

Impact of Buyback Announcement on Share Price: A Company and Industry Wise Analysis

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ABSTRACT:

The study attempts to find out the impact of buyback announcement on share price. Paired sample T-test is employed to compare share price before and after the buyback announcement. The analysis of variance is also used to find out whether there is any significant difference among industries in the price change due to buyback announcement. The study is carried out from 1st January 2005 to 31st December 2012. The estimation window period is taken as 10 days before and after announcement of buyback. Market adjusted model is used to calculate the abnormal return during the window period. The study concludes that the buyback announcement do not have impact on share price in industry wise analysis but have partial impact on share price in subject to company wise analysis. The abnormal returns and cumulative abnormal returns of the most of companies are positive in both long run and short run.

Keywords: Buyback announcements effect, Share price, Abnormal returns, Industry analysis

INTRODUCTION

Buyback is a process through which the company purchases its own outstanding shares in order to reduce the number of shares in the market. A company buyback its own shares due to various reasons such as lack of investment opportunity, poor future earnings prospects and excess cash etc. When a company announces any kind event it may have impact on share price. One such significant event is buyback announcement which has bearing on the share price movement of the firm. This announcement is also influence the investors investment decision whether they to continue to hold the share or switch over to another company after the announcement. So this study is carried out to measure the impact of buyback announcement on shareholders wealth which would help the

investors for making reinvestment decision.

Literature Review

Brau and Holmes (2006) examines the stock price reaction of Real Estate Investment Trust shares to an open market repurchase announcement. The study is taken the different signaling variables (such as six month stock return, four week stock return and market to book equity ratio) and control variables (such as cash spread and free cash flow) to answer the question whether the managerial signaling hypothesis is a credible explanation for the abnormal returns observed around share repurchase announcements. It concluded that managerial signaling is a significant determinant of the stock price reaction to an open market

share repurchase announcement.

Chang et al. (2010) investigates whether prior announcement of share repurchases is a matter of market reaction to the subsequent repurchase announcements or not. The study suggested that the prior record of repurchases announcement is responds to the stock market reaction more positively and also suggested that the firm is delivered better stock performance after prior announcement experience in a stronger positive market reaction. Therefore it concludes the prior experience of repurchases announcements have an impartment role to assessment of the subsequent announcement.

Chi et al. (2010) attempts to find out the impact of stock repurchases announcement and purpose of the repurchase on share price. The event study methodology is used to calculate the abnormal returns and GARCH is applied to estimate market model regression coefficient. The electric industry and other industry than electric are taken for the analysis listed under the Taiwan's stock market. The companies are selected on the basis those companies are declaring the repurchase during the August 9, 2000 to December 31, 2005. The study is carried out three purposes such as maintain stock holders equity, corporate credit and transferring stock to employees to prove its impact on share price movement. The study finds that cumulative abnormal return is bigger in other industries rather than the electric industry before and after announcement. The companies with purpose of maintain stockholders equities and corporate credit are having bigger average cumulative abnormal returns than companies with transferring stock to employees.

Mishra (2004), attempts to examine the long term effects of buyback program on company's share price and to find which companies are more benefited in this program. The study also finds whether the share holders are better off tendering their shares in a buyback program or after buyback program. The various financial parameters relating to effects of buyback announcement are used for the analysis. The data is collected from twenty five companies pursued the buyback during from 2000 to 2001. In the Indian context the study proves that the buy-back program is used to improve the share holdings of the promoters. The study also pointed out buyback is a short term gain to the

investors but long term advantage is not clear in the Indian context.

Otchere and Ross (2002) attempts to examine the information content and information transformation affect the buyback programs using a unique Australian data where the stated reason for the buyback is undervaluation of the firm's stock price. The data for analysis is collected from the Australia stock exchange during from January 1991 to July 1999. The study proved that share buy -back announcements is motivated by the undervaluation of stock price signal positive information regarding the values of both the announcing firms and their industry counterparts.

