



ISSN: 0975-833X

RESEARCH ARTICLE

CRITICAL AND COMPARATIVE ANALYSIS BETWEEN THE PRE-BUY BACK OF SHARES TO POST-BUY BACK OF SHARES

¹Dr. K. Kanaka Raju and ²Ramana Murthy, K. V.

¹Department of Management Studies, Andhra University Campus, Tadepalligudem, West Godavari dt

²Department of Management Studies, Andhra University Campus, Kakinada, India

ARTICLE INFO

Article History:

Received 07th December, 2014
Received in revised form
10th January, 2015
Accepted 07th February, 2015
Published online 31st March, 2015

Key words:

Pre-Buy-Back of Shares,
Post-Buy-Back of Shares,
Public Shareholding,
Strong Relationship.

ABSTRACT

The buy -back of shares is reverse of issue of shares by the company to the public. It is a repurchase of outstanding shares by a firm in the market to defend from the unfriendly takeover. This paper made to an attempt to the critical comparative analysis between to the pre-buy-back of shares to the post-buy-back of shares. The paired sample test, e factor analysis applied to analyze the data. The study found that there was a significant difference between the public shareholding of pre-buy-back of shares to the public shareholding of post buy back of shares, and also came out with the there was no significant difference between the shareholding promoter of pre-buy-back to post-buy-back and also conclude that there was no significant difference between the total number of shares of pre-buy-back of shares to post-buy-back of shares. The study also came out with that there was a very strong relationship between shareholding of promoter of pre-buy-back to post-buy-back and public shareholding of pre-buy-back of shares to post—buy-back of shares. The strong relationship existed between the variable of total number of shares of pre-buy-back of shares to the post-buy-back of shares. The study finally came out with the conclusion that the only one factor was identified as a major factor.

Copyright © 2015 Kanaka Raju and Ramana Murthy .This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

INTRODUCTION

The buy -back of shares is reverse of issue of shares by the company to the public. It is a repurchase of outstanding shares by a firm in the market to defend from the unfriendly takeover. The following are the objectives of buy back of shares, to increase promoters holding, rationalize the capital structure, to thwart take over, utilize the unused cash, to project the better financial ratios, to take advantage of taxes and to avoid the legal controls. The resources for repurchase of shares are free reserves, premium account, proceeds of any shares or other specified securities. The methods of buy back of shares consists of tender method, book building process and the open market. The buy back of shares is regulated by Securities and Exchange Board of India and the Companies Act. The buy back of shares at any time does not exceed 25 per cent of the total paid up capital and free reserves, further buy of shares can not be done through negotiations with the single investor.

1. To identify the relationship amongst the variables of pre-buy-back of shares to post-buy-back of shares.
2. To offer a suitable suggestions to strengthen the procedure of buy back of shares.

Objective of the Study

After scrutinizing of the existing literature and review the following objectives were framed.

1. To test whether there is a significant difference between the pre-buy-back of shares to post-buy-back of shares.

Methodology of the Study

The data obtained from the secondary sources. The information regarding pre-buy-back and post-buy-back of shares extracted from the website of SEBI.

Techniques

The SPSS 16.version was used to analyze the data. The paired sample test, correlation and factor analysis applied to derive the required inferences.

Table 1This table reveals that correlation between the variables within the pairs. The value of correlations between the variables of pair 1 was 1.000, hence it inferred that there was a very strong relationship established between the variables of shareholding of promoter of pre-buy-back of shares to the post-buy-back of shares.

