



**Corporate
Professionals**
WHERE EXCELLENCE IS LAW



BUYBACK OF SHARES

-Legal, Tax & Strategic
Perspectives-

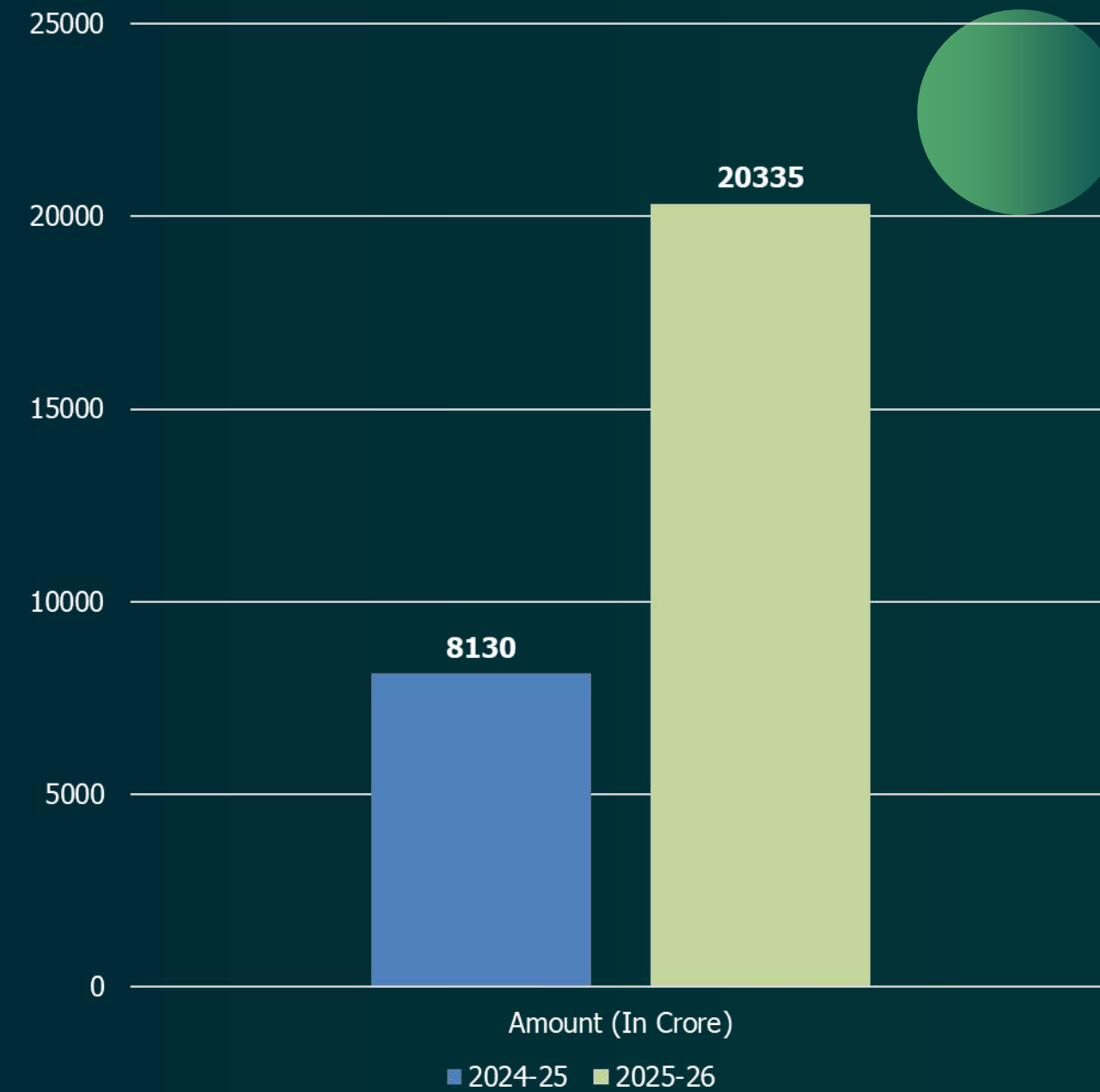
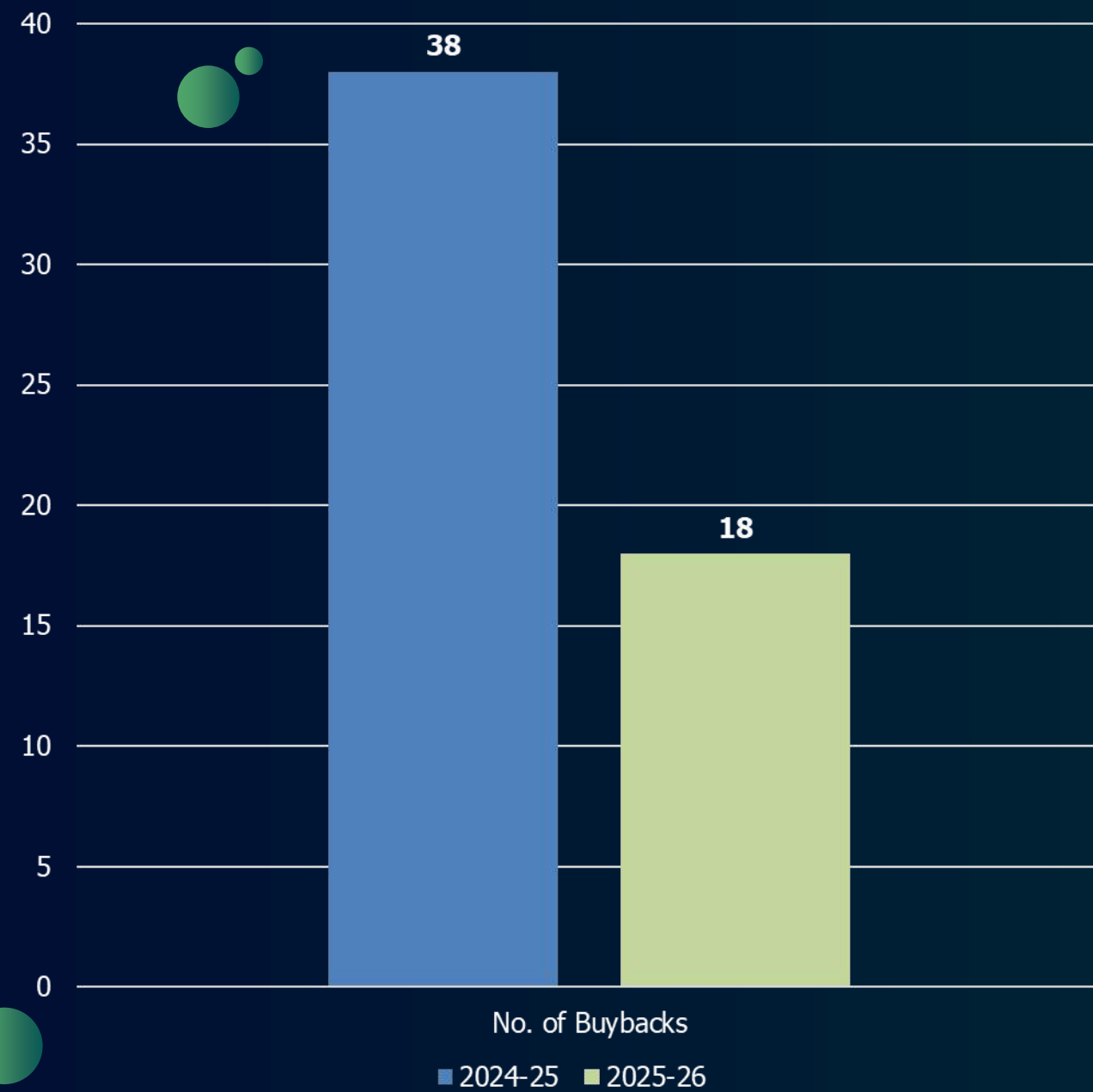