RESEARCH METHOD

The present study is fully based on secondary data. The data is mainly collected from capitaline website. The study has taken the share prices of 10 days before and 10 days after the buyback announcement of individual company as well as market index i.e. BSE 500 index to measure its impact. The announcement date is noted as 0 and before announcement date and after announcement date is denoted as 0 to -10 and 0 to 10 respectively. The twenty companies are selected based on random sampling method from five different sectors such as Housing related industry Transport equipment industry, FMCG industry, Chemical industry and Capital goods industry. The study period is a period of seven years from 1st January 2005 to 31st December 2012. Abnormal return, cumulative abnormal returns techniques, paired sample t test and ANOVA techniques are used to analyze the impact of results announcement on the share price. Abnormal return means market-adjusted abnormal returns which is calculated by using following formula

$$AR_{jt} = R_{jt} - R_{mt}$$

AR_{jt} = Abnormal return of a company j at time t,

R_{jt} = Observed daily return for the share of a company j at time t,

R_{mt} = Observed daily returns for the market index at time t.

Daily return of a company is calculated by using following formula.

$$\text{Daily return of a company} = \frac{P_{jt} - P_{j(t-1)}}{P_{j(t-1)}}$$

P_{jt} = Closing share price of a company j at time t,
 $P_{j(t-1)}$ = Closing share price of a company j at time t-1

Same formula is also used for calculation of market return

$$\text{Daily market return} = \frac{P_{mt} - P_{m(t-1)}}{P_{m(t-1)}}$$

P_{mt} = Closing share price of the market at time t
 $P_{m(t-1)}$ = Closing share price of the market at time t-1

RESULTS AND DISCUSSION

Impact of Buyback Results Announcement on Shareholders Wealth: Company Wise Analysis

The buy back announcement is not only influence the share price but also the shareholders wealth. It also influence balance sheet of the company. Therefore the share holders as an owner of the business interested to know the influence of announcement of any event on their returns. For this market adjusted model is used to calculate the abnormal returns of the sample companies.

Table 1 shows abnormal returns and

cumulative abnormal returns of housing related companies such as Rain Commodities Ltd., India Bulls Real Estate Ltd., JK Lakshmi Cement and DLF Ltd. The abnormal returns on the date of announcement of buyback of shares is positive for Rain Commodities Ltd., India Bulls Real Estate Ltd. and JK Lakshmi Cement with 0.058 percent, 0.020 percent, 0.002 percent respectively and negative for DLF Ltd. with -0.013 percent. In the same time cumulative abnormal returns is positive for Rain commodities Ltd. and JK Lakshmi Cement with 0.105 percent and 0.258 percent respectively and negative for India Bulls Real Estate Ltd. and DLF Ltd with -0.006 percent and -0.134 percent respectively.

After the announcement of buyback the Rain commodities Ltd. and JK Lakshmi Cement have positive cumulative abnormal returns for both short run and long run. India Bulls Real Estate Ltd. has negative cumulative abnormal returns with -0.080 percent and -0.029 percent in both short run and long run while the DLF Ltd. has negative cumulative abnormal returns with -0.155 percent in short run and positive cumulative returns with 0.003 percent in long run. This means the announcement of buyback may influence the share prices of the DLF Ltd. and India Bulls Real Estate Ltd.

Table 1: Abnormal returns and cumulative abnormal returns of house related industry