*Corresponding author: Dr. K. Kanaka Raju

Department of Management Studies, Andhra University Campu, Tadepalligudem, West Godavari dt

Input Table1. Capital Structure Position of the Pre-Buy Back of Shares to the Post-Buy Back of Shares of the Various Companies

S.No.	Name of Company	PRE BUY BACK			POST BUY BACK		
		Authorized	Issued	Paid-up	Authorized	Issued	Paid-up
1	Cairn India Limited	22,50,00,00,000	19,10,90,04,200	19,10,90,04,200	22,50,00,00,000	1,87,41,96,581	1,87,41,96,581
2	Appolo (GujarathAPPolo Industries Limited	20,00,00,00,000	16,57,50,00,000	15,15,53,270	20,00,00,00,000	15,15,53,270	15,15,53,270
3	Spice Smobility Limited	99,00,00,00,000	71,42,58,853	71,42,58,853	99,00,00,00,000	68,35,91,946	68,35,91,946
4	Penner Industries Limited	87,50,00,00,000	87,50,00,00,000	14,52,36,000	87,50,00,00,000	13,81,63,000	13,81,63,000
5	Infinite Computer Solutions (India) Limited	50,00,00,00,000	42,55,99,950	42,55,99,950	50,00,00,00,000	40,14,89,570	40,14,89,570
6	Indo Borek&Chemicals Limited	6,00,00,00,000	3,50,00,00,000	3,48,10,000	6,00,00,00,000	3,22,80,000	3,20,90,000
7	Garware Wall Ropes Limited	60,00,00,00,000	23,70,83,500	23,70,83,500	60,00,00,00,000	21,88,20,600	21,88,20,600
8	Maharastra Seamless Limited	60,00,00,00,000	35,27,00,000	35,27,00,000	60,00,00,00,000	33,50,00,000	33,50,00,000
9	Shridinash Mails Limited	1,00,00,00,00,000	5,27,75,00,000	5,27,75,00,000	1,00,00,00,00,000	5,08,44,00,000	5,08,44,00,000
10	Jindal Steel and Power	2,00,00,00,00,000	93,48,45,568	93,48,45,568	2,00,00,00,00,000	91,49,00,000	91,49,00,000
11	DCM Slmiram Limited	1,22,00,00,00,000	33,96,00,00,000	33,34,00,00,000	1,22,00,00,00,000	30,34,00,00,000	30,34,00,00,000
12	KRBL Limited	30,00,00,00,000	24,40,00,000	24,31,00,000	30,00,00,00,000	23,62,00,000	23,58,00,000
13	Alliance Integrated Metaliks Limited	-	15,46,25,000	15,46,25,000	-	11,61,25,000	11,61,25,000
14	UPL Limited	4,00,00,00,00,000	88,52,00,000	85,72,00,000	4,00,00,00,00,000	85,72,00,000	85,72,00,000
15	Nitin Fire Protection Industries Limited	60,35,00,00,000	44,11,05,388	44,11,05,388	60,35,00,00,000	43,84,12,222	43,84,12,222

Source: SEBI Website

Input Table 2. Share Holding Position of the Pre-Buy Back of Shares to the Post-Buy Back of Shares of the Various Companies