Meaning of Buyback



BUYBACK TREND

Last 2 Years



Source. www.primedatabase.com



RECENT BUYBACKS

FY 2025-26

S. No.	Name of the Company	Buyback Type	Issue Opening Date	Issue Closing Date	Issue Size (Amount in crores)
1	Infosys Limited	Tender	November 20, 2025	November 26, 2025	18,000.00
2	GHCL Limited	Tender	November 20, 2025	November 26, 2025	300.00
3	Bajaj Consumer Care Limited	Tender	September 11, 2025	September 17, 2025	186.60
4	SIS Limited	Tender	June 12, 2025	June 18, 2025	150.00

Source. www.sebi.gov.in



WHY BUYBACK



**WHY DECLINE IN
BUYBACK?**



WHY NOW?



**WHAT HAS
CHANGED?**

WHY BUYBACK (Why Now)

- ✓ Market undervaluation of shares.
- ✓ Volatility in Market.
- ✓ Amendment in the Income Tax Act
- ✓ Surplus cash with limited reinvestment opportunities.
- ✓ Post financial results announcement.



PROMOTER CONCERNS



1. SHARE PRICE FALL

During last 6 months, prices have fallen drastically, shareholders suffering. How to comfort them and provide value to their investments?

Examples:
Paytm, Zomato, Nykaa, Policybazaar



2. VOLATILITY

Prices moving 360 degrees on a daily basis, impacting liquidity and eroding investor confidence in my scrip.



3. TAXATION ISSUES

Buyback taxation for shareholders is a key concern impacting participation and attractiveness.



4. CASH CONSERVATION VS CASH DISTRIBUTION

Balancing the need to conserve cash for future growth vs returning surplus to shareholders.



5. MODE OF RETURNING VALUE?

Buyback, dividends or other options – which is the most effective way to return value?



6. BENEFIT TO THE COMPANY POST BUYBACK

How will buyback strengthen the balance sheet, enhance ROE/EPS and create long-term value for the company?



7. DO PROMOTERS BENEFIT FROM A BUYBACK?

Do promoters get any direct or indirect benefit from a buyback, in any way? Ensuring alignment with all shareholders.



PROMOTER



Capital Allocation Decision: RETAIN vs DISTRIBUTE





COMPARISON OF FUND UTILIZATION

(To Retain or Distribute)



DECISIVE FACTORS

01
Financial
Health

02
Evaluation of
Investment
Opportunities

03
Market
Conditions

04
Shareholder
Expectations

05
Tax
Implication

06
Cost of
Capital

07
Corporate
Strategy

08
Risk
Consideration



MODES OF RETURNING VALUE TO SHAREHOLDERS

BUYBACK

DIVIDEND

BONUS



BONUS | DIVIDEND | BUYBACK

Basis	BONUS	DIVIDEND	BUYBACK
Impact on Reserves	Capitalization of reserves	Distribution out of reserves	Distribution out of reserves
Capital	Increase	No Change in Capital	Decrease
Cash outflow	No	Yes	Yes
Taxation	LTCG/ STCG	Slab Rate	Taxed as STCG / LTCG in the hands of Shareholders
Non traceable shareholders	Abeyance and IEPF	IEPF	No impact
MP adjustment	As per Bonus Ratio	Dividend Value	No adjustment