Days	Rain commodities Ltd.		India Bulls Real Estate Ltd.		JK Lakshmi Cement		DLF Ltd.	
	AR	CAR	AR	CAR	AR	CAR	AR	CAR
-10	0.004	0.004	0.027	0.027	0.001	0.001	-0.019	-0.019
-9	-0.026	-0.022	0.019	0.046	0.009	0.010	-0.013	-0.032
-8	-0.009	-0.031	-0.032	0.014	0.009	0.019	-0.031	-0.063
-7	0.025	-0.006	-0.009	0.005	-0.001	0.018	0.031	-0.031
-6	-0.003	-0.009	-0.021	-0.015	0.150	0.168	-0.011	-0.042
-5	0.004	-0.006	-0.032	-0.047	0.107	0.276	-0.039	-0.081
-4	-0.011	-0.017	-0.037	-0.084	-0.013	0.263	0.007	-0.073
-3	0.021	0.003	-0.038	-0.122	0.045	0.308	-0.018	-0.091
-2	0.026	0.029	0.082	-0.040	-0.036	0.272	-0.018	-0.110
-1	0.017	0.046	0.013	-0.027	-0.016	0.256	-0.011	-0.121
0	0.058	0.105	0.020	-0.006	0.002	0.258	-0.013	-0.134
1	0.057	0.162	-0.026	-0.032	-0.001	0.257	-0.032	-0.166
2	-0.002	0.160	-0.048	-0.080	0.001	0.258	0.011	-0.155
3	-0.022	0.138	0.031	-0.049	0.009	0.267	-0.042	-0.197
4	-0.005	0.133	0.022	-0.027	-0.017	0.250	0.016	-0.180
5	-0.021	0.112	-0.003	-0.030	-0.010	0.240	0.058	-0.122
6	-0.014	0.098	0.004	-0.026	-0.003	0.237	-0.013	-0.135
7	-0.008	0.090	0.022	-0.004	-0.024	0.214	0.005	-0.131
8	-0.021	0.069	-0.022	-0.026	0.001	0.215	0.016	-0.115
9	0.041	0.110	0.013	-0.013	0.016	0.230	0.018	-0.097
10	0.013	0.123	-0.016	-0.029	-0.002	0.229	0.100	0.003

Table 2: Abnormal returns and cumulative abnormal returns of transport industry

Days	Kirloskar Oil Engines Ltd.		Amtek Auto Ltd.		Apollo Tyres Ltd.		Bosch Ltd.	
	AR	CAR	AR	CAR	AR	CAR	AR	CAR
-10	-0.009	-0.009	-0.019	-0.019	-0.044	-0.044	-0.054	-0.054
-9	0.016	0.007	0.026	0.007	-0.033	-0.077	0.007	-0.047
-8	-0.018	-0.011	-0.011	-0.004	0.018	-0.059	0.027	-0.020
-7	-0.015	-0.026	0.003	-0.002	0.032	-0.026	-0.035	-0.054
-6	-0.005	-0.031	-0.005	-0.006	0.087	0.060	-0.012	-0.067
-5	0.016	-0.016	-0.034	-0.040	0.003	0.063	0.009	-0.058
-4	0.005	-0.010	0.014	-0.027	0.005	0.068	-0.001	-0.059
-3	0.011	0.001	-0.013	-0.040	-0.066	0.003	0.011	-0.048
-2	0.012	0.013	-0.016	-0.057	-0.010	-0.007	-0.030	-0.078
-1	0.008	0.020	0.008	-0.049	-0.048	-0.054	0.002	-0.076
0	-0.023	-0.003	0.007	-0.041	-0.011	-0.065	0.002	-0.074
1	0.002	-0.001	-0.017	-0.058	0.006	-0.059	0.001	-0.072
2	0.033	0.032	-0.031	-0.089	-0.002	-0.062	0.008	-0.064
3	-0.007	0.025	-0.013	-0.102	0.047	-0.015	-0.030	-0.095
4	-0.020	0.004	-0.044	-0.146	-0.005	-0.020	-0.024	-0.118
5	0.001	0.006	0.077	-0.070	0.028	0.008	-0.027	-0.145
6	0.026	0.032	0.061	-0.009	-0.022	-0.014	0.026	-0.120
7	0.023	0.055	-0.012	-0.021	-0.001	-0.015	-0.029	-0.148
8	0.003	0.058	-0.009	-0.029	-0.010	-0.025	-0.011	-0.159
9	-0.017	0.041	0.009	-0.020	0.098	0.072	0.018	-0.141
10	0.012	0.052	0.001	-0.021	-0.008	0.065	0.029	-0.112

