A Study of Tender Offer Buyback and its Share Price Performance in India

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Abstract

Almost 90% of the 54 public announcements for tender offer buyback between 2004 to 2013 suggested that their primary need for buyback is to increase the overall shareholder value for long term shareholders. The other important drivers are capital structure correction, improvement of earnings per share through buyback, effective utilization of surplus cash, and improvement in return ratios like return on net worth and return on asset. The study tried to investigate using a sample of 54 companies the significant drives using discriminant analysis for tender offer repurchase in India. Capital structure correction is the most significant driver for tender offer buybacks in the study. The paper also deployed the event study mechanism to see if there was any change in the share price on the day of the buyback announcement. The abnormal return calculated using market model indicated a positive reaction of the market on the day next to buyback announcement and reemphasised that companies are able to create value for their shareholders through tender offer share buyback.

Keywords: **share buyback, tender offers, and abnormal return**

JEL Classification : G15, G32, G35

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Share buyback refers to the process of a company buying back its shares from its existing shareholders (Damodaran, 2008).The buyback activity in India stared in 1998. In 1998, section 77A was introduced in The Companies Act 1956, which applies to all types of shares and other securities that may be bought back. With this amendment companies were allowed to buy back their shares, subject to statutory regulations. Companies in Indian may buy back their own shares or other specified securities from the existing security holder on a proportionate basis through the tender offer or from the open market through either book building process or through stock exchange or from the odd-lot holders. India has witnessed 144 share buybacks announcements between years January 2004 to September 2013(SEBI). Out of these 54 announcements were for tender offer buybacks and 90 were for open market buybacks.

The literature cites the impact of share buyback on a company is in terms of reduction in cash, reduction in outstanding shares, reduction in book value of equity and improvement in EPS (Damodaran,2008). Demello and Shroff (2000) suggest, " firms repurchase to reveal that their share is trading at a price lower than its intrinsic worth" (p. 2399). Chan, Ikeberry, and Lee (2003) in their study found that "through repurchase firms attempt to improve the share price and transfer wealth from short term shareholders to long term shareholders"(p.461). Dittmer (2000) studied "the relationship of share repurchase with excess cash, capital structure, control and compensation policies"(p.331). Grullon and Ikenberry (2003) suggested that "there is no single reason for buy back" (p.31). They suggested that firms repurchase to boost their EPS. The value stocks, whose market value to book value is less than one go in for repurchase to signal undervaluation.

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Medury, Bowyer, and Srinivasan (1992) tried to explain the "stock repurchasing behaviour on the basis of leverage adjustment hypothesis; free cash flow hypothesis, the clientele hypothesis and anti-takeover hypothesis" (p.22). Mishra (2005) has analyzed "the impact of share repurchase on the non-tendering shareholders"(p.5). By analysing 25 events of share buyback in India for the period between 1999 to 2001 he has suggested that candidature for buy back arises out of low enterprise value to asset ratio, low leverage and high liquidity (Mishra,2005).

The present study intends to study the dividend substitution hypothesis, capital structure correction hypothesis, excess cash hypothesis, lower profitability hypothesis and the earnings per share hypothesis. The present study focuses on identifying the drivers of tender offer share repurchase in the Indian set up. The study identifies through literature survey the prevalent drivers or motivators for share buyback and tries to investigate the key drivers in the Indian set up.

Post the buyback announcement there is a price adjustment. Chakraborty (2009) found " a significant positive return on the day of announcement for a sample 0f 68 companies between July 2001 to March 2007"(p.1). Hyderabad(2009) analyzed "the signalling ability of 68 share repurchases in between 1998-2007 and find that the average abnormal return on the day of announcement is 2.83 percent while the CAR is 6% on the event day"(p.59). The study also suggests that open market repurchase has a greater signalling ability than tender offer repurchase . The sample used for tender offer buyback was 17 (Hyderabad,2009). However, it is believed that signalling effect of tender offer is more pronounced than open market repurchases due to its size and the premium associated (Medury, Bowyer, & Srinivasan, 1992).There arises a to investigate the signalling of fixed price tender offer with a larger sample.

So, the present study also looks at testing the signalling ability of tender offer share buybacks in the Indian context. The rest of the paper covers two aspects, the identification of the drivers of tender offer buyback and the price performance of the tender offer buyback announcement.

