

Share Repurchase and its impact on share price movement: An empirical study of Indian Firms

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ABSTRACT

In today's world, managers play a very crucial role for the survival of the firm in true sense. They attempt to achieve better performance with the objective of increasing the value of the shareholders. So, a proper and effective strategic planning is very essential in order to survive in this competitive business environment. Corporate Restructuring is one of the measures which aims to achieve shareholder's value creation. It implies conglomeration of various activities leading to expansion or contraction, corporate control and changes in ownership structure of business operations which bring about new dimensions to the business. It is basically a combination of organizational, operational and financial restructuring. Share repurchase is a form of financial restructuring which helps to distribute excess cash to shareholders. A positive impact of share buyback on stock prices is seen only on pre-buyback period for short duration i.e. from -10 to day -1 or to day 0. The present study shows a positive and significant impact on the buyback companies as compared to the control companies.

[Key words: Share Repurchase, Value creation, Share price movement]

1. INTRODUCTION

Share repurchase is defined as the process by which a company can buy its outstanding shares back from the shareholders. Looking at the past, the longest history of share buyback is found in USA in the late 1970s and had popularized during 1980s. But in India, buyback of shares was introduced in 1998. Share buyback is broadly discussed in Section 77A, 77AA and 77B of the Companies Act, 1956. After the amendment in 2013, Section 68 of the Companies Act, 2013 allows the company to buy back their own after abiding by the recommendations of the committee on corporate restructuring.

Share repurchase activity is a component of corporate pay out policy. Now, whether the firms should engage themselves in share repurchase or not is considered to be an unsolved puzzle for most of the researchers. It is very important to understand the importance of share repurchase. From the past studies, it is found that if the firms are able to use repurchase in a flexible way, it may be an efficient means of returning cash to the shareholders. Additionally, it also helps to improve the efficiency of resource allocation in the stock market by allowing firms to signal temporary stock undervaluation to investors.

Some important factors can be identified by throwing light on the reasons responsible for introduction of share buyback in India. A severe as well as continuous depression during 1996 in the Indian stock market became a matter of great concern for both the government and the business firms. The government made several efforts to revive the situation but it turned out to be futile. In that juncture, the survival of the Indian stock market and its revival for that condition became a crucial issue for the Indian economy. In such a situation, several corporate restructuring mechanisms were undertaken by the business firms to revive the stock market scenario. Among several corporate restructuring techniques, buyback of shares was a very significant measure, as this tool is said to inject some buoyancy into share prices. The reason behind this is that the buyback price of the share is higher than the existing market price.

Government of India found this to be a very effective measure so it decided to implement the same through an Ordinance. The Ordinance passed on 31st October, 1998 and resultantly three sections 77A, 77AA and 77B were added to the existing Companies Act, 1956. This mechanism created a very strong atmosphere during that time and as a result many companies took legal authorization of share repurchase from their shareholders. Share buyback is also used as an important tool for stabilizing the stock market when it suffers from a crisis. There are practical events which support this argument. The Securities Exchange Commission (SEC) of the US relaxed several restrictions on share repurchase in 1987 when the US stock market crashed. During June 1997, the Malaysian Stock market also faced similar crisis and India is also not an exception. In India, a severe stock market crisis threatened the economy in 1992 and as a remedial measure, share repurchase; a financial restructuring tool was introduced in 1998.