Table 2 reveals abnormal returns and cumulative abnormal returns of transport companies such as Kirloskar Oil Engines Ltd., Amtek Auto Ltd., Apollo Tyres Ltd. and Bosch Ltd.. The abnormal returns is positive for Amtek Auto Ltd. and Bosch Ltd. with 0.007 percent and 0.002 Kirloskar Oil Engines Ltd. and negative for Kirloskar Oil Engines Ltd. and Apollo Tyres Ltd. with -0.023 percent and -0.011 percent on the date of announcement of the buyback while the cumulative abnormal return is negative for all companies. After the announcement the cumulative returns is positive for Kirloskar Oil Engines Ltd and negative for Bosch Ltd. and Amtek Auto Ltd. both in short run and long run. In same time Apollo Tyres has positive cumulative abnormal returns with 0.065 percent in long run and has negative cumulative abnormal returns with -0.062 percent in short run. This indicates that the company earns the negative returns just immediate after the announcement and subsequently earns the positive returns.

Table 3 reveals abnormal returns and cumulative abnormal returns of FMCG

companies such as Colgate Palmolive India Ltd., Hindustan Unilever Ltd., Godrej Consumer Products Ltd. and Glaxosmithkline Consumer Healthcare Ltd.. The abnormal returns is negative for Colgate Palmolive India Ltd., Godrej Consumer Products Ltd. and Glaxosmithkline Consumer Healthcare Ltd. with -0.035 percent, -0.016 percent and -0.028 percent respectively while positive for Hindustan Unilever Ltd with 0.007 percent on the date of announcement of buyback shares. The cumulative abnormal return is positive for Colgate Palmolive India Ltd. and Godrej Consumer Products Ltd. and negative return for Hindustan Unilever Ltd. and Glaxosmithkline Consumer Healthcare Ltd.

After announcement the companies such as the Colgate Pamolive India Ltd., Hindustan Unilever Ltd., Godrej Consumer Products Ltd. have positive cumulative abnormal returns while Glaxosmithkline Consumer Healthcare Ltd. has negative cumulative returns which indicates this company could not able to earn the good returns due to market volatility after announcement of buyback.

Table 3: Abnormal returns and cumulative abnormal returns of FMCG industry

Days	Colgate Palmolive India Ltd.		Hindustan Unilever Ltd.		Godrej Consumer Products Ltd.		Glaxosmithkline Consumer Healthcare Ltd.	
	Abnormal Returns	CAR	Abnormal Returns	CAR	Abnormal Returns	CAR	Abnormal Returns	CAR
-10	0.004	0.004	-0.026	-0.026	0.095	0.095	0.023	0.023
-9	0.006	0.010	0.014	-0.012	0.026	0.122	-0.022	0.002
-8	-0.005	0.005	-0.017	-0.029	0.004	0.126	0.010	0.012
-7	0.043	0.048	-0.001	-0.030	0.029	0.155	0.005	0.017
-6	0.024	0.072	-0.002	-0.032	0.005	0.160	0.011	0.028
-5	-0.023	0.049	0.005	-0.027	0.016	0.176	-0.006	0.022
-4	-0.007	0.042	0.001	-0.026	0.013	0.189	0.013	0.035
-3	-0.001	0.041	-0.001	-0.027	-0.004	0.185	0.002	0.037
-2	0.044	0.084	-0.007	-0.034	0.022	0.206	-0.009	0.028
-1	-0.059	0.025	0.022	-0.012	0.041	0.248	-0.007	0.020
0	-0.035	0.011	0.007	-0.005	-0.016	0.232	-0.028	-0.008
1	0.012	0.019	0.020	0.016	-0.040	0.192	0.004	-0.004
2	0.003	0.023	-0.008	0.008	0.057	0.249	-0.011	-0.015
3	-0.006	0.016	0.021	0.029	-0.022	0.227	-0.001	-0.015
4	-0.022	0.025	-0.018	0.011	0.029	0.256	-0.016	-0.032
5	0.001	0.046	0.004	0.015	-0.011	0.245	0.009	-0.023
6	0.003	0.051	0.007	0.021	0.024	0.269	0.015	-0.008
7	-0.013	0.047	-0.018	0.003	-0.049	0.220	0.006	-0.002
8	0.005	0.063	-0.006	-0.003	-0.055	0.165	-0.017	-0.019
9	0.001	0.072	0.010	0.007	-0.010	0.155	0.004	-0.015
10	0.057	0.142	0.005	0.012	0.013	0.169	-0.009	-0.024

