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ORIGINAL RESEARCH PAPER

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STOCK REPURCHASES AND MANAGERIAL TIMING ABILITY: EVIDENCES FROM INDIAN STOCK MARKET

KEY WORDS: Stock Repurchases, Managerial Timing Ability, Bluechip Companies, Free Cash Flow And Undervaluation

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ABSTRACT

In the recent period, we have seen tremendous growth in stock repurchase activities in India. During the year 2018, 66 companies announced buyback of their stocks, which is almost 20% jump when compared to the year 2017. The basic concept is that a company repurchases its stocks from the market, while the stockholders receive cash and the number of outstanding stocks decreases. Most of the studies have based on stock price and liquidity impact but very few work has been done on managerial timing ability in respect of stock repurchases. Hence, the present study is an attempt to test the managerial timing ability in India with respect to 27 stocks repurchase announcements made by bluechip companies listed on S&P BSE SENSEX 100 for the period of 2016 to 2019. The paper provides no evidence of managerial timing ability for selected sample companies. Further, the findings are more consistent with the distribution of free cash flow rather than undervaluation of stocks.

INTRODUCTION

Stock repurchase has become a common phenomenon in the financial markets worldwide. Stock repurchase are more common way of companies to distribute profit to their stockholders. A stock repurchase is a process allowing a company to buy its own stock from the existing stockholders, generally at a premium. By implementing stock repurchase program a company can decrease its outstanding stocks from the stock market. The primary objective of a stock repurchase company is to reward existing stockholders either by cash-payouts (premium on stock price) for their participation in the buyback program or by increase in holding of the existing stockholders from staying invested. Buybacks are considered to be more efficient when compared to dividends. A buyback can be implement by either through tender offer or by open market method. In a tender offer, an investor has the option to present, all or a part of his/her shareholding to the company in the buyback offer with in a certain time period (usually one month in Indian). While an open market method is just like a stock exchange trade, in which the company places the buy order and stockholder place a sell order, the trade is executed by order matching mechanism. In tender method, offer price is usually at premium (higher than current market price) however in open market method, the shares are bought back generally at prevailing market price, subject to the maximum price fixed by the company. Furthermore, a buyback program can be funded only through free reserves and surplus, security premium account or proceeds of earlier issues of different kind of securities. In India, according to SEBI regulations, all companies are required to reserve 15% of the total buyback size for retail investors.

Stock repurchases have been extensively examined by financial community since the 1960s. Stock buyback is the corporate finance tool which is unfamiliar in India till 1998, although it has been widely used in the US for over three decades. Under section 68 of the Companies Act, 2013, read with section 77 A of the companies act 1956, allows a company to repurchase its own stocks or other specified securities in certain cases. In couple of years, Indian companies have extended their buyback programs the reason might be whether to return excess cash to shareholders, underv a luation of stock prices and just simply to restructure the corporate financial structure. However, among the various reasons for doing so, the most prominent is the fact that the company wants to indicate to the stockholders that it has huge confidence in itself (Mishra, 2005).

REASONS FOR THE STOCK REPURCHASES

The main motive behind stock buyback is different for different companies. It is very much related to particular situation (Gupta, 2005). But there are some common motives given below:

- The primary consideration for companies to repurchase their stock is the availability of surplus cash while there are no investment avenues available.
- Sometime, management feels that company's stock is undervalued. So, to rectify the stock price value company takes buyback program.
- Theoretically, stock repurchase tend to improve valuations of the company. It is expected to rise in EPS and ROE after the buyback. This is simply due to reduction in outstanding stocks.
- Stock buyback is a useful weapon that a company management may use to ward off the risk of hostile takeo ver attempt.
- Tax treatment is also a significant factor to determine whether go for a buyback or dividend payout. Buybacks are considered more tax efficient.
- Moreover, now it is a popular measure of capital structure of the firm.