Research Design

↳ **Sample :** Buyback Companies in the sample are listed on Bombay Stock Exchange and have announced for fixed price tender offer buyback during the period January 2004 to September 2013.The control companies should be in the same industry as sample of buyback companies as per CMIE prowess database industry classification. The economic activity codes of buyback and control companies are kept the same. They are listed on Bombay Stock Exchange.

On SEBI website 54 buybacks announcements were available. Out of these all 54 buybacks have been considered in the study listed in Table 1. 54control companies have also been selected for analysis (Annexure 1).On the basis of availability of data the daily closing prices of 45 companies from the sample is taken from CMIE-Prowess database for studying the price performance.

Table 1 suggests that has been an observable decrease in the buyback through the tender offer over years and hence it becomes even more important to investigate the drivers for tender offer repurchase. Table 2 suggests that a median value of the shares are bought back as a percentage of the fully paid up equity for tender offer buyback is 7.695% and the median buyback premium being offered is 21.75%. It is evident from here that shares have been bought back at a high premium.

Methodology

(1) Motives of Share Buyback : Discriminant analysis has been in the paper as a classifying methodology to predict the drivers for share repurchase. Medury, Bowyer, and Srinivasan (1992) try to explain the "stock

Table 1. Sample of Companies

Sr No	Date of Announcement	Company
1	Sep 20, 2013	Bayer CropScience Limited
2	Feb 15, 2013	Graviss Hospitality Limited
3	Jan 21, 2013	The Sandesh Limited
4	June 21,2012	Allcargo Logistics Ltd.
5	August 21, 2012	FDC Ltd
6	August 17,2012	Kanoria Chemicals & Industries Ltd
7	November 6,2012	Mastek Limited
8	February 22,2012	Monnet Ispat& Energy Ltd.
9	October 1,2012	Rain Commodities
10	April 24,2012	Sasken Communication Technologies Ltd
11	May 26, 2011	Amrutanjan Health Care Limited
12	Dec 10, 2010	Piramal Healthcare Limited
13	Nov 16, 2010	Navin Fluorine Buyback
14	Jun 21, 2010	Binanci Cement Limited
15	May 19, 2010	Geodesic Limited
16	Feb 26, 2010	Gujarat Petrosynthese Limited
17	Feb 22, 2010	Gee Cee Ventures Limited
18	Oct 16, 2009	Zensar Technologies Limited
19	Feb 06, 2009	Eicher Motors Ltd.
20	Dec 23, 2008	Binani Metals Ltd.
21	Jul 29, 2008	Gateway Distriparks Ltd
22	Jun 11, 2008	SRF Ltd
23	Apr 29, 2008	Goldiam International Ltd
24	Apr 22, 2008	Sasken Communication Technologies Ltd.
25	Apr 17, 2008	Mastek Limited
26	Apr 17, 2008	Great Offshore Ltd
27	Apr 15, 2008	Patni Computer Systems Limited
28	Mar 12, 2008	Reliance Energy Limited
29	Feb 14, 2008	Madras Cements Ltd
30	Oct 05, 2007	Assam Carbon Limited
31	Sep 26, 2007	Hindustan Unilever Limited
32	Aug 13, 2007	GTL Limited
33	Apr 27, 2007	Ace Software Limited
34	Sep 15, 2006	Carol Info Services Limited
35	Sep 06, 2006	NatcoPharma Limited
36	Aug 29, 2006	ETC Networks Limited
37	Jul 24, 2006	Revathi Equipment Limited
38	Dec 13, 2005	SRF Polymers Ltd
39	May 24, 2005	Polaris Software Lab Limited
40	May 18, 2005	Godrej Consumer Products Limited

41	May 13, 2005	Berger Paints India Limited
42	Apr 08, 2005	DIL Ltd
43	Mar 16, 2005	Aegis Logistics Ltd
44	Dec 31, 2004	Reliance Industries Limited
45	Oct 20, 2004	India Forge & Drop Stampings Ltd
46	Sep 29, 2004	Fine Line Circuits Limited
47	Jun 15, 2004	Britannia Industries Ltd
48	Jun 15, 2004	Avery India Ltd
49	Jun 07, 2004	Sun Pharmaceutical Industries Ltd
50	May 25, 2004	Mastek Limited
51	Apr 29, 2004	Godrej Consumer Products Ltd
52	Feb 25, 2004	Solitaire Machine Tools Limited
53	Feb 17, 2004	International Conveyors Limited
54	Jan 07, 2004	ADF Foods Limited