Table 4: Abnormal returns and cumulative abnormal returns of chemical industry

Days	Akzo Nobel India Ltd.		Godrej Industries Ltd.		Supreme Industries Ltd.		Gujarat Fluorochemical Ltd.	
	Abnormal Returns	CAR	Abnormal Returns	CAR	Abnormal Returns	CAR	Abnormal Returns	CAR
-10	-0.019	-0.019	-0.018	-0.018	0.029	0.029	-0.054	-0.054
-9	-0.001	-0.020	-0.078	-0.096	0.015	0.044	0.015	-0.039
-8	-0.018	-0.038	-0.018	-0.115	0.025	0.070	0.020	-0.019
-7	0.003	-0.035	0.039	-0.076	-0.032	0.038	-0.038	-0.057
-6	0.009	-0.025	-0.002	-0.078	0.104	0.142	-0.013	-0.070
-5	0.003	-0.023	0.003	-0.075	-0.020	0.122	0.063	-0.007
-4	0.014	-0.008	0.009	-0.066	-0.046	0.076	-0.008	-0.015
-3	0.001	-0.008	-0.020	-0.086	-0.036	0.040	0.030	0.015
-2	-0.004	-0.012	-0.024	-0.111	0.083	0.123	-0.005	0.010
-1	-0.013	-0.025	-0.011	-0.122	-0.073	0.050	-0.039	-0.029
0	-0.012	-0.036	0.007	-0.115	-0.027	-0.078	0.009	-0.020
1	-0.005	-0.042	-0.011	-0.126	-0.017	-0.116	0.013	-0.007
2	0.002	-0.041	0.108	-0.019	0.038	-0.089	-0.013	-0.020
3	-0.009	-0.051	0.056	0.038	-0.005	-0.090	0.002	-0.017
4	0.002	-0.051	0.163	0.201	-0.056	-0.099	-0.038	-0.056
5	0.015	-0.036	-0.033	0.168	0.069	-0.052	0.003	-0.056
6	-0.006	-0.042	-0.051	0.116	0.025	-0.010	-0.014	-0.070
7	0.008	-0.034	-0.019	0.098	-0.059	-0.026	-0.024	-0.095
8	-0.008	-0.042	0.001	0.098	0.009	-0.012	0.028	-0.067
9	-0.007	-0.049	0.007	0.105	-0.022	-0.028	0.005	-0.062
10	-0.010	-0.059	-0.014	0.091	-0.008	-0.014	0.025	-0.038

Table 4 indicates the abnormal returns of chemical companies such as Akzo Nobel India Ltd., Godrej Industries Ltd., Supreme Industries Ltd. and Gujarat Fluoro chemical Ltd. on the base date the abnormal returns is positive for Godrej Industries Ltd. and Gujarat Fluoro chemical Ltd. with 0.007 percent and 0.009 percent respectively and negative for Akzo Nobel India Ltd. and Supreme Industries Ltd. with -0.01 percent and -0.027 percent respectively. The cumulative abnormal return is negative for all companies. After the announcement the cumulative abnormal returns remains negative for all companies both in long run and short run except Godrej Industries Ltd. The Godrej Industries Ltd has earned the positive returns due to change in share prices. This price changes would be reacted due to announcement of buyback.

Table 5 reveals the abnormal returns and cumulative abnormal returns of capital goods

companies such as HEG Ltd., Lakshmi Machine Works, Praj Industries Ltd. and Monnet Ispot and Energy Ltd. On the date of announcement the abnormal returns is positive for HEG Ltd. and Monnet Ispot and Energy Ltd. with 0.012 percent and 0.025 percent respectively and negative for Lakshmi Machine Works and Praj Industries Ltd. with -0.006 and -0.006 percent respectively. The cumulative abnormal return is only positive for HEG Ltd. with 0.014 percent and negative for all companies. After the announcement Lakshmi Machine Works, Praj Industries Ltd. and Monnet Ispot and Energy Ltd. have negative cumulative abnormal returns both in short run and long run. In same time HEG Ltd. has positive cumulative abnormal return in short run and negative cumulative abnormal returns in long run. It can be concluded that the company's share price is positively influenced in short run and negatively influenced in long run.