Stock buyback programs are used to signal stock underv aluation, mitigate agency problem, overcoming takeover threat, alter leverage ratio or finance the employee stock option plan. Recent empirical research has made dramatic progress in understanding the motives for firms to repurchase their own stocks. Moreover, various studies (Comment & Jarrell (1991); Gupta (2005); Mishra (2005); Brown (2007); Hyderabad (2009) with others) have been done to analyze the impact of stock repurchase programs on stock prices and liquidity. But not sufficient work has done to known about managerial/ market timing ability in stock repurchase announcements especially in India.

Generally, it is argued that by announcing buyback a company signals that its shares are undervalued to their intrinsic or true value. Management as insider has more information about future plans, prospects, and opportunities available than the investors. Comment & Jarrell (1991) documented that firms tend to announce stock repurchase announcement plans following a decline in their share prices, when their stocks are trading undervalued. Moreover, Ikenberry et al., (1995) also found that the firms were underpriced at the time of stock buyback announcements. The argument has also been supported by Stephen & Weisbach (1998), they evidenced a negative abnormal return before the buyback announcements, indicating that firms repurchases when managers perceive that the shares are trading undervalued. The only variant of the undervaluation hypothesis is the market/ managerial timing hypothesis.

MANAGERIAL/ MARKET TIMING ABILITY

This is an interesting topic which has studied by some authors, whether the firms' managers have an advantage with respect to market timing of share repurchase. In other words, whether mangers possess the ability to reacquire shares at lower price than an investor. The hypothesis contends that managers repurchase stocks because they have access to more favourable information than when they do not repurchase stocks (Ginglinger & Hamons, 2005). Managers possess information that generally outside market participants do not observe. Hence, the stock price of repurchasing firm should be lower before the buyback announcements than post announcement period. If managers are exercising their timing skills, we would expect to see rising price trends in the post repurchase announcement period. Hence, the share price for repurchase days should be lower than the price for subsequent non-repurchase days (Ginglinger & Hamon (2005); Brockman & Chung (2001)). Cook et al., (2004) documented that firms repurchase stocks following declines in price and that prices stabilize following repurchase trades. In a detailed study related to managerial timing ability, Brockman & Chung (2001) have classified three determinants of managerial timing: (1) overall market conditions, (2) industry-based factors, (3) firm-specific attributes. Under the market condition category, managers have greater timing opportunities to identify mispricing, when the overall market exhibits large price swings. In addition, lower market interest rates reduce the opportunity cost of using company cash to repurchase shares. Because low interest environment encourages share buybacks for reasons other than managerial timing. However, when interest rates are high, buybacks are predominantly motivated by underpricing considerations. The ability of managers to identify periods of undervaluation can be a function of the company's industry because firms in the same industry often hold similar assets and liabilities, and often experience similar changes in income. Next category is firm-specific variables in order to capture the company's relevant financial position, as well as the company's information environment (level of information asymmetry) firms with relatively large cash flows are more likely to repurchase shares for the purpose of wealth distribution and are therefore less likely to be motivated by underpricing considerations. Large firms' managers are expected to have fewer opportunities to trade on private information, since larger firms tend to disclose more information to the public and are more carefully followed by analysts and regulators.

Moreover, Chung et al., (2005) defined the buyback implementation skills as the capability to purchase shares at a relatively low price. They used two measures of skills: firstly, contrast the actual cost of a given buyback program to the average cost of a random buyback plan that yields the same number of reacquired shares; the second one is a novel measure that is consistent with the fact that a buyback program is an option owned by the firm to buyback stocks. Buyback implementation skills can be demonstrated by active repurchase activities following price drops or in advance of price increase- such trading patterns may be related to managers' inside information. Indeed, when implementing buyback programs, management team has the opportunity to exploit their information advantage around buyback announcements. Furthermore, they explained that a particular skilled manager is able to reacquire shares at historical low prices.

LITERATURE REVIEW

It is the general conception that companies repurchase their stocks, when the market price of stocks has been falling. In a classical study Ikenberry et al., (1995) obtained the negative price movement before a repurchase announcement, followed by a period of abnormally positive performance. Moreover, other studies like Borkman & Chung (2001); Cook et al., (2004); Ginglinger & Hamon (2005) and Ridder (2005)) reported mixed results concerning whether managers in repurchasing firms have the ability to reacquire stocks at a lower price than an average investor.