Source: Compiled by authors using data from SEBI

Table 2. Median Values for Tender Offers Between January 2004 to September 2013

Sr No	Data Descriptor	Median Values
1	Shares bought back as a percentage of fully paid equity	7.965%
2	Maximum Buyback Price(in Rs)	175
3	Buyback Offer Size(in Rs)	36,00,00,000
4	Buyback Share premium	21.75%
5	Maximum number of shares bought back	15,38,461

Source : Computed by authors using SPSS using Tender Offer Buyback data from SEBI website.

repurchasing behaviour on the basis of leverage adjustment hypothesis; free cash flow hypothesis, the clientele hypothesis and anti take over hypothesis"(p. 22). They study 283 repurchasing firms out of which 63.25% were open market repurchases (Medury, Bowyer, &Srinivasan, 1992). The variables used in the study are capital structure correction, excess liquidity, lack of profitable investment opportunities and dividend substitution.

Leverage can be measured in a number of ways like debt to equity, debt to total assets, and long term debt to assets. Chan, Ikenberry, and Lee (2004) use "debt to total assets as a measure of leverage"(p.465). Medury, Bowyer and Srinivasan (1992) have used "four measures of capital structure viz ratio of debt to equity, ratio of long term debt to equity, ratio of debt to total assets and ratio of long term debt to total assets"(p.26). In the present study the objective is just to arrive at the obligation of the firm in terms of debt, hence here we use debt to total assets ratio. It is measured as a ratio of the total debt to total assets of the company in the previous year.

The dividend policy is popularly measured in two forms dividend yield or dividend payout (Damodaran, 2008). Further Asquith and Mullins (1986) found that, "the magnitude of benefit to the shareholders, arising due to dividends, is directly proportional to the size of dividend to be measured in terms of either dividend yield or dividend payout"(p.25). In this study, since the concern with the quantum of dividend we use the latter definition. It is measured as the ratio of dividend paid out to the profit after tax in the previous year.

Medury, Bowyer, and Srinivasan (1992) measure "liquidity in terms of current ratio, quick ratio and cash to total assets"(p.23).In this study, current ratio of the previous year is used as a measure of cash.

Profitability ratio can be measured either in terms of capital employed or in terms of sales (Damodaran 2008).

In this study and in studies on similar line, the concern is to measure the returns on the capital employed. In the present study it is measured by the return the firm is generating on the capital employed by it. This provides an insight into the firm's performance and its future prospects. Also return on net worth and return on assets have been used to measure profitability. Grullon and Ikenberry (2003) suggested the two common reasons are "to boost earnings per share and signalling firm's optimism about their future prospects"(p.35). EPS is considered as one of the drivers in the study and it is measured by EPS of the year prior to buyback (Grullon & Ikenberry, 2003). In the present study we take the sample of 54 repurchasing companies and 54 control companies as the two samples.

(2) Event Study Methodology : The event study, using financial data measures the impact of a specific event on the value of the firm. The impact of an event is reflected in its share prices(MacKinlay, 1997). The null hypothesis of the study is that the event has no impact on distribution of returns. The event window consists days prior and posts the event (MacKinlay, 1997). The measurement of the event's impact requires measurement of abnormal return. The abnormal return is measured by finding the actual return on the security and the normal or expected return without the event conditioning. For finding the normal return an estimation window is defined. In case of daily data and market model parameters, the estimation could be over 120days prior to the event (MacKinlay, 1997). Generally event window is not included in estimation window (MacKinlay, 1997).

$$AR_{it} = R_{it} - R_{it}$$

where, AR_{it} is the abnormal return of a security I on time t, R_{it}, and R_{it} are the actual and normal returns on security i and market for period t. Normal return can be estimated using different models like constant mean return model or market model (MacKinlay, 1997). Market model is a statistical model that relates the return of a security to the return of the market portfolio(MacKinlay, 1997). The market model for I th security is given by :