S.No.	Name of Company	PRE BUY-BACK OFFER			POST-BUY-BACK OFFER		
		(A) Shareholders of Promoters	(B) Public Shareholding	Total (A+B)	(A) Shareholders of Promoter	(B) Public Shareholders	Total (A+B)
1	Cairn India Limited	1,12,27,13,999	78,80,85,727	1,91,07,99,726	1,12,27,13,999	75,14,82,582	1,87,41,96,581
2	Appolo (GujarathAPPolo Industries Limited	84,70,292	81,04,708	1,65,75,000	84,70,292	66,85,035	1,51,55,327
3	Spice Smobility Limited	16,94,47,570	6,86,38,715	23,80,86,285	16,94,47,570	5,84,16,412	22,78,63,982
4	Penner Industries Limited	10,24,30,692	4,28,05,084	14,52,35,776	10,24,30,692	3,57,32,383	13,81,63,075
5	Infinite Computer Solutions (India) Limited	2,87,16,891	1,38,43,104	4,25,59,995	2,87,16,891	1,14,32,068	4,01,48,959
6	Indo Borek&Chemicals Limited	17,78,342	14,56,593	32,34,935	17,78,342	14,30,658	32,09,000
7	Garware Wall Ropes Limited	1,10,42,011	1,26,66,339	2,37,08,350	1,10,42,011	1,08,40,049	2,18,82,060
8	Maharastra Seamless Limited	3,91,84,687	3,13,48,735	7,05,33,422	3,91,84,687	2,78,14,939	6,69,99,626
9	Shridinash Mails Limited	22,88,372	29,85,358	52,73,730	22,88,372	27,96,010	50,84,382
10	Jindal Steel and Power	55,27,26,848	38,21,18,720	93,48,45,568	55,27,26,848	36,21,59,136	91,48,85,984
11	DCM Slmiram Limited	10,37,43,794	6,21,59,526	16,59,03,320	10,37,43,794	4,71,59,526	15,09,03,320
12	KRBL Limited	13,80,47,174	9,73,42,718	23,53,89,892	13,80,47,174	9,73,42,718	23,53,89,892
13	Alliance Integrated Metaliks Limited	82,85,865	71,76,635	1,54,62,500	82,85,865	33,26,635	1,16,12,500
14	UPL Limited	12,77,56,659	31,48,47,645	44,26,04,304	12,77,56,629	30,08,47,645	42,86,04,274
15	Nitin Fire Protection Industries Limited	15,74,95,872	6,17,10,239	21,92,06,111	15,74,95,872	6,17,10,239	21,92,06,111

Source: Website

Out put Table 1. Paired Samples Correlations of Shareholdings from Pre-buy Back of Shares to Post-Buy Back of Shares

		N	Correlation	Sig.
Pair 1	Shareholding of Promoter of Pre-Buy back of Shares & Shareholding of Promoter of Post-Buy Back of Shares	15	1.000	.000
Pair 2	Public Shareholding of Pre-Buy Back of Shares & Public Shareholding of Post-Buy Back of Shares	15	1.000	.000
Pair 3	Total Number of Shares of Pre-Buy Back of Shares & Total Number of Shares of Post-Buy Back of Shares	15	.806	.000

Table 2. Paired Samples Test for Different Pairs of Share Holding

		Mean	Std. Deviation	Paired Differences Std. Error Mean	95% Confidence Interval of the Difference Lower	Upper	t	df	Sig. (2-tailed)
Pair 1	Shareholding of Promoter of Pre-Buy back of Shares - Shareholding of Promoter of Post-Buy Back of Shares	1.06669E	4.13118E5	1.06667E5	-1.22108E5	3.35446E5	1.000	14	.334
Pair 2	Public Shareholding of Pre-Buy Back of Shares - Public Shareholding of Post-Buy Back of Shares	7.74292E	1.01872E7	2.63033E6	2.10142E6	1.33844E7	2.944	14	.011
Pair 3	Total Number of Shares of Pre-Buy Back of Shares - Total Number of Shares of Post-Buy Back of Shares	8.26946E	3.48830E8	9.00675E7	-2.75870E8	1.10481E8	-918	14	.374

Table 2

Hypothesis 1 Null Hypothesis (Ho): There is no significant difference between the shareholding of promoter of pre-buy-back of shares to the shareholding of promoter of post-buy-back of shares.

Hypothesis 2 Null Hypothesis (Ho): There is no significant difference between the public shareholding of pre-buy-back of shares to public shareholding of post-buy-back of shares.

Hypothesis 3 Null Hypothesis (Ho): There is no significant difference between the total number of shares of pre-buy-back of shares to the total number of shares of post-buy-back of shares.

Analysis Hypothesis 1: The above table reveals that t-value was 1.00 df=14, significant level 0.334, hence it was evident that the proposed null hypothesis was accepted and it can be inferred that there was no significant difference between the shareholding of promoter of pre-buy-back shares to shareholding of promoter of post-buy-back of shares.

