

## MARKET THIS WEEK - Smallcaps Outperforms

INDEX	14-May-21	Weekly Change (%)
Broad Market Indexes		
NIFTY 50	14,677.80	-1.0%
NIFTY 500	12,472.15	-0.7%
NIFTY MIDCAP 100	24,363.65	-0.7%
NIFTY SMALLCAP 100	8,759.05	0.3%
Volatility Index		
INDIA VIX	20.27	-2.6%
Sectoral Indexes		
NIFTY BANK	32,169.55	-2.2%
NIFTY AUTO	9,810.45	-0.1%
NIFTY FINANCIAL SERVICES	15,412.35	-2.3%
NIFTY FMCG	34,781.50	1.9%
NIFTY IT	25,588.20	-2.6%
NIFTY MEDIA	1,604.35	2.4%
NIFTY METAL	5,091.35	-4.6%
NIFTY PHARMA	13,885.50	1.0%
NIFTY REALTY	300.45	-2.3%

Market declined for this week. Nifty 50, the benchmark index of NSE, declined by -1.0% and Nifty 500 declined by -0.7% for the week. Smallcaps remained resilient during the week. While Largecaps and Midcaps declined from the week, Nifty SmallCap 100 posted a marginal gain of 0.3% for the week.

Among sectoral indexes, Banks, Financial Services, IT, Metal, and Real Estate declined between -2.2% and -4.6% for the week. Meanwhile FMCG, Media, and Pharma stocks gained for the week.

The impact of the destructive second wave of Covid-19 the country is currently experiencing and the rising inflation and inflation expectation in U.S. are going to be the major factors that can influence stock price performance in the coming days.

Most major institutions and rating agencies have downgraded the expected growth of Indian Economy for the next year due to the lockdown and uncertainty imposed by the second wave of Covid-19 on the country.

## Buybacks - Offer Price Premium not a Guarantee for Positive Return

### NIIT and Savita Oil Technologies - Case in Point

During the month of February 2021, NIIT and Savita Oil Technologies announced their intention to buyback their equity shares through the tender offer route. For NIIT the buyback price was ₹ 240/-, which was at a premium of 20 per cent to the market price at that time. Similarly, for Savita Oil Technologies the buyback price was ₹ 1,400/-, which was at a premium of 27.27 per cent to the company's market price at the time.

But if one had invested in these companies' shares to profit from the arbitrage opportunity arising from the buyback offer, the person would have incurred a loss on his investment rather than a profit, in both the cases.

### NIIT

NIIT, an IT skills and talent development company, on Feb 17, 2021, made a public announcement to buyback 98,75,000 equity shares of the company at an offer price of ₹240/-. Company, then, had total outstanding shares of 14,18,08,131 and the buyback offer represented 6.96% of the total shares outstanding. The company fixed Feb 24, 2021 as the record date.

The bids for the issue opened on April 12, 2021 and closed on April 28, 2021. A total of 5,01,69,942 equity shares were tendered, i.e., a subscription rate of 508.05%.

As per the buyback offer, company accepted 98,75,000 equity shares and rest were returned. The acceptance ratio is 20%. If an investor had tendered 100 shares, 20 shares would be accepted and 80 shares returned to the investor's demat account.

The share price of NIIT traded at an average price of ₹200/- in the week after the public announcement of the buyback offer. A purchase of 100 equity shares would cost ₹20,000/-.

If all the 100 equity shares were tendered during the bid period, 20 of them will be accepted at the buyback price of ₹240/- and rest of the shares – 80 equity shares – will be returned. The investor will fetch ₹4,800/- for the accepted shares. The market price of NIIT traded at an average price of 170/- in the week following the complete settlement of the buyback process. A secondary sale of the remaining 80 shares would fetch the investor ₹13,600/-. The total proceeds would be ₹18,400/-, which is 8 percent less than the purchase cost of ₹20,000/-.

## Savita Oil Technologies

Savita Oil Technologies, an industrial oil manufacturer, on February 23, 2021, made a public announcement to buyback 2,51,000 equity shares of the company from the existing equity shareholders at a price of ₹1,400/-.

## Fact Box

**Indian's Overseas remitted a total of \$83 billion into India in 2020, which is the largest for any country for the year.**

The offer price was at a premium of 27.27 per cent to the company's then market price of ₹1,100/-. A purchase of 100 equity shares would cost ₹1,10,000/-. The offer size – 2,51,000 equity shares – represented 1.78 per cent of the company's total shares outstanding. The company has fixed March 5, 2021 as the record date.

The Bids for the offer opened on April 15, 2021 and closed on April 29, 2021. A total of 97,52,285 shares were tendered, i.e., a subscription rate of 3885.3%. 2,51,000 shares were accepted, and the acceptance ratio was 3%. If 100 shares were tendered, 3 shares would be accepted and 97 shares returned.

The market price averaged ₹1,040/- in the week following the complete settlement of the buyback process. The secondary sale of the returned 97 shares would fetch ₹1,00,880/- and the 3 equity shares accepted in the buyback offer would fetch ₹4,200/-. The total proceeds would be ₹1,05,080/- which is 4.47 per cent less than the purchase cost of ₹1,10,000/-.

## AMN Capital - Investment Return - April 2021

Particulars	Return (%)		
	3-month	6-month	1-year
AMN Capital	22.2%	49.2%	81.8%
S&P BSE 500	7.3%	26.8%	51.6%

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AMN Capital is an investment firm. We analyze companies listed on Indian stock market for investment opportunities. Once investment opportunities are identified a diversified portfolio of stocks is created. The portfolio is monitored and managed regularly to achieve our investment objectives.

The S&P BSE 500 index is designed to be a broad representation of the Indian market. Consisting of the top 500 companies listed at BSE Ltd., the index covers all major industries in the Indian economy.

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