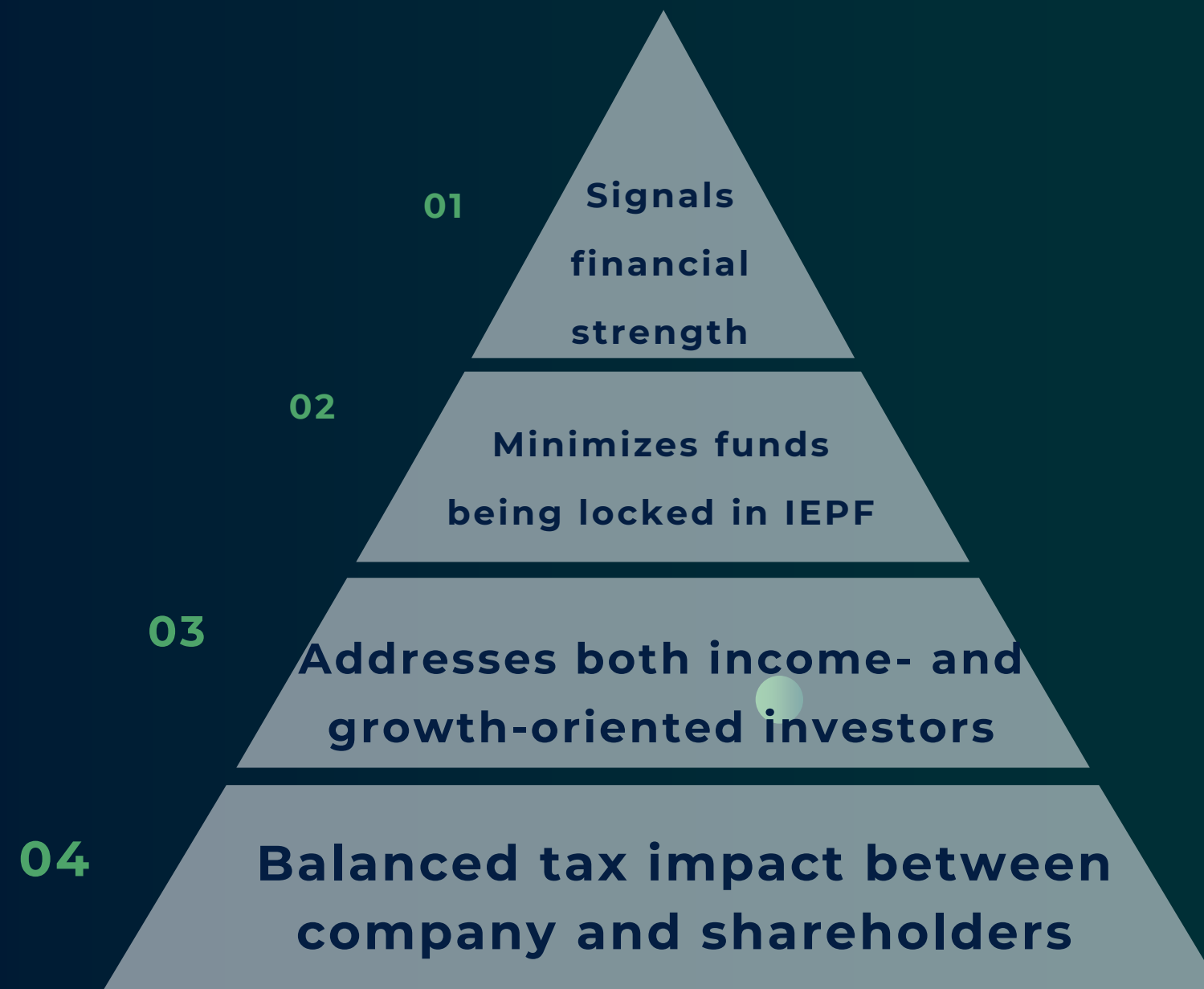
BUYBACK VS DIVIDEND: A COMPARATIVE PERSPECTIVE

- ✓ Both are independent Corporate Actions.
- ✓ Buybacks may be more tax-efficient vs dividends taxed at slab rates.
- ✓ Dividends are procedurally simpler with minimal regulatory requirements.
- ✓ Unclaimed Dividends are transferred to IEPF, while no such risk in BB



Dual Approach to Shareholder Distribution

Many companies opt for dividend declaration along with Buyback offer.



Does Buyback Create Shareholder Value?



- ✓ Buybacks do increase the EPS due to reduction in shares, but this is not a measure of value creation.
- ✓ They do not inherently change the intrinsic value of the company.
- ✓ Value creation depends on the buyback price relative to intrinsic value.
- ✓ Signal's management's confidence in the company's future prospects.
- ✓ Effectiveness depends on whether capital is better utilized via buyback or alternative investments.
- ✓ Requires evaluation of cost of funds vis-à-vis expected returns.

Does Buyback Create Shareholder Value?



- ✓ For Instance, the current market price of XYZ Limited Is Rs. 600/- per share.
- ✓ However, the market price of the Company has always been between the range of Rs. 800-1000 per share.
- ✓ This dip has been due to the current market volatility.
- ✓ The management of the Company proposes to come out with Buyback of Shares at a price of Rs. 850/-, which is the real intrinsic value of the Company.



This Buyback will boost confidence amongst the shareholders and confirms management confidence in their Company.



Impact on Shareholders



**DIVIDEND
YIELD**



**TOTAL
RETURN**

BETTER FUND UTILISATION



BOOTS RATIOS (EPS/ ROE)

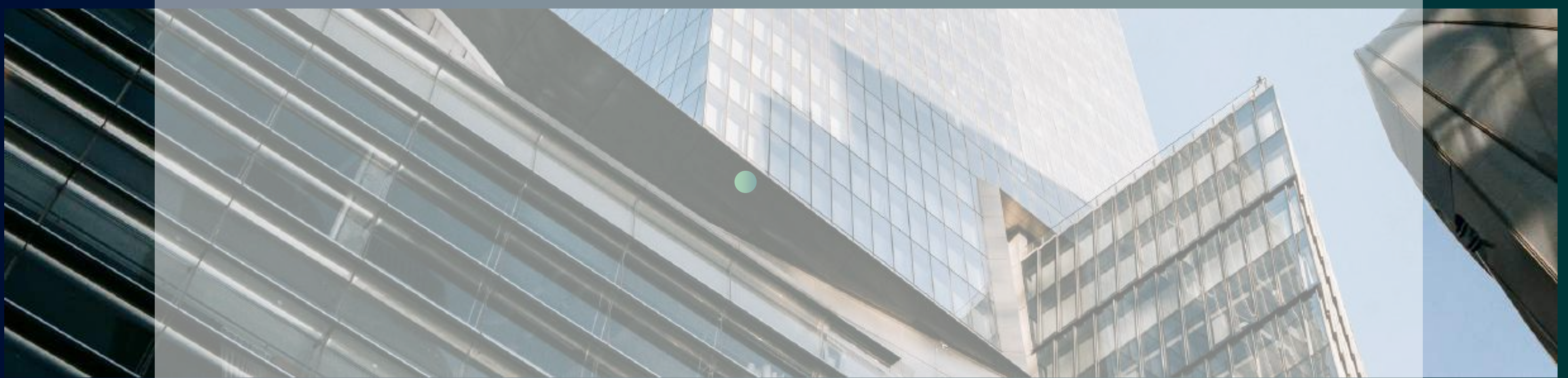


BETTER CAPITAL EFFICIENCY



**ENHANCED SHAREHOLDERS
VALUE**





Impact of Buyback Announcements on Market Sentiment



Does Buyback Indicate Lack of Growth Opportunities?