In a detailed study, with access to more than 5000 open market share repurchases in 181 different firms in Hong Kong, Brockman & Chung (2001) investigated the timing ability of the corporate managers to time their repurchasing activities over the period of 1992 to 1999. The results demonstrated that managers possess substantial timing ability to repurchase shares or in other words managers in repurchasing firms can, on average, buyback shares at lower cost as compare to a retail investor. They used bootstrapping technology to access managerial timing ability. Consistent with market condition hypothesis, they found the timing ability is positively related to market movements and interest rates and not significantly influenced by industry-based factors. It is found that firms that frequently execute repurchases generate more public disclosures, and this act to reduce information asymmetries as a result display significantly lower timing ability. Furthermore, they interpreted that large cash balances alone do not impair managerial timing ability, but large cash balance allows the interest rate environment encourage managers to buyback equity for reason other than perceived mispricing. Moreover, the evidence showed that managers use private information to benefit one class of shareholders (including managers) over another class of shareholders.

By using a detailed questionnaire Cook et al., (2004) examined the timing and execution of stock repurchases in the U.S. stock market for a sample of 64 firms between 1993 and 1994 and reported no market timing skills among managers in repurchasing firms.

Based on actual share repurchase for 352 firms in France from 2000 to 2002 were examined by Ginglinger and Hamon (2005) they documented that repurchasing firms have a market timing ability i.e., they pay less than an average investor. They found that companies repurchase their own stocks following periods when the share price has been falling, they evidenced that companies purchase against market trends. But they found no significant increase in stock prices after the buyback of shares. Moreover, they supported the price support hypothesis, but provided little evidences regarding the use of private information by the managers to repurchase stocks before the price increase. Further, the study concluded that repurchase take place after a fall in price over the previous two trading days. They concluded that buybacks are large enough to stabilize prices, but do not lead to any increase in stock prices. So, the results are consistent with price stabilization motive for repurchases.

Using actual repurchase data for buybacks by Switzerland firms implemented through second trading line Chung et al., (2005) found that managers exhibits timing ability for majority of cases while repurchasing stocks. However, they rejected the opportunistic repurchase hypothesis and concluded that managers did not exploit their information advantage when repurchasing stocks from the market.

Ridder (2005) evidenced that firms in Sweden possess market timing capabilities. During the sample period, from 2000 to 2004 representing 174 shares repurchase programs in 71 firms, repurchasing firms shown managerial timing skills as the mean ratio was higher than unity. They reported value of 25.1 % for the study period showed that the firms had repurchase stocks at lower cost than actual repurchase cost. Furthermore, they used bootstrapping methodology for analysis. Overall, their evidences have suggested that stock repurchase seem to have a minor effect on liquidity and managers can repurchase their stocks at lower prices than an average investor can do.

In a study based on 122 open market buyback announ ce ments by Indian firms Agarwalla et al., (2013) documented that repurchasing firms in India are able to acquire shares at favourable price similar to US market. However, they explained that the cost saving does not translate into wealth creation for the insiders as indicated by the short-term and long-term abnormal returns.

In a recent study, Manconi et al., (2015) has analyzed around 20000 open market buyback announcements from 32 countries (including India) for the period of 1998 to 2010. They explained that mangers buyback their shares to take advantage of an undervaluation stock price. The study documented long-run returns around the world and long-term returns are positively related to an undervaluation index. Furthermore, they observed "non-US buybacks are associated, on average, with smaller announcement returns and larger long-term excess return".

There are mixed results for managers timing ability from different countries. However, there is lack of literature related to the precise timing of equity buybacks in Indian stock market.

OBJECTIVE OF THE STUDY

In the developed countries, many research studies have been conducted to analyze the managerial timing ability with respect to buyback announcements, whereas in India, there is lack of the literature on this particular topic. Originally, the present study is an attempt to investigate the managerial timing ability during stock buyback announcements in Indian stock market.