2. REVIEW OF LITERATURE

Lin et al. (2008) analyzed a set of firms in 2001 in USA on the basis of the factors leading to the delisting risk of the firms under study which resulted in the positive constant relationship between the delisting of the firms and restructuring. This study revealed that the firms with high debt ratio and its inability to reduce costs are the reasons for delisting. Meyer (2008) focused on the causes of failure of the merger and acquisition performance. He studied six cases of mergers during the period of 1996-2006 and derived the conclusion. The decrease in the value of shareholders is mainly due to multiple and horizontal mergers. Vermaelen (1981), Stephens and Weisbach (1998) and Jensen (1986) revealed that there lies a positive relationship between stock repurchase and cash flow. Vermaelen (1984) studied 131 buyback tender offers and came to the conclusion that 13 percent of positive returns received by shareholders was permanent. He further said that the quantity of premium offered to shareholders was positively associated with the percentage of outstanding shares bought back and fraction of shares owned by managers which is an example of a signaling explanation. Klein and Rosenfeld (1988) studied the share price movement of 77 US firms which showed that the announcement of a targeted buyback depicted a negative impact on price but over a period of time, non-participating shareholders received positive share return of more than 12 percent. Comment and Jarrell (1991) studied that abnormal returns turned out to be the highest for tender offer buyback and lowest for Open market buybacks. Lamba and Ramsay (1999) conducted a study on the shares buyback by Australian companies and observed that the abnormal returns earned by resource sector companies announcing share buyback are generally higher than the abnormal returns earned by companies in the Industrial and financial services sectors. *Dielman, Nantell, and Wright (1980)* aimed to examine the price effect with 174 share repurchase announcements of 139 firms through Random Coefficient Regression (RCR) method. Open market repurchase exhibit insignificant effect while tender offer repurchase on average showed significant increase in return in the month of announcement and a significant decrease in beta without any uniform effect. *Masulis (1980)* found 17 % association in two-day return of the tender offer announcement. *Klein and Rosenfeld (1988)* examined whether management acts in the best interest of the non-participating shareholders. Negative impact on price is evident but the non-participating shareholders are recorded with 12 percent positive return over the time period. *Comment and Jarrell (1991)* concluded that the companies facing significant decline in their share price tend to undertake the strategy of share repurchase. *Cudd, Duggal, and Sarkar (1996)* found positive and permanent relationship between repurchase premium and control motive for repurchase. *Babenko, Tserlukevich, and Vedrashko (2012)* investigated the credibility of the undervaluation signal. The study revealed that market only partially incorporate the signals contained in the share repurchase at the time of announcement. Hence, price continues to adjust over time. Chowdhury & Nanda (1994) found that though the management's motive behind share repurchase is to restrict free cash flow and not to signal under valuation, the undervalued firms are prone to making share repurchase as a choice over dividend. Thus, free cash flow hypothesis is consistent with portraying a negative relationship between share repurchase and prior stock price changes. Krishna Murthy (1999) revealed that share repurchase is a financial engineering technique accompanied by proper flow of earnings and would further lead to higher Earning Per Share and unaltered P/E ratio. He also observed that the buyback price must be higher than the existing market price which has to be sustained by the earnings even after buyback offer.

3. OBJECTIVES OF THE STUDY

The objectives of the current study are as follows:

- To analyse the impact of share buyback on the share prices of the sample companies during pre-buyback and post-buyback period in comparison with the control companies.
- To examine whether the Indian stock market is efficient in its semi-strong form in the sense that publicly available buy back information cannot generate super normal profit to any market player.
- To determine whether buyback of shares by a company has perceptible contribution to its overall value creation (compared to its matching control firm) by means of analyzing some modern tools, like, Economic Value Added (EVA), Market Value Added (MVA) and Shareholders' Value Added (SVA).

4. DATA BASE AND METHODOLOGY OF THE STUDY:

For the purpose of our study we have used comprising of two sets: i) data base for Buyback Company and data base for Control Company. The time period used for the study is from 31st October, 1998 to 31st March, 2014. Capitaline 2000 database has been used. In this study, 176 buyback companies and 176 control companies have been taken.

4.1. Economic Value Added (EVA)

EVA, a Stern Stewart & Co.'s trademark is a specific method of calculating economic profit. It mainly states that just earning profit is not enough for a business, it should rather earn sufficient profit to cover its cost of capital and create surplus to grow. Expressing simply as profit earned over and above the cost of capital is Economic Value Added.

The basic proposition is that the return on capital employed should be greater than Cost of Capital (i.e. $ROCE > K_o$).

Capital Employed highlights long term capital and cost of capital represents weighted average cost of capital that includes opportunity cost of equity rather than dividend servicing cost. Actually any surplus generated from operating activities over and above the cost of capital is termed as EVA. It is corporate surplus that should be shared by the stakeholders. This surplus should be derived by deducting cost of capital from profit before interest but after tax.

$$EVA_t = NOPAT_t - WACC * \text{Capital Employed.}$$

Where,

$NOPAT_t$ = Net Operating Profit before interest and after tax during period t.

WACC = Weighted Average Cost of Capital.