Buybacks do not imply absence of growth; companies continue to reinvest while returning surplus to shareholders.



Regulatory limits (up to 25% of paid-up capital and free reserves) ensure capital discipline.



Companies undertaking buybacks have sufficient funds for CAPEX and future expansion.

Buybacks: Ensuring Fairness Across Shareholder Categories

Buybacks are designed as an equitable corporate action

SEBI regulations ensure fairness, by reservation of 15% for small shareholders in tender offers

In Open Market buybacks, all public shareholders can participate

In tender offers, participation is open to all shareholders, including promoters

Provides equal opportunity to shareholders to participate in value distribution



IMPACT of Buyback



BALANCE SHEET IMPACT

Pre-Buyback Balance sheet			
Liability	Amt.	Asset	Amt.
Capital 10,000@10	1,00,000	Cash	40,000
Reserve	50,000	Bank	1,10,000
-	-	-	-
Total	1,50,000	Total	1,50,000



Post Buyback Balance sheet			
Liability	Amt.	Asset	Amt.
Capital 7500 @10	75,000	Cash	40,000
Reserve	-	Bank	60,000
CRR	25,000	-	-
Total	1,00,000	Total	1,00,000

Size of Balance sheet reduces by the amount of Buyback.



FINANCIAL IMPACT

Reduction in Assets
Increase in Return on
Assets

Reduction in Equity
Increase in return on
Equity

Increase in EPS

Improves the
Company's P/E
Ratio



STOCK MARKET IMPACT

01
Positive Market
Reaction



02
Stock Price
Support

Investors
Confidence

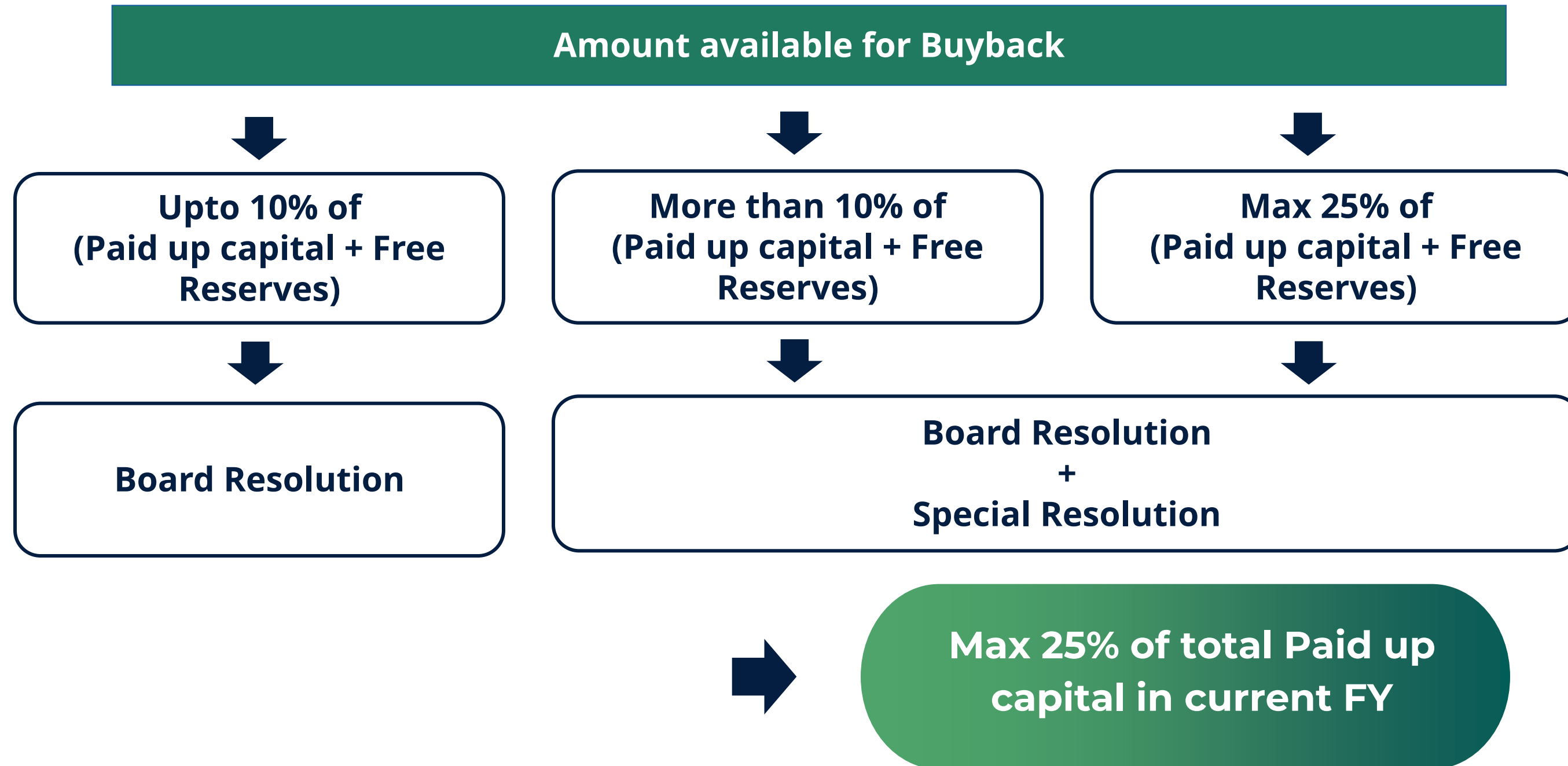




MODES & PROCESS OF BUYBACK



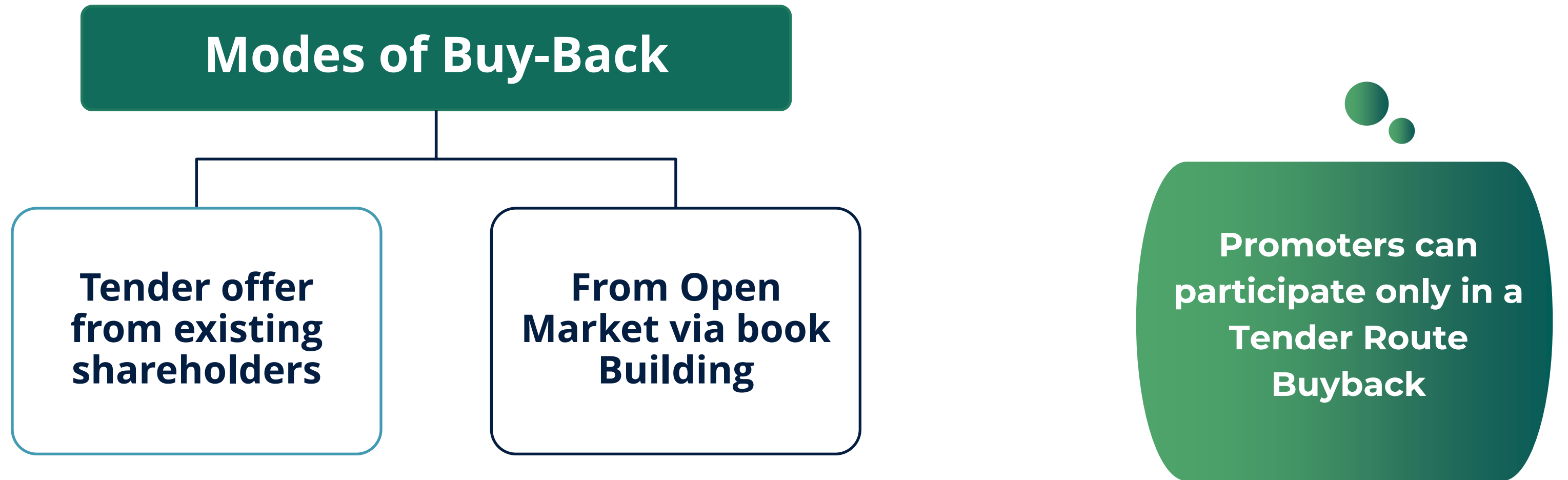
QUANTUM OF BUYBACK



In Tender Offer, 15% of the number of securities which the company proposes to buy-back or number of securities entitled as per their shareholding, whichever is higher, shall be reserved for small shareholders, but in Open Market, no such reservation



MODES OF BUYBACK



Note: Buyback through Open Market was phased out w.e.f. April 01, 2025, however SEBI has issued a Consultation Paper, dated April 02, 2026, wherein they have proposed to reintroduce this mechanism.



BUYBACK PRICING

TENDER OFFER

Under Tender Route the Buyback is **freely priceable**, which is generally at a premium to the running market price.

BOOK BUILT

An Upper End and a Lower End of the Price Range is to be provided, considering the Co. is frequently/In-Frequently traded.