Analysis Hypothesis 2: The table reveals that the value of t was 2.944, df=14 and significant level was 0.11 hence, it can be concluded that, the proposed null hypothesis was rejected, and concluded that there was a significant difference between the public shareholding of pre-buy-back of shares to public shareholding of post-buy-back of shares.

Analysis Hypothesis 3: The table extracts the information, the value of t was -0.918, df=14 significant level 0.374, hence, it can be concluded that, the proposed null hypothesis was accepted and inferred that there was accepted and inferred that there was no significant difference between the total number of shares of pre-buy-back of shares to total number of shares of post-buy-back of shares.

Factor Analysis

Communalities

	Initial	Extraction
Total Number of Shares of Post-Buy Back of Shares	1.000	.730
Public Shareholding of Post-Buy Back of Shares	1.000	.963
Shareholding of Promoter of Post-Buy Back of Shares	1.000	.974
Total Number of Shares of Pre-Buy Back of Shares	1.000	.992
Public Shareholding of Pre-Buy Back of Shares	1.000	.966
Shareholding of Promoter of Pre-Buy back of Shares	1.000	.974

Extraction Method: Principal Component Analysis.

Table 3 This table explains about the total variance explained. The three factors represented for the six factors, this information was proved that at the component of 3, percentage of cumulative variance explained at the 99.998 percent, but out of the three components, the first component occupied the 93.327 percentage of total variance explained.

Table 3

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.600	93.327	93.327	5.600	93.327	93.327
2	.312	5.207	98.533			
3	.088	1.465	99.998			
4	9.330E-5	.002	100.000			
5	1.070E-6	1.784E-5	100.000			
6	2.081E-7	3.468E-6	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component
	1
Total Number of Shares of Post-Buy Back of Shares	.854
Public Shareholding of Post-Buy Back of Shares	.981
Shareholding of Promoter of Post-Buy Back of Shares	.987
Total Number of Shares of Pre-Buy Back of Shares	.996
Public Shareholding of Pre-Buy Back of Shares	.983
Shareholding of Promoter of Pre-Buy back of Shares	.987

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Table 4 This table reveals that the information of only one components extracted out of the six variables, hence, it can be concluded that there was a only one variable identified as a major factor, pre-buy-back of shares.

Findings of the Study

After interpreting and analyzing the data, the following findings were framed.

1. The very strong relationship established between the variables of shareholding of promoter of pre-buy-back of post-buy-back of shares.
2. The study also found that there was also a very strong relationship between the public shareholding of pre-buy-back of shares to public shareholding of post-buy-back of shares.
3. There was a moderate relationship existed between the total number of shares of pre-buy-back of shares to the total number of shares of post-buy-back of shares.
4. There was no significant difference between the shareholding of promoter of pre-buy-back of shares to shareholding of promotion of post-buy-back of shares.
5. There was a significant difference between the public shareholding of promoter of pre-buy-back of shares to public shareholding of post-buy-back of shares.
6. There was significant difference between the total number of shares of pre-buy-back of shares to total number of shares of post-buy-back of shares.

7. The factor analysis identified that only one variable was extracted as a factor (component 1)

Suggestions of the Conclusion

Finally, it can be concluded that there should be a adequate machinery to see the activities of the buy-back of shares. The study concluded that there was no significant difference between the pre-back of shares to post-buy-back of shares except public shareholding of pre-buy-back of shares to public shareholding of post-buy-back of shares. The study also come out with the there was a very strong relationship established the variables of shareholding of promoter and public shareholding, but there was a strong relationship exists between the total number of shares of pre-buy-back of shares to post-buy-back of shares.

REFERENCES

- Khan MY. and PK Jain, Financial Management, Tata McGraw-Hill Publishing Company Limited, New Delhi, 2005
- Pandey M., Financial Management, Ninth Edition ,Vikas Publishing House PVT Ltd, Ninth Edition, 2007.
- Sudarsana Reddy G., Financial Management Principles and Practice, 2nd Revised Edition, Himalaya Publishing House, 2010.
- www.sebi.org