Capital Employed = Net Block + Trading Investment + Net Current Assets at the end of period t.

4.2. MARKET VALUE ADDED (MVA)

According to Stewart (1991), the market value added (MVA) may be defined as the excess of market value of firm's capital (both equity as well as debt) over its book value. In other words, it is the spread between company's market capitalization and book value of capital. When market value of capital is greater than its book value, MVA becomes positive which indicates creation of wealth for the shareholders. As per Stewart, MVA should be calculated as:

$$MVA = \text{Market Capitalization} - \text{Equity}$$

Where, Equity = Equity share capital + Reserve & Surplus – Miscellaneous expenses – P&L (dr.) balance.

Here in this notation, MVA denotes only unrealized capital gains. But from in-depth thinking, the above measurement of MVA seems to be imperfect. The excess of market capitalization over book value of

capital cannot represent the market value addition in true sense. MVA should be defined as the difference between firm's closing market capitalization and opening market capitalization. Therefore, MVA should be calculated as:

$$MVA_t = MC_t - MC_{(t-1)}$$

Where MC_t = Market Capitalization at period t

$MC_{(t-1)}$ = Market Capitalization at period (t-1).

This definition can be applied for computing MVA subject to the fulfillment of the condition that the number of outstanding shares of a company between period t and (t-1) remains same. If the number of outstanding shares changes due to a variety of reasons like, issue of bonus shares, right issue, buyback of shares, conversion of preference shares into equity shares, stock split etc. between two different points of time, determination of MVA by means of direct comparison of market capitalization at two different time periods will lead to erroneous calculation. After considering all these aspects, MVA should be derived by using the following formula:

Closing market price of equity shares at time 't' multiplied by the number of outstanding shares on that time minus closing market price of equity shares at time (t-1) multiplied by number of outstanding shares at time 't'. In the present context, it should be mentioned that while, calculating MVA as per the proposed method, necessary adjustments have been made in respect of bonus issue, right issue, stock split, conversion of preference shares into equity shares etc. Moreover, in order to operationalize this proposed definition of MVA effectively, elimination of short-term volatilities in share prices is an important pre-requisite which will be properly taken into account in the present research study.

4.3. SHAREHOLDERS' VALUE ADDED (SVA)

Shareholders' Value Added (SVA) is considered to be an important measure for value creation from shareholders' point of view. SVA actually represents the total value added to the shareholders, both realized as well as unrealized. For computing SVA, two approaches are there:

1. Market value approach and
2. Economic value approach.

As per the first approach (i.e., market value approach), SVA is given by Market Value Added (MVA) and other realized value such as payment of dividend, benefit arising from right issue and bonus issue etc. On the other side, under economic value approach, SVA is measured by means of considering economic value of business minus value of debt and preference capital. Under this approach, SVA can be computed by means of capitalization of EVA which represents the addition of real value rather than the actual value added.

It is quite normal that dividend cannot be regarded as the sole compensator of the opportunity cost of equity capital. Thus emphasis should be given on total value creation. Shareholders generally expect competitive return on their holdings through dividend and value appreciation. Hence, under the first approach SVA may be computed as:

Shareholders Value Added = Closing market capitalization – opening market capitalization + Amount of dividend payment – Increase in equity capital + Decrease in equity capital.

For computing SVA, increase in equity capital should be deducted. This is so, because increase in equity is included in closing market capitalization but not incorporated in the opening market capitalization. Based on the same principle, reduction in equity capital should be added. In an alternative mode, change in market capitalization should be computed with reference to equity shares at the year end. In that case, SVA can be computed as:

Shareholders Value Added = Number of equity shares at the year end \times [Closing market price – opening market price] + Dividend

That means, in any period 't' SVA can be measured as follows:

$$SVA = MVA_t + EDiv_t$$

Where MVA_t denotes market value added at time 't' and $EDiv_t$ indicates equity dividend at time 't'.

We shall consider both these approaches for measuring SVA in our study.