And final price shall depend upon the price discovered through the bids received



PROCESS CHART – TENDER ROUTE

01

Appointment of
Manager to Buyback
Offer and other
Intermediaries

02

Board Resolution/
Shareholders' Resolution

03

Publication of Public
Announcement
(within 2 WD from SR/BR) +
along with Record Date

04

Deposit of funds in Escrow
Account.
(within 2 WD from PA)

05

Payment to
Shareholders
(Within 5 WD of the
Closure of offer)

06

Deposit of funds into
Special Account

07

Tendering Period
(the period shall open not
later than 4 WD from
Record Date and shall open
for 5 WD)

08

Dispatch of LOO (within 2
WD from Record Date)

09

Post Issue advertisement
(Within 2 days of expiry of
BB period)

10

Extinguishment of
Shares
(Within 7 days of
expiry of BB period)

11

Post-Issue Report
(Within 15 days of expiry of
BB period)



PROCESS CHART – BOOK BUILDING

01

Appointment of
Manager to Buyback
Offer and other
Intermediaries

02

Board Resolution/
Shareholders' Resolution

03

Publication of Public
Announcement
(within 2 WD from SR/BR)

04

Procurement of Separate
Window from Stock
Exchange

05

Intimation to exchanges
before 5 pm on the day
immediately preceding the
date of the commencement
of the buy-back

06

Email and SMS to
shareholders 2 WD prior to
Identified Date

07

The Book Building shall
commence within 7 WD of
PA

08

Offer Opening
Announcement shall publish
on the day of start of BB
And shall remain Open for
Atleast 2 Trading Days

09

Payment of consideration
shall be completed within 5
WD from the date of
closure of the buy-back
offer

10

Post Issue advertisement
(Within 2 days of expiry of
BB period)

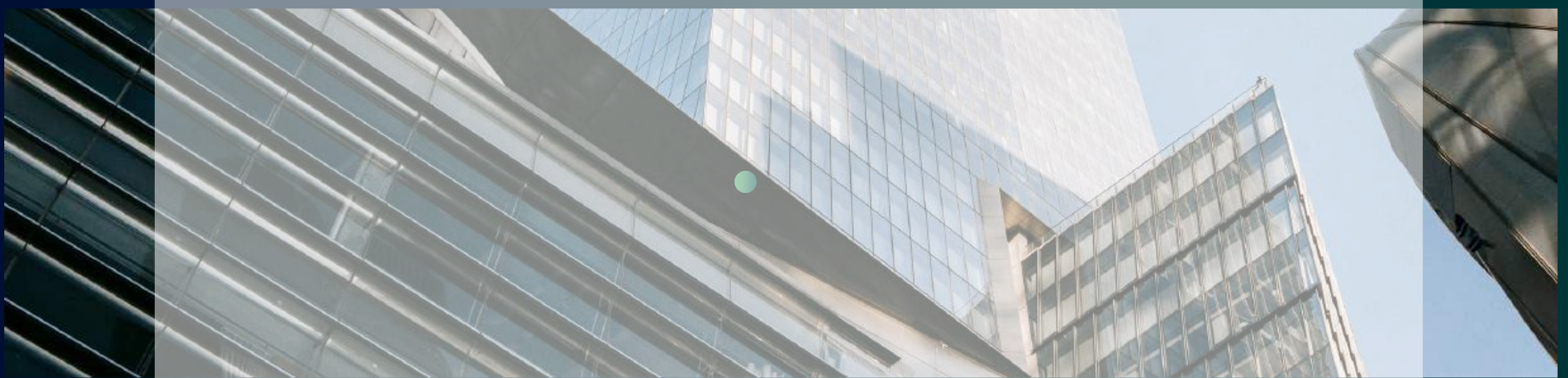
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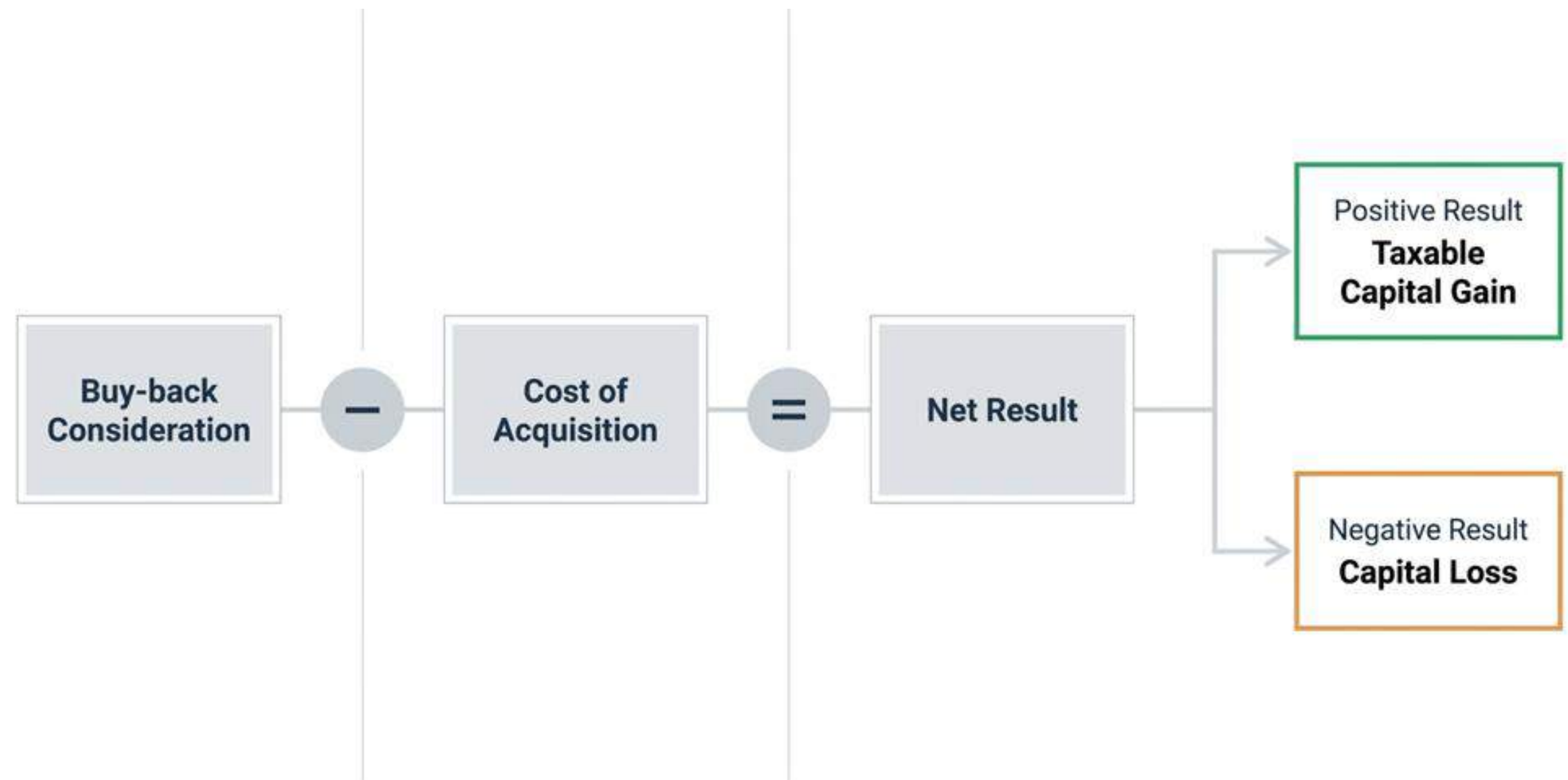