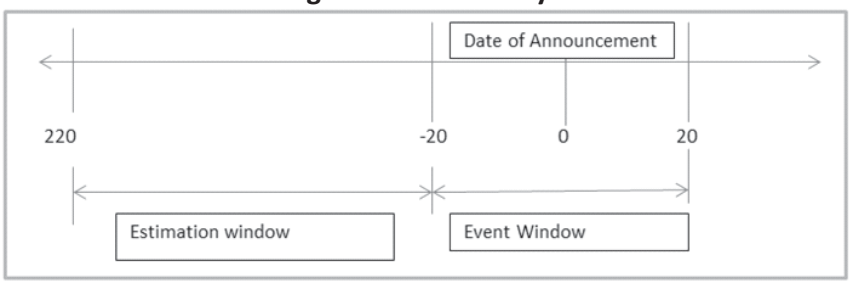
$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it}$$

Here, R_{it} and R_{mt} are the return on security i and market for period t. ε_{it} is the error or disturbance, α_i and β_i are OLS estimates of slope and intercept. Here, $E(\varepsilon_{it}) = 0$; $\text{var}(\varepsilon_{it}) = \sigma^2$; $\text{Cov}(\varepsilon_{it}, \varepsilon_{jt}) = 0$.

The Sensex has been used as the market index in the study for calculating market model parameters. Hyderabad(2009) has deployed "41days event period and 200 days estimation window for 68 buyback announcements both open market repurchase and fixed price tender offers" (p.60). In the current study we use 41 days event window (-20,0,+20) and 200 days estimation window. Figure 1 provides the event window and the estimation window used in the present study.

The abnormal returns are aggregated along time as well as across securities (MacKinlay, 1997). The first aggregation is through time . The average abnormal return on a day for all securities is found.

Figure 1. Event Study



$$AAR_{it} = \sum AR_{it} / N$$

where, AAR_{it} is the average abnormal return of N securities on day t. The cumulative effect is the captured by cumulative average abnormal returns.

The cumulative average abnormal return is given by:

$$CAAR_{it} = CAAR_{it\text{-}1} + AAR_{it}$$

$CAAR_{it}$ is the cross sectional average of abnormal returns of each day of the event window.

The abnormal returns are residuals from market model and hence follow normality. The cross sectional t test is applied to see if the average abnormal return is different from zero or not.

The t-test statistic is given below:

$$t = AAR_t / (s_t / \sqrt{N})$$

Analysis and Results

(1) Motives for Buyback : The Table 3 presents the difference of mean value between the buyback and the control companies and their corresponding significance level. Debt to total assets which is a proxy for capital structure correction has the most significant difference between the companies who buy back through fixed price tender offer and companies who do not buy back. The difference between earnings per share of buyback and control companies is also significant. The other drivers like dividend substitution , excess liquidity , return on capital employed and return on net worth do not show any significant difference.

The Table 4 provides the Wilk's lambda for the discriminant function. The Table indicates that the function is significant at 1% level. The Table 6 provides the canonical correlation is 0.446 which implies that 44.6% of the difference between the buyback and non-buyback companies is unexplained by the function. Literature supports a number of other drivers like undervaluation, takeover deterrence and employees stock options(D'Mello & Shroff, 2000). However the limitation of sample size owing to fewer number of tender offer repurchases in India the study has to be limited to six variables since 20 observations per predictor variable is used in discriminant analysis (Hair et al. ,2009). The Table 5 presents the unstandardized coefficients for the discriminant function.

The discriminant function obtained of fixed price tender offer from the analysis is given in equation (1) :

Table 3. Result Discriminant Analysis (Equality of Means)

	Buyback Companies	Non Buyback Companies	Wilk's Lambda	Sig
Dividend Payout	.234647306	.247045036	1.000	0.846
Debt to total assets	.134923912	.276532052	0.992	0.003*
Liquidity	13.641296296	4.606741701	0.995	0.482
Return on Capital Employed	.185646288	.276001655	0.972	0.084
Earnings per share	.000012878	.000000548	0.960	0.037**
Return on Net worth	.180514369	.064685660	0.971	0.081

Source : Computed by authors using SPSS using Tender Offer Buyback data from SEBI website.