4.4. Residual Analysis

The market model assess the influence of company specific information on the stock prices and helps to distinguish price changes that are due to a security's co-movement with the overall market and changes that are caused by the new information about a company or an industry.

we shall compute the daily abnormal returns for security 'i' from 20 days before to 20 days after the announcement ($t=-20$ to $+20$) of the event (in our case share buy-back) by using the equation

$$AR_{i,t} = R_{i,t} - (\alpha_i + \beta_i R_{m,t})$$

where $R_{i,t}$ is the raw return on security 'i' for day 't', while $E(R_{i,t})$ is the expected return on security 'i' during 't' which will be estimated using market model of daily, $\hat{R}_{i,t} = \alpha_i + \beta_i R_{m,t} + \hat{\epsilon}_{it}$

Finally we shall compute the Average Abnormal Return for each relative day as $\overline{AR}_t = 1/N \sum AR_{i,t}$ (N is the number of securities with abnormal return during day 't') and daily cumulative average abnormal returns (CAR) by using the average abnormal returns over event time i.e., as

$$CAR = \sum \overline{AR}_t$$

Then we shall test the significance of the average abnormal return by using the t-test.

5. MAJOR FINDINGS

The current study aims to measure the impact of share repurchase on the company's value generation and share price movement. The conclusion has been derived after comparing the performance parameter of the companies immediately in the first year of post buyback period with the last year of pre buyback period. Additionally, the combined average of the buyback companies for each year has been calculated. Then the average of the ratios is also calculated for the two periods which helps to make a comparative study of the average ratios between the two periods.

5.1. Study of Economic Value Added

Table 1: Statistics on Economic Value Added

Change in EVA	Buyback companies		Control Companies	
	Number	Percentage	Number	Percentage
Immediate Impact				
Increase in EVA	73	46.79	79	50.64
Decrease in EVA	83	53.21	77	49.36
Total	156	100	156	100
Sustainable Impact				
Increase in EVA	85	54.49	84	53.85
Decrease in EVA	71	45.51	72	46.15SSSS

Total	156	100	156	100
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Source: Author's Calculation

From the summary results it is seen that for 46.79 percent of the buyback companies, the EVA for the first year of post buyback has increased. While for the control companies, the percentage has been 50.64. The table further portrays that 54.49 percent of the buyback companies was able to increase their EVA but for the control companies it was only 53.85 percent. The results claim that there was no drastic improvement with respect to both the immediate and sustainable impact of the buyback of companies. Rather, the immediate impact shows a decrease as compared to the sustainable impact.

Table 2: Results of Paired Sample Test of Economic Value Added

Company	Impact	t	Df	Sig(2 tailed)
Buyback companies	Immediate	-1.687	175	.094
	Sustainable	1.15	175	.252
Control companies	Immediate	-1.749	175	.082
	Sustainable	1.437	175	.153

Source: Author's Calculation

The test results show that the p-values for the buyback companies having immediate impact is .094 and sustainable impact is .252 respectively which is not significant at 0.05 level. Furthermore, the p-values of the control companies are .082 and .153 for the immediate and sustainable impact respectively which are not significant at 0.05 levels. So, it can be said that there was no improvement in the performance of the companies with respect to economic value addition for the buyback companies as well as the control companies.

5.2. Study of Market Value Added

Table 3: Statistics of Market Value Added

Change in MVA	Buyback companies		Control Companies	
	Number	Percentage	Number	Percentage
Immediate Impact				
Increase in MVA	102	57.95	79	44.89
Decrease in MVA	74	42.05	97	55.11
Total	176	100	176	100
Sustainable Impact				
Increase in MVA	99	56.25	94	53.41
Decrease in MVA	77	43.75	82	46.59
Total	176	100	176	100

Source: Author's Calculation

The above table shows that 57.95 percent of the buyback companies have improved the MVA for the first year of post buyback period, while for the control companies it is just 44.89 percent. Further, it is also noticed that 56.25 percent of the buyback companies could raise their average MVA in period II and the non-buyback companies could raise their average MVA only by 53.41 percent. Hence the table depicts

that more than half of the buyback companies could increase their MVA for the first year of post buyback period and the average MVA after they had undertaken buyback, while the control companies could not. Thus, it may be concluded that buyback companies showed a better company performance as compared to the non-buyback companies. But these results only give an abstract idea unless the statistical tests are performed to justify the conclusion.