Tax Implications of Buyback



THE COMPUTATION ENGINE FOR SHAREHOLDER TAX LIABILITY



STANDARD CAPITAL GAIN RATES BASED ON HOLDING PERIOD

LONG-TERM CAPITAL GAINS
(LTCG)

12.5%

Applicable where shares
are held for > 12 months

SHORT-TERM CAPITAL
GAINS (STCG)

20.0%

Applicable where shares
are held for \leq 12 months

EFFECTIVE RATE FOR INDIVIDUAL AND NON-DOMESTIC PROMOTERS

Capital Gain Type	Standard Rate	Additional Rate	Surcharge	Effective Rate
LTCG	12.5%	17.5%	12%	33.6%
STCG	20.0%	10.0%	12%	33.6%

Entity Type: Individual Promoters/ Promoters other than a domestic company.



EFFECTIVE RATE FOR DOMESTIC CORPORATE PROMOTERS

Capital Gain Type	Standard Rate	Additional Rate	Surcharge	Effective Rate
LTCG	12.5%	9.5%	12%	24.64%
STCG	20.0%	2.0%	12%	24.64%

Entity Type: Promoters that are domestic companies.



ILLUSTRATION

Particulars	Price per Share (Rs.)	No. of Shares	Amount (Rs.)
Total cost of acquisition	50	200	10,000
Shares tendered and accepted for buyback	100	50	5,000
Tax under new regime (effective 1st April, 2026)	$(100 - 50) = 50$	50	2,500 taxable as capital gains @ applicable STCG / LTCG rates



A buyback done
at the right price,
at the right time,
for the right
reasons is not a
return of capital

IT IS A STATEMENT OF CONVICTION





THANK YOU

Connect with us.

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