*Significant at 1% **Significant at 5%

Table 4. Results - Discriminant Analysis (Wilks' Lambda)

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.865	15.058	5	.010

Source : Computed by authors using SPSS using Tender Offer Buyback data from SEBI website.

*Significant at 1% **Significant at 5%

Table 5. Results - Discriminant Analysis (Canonical Discriminant Function Coefficients)

	Function
Dividend Payout	.239
Debt to total assets	2.171
Liquidity	.018
Return on Capital Employed	1.523
Earnings per share	-46946.280
Return on Net worth	-1.040
(Constant)	-.574

Source : Computed by authors using SPSS using Tender Offer Buyback data from SEBI website.

Table 6. Canonical Correlation

Canonical Correlation	0.446

Source : Computed by authors using SPSS using Tender Offer Buyback data from SEBI website.

$$D = (2.171 * \textit{Debt to total assets}) + (-\ 46946.28 * \textit{Earnings per share}) + (-0.574) \quad \ldots\ldots\ldots\ldots\ldots\ldots (1)$$

(2) Results for Event Study : Table 7 provides information relating to AAR and CAAR for the sample of 45 Tender offers repurchase companies for a 41 day event period. The AAR on the event date is 0.22% and is not statistically significant unlike Hyderabad (2009) and Chakraborty (2009). The AAR on the day next to the event is 0.77% and is statistically significant at 10% as has been found by (Chakraborty, 2009). The other AARs are not different from zero which is supported by (Hyderabad, 2009). This implies the news for fixed price tender offer buyback takes one day to reach the market and shows a positive reaction in the next day price.

The average abnormal return for the 41 day event window is illustrated day wise in Figure 2. The Figure 3 represents the cumulative average abnormal return for the 45 fixed price tender offer buyback companies for 41 day event period.

Discussion

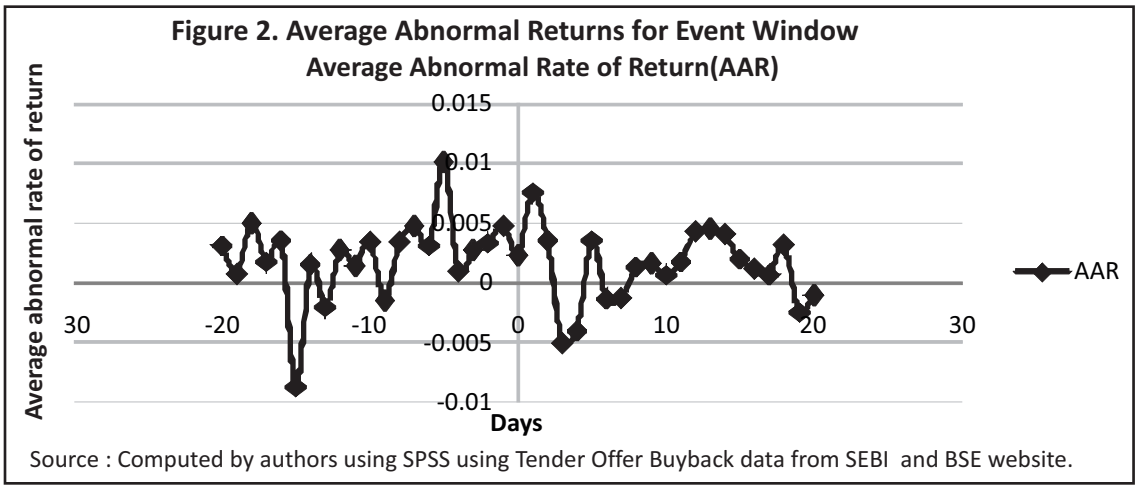
(1) Analysis for Motive for Buyback : A discriminant analysis was conducted to predict whether a company is going in for fixed price tender offer buyback. The drivers in the study were capital structure correction, excess cash, dividend substitution, lower profitability and improvement in EPS. It was observed that the companies who go ahead with fixed price tender offer buyback in India have lower leverage than the companies who do not buyback. Hence the capital structure correction hypothesis holds true for these companies. The repurchasing firms are characterized by a lower financial leverage than the non-repurchasing firms. The results support the capital structure correction hypothesis (Medury, Bowyer, & Srinivasan ,1992) . Also the results support that tender offers