Table 4: Results of Paired Sample Test of Market Value Added

Company	Impact	t	Df	Sig(2 tailed)
Buyback companies	Immediate	-.820	175	.414
	Sustainable	.925	175	.356
Control companies	Immediate	-1.532	175	.127
	Sustainable	.024	175	.980

Source: Author's Calculation

From the table it is observed that p-values of the buyback companies for immediate impact is .414 and for control companies is .127. So it is not statistically significant for both the cases. For sustainable impact, the p-values are .356 and .980 for the buyback companies and the control companies respectively. These p-values are also not statistically significant. Thus it can be said that the performance in respect of market value addition of buyback companies did not improve after the buyback took place.

5.3. Study of Shareholder's Value Added

Table 5: Statistics on Shareholder's Value Added

Change in SVA	Buyback companies		Control Companies	
	Number	Percentage	Number	Percentage
Immediate Impact				
Increase in SVA	102	57.95	81	46.02
Decrease in SVA	74	42.05	95	53.98
Total	176	100	176	100
Sustainable Impact				
Increase in SVA	100	56.82	100	56.82
Decrease in SVA	76	43.18	76	43.18
Total	176	100	176	100

Source: Author's Calculation

The summary results from the table show that 57.95 percent of the buyback companies have improved the SVA for the first year of post buyback period, while for the control companies the increase represents only 46.02 percent. It is also observed that 56.82 percent of the buyback companies could raise their average SVA in period II which is the same for the control companies as well. Hence the table depicts the fact that most of the buyback companies could increase their SVA for the first year of post-buyback period and also the average SVA after they had undertaken buyback, while the control companies could not. It is further observed that looking into the sustainability aspect; both the buyback and the control companies show a similar nature of performance.

Table 6: Results of Paired Sample Test of Shareholders Value Added

Company	Impact	t	Df	Sig(2 tailed)
Buyback companies	Immediate	-.774	175	.440
	Sustainable	.981	175	.328
Control companies	Immediate	-1.488	175	.139
	Sustainable	.134	175	.893

Source: Author's Calculation

From the table it is found that the p-value of buyback companies for immediate impact is .440 and for control companies is .139 which is not statistically significant. For sustainable impact, the p-values are .328 and .893 for the buyback and control companies respectively which are also not statistically significant. So, it can be concluded that performance of shareholders value addition of both the buyback and control companies neither improved immediately nor sustainably after the post buyback period.

5.4. Impact assessment of Share Repurchase

Impact assessment of Share repurchase on and around the source date has been analyzed by observing the behavior of Control Adjusted Average Abnormal Returns (CA-AAR) and Control Adjusted Cumulative Average abnormal Returns (CA-CAAR) of Companies.

To eliminate the effect of industry specific factors contaminating the returns of the sample companies within the event window, we have excluded abnormal return of control companies from the abnormal return of sample companies to arrive at Control Adjusted Average Abnormal Return (CA-AAR) and Control Company Cumulative Average Abnormal Return (CA-CAAR).

Table 7 presents CA-AARs and CA-CAARs of the sample company for day -25 to +25 with other statistics. The CA-AAR of 0.8 % on the buyback source date found to be insignificant with 46.59 % sample companies reporting positive return. Consecutive positive CA-AAR from day -7 to day 0 i.e., buyback source date is observed which lead to reach CA-CAAR from - 1.61 % on day -7 to 5.64 % on day 0. A significant positive CA-AAR has been found on day -4, day -3 and day -1 with 60.23 % of the companies receiving positive return. Though 63.64 % of the companies received positive CA-AAR of 1.04 % on day -2, it is found insignificant which is due to the presence of outliers. In the pre buyback period, thirteen out of the eighteen days prior to day -7 are found with negative return. A significantly negative CA-AAR of -0.74 % is found on day -8 which lead to decrease in CA-CAAR from 0.31 % on day -25 to -2.27 on day -7. In case of post buyback period, immediately after the buyback source date negative CA-AAR occurs from day +1 to day +5. CA-AAR on day +2 and on day +3 are found significantly negative. Chart 1 and 2 representing control adjusted AARs and CAARs are also given for brief analysis.

