PREFACE

The concept of a company buying back its own shares is relatively new in so far as the Indian capital market operations are concerned, even though the practice has prevailed in the developed markets of the West like the U.S.A. and the U.K. since the last two decades. The literature enlists a number of reasons as to why companies might buyback their own shares. Share buyback gives the company management enough flexibility to make small adjustments in capital structure, to boost earnings per share and operating profit, to deter an impending takeover bid, to correct perceived undervaluation of the shares and to arrest downward trend in share prices and serves as the means of distributing excess cash of the company. In view of these benefits, the introduction of buyback in the corporate sector in India has found favour with the regulatory authorities and has received favourable response from the Indian companies.

In the above backdrop, the present study has been undertaken to examine a number of relevant issues concerning buyback. A comprehensive review of the theory underlying buyback has been presented in order to have a basic understanding of the buyback mechanism. This is accompanied by a discussion of the legislative provisions governing share buyback and the accounting and reporting aspects of buyback in India. The buyback provisions and practices prevailing in other parts of the world have also been examined in this thesis. Besides, the stock market reaction to buyback and the financial implications of buyback have been analysed empirically from an Indian perspective. Finally, the risks associated with the buyback practice and the limitations of the Indian provisions on buyback and of the present research have been outlined and an attempt has been made to suggest a few areas for further research.
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