Table 5: Abnormal returns and cumulative abnormal returns of capital goods industry

Days	HEG Ltd.		Lakshmi Machine Works		Praj Industries Ltd.		Monnet Ispot & Energy Ltd.	
	Abnormal Returns	CAR	Abnormal Returns	CAR	Abnormal Returns	CAR	Abnormal Returns	CAR
-10	-0.038	-0.038	-0.019	-0.019	0.013	0.013	0.013	0.013
-9	-0.017	-0.055	0.014	-0.005	-0.007	0.006	0.005	0.018
-8	0.007	-0.048	-0.009	-0.015	0.023	0.029	-0.006	0.012
-7	0.010	-0.038	0.005	-0.010	-0.010	0.019	-0.003	0.009
-6	0.006	-0.032	-0.005	-0.015	0.018	0.038	0.001	0.008
-5	-0.018	-0.050	-0.009	-0.024	0.038	0.076	0.003	0.011
-4	0.001	-0.049	0.013	-0.011	0.018	0.094	-0.025	-0.014
-3	0.018	-0.031	-0.006	-0.016	-0.032	0.062	-0.009	-0.023
-2	0.002	-0.029	-0.015	-0.031	0.012	0.074	-0.015	-0.038
-1	0.031	0.003	-0.004	-0.035	0.012	0.087	-0.011	-0.049
0	0.012	0.014	-0.006	-0.041	-0.006	-0.041	0.025	-0.024
1	0.014	0.028	0.010	-0.030	0.010	-0.030	-0.004	-0.029
2	0.009	0.038	-0.002	-0.033	-0.002	-0.033	-0.001	-0.030
3	-0.012	0.025	-0.005	-0.038	-0.005	-0.038	0.026	-0.004
4	-0.013	0.013	0.004	-0.034	0.004	-0.034	-0.020	-0.024
5	-0.019	-0.006	0.024	-0.010	0.024	-0.010	-0.002	-0.025
6	0.006	-0.001	-0.008	-0.018	-0.008	-0.018	-0.005	-0.030
7	-0.007	-0.008	-0.006	-0.024	-0.006	-0.024	-0.003	-0.033
8	-0.012	-0.020	0.003	-0.021	0.003	-0.021	0.001	-0.032
9	-0.019	-0.039	-0.007	-0.028	-0.007	-0.028	0.004	-0.028
10	0.008	-0.031	0.013	-0.015	0.013	-0.015	0.007	-0.021

Impact of Buyback Announcement on Share Prices- Company Wise Analysis

Share price is changes due to many reasons. One such reason is buyback announcement. This announcement may have impact on a particular company's share price. So Paired sample t test is used to understand the impact of buyback announcement on share price.

Table 6 shows the impact of buyback announcement on share price of House related industry and Transport equipment industry. The significant value is greater than the 0.05 for India Bulls real Estate Ltd., JK Lakshmi Cement and Amtek Auto Ltd. which means that there is no significance difference of share price between before and after the announcement of buyback. The significant value is less than 0.05 for Rain commodities Ltd., DLF Ltd., Kirloskar oil Engines Ltd., Apollo Tyres Ltd. and Bosch Ltd. which indicates that there is a significance difference the share price between before and after the announcement of buyback. It can be concluded that the buyback announcements do not have impact on share price of three and have impact on share price of five companies. This

means buyback announcement is having impact on most of the company's share price.

Table 7 shows the impact of buyback announcement on share price of FMCG companies and Chemical companies. The significant value is less than 0.05 for all companies except Colgate Palmolive India Ltd. and Supreme Industries Ltd. which indicates that there is a significance difference in share price between pre and post announcement of buyback. So it can be inferior that the buy-back announcement has impact on share price.