Further in order to examine the significance of observed CA-AAR for different time interval, we have computed statistics of CA-AAR with different holding periods within the event window and the results are presented in Table 8. There is no significant stock market reaction on share buyback if we consider holding periods on and around the day 0. Significant positive t-values are recorded in case of pre buyback period. Pre buyback event period from day -10 to day -1, day -7 to day-1, day -5 to day -1 and day -3 to day -1 marked significant positive t-values at 5 % and 1 % level of significance. The post buyback period depicts insignificant CA-AAR for all the holding period which is presented in Table 8.

Table 7: Control-Adjusted Statistics on and around the Source Date

DAY	AAR	t-value	Prob.	Percentage of companies receiving positive return	CAAR
-25	-0.0065	-1.6599	0.0987	42.6136	0.0031
-24	-0.0025	-0.6322	0.5281	47.7273	0.0006

-23	0.0027	0.7223	0.4711	51.7045	0.0033
-22	-0.0004	-0.1158	0.9080	48.8636	0.0028
-21	-0.0005	-0.1599	0.8731	45.4545	0.0024
-20	0.0017	0.3893	0.6976	47.1591	0.0041
-19	0.0030	0.7211	0.4718	51.7045	0.0071
-18	-0.0018	-0.4842	0.6289	52.2727	0.0052
-17	-0.0010	-0.2581	0.7966	47.1591	0.0042
-16	-0.0060	-1.7926	0.0748	46.0227	-0.0018
-15	0.0026	0.5273	0.5987	52.8409	0.0008
-14	-0.0009	-0.2033	0.8392	48.8636	0.0000
-13	-0.0052	-1.3634	0.1745	44.8864	-0.0052
-12	-0.0065	-1.5859	0.1146	46.5909	-0.0117
-11	0.0030	0.8276	0.4090	52.8409	-0.0087
-10	-0.0047	-1.2040	0.2302	46.0227	-0.0134
-9	-0.0019	-0.5365	0.5923	47.1591	-0.0153
-8	-0.0074	-2.0507	0.0418	44.3182	-0.0227
-7	0.0065	1.4998	0.1355	51.1364	-0.0162
-6	0.0063	1.6454	0.1017	55.1136	-0.0099
-5	0.0078	1.8860	0.0609	55.6818	-0.0021
-4	0.0161	3.2725	0.0013	59.6591	0.0140
-3	0.0146	3.7933	0.0002	57.3864	0.0286
-2	0.0104	1.4463	0.1499	63.6364	0.0390
-1	0.0094	2.3924	0.0178	60.2273	0.0484
0	0.0080	1.9339	0.0547	46.5909	0.0564
1	-0.0040	-0.8934	0.3728	42.0455	0.0523
2	-0.0092	-2.5544	0.0115	37.5000	0.0431
3	-0.0102	-3.1208	0.0021	38.6364	0.0329
4	0.0014	0.3731	0.7095	47.1591	0.0343
5	-0.0034	-1.0392	0.3002	48.2955	0.0309
6	0.0002	0.0553	0.9560	50.0000	0.0311
7	0.0074	2.1236	0.0351	52.8409	0.0385
8	-0.0035	-0.9167	0.3606	48.8636	0.0350
9	-0.0012	-0.3196	0.7497	52.2727	0.0338
10	-0.0010	-0.3093	0.7574	46.5909	0.0329
11	-0.0016	-0.5465	0.5854	51.1364	0.0313
12	0.0051	1.7011	0.0907	58.5227	0.0364
13	-0.0039	-1.2552	0.2111	47.1591	0.0325
14	0.0038	1.2733	0.2046	55.6818	0.0362
15	0.0018	0.5483	0.5842	52.8409	0.0381
16	-0.0016	-0.4417	0.6593	50.0000	0.0364
17	0.0049	1.3308	0.1850	52.8409	0.0413
18	-0.0036	-1.0021	0.3177	42.0455	0.0378

19	-0.0015	-0.4814	0.6309	47.1591	0.0363
20	-0.0026	-0.7155	0.4753	43.1818	0.0336
21	-0.0011	-0.3152	0.7530	43.1818	0.0325
22	0.0080	2.5156	0.0128	56.2500	0.0405
23	-0.0028	-0.8079	0.4203	44.8864	0.0377
24	-0.0018	-0.5945	0.5530	48.8636	0.0359
25	0.0049	1.2538	0.2116	48.2955	0.0408

