for any potential upside upto the day of Record Date.**
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