Table 7. Event Study Results

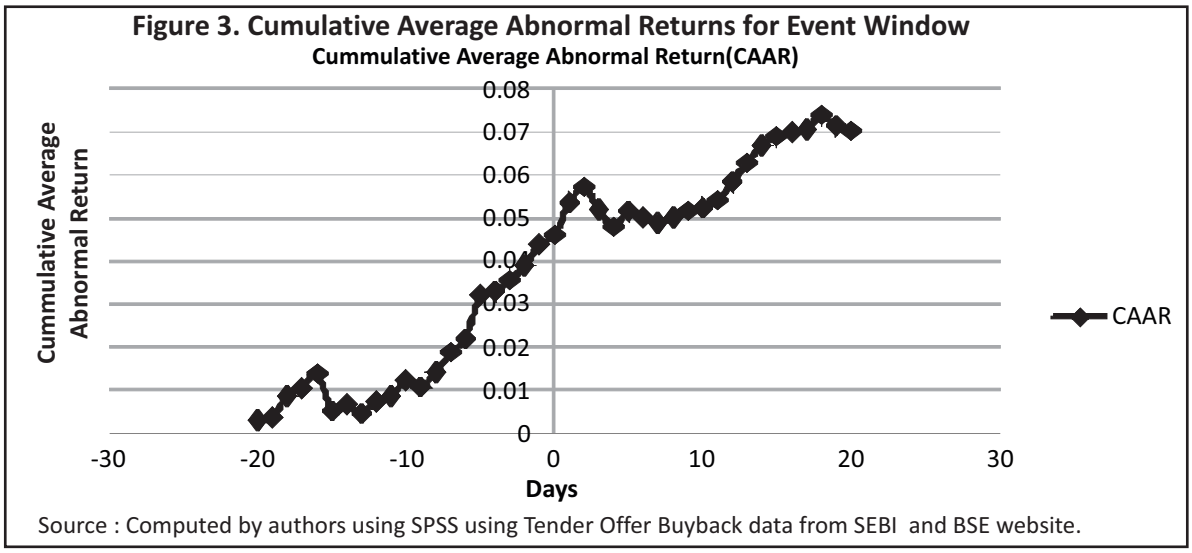
Day	AAR	CAAR	*t*-value(AAR)	Sig
-20	0.00307	0.00307	0.632	0.53
-19	0.000696	0.003765	0.179	0.859
-18	0.004995	0.00876	1.119	0.269
-17	0.00169	0.01045	0.303	0.763
-16	0.003527	0.013978	0.572	0.57
-15	-0.00875	0.005231	-1.665	0.107
-14	0.001541	0.006773	0.383	0.704
-13	-0.00212	0.004656	-0.501	0.619
-12	0.002748	0.007404	0.602	0.55
-11	0.001392	0.008796	0.366	0.716
-10	0.003429	0.012225	1.112	0.272
-9	-0.00146	0.010764	-0.457	0.65
-8	0.003433	0.014198	0.866	0.391
-7	0.004735	0.018933	1.098	0.28
-6	0.003088	0.022021	0.877	0.385
-5	0.010066	0.032086	1.442	0.156
-4	0.000897	0.032983	0.269	0.789
-3	0.002717	0.0357	0.621	0.538
-2	0.003324	0.039024	0.829	0.412
-1	0.00479	0.043814	0.566	0.574
0	0.002248	0.046062	0.541	0.591
1	0.007545	0.053607	1.857*	0.01
2	0.003534	0.057141	1.18	0.27
3	-0.00506	0.052083	-1.449	0.154
4	-0.00408	0.048007	-1.327	0.191
5	0.003528	0.051535	0.772	0.442
6	-0.00136	0.050176	-0.327	0.745
7	-0.00134	0.048838	-0.521	0.605
8	0.001287	0.050125	0.488	0.628
9	0.001607	0.051732	0.452	0.653
10	0.000656	0.052388	0.221	0.826
11	0.001704	0.054092	0.515	0.604
12	0.004267	0.058359	1.323	0.193
13	0.004511	0.062869	1.345	0.186
14	0.004024	0.066894	1.258	0.251
15	0.00196	0.068853	0.445	0.659
16	0.001135	0.069988	0.223	0.825
17	0.000657	0.070645	0.234	0.816
18	0.003178	0.073823	0.869	0.39
19	-0.00251	0.071312	-0.799	0.429
20	-0.00104	0.070275	-0.405	0.687

Source : Computed by authors using SPSS using Tender Offer Buyback data from SEBI website.