Table 8 shows the impact of buyback announcement on share price. The significant value is higher than 0.05 for Lakshmi machine works and Praj Industries Ltd. which means that there is a no significance difference in share price between before and after the announcement of buyback. The significant value is less than 0.05 for HEG Ltd. and Monnet Ispat and Energy Ltd. which indicates that there is a significance difference the share price between before and after the announcement of buyback. This means buyback announcement has impact on share.

Table 6: Impact of buyback announcement on share price

Housing Related Industry	T value	Sig.	Transport Equipment Industry	T Value	Sig.
Rain commodities Ltd.	7.542	0.000	Kirloskar oil Engines Ltd.	5.619	0.000
India Bulls real Estate Ltd.	-0.901	0.391	Amtek Auto Ltd.	-1.250	0.243
JK Lakshmi Cement	1.974	0.080	Apollo Tyres Ltd.	5.483	0.000
DLF Ltd.	-9.597	0.000	Bosch Ltd.	9.810	0.000

Table 7: Impact of buyback announcement on share price

FMCG Industries	T	Sig.	Chemical Industry	T	Sig.
Colgate Pamolive India Ltd.	1.334	0.215	Akzo Nobel India Ltd.	3.402	0.008
Hindustan Unilever Ltd.	12.108	0.000	Godrej Industries	6.028	0.000
Godrej Consumers Product Ltd.	3.468	0.007	Supreme Industries Ltd.	-2.259	0.051
Glaxosmithkline Consumer Health care Ltd.	13.699	0.000	Gujarat Fluorochemical Ltd.	2.368	0.042

Table 8: Impact of buyback announcement on share price

Capital Goods Industries	T	Sig.
HEG Ltd.	8.215	0.000
Lakshmi machine works	2.413	0.039
Praj Industries Ltd.	-0.347	0.737
Monnet Ispat & Energy Ltd.	-10.904	0.000

Table 9: Analysis of variance of different industries

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	0.000	4	0.000	0.321	0.863
Within Groups	0.015	95	0.000		
Total	0.015	99			

Table 10: Event window analysis of CAR

Days	Housing related industry	Transport equipment industry	FMCG industry	Chemical industry	Capital industry
-10 to +10	0.055	0.019	0.007	0.015	0.002
-5 to +5	0.025	-0.039	-0.003	0.040	0.007
-2 to +2	0.021	-0.025	0.003	0.001	0.013

Impact of Buyback Announcement on Share Prices- Industry Wise Analysis

The industry-wise analysis is carried out to check whether the companies going for buyback of shares have any effect on the concerned industry or not. For this purpose analysis of Variance is used.

Table 9 shows the analysis of variance of different industries. The sig value is 0.863 which is higher than 0.05. This means that there is no significant difference among different industries in share price change due to buyback announcement. Therefore it can be concluded that different industries do not have different behaviour because of buyback announcement.

Table 10 shows the impact of the buyback announcement on the shareholders wealth of their returns which are considered for the analysis. It can be inferred that in the long run -10 to +10, all the industries have positive impact on share prices. In the short run -2 to +2, the transport equipment industry have a positive impact while the other industries have negative impact on the share prices. So it can be concluded that the Housing related, FMCG, Chemical and capital goods industry have the positive impact in both long run and short run in the change of share prices of the company due to announcement buyback of shares.

CONCLUSION

In this research, abnormal returns and cumulative abnormal returns of the most of

companies are positive in both long run and short run. The cumulative abnormal return of different industries is positive in long run and also positive in short run except Transport equipment industry. The paired sample t test says that out of twenty companies thirteen companies shares price are influenced by the announcement. The analysis of variance proves that buyback announcement do not have distinctive impact on any particular industry though there is an influence on the individual company. Therefore the buyback announcement has partial influence on the share price. In addition to that most of the companies have shown a significant increase or decrease in the share prices after announcement without affecting the industry as a whole. In this situation the institution investors or individual investor can get better returns by concentrating on individual companies by taking advantage of influence of buyback announcement on the share price.

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