Table 8: Control-Adjusted Statistics on and around the Source Date

SR.NO.	Event Period	NO.OF DAYS	t-values	Prob.
1	Day -25 to +25	51	0.7678	0.4462
2	Day -20 to +20	41	0.8069	0.4245
3	Day -15 to +15	31	1.0696	0.2933
4	Day -10 to +10	21	1.1913	0.2475
5	Day -7 to +7	15	1.9761	0.0682
6	Day -5 to +5	11	1.3299	0.2131
7	Day -3 to +3	7	0.7026	0.5086
8	Day -1 to +1	3	1.0503	0.4038
9	Day -25 to -1	25	1.1868	0.2469
10	Day -20 to -1	20	1.4747	0.1567
11	Day -15 to -1	15	1.7000	0.1112
12	Day -10 to -1	10	2.2767	0.0488
13	Day -7 to -1	7	6.9581	0.0004
14	Day -5 to -1	5	7.3780	0.0018
15	Day -3 to -1	3	7.1980	0.0188
16	Day +1 to +3	3	-4.0587	0.0557
17	Day +1 to +5	5	-2.4059	0.0739
18	Day +1 to +7	7	-1.0920	0.3167
19	Day +1 to +10	10	-1.4622	0.1777
20	Day +1 to +15	15	-0.9779	0.3447
21	Day +1 to +20	20	-1.1473	0.2655
22	Day +1 to +25	25	-0.6872	0.4985

Chart 1-Control-Adjusted AAR on and around the Source Date

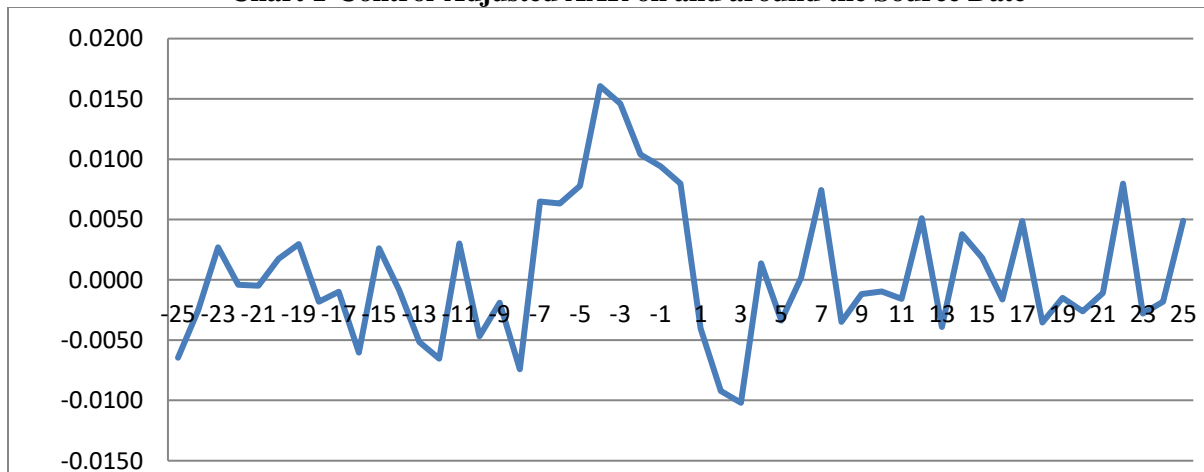
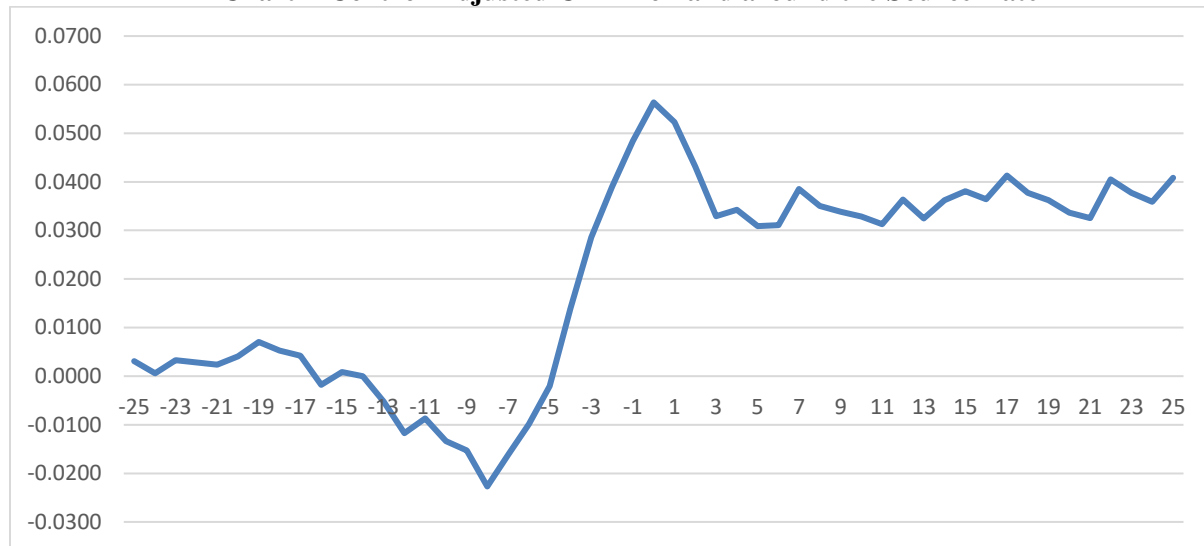