RESEARCH METHODOLOGY

TYPE OF DATA:

The study is primarily based on secondary data.

DATA SOURCE:

The list of firms that have made buyback announcements has been procured from the SEBI website. The study includes 27 stock buyback announcements which have announced buyback during the period of 1st April 2016 to 31st March 2019. We have selected bluechip companies listed on S&P BSE SENSEX100 index. For analysis, monthly average stock price for each sample company has collected. We have selected seven-month period for analysis, three months before the buyback announcement (symbolled as -3, -2 and -1), announcement month as zeroth month (0) and three months (classified as +1, +2, and +3) after the buyback announcement. Moreover, the data of monthly average stock price before and after the buyback announcements has collected from the BSE website.

FINDINGS

Table 1 and 2 providing the details of stock repurchase announcements of sample companies. We have selected 27 announcements for the purpose of analysis. During the study period, from the selected announcements 26 have adopted tender offer method while only one announcement has implement open market offer to buyback their stocks. Furthermore, we have observed the highest number of announcements are made by IT sector, record nine announcements by companies like TCS, INFY, HCL, WIPRO and TECHM. Moreover, highest number of shares have repurchased by NMDC1 followed by WIPRO2 and IOC. On the other hand, highest amount is spent by TCS, as 16000 cr. for its each buyback programs followed by INFY1 and WIPRO2 respectively.

Table 3 is representing the monthly average stock price three months before and three months after the buyback announ cements. We have analyzed the managerial/ market timing ability for the selected sample companies. As described earlier, hypothesis says that managers have the ability to reacquire their shares at lower prices than general investors. In other words, it assumes that stock prices should be lower in pre-announcement period and high in post-announcement period. Based to collected data, we have observed that in month -1 (before announcement month) average stock prices of 48.14% announcements have lower than previous month (-2) average stock prices. These announcements include BEL1, BEL2, BHEL, CIL2, HCL1, IOC, INFY2, ONGC, OIL1, SUNPHR, TCS1, TCS2 and WIPRO2. However, in month -2 we have documented decline in monthly average stock prices of 59.25 % cases as comparison to previous month (-3). Monthly average stock prices of scrips like BOSCH2, CIL2, EIL, HCL2, IOC, INFY1 and 2, L&T, NMDC1 and 2, ONGC, OIL1, PIDLIT, SUNPHR and WIPRO1 are declining in month -2.

Table 4 is representing descriptive analysis of buyback announcements with percentage changes in monthly average stock prices as comparison to offer price. Here we have included only post announcement month for analysis. In announcement month (0), monthly average stock prices of only two announcements have increased by less than 10% as comparison to offer prices these scrips include BOSCH1 (8.647%) and NMDC1 (6.595%). On the other hand, monthly average stock prices of 15 announcements are lower than up to 10% as comparison to their offer prices. However, monthly average stock prices of 9 announcements are less than 10% to 20% to their offer prices. Moreover, INFY1 has recorded monthly average stock price lower by 20.40% than its offer price.

For month +1, positive announcements have increased to 4. Here, three announcements have recorded monthly average stock price more than their offer price by up to 10% including BOSCH1(5.223%), EIL (5.987%) and NMDC2 (2.755%) while NMDC1 has recorded 14.84% rise as comparison to offer price. On the other hand, 11 announcements have documented monthly average stock prices lower than 10% and 10 announcements have observed stock prices lower than 10 % to 20% in respect of their offer prices. Again, INFY1 has recorded monthly average stock price lower by 21.84% than its offer price.

Moving to month +2, again only four announcements have seen increase in average stock prices in respect of their buyback offer prices. BEL1(1.785%), CIL2 (9.765%) and NMDC2 (6.275%) have recorded up to 10% increase in monthly average stock price than their offer price while NMDC1 has increased by 12.44%. On the other hand, 22 announcements have recorded monthly stock prices lower than their offer prices from which 8 announcements are lower up to 10%, 12 announcements up to 10 to 20% and 2 announcements, BEL2 (28.47%) and TCS1 (20.27%), have lessen by more than 20% by their offer prices.