*Significant at 1% ; **Significant at 5%



Source : Computed by authors using SPSS using Tender Offer Buyback data from SEBI and BSE website.



Source : Computed by authors using SPSS using Tender Offer Buyback data from SEBI and BSE website.

used more for capital structure correction (Medury, Bowyer, & Srinivasan, 1992).The earnings per share of the buyback companies is higher than the companies which do not buy back. This difference is significant in the study. This is in contrast to the theory that share buybacks are done to improve the earnings per share of the firms. The buyback companies are having higher EPS than their counterparts so improvement in EPS is not the real motive of firms buying back their own shares. The result is supported by (Kaur, 2012) . The study finds out that firms buyback to improve financial surplus (Kaur, 2012). For the other variables like dividend payout, profitability and liquidity there is no significant difference observed. The profitability of the repurchasing firms is lower than non-repurchasing firms suggesting that the companies who buyback have limited growth opportunity and hence prefer to return the cash to their shareholders through buyback and firm increased their cash payout in response to deterioration in their investments (Grullon & Michaelly ,2004).

The present study does not find evidence for dividend substitution hypothesis, hence it is not accepted for tender offer repurchases in India between January 2004 to September 2013 (p - value 0.0846). The study provides evidence to the capital structure correction hypothesis and hence the null hypothesis is accepted (p - value 0.003). In case of excess cash hypothesis the data does not provide evidence for excess cash being a motivator for tender offer repurchase and hence the null hypothesis is not accepted (p - value 0.482). Also, in the study, the data does not provide evidence to low profitability being a driver for tender offer repurchase in India between January 2004 to

September 2013 and the null hypothesis of lower profitability is rejected (p - value 0.084, 0.081). The data in the present study also provides evidence to boosting of earnings per share hypothesis and the null hypothesis is accepted (p - value 0.037).

(2) Analysis for Price Share Performance : Table 6 suggests that fixed price tender offer produces a significant 0.75% AAR at 1 %level on the day next to the announcement . A similar study by (Rajgoplan & Shankar, 2012) find 1.32% non-significant abnormal return on the announcement date. The CAAR on this day is5.36%. For the other days the value is lower and non-significant. Hence the buyback announcement contains some value for the shareholder however the market captures the information very fast and doesnot allow any abnormal return after that. Study by (Rajgoplan & Shankar, 2012) also observe a weak signal to the market in case of fixed price tender offer buybacks. The study thus finds evidence of signalling on AD+1 and hence the null hypothesis of zero CAR in the event window is not accepted. The results of the study are different from Chakraborty (2009) where both open market buyback announcements and fixed price tender offer buyback announcement were considered together and Hyderabad(2009) where a sample of 17 companies was used.

Conclusion

This paper investigates the drivers of tender offer repurchase in India using a sample of 54 tender buyback companies and 54 control companies. Table 3 suggests that the tender offer buyback companies are lower on leverage than non-buyback companies. Buybacks has a positive impact on leverage and it improves the capital structure of the firm. We find that Indian firms buying back through tender offer repurchase during the sample period are low on leverage and use tender offer repurchase to improve their leverage. Tender offer share repurchase may be beneficial for companies that perceive its current leverage is below optimal target. So companies with low leverage benefit more from share repurchase. Hence it acts as a method for capital restructuring for the company. Open market repurchases have been conducted to pay out excess cash (Grullon & Ikenberry, 2000).

In the present study for tender offer repurchase the driver of excess cash is not valid. The Tables 3 and 4 suggests that excess liquidity of the firms does motivate them to perform tender offer buyback. Lack of profitable opportunities results in buyback (Grullon & Ikenberry, 2000). In case of tender offer buyback in India these however the buyback firms did not exhibit a lower profitability as evident in Tables 3 and 4. Share buybacks result in improving earnings per share and in the present study the tender offer repurchase firms exhibit improvement in earnings per share as a driver.

