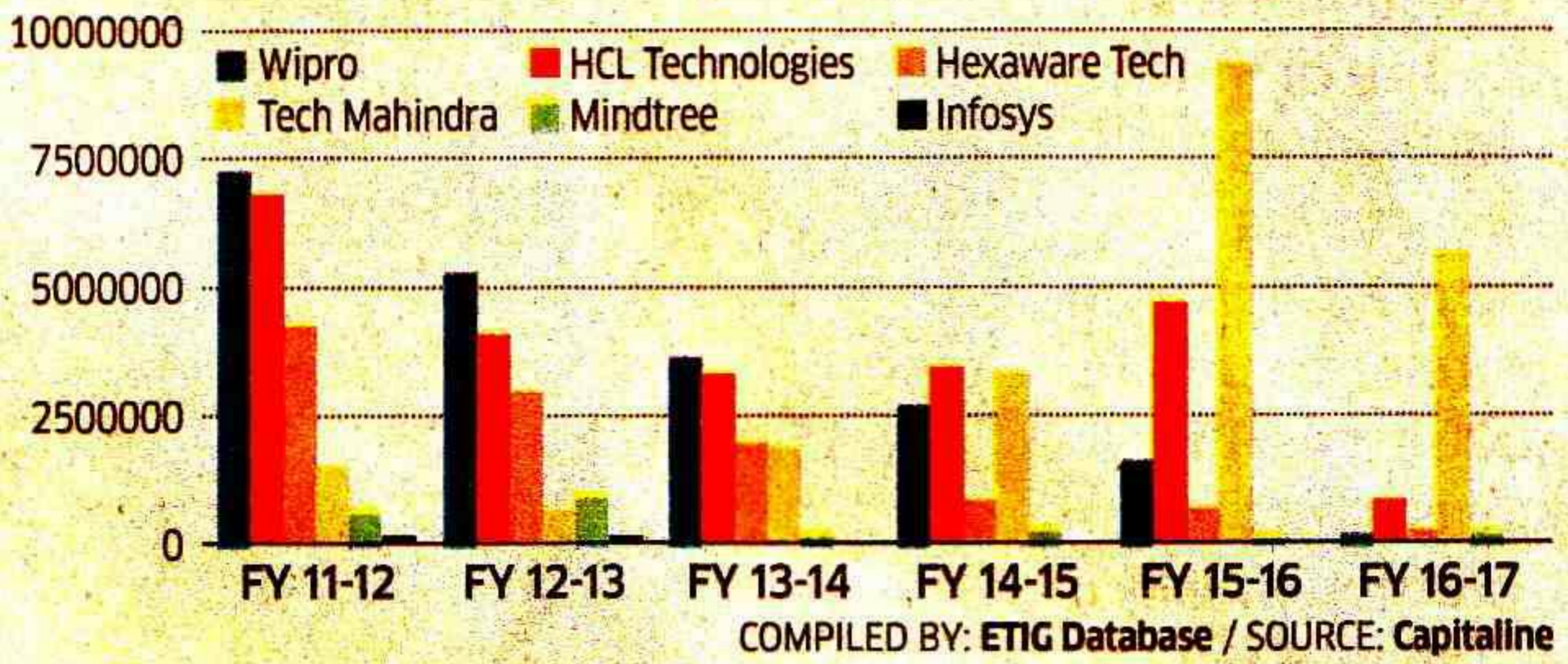


ESOP Holders Go for Equities, Shun Realty & IT Stocks

ESOPs Exercised by Major IT Companies



Lower returns from real estate and relative underperformance of IT stocks bring in shift

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ET Intelligence Group: For top Indian information technology professionals sitting on a bulging pile of employee stock options (ESOPs), a diversified portfolio of equities is fast emerging as the preferred investment tool over the traditional themes of real estate and information technology (IT) stocks. The assets under management (AUM) of boutique portfolio management services (PMS) firms such as Trustline Holdings and Right Horizons, which primarily manage money of top IT executives, have surged by 30-40% in the past two years. On average, such PMS firms reported over Rs 100 crore of incremental investment in each of the past two years from IT executives.

The minimum ticket size of investment at such PMS firms has surpassed Rs 25 lakh – a threshold that would attract largely the senior managerial cadre. The proceeds of the ESOPs are deployed in the PMS either after selling the entire ESOP holding or by offering these shares as collateral to PMS firms.

Vikas Sharma, a Delhi-based regional manager at Cisco said, “PMS has come up as a good alter-

native as it offers not only better return but also smooth exit in times of uncertainty.” Vikas has sold its sizeable ESOPs in Cisco Systems listed in the US to increase exposure in Indian equities. His equity exposure has increased to nearly 50% of savings from just over 20% two year ago.

Two major factors are driving senior IT professionals towards diversified financial assets – one, lower return from real estate, especially in IT hubs like NCR, Pune, and Bangalore and two, the relative underperformance of IT stocks compared with the benchmark indices.

Low liquidity and expectation of price cut have frozen sales in the residential property market. Sobha and Prestige Estate, which are predominantly present in the IT hub of Bangalore, reported drop of 19% and 32% respectively in pre-sales for the December 2016 quarter. Until two years ago, nearly 80% of the total proceeds, on average, from selling ESOPs were deployed in real estate.

ArunaGiri, CEO of Trustline Holdings said, “We have received nearly Rs 60 crore of new money from ESOP proceeds.” The AUM of the Trustline Holdings increased to Rs 220 crore from less than Rs 100 crore two years ago. ArunaGiri had earlier worked with Wipro and quit IT industry in 2002.

IT companies have issued ESOPs to the tune of 0.06-0.15% of the outstanding shares. ESOPs issued by a sample of five companies including Infosys, Wipro, HCL Technologies, Mindtree, and Hexaware Technologies are pegged at Rs 5,000 crore.