Chart 2-Control-Adjusted CAAR on and around the Source Date

6. CONCLUSION

Indian Corporate Sector has reached new dimensions during the era of globalization which has led to the emergence of new and improved financial policies and corporate restructuring measures. One of the prominent corporate restructuring techniques is share repurchase which has broadened the arena of financial flexibility available to the business entities in the corporate world.

There are very few research studies that have thrown light on the methodology about the share repurchase system in India. The present research work aims to study the impact of share buyback on earning per share, dividend per share, return on investment, and market value to book value ratio, value creation and share prices. This study also aims to throw light on the legal aspects of share repurchase on a nation-wide and world wide scale. This research study will be useful and will also attract corporate management, investors, academicians, policy makers and future researches.

From the current study, it can be seen that share repurchase has positive and significant impact on the buyback companies as compared to the control companies. The study with respect to earning per share shows that more than half of the buyback companies could raise their EPS both in terms of immediate impact and sustainable impact after they had undertaken the corporate restructuring technique, namely Buyback of shares. This similar trend is being portrayed by the control companies also. It is also seen that EPS of the buyback companies have improved during the post-buyback period. The study with respect to dividend per share shows that the companies undertaking buyback benefited as compared to the non-buyback companies and the performance in respect of payment of dividend of buyback companies improved both immediately and sustainably after buyback. Return on investment basically depicts the profit earning capacity of the firm. In this study, ROI portrays that the buyback companies does not show a significant impact. From the results it can be said that the buyback companies had an impact on corporate profitability sustainably over the period which the non-buyback companies could not since the p-values are significant at 1 percent level.

A firm is said to generate value for its shareholders when the market value per share of the firm exceeds the book value of its shares. From the current study it is seen that the EVA for the first year of post buyback has increased. The results claim that there was no drastic improvement with respect to both the immediate and sustainable impact of the buyback of companies. It can be said that there was no improvement in the performance of the companies with respect to economic value addition for the buyback companies as well as the control companies.

After analyzing the results it may be concluded that buyback companies showed a better company performance as compared to the non-buyback companies. The performance in respect to market value addition of buyback companies did not improve after the buyback took place since the p-values are not statistically significant.

The results of the shareholders' value added depict that 57.95 percent of the buyback companies has improved the SVA for the first year of post buyback period, while for the control companies the increase represents only 46.02 percent. Moreover, the performance of shareholders value addition of both the buyback and control companies have neither improved immediately nor sustainably after the post buyback period.

Finally, it is evident that there is a positive impact of share buyback on stock prices only on pre buyback period for short duration i.e., from day -10 to day -1 or to day 0. The existence of over reaction in the market has been experienced by sudden negative values thereafter the effect disappears without having any further effect. Thus, there is a positive impact of share buyback in pre-buyback period. The information content of share buyback start is impounded into stock prices well in advance by day -10 enhancing shareholders' value during that period. This situation depicts semi strong form of stock market efficiency.

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