Using a sample of 54 tender offer repurchase firms the study provides evidence that the tender offer buyback announcement carry a signal of undervaluation from the management side to the shareholders of the company. On the next day of the announcement the AAR is significant while on all the other days it being insignificant. The fixed price tender offer announcement creates a positive return on day after the announcement and can act as a good signalling tool from the companies' side.

Research Implications

The present study has analyzed the corporate action like free cash, dividend, capital structure and improvement in financial performance as deciding the intent of tender offer buyback. The study concludes that Tender offer buybacks are used prominently for capital structure correction since it has the ability to improve the leverage. Hence the tender offer repurchase can be used to improve leverage of firms. On the basis of results it is evident that Tender offer repurchases are being used to improve financial performance of the firm by boosting the earnings per

share value. Research suggests that buyback provide benefit to those shareholders who want to stay invested in the company and provides an exit route to those who want to leave the company. However, it evident that tender offer does not substitute for dividends. Firms in the study use tender offer buyback to provide a weak signals to the investors, so it is indicative that tender offer buybacks can be used tp provide weak signals to the investors.

Limitations of the Study and Scope for Further Research

The study is limited only to fixed price tender offer announcements, the other mode of buyback open market repurchase can be separately studied on the same line. Since the numbers of buyback companies were limited hence few other drivers have not been considered in the study. The topic has a lot of scope for research by incorporating the other modes of buyback and other drivers.

The study can be extended by studying the price performance of tender offer buyback and open market buyback for different event windows 3 days,11days, and 21 days. Inclusion of additional motivators year wise may also a detail into the motivation of buyback. An industry wise analysis may also provide an insight into the common motivators for buyback.

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Annexure 1 : List of Control Companies

Serial No	Name of Control Companies
1	A B M Knowledgeware Ltd.
2	Accentia Technologies Ltd.
3	Alka Diamond Inds. Ltd.
4	Anshuni Commercials Ltd.
5	Aventis Pharma Ltd.
6	Ciba India Ltd.
7	Cosmo Films Ltd.
8	Eastern Gases Ltd.
9	Geojit B N P Paribas Financial Services Ltd.
10	Grauer& Weil (India) Ltd.
11	H T Media Ltd.
12	Himachal Futuristic Communications Ltd.
13	Himalaya Granites Ltd.
14	Jubilant Organosys Ltd.
15	Vallabh Steels Ltd.
16	Zodiac Clothing Co. Ltd.
17	Anshuni Commercials Ltd.
18	Bharat Forge Ltd.

19	C M I Ltd.
20	Colgate-Palmolive (India) Ltd.
21	Cosmo Films Ltd.
22	Everonn Education Ltd.
23	Geodesic Ltd.
24	Goldstone Technologies Ltd.
25	Inducto Steel Ltd.
26	N I I T Ltd.
27	N P R Finance Ltd.
28	National Plastic Inds. Ltd.
29	Novartis India Ltd.
30	Priyadarshini Spinning Mills Ltd.
31	Sandu Pharmaceuticals Ltd.
32	Saurashtra Cement Ltd.
33	Seamec Ltd.
34	Unitech Ltd.
35	ViseshInfotecnics Ltd.
36	Colgate-Palmolive (India) Ltd.
37	Berger Paints India Ltd.
38	Anco Communications Ltd.
39	Moneshi Agro Industries Ltd.
40	Aventis Pharma Ltd.
41	Priyadarshini Spinning Mills Ltd.
42	Nestle India Ltd.
43	Colgate-Palmolive (India) Ltd.
44	Geojit B N P Paribas Financial Services Ltd.
45	A M I Computers (I) Ltd.
46	S K P Securities Ltd.
47	B C CFuba India Ltd.
48	Bharat Petroleum Corpn. Ltd.
49	Camlin Fine Chemicals Ltd.
50	Colgate-Palmolive (India) Ltd.
51	J K Paper Ltd.
52	Parle Products Pvt. Ltd.
53	Pfizer Ltd.
54	Pidilite Industries Ltd.

Source : Computed by authors using SPSS using Tender Offer Buyback data from SEBI and BSE website.