In the last month (+3) of the study, monthly average stock prices of six announcements have higher than their buyback offer prices. Average stock prices of CIL2 (7.808%), IOC (9.194%), NMDC2 (2.142%), and TCS2 (4.023%) have increased by up to 10% and BEL1 has raised by 10.18% while NMDC1 has gained by almost 42% from their offer price. However, 20 announcements have recorded monthly average stock prices less than their buyback offer prices.

Furthermore, table 5 is representing changes in monthly average stock prices as comparison to offer price after the buyback announcements. During announcement month (0), we have documented that only 2 (7.04%) announcements beat the buyback offer prices. However, a large portion of total announcements, say 25 (92.60%), have seen lower stock prices than their offer prices. Moving to month +1, in which we have recorded average stock prices of 4 (14.81%) announcements higher and 22 (81.48%) announcements lower than their offer prices of selected buyback programs while average price of one scrip (CIL2) has reached to the level of its offer price. Same results have recorded for month +2 also. In last month (+3), 6 (22.22%) announcements have observed monthly average stock prices beat their offer prices and average stock prices of 20 (74.07%) announcements still lower than their offer price, again one stock (ONGC) has reached to the level of its offer price.

Collectively, a large portion of announcements, 18 (66.66%), have recorded monthly average stock prices less than their offer price for whole post announcement period (+1 to +3) including announcement months (0) also. These scrips are BEL2, BHEL, BOSCH2, CIL1, HCL1 &2, INFY1 &2, INFAR, L&T, OIL1 &2, PIDLIT, SUNPHR, TCS1, TECHM, WIPRO1 and 2. The prices of these stocks did not reach to the level of buyback offer price even three months after the announcements. On the other hand, only seven scrips have reached to the level or above their offer prices. These stocks include BEL1, BOSCH1, CIL2, EIL, IOC and NMDC1 &2 respectively. Hence, in most of the cases we are observing stock prices lower than their pre-announcement period and offer prices.

CONCLUSION

The study finds evidence of no market timing skills among the managers of selected Indian firms while announcing buyback announcements. It is found that in most of the cases, buyback offer price is much higher than prevailing stock price. Furthermore, we have observed dip in stock prices of less than 50% announcements in month -1 as comparison to previous month so it cannot be generalized that buyback announcements signal the undervaluation of the stocks in all the cases. In most of the announcements, our findings are showing stock prices falling successively even after the buyback. According to managerial / market timing hypothesis stock prices should be lower in pre- announcement period and higher in post announcement period. But the results are opposite to the hypothesis. Our results are contrast to the findings of Brockman & Chung (2001) and Ginglinger & Hamons (2005) and consistent with the results of Cook et al., (2004). Thus, undervaluation is not the motive for buyback of selected firms. It seems that free cash flow is the probable reason for buybacks announcements for the selected bluechip companies. Hence, our findings are more consistent with the distribution of free cash flow only and more likely for the purpose of wealth distribution rather than undervaluation of stock.

Stock repurchase has a potential to influence the stock prices due to decline in outstanding stocks. It is an excellent tool of financial re-engineering. Stock valuation may increase or decrease but when the buyback results fall in these parameters, the penalty for failure is huge as the dip is very large as seen in our findings. It is important for an investor to look at the purpose and timing of the buyback along with overall financial health of the company. The study may have important implications for investors, researchers, policy makers as well as for companies.

TABLES

Table; 1 Description of stock repurchase announcements of sample companies:

S. No.	Scrip Name	Announcement date	Buyback method
1.	BEL1	05/08/2016	Tender offer
2.	BEL2	30/01/2018	Tender offer
3.	BHEL	25/10/2018	Tender offer
4.	BOSCH1	01/07/2016	Tender offer
5.	BOSCH2	05/11/2018	Tender offer
6.	CIL1	11/07/2016	Tender offer
7.	CIL2	04/02/2019	Tender offer
8.	EIL	20/03/2017	Tender offer
9.	HCL1	24/05/2017	Tender offer
10.	HCL2	12/07/2018	Tender offer
11.	IOC	13/12/2018	Tender offer
12.	INFY1	19/08/2017	Tender offer
13.	INFY2	11/01/2019	Open market offer
14.	INFAR	11/06/2016	Tender offer
15.	L&T	23/08/2018	Tender offer
16.	NMDC1	02/07/2016	Tender offer
17.	NMDC2	08/01/2019	Tender offer
18.	ONGC	20/12/2018	Tender offer
19.	OIL1	20/03/2017	Tender offer
20.	OIL2	19/11/2018	Tender offer
21.	PIDLIT	26/12/2017	Tender offer
22.	SUNPHR	23/06/2016	Tender offer
23.	TCS1	20/02/2017	Tender offer
24.	TCS2	12/06/2018	Tender offer
25.	TECHM	21/02/2019	Tender offer
26.	WIPRO1	20/04/2016	Tender offer
27.	WIPRO2	21/07/2017	Tender offer

Source: sebi.gov.in

Table; 2 Detail of repurchase announcement of sample companies:

S. No	Scrip Name	Size (% of paid-up equity capital)	Offer price (in Rs. Per equity)	Buyback amount (cr.)	Number of shares buyback
1.	BEL1	-	1305	2171.15	1,66,00,000
2.	BEL2	5%	182.5	372	2,03,97,780
3.	BHEL	5.16%	86	1628	18,93,36,645
4.	BOSCH1	2.796%	23000	2019.76	878,160
5.	BOSCH2	3.37%	21000	2159.010	1,028,100
6.	CIL1	1.72%	335	3650	10,89,55,223
7.	CIL2	0.72%	235	1050	4,46,80,850
8.	EIL	6.23%	157	658.80	4,19,61,780
9.	HCL1	-	1000	3500	-
10.	HCL2	2.61%	1100	4000	3,63,63,636
11.	IOC	3.06%	149	4435	29,76,51,006
12.	INFY1	4.92%	1150	13000	11,30,43,478
13.	INFY2	14.54%	800	8260	10,32,00,000
14.	INFAR	2.48%	425	2000	4,70,58,823
15.	L&T	4.29%	1475	9000	6,10,16,949
16.	NMDC1	25% *	94	7527.76	80,08,25,526

17.	NMDC2	3.23%	98	1000	10,20,40,815
18.	ONGC	1.97%	159	4022	25,29,55,947
19.	OIL1	5.60%	340	1527	4,49,12,000
20.	OIL2	4.45%	215	1085.72	5,04,98,717
21.	PIDLIT	0.975%	1000	500	50,00,000
22.	SUNPHR	-	900	675	75,00,000
23.	TCS1	2.85%	2850	16000	5,61,40,351
24.	TCS2	1.99%	2100	16000	7,61,90,476
25.	TECHM	2.10%	950	1956	2,05,85,000
26.	WIPRO1	1.62%	625	2500	4,00,00,000
27.	WIPRO2	7.06%	320	11000	34,37,00,000

Sources: compiled and collected by author from different sources. * up to 25% of total reserves and surpluses.

Table; 3 Monthly average stock prices with offer price of sample companies:

Scrip Name	Offer Price	Months (Period)						
		-3	-2	-1	0	1	2	3
BEL1	1305	1181.70	1267.80	1236.05	1219.65	1245.4	1328.3	1437.9
BEL2	182.5	184.80	186.20	182.05	169.40	154.55	142.05	131.40
BHEL	86	73.95	80.65	68.40	68.85	68.80	73.00	64.70
BOSCH1	23000	19703.85	22351.55	22638.20	24988.85	24201.50	22733.25	21892.55
BOSCH2	21000	21995.6	19817.45	19853.60	18904.40	19622.95	18823.95	19003.30
CIL1	335	287.10	291.65	313.15	328.00	333.65	322.55	326.00
CIL2	235	244.30	240.75	225.15	228.35	236.80	257.95	253.35
EIL	157	150.80	147.60	150.20	144.35	166.40	158.05	153.55
HCL1	1000	840.10	873.05	812.30	865.30	850.60	888.80	861.95
HCL2	1100	1051.40	910.60	926.90	964.80	1046.45	1088.10	1050.80
IOC	149	153.20	138.05	133.60	137.10	137.15	144.80	162.70
INFY1	1150	976.95	935.65	1011.3	915.30	898.75	921.65	974.95
INFY2	800	686.25	666.50	659.85	749.60	733.95	742.30	749.95
INFRA	425	382.20	374.80	375.75	344.90	395.25	350.90	365.00
L&T	1475	1367.60	1271.30	1302.60	1369.10	1266.65	1298.35	1429.65
NMDC1	94	95.60	88.30	93.80	100.20	107.95	105.70	133.20
NMDC2	98	108.95	95.55	97.00	96.85	100.70	104.15	100.10
ONGC	159	177.25	153.15	140.20	150.20	141.70	148.80	159.55
OIL1	340	450.65	330.00	327.40	333.55	327.15	307.20	260.80
OIL2	215	208.90	213.75	218.35	196.15	187.75	174.90	167.80
PIDLIT	1000	792.75	781.90	843.30	902.55	896.00	897.85	918.50
SUNPHR	900	819.45	811.30	762.70	763.60	829.75	774.85	742.40
TCS1	2850	2276.75	2361.95	2229.90	2466.50	2431.15	2272.10	2544.35
TCS2	2100	2849.30	3531.40	1744.80	1847.20	1941.25	2078.20	2184.50
TECHM	950	705.50	721.10	732.85	832.00	776.20	834.70	760.40
WIPRO1	625	561.20	519.90	563.35	553.70	546.20	558.35	545.30
WIPRO2	320	494.10	537.15	258.75	289.00	299.05	280.95	294.00

Source; bseindia.com

Table; 4 percentage change in average stock price in respect of offer prices:

Change in average stock prices	Months			
	0	+1	+2	+3
Increase up to 10%	2	3	3	4
Increase over 10% and up to 20%	0	1	1	1
Increase over 20% and up to 30%	0	0	0	0
Increase above 30%	0	0	0	1
No. of cases showing increase in ASP(a)	**2**	**4**	**4**	**6**
Decrease up to 10%	15	11	8	9
Decrease over 10% and up to 20%	9	10	12	7
Decrease above 20%	1	1	2	4
No. of cases showing decrease in ASP(b)	**25**	**22**	**22**	**20**
No. of cases analysed (a +b)	**27**	**27**	**27**	**27**

Source; computed by author

Table; 5 Summary of net effect of buyback announcement on average stock price in respect to offer price:

Particulars	Number of cases			
	0	+1	+2	+3
Monthly average stock prices higher than offer price	2 (7.40%)	4 (14.81%)	4(14.81%)	6(22.22%)
Monthly average stock prices lower than offer price	25(92.60%)	22(81.48%)	22(81.48%)	20(74.07%)

No. of cases changes in monthly average stock price	0 (00%)	1 (3.70%)	1(3.70%)	1(3.70%)
Total number of cases analysed	27 (100%)	27(100%)	27(100%)	27(100%)

Source; computed by author

ABBREVIATIONS USED IN THE STUDY:

1. BEL: Bharat Electronics Limited
2. BHEL: Bharat Heavy Electricals Limited
3. BOSCH: BOSCH India Limited.
4. CIL: Coal India Limited
5. EIL: Engineers India Limited
6. HCL: Hindustan Computers Limited
7. IOC: Indian Oil Corporation
8. INFY: Infosys Limited
9. INFAR: Bharati Infratel Limited
10. L&T: Larsen & Toubro Limited
11. NMDC: National Mineral Development Corporation
12. ONGC: Oil and Natural Gas Corporation of India
13. OIL: Oil India Limited
14. PIDLIT: Pidilite Industries Limited
15. SUNPHR: Sun Pharmaceuticals Limited
16. TCS: Tata Consultancy Limited
17. TECHM: Tech Mahindra Limited
18. WIPRO: Wipro Limited

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