

## BUY-BACK



### \* Objective of buy-back.

- A) To improve earning per shares
- B) To improve return on capital, net worth and to enhance the shareholder value.
- C) To provide additional exit route.
- D) To prevent unwelcome takeover bid.
- E) To return Surplus cash to shareholder.

### Condition.

- BM  $\rightarrow$  BR  $\rightarrow$  10% of paid up equity capital & free reserve, Security premium.
- Maximum limit 25% of paid up equity capital & free reserve (approval by postal ballot).
- Debt eq ratio = 2:1 after buy back fully paid up shares.

### \* Additional condition.

- a) No buy back through negotiated deal (on off market).

\* No further buy back for next one year from expiry of preceding buy back.

\* Reduction of shares capital shall be affected.

### Method.

- existing shareholder on a proportionate basis
- Open market - through book building process or stock exchange.
- odd lot holders.

### Source of buy-back.

- \* Proceeds of fresh issue of diff kind of securities
- \* FR/SP.

### No Buy back through.

- Subsidiary co./investment co.
- No default in payment of deposit/debenture/declared dividend/redemption of PF/term loan & interest on it. (3 years not elapsed from remedy)

~~Buy back from existing security holder through tender offer.~~

- Existing shareholder on a proportionate basis.
- 15% of securities proposed to buyback or No of securities entitled as per their holding reserve for small sh-holder.
- Disclosure in explanatory statement.
  - \* max price of Buy-back &
  - \* dis. of promoter holding for last 6 month prior to SR if they intends to offer his shares.

- Within 2 days from declaration of result make a public announcement in one english & one hind & one regional newspaper.
- copy of PA along with soft copy filed with SEBI through MB.

file with SEBI with 5 days from  
filling of Public announcement.

Draft LOO

through MB.

Declaration of  
Solvency

fees.

i) Comment - SEBI may give its comment within 7 days from filing LOO or from the date of receipt of satisfactory reply. (SEBI may also sought additional information).

ii) MB shall carry out such changes before dispatched to the shareholders.

iii) Record date - Company Announce record date to determine eligible participants.

iv) Dispatch of LOO - dispatch LOO along with tender form within 5 days from receipt of comment from SEBI.

v) Opening date - opened within 5 days (working) from receipt of comment from SEBI.  
Issue will be open for 10 days.

vi) The shares proposed to buy back is divided into reserve category for small shareholder & general category.  
(unregistered shareholder may tender his share after submitting transfer deed).

vii) Escrow account - on or before opening of offer deposit in an Escrow account

viii) up to 100 CR = 25% of consideration payable.

Exceeding 100 cr - 25% upto 100 cr & 10% there after.

Deposit by way of -

- Cash deposit with SEBI.
- Bank guarantee in favour of MB.  
(valid for 30 days after expiry of buyback period)
- Deposit of specified securities.
- Combination of above.

closure & payment - open special account & deposit 90% of the amount lying in escrow account.

- Complete the verification process & make payment within 7 days from closure

- Extinguish & physically destroy the securities in presence of RTI/MB & SA within 15 days of the date of acceptance.

reg to an issue

Statutory Auditor

- Certificate to SEBI within 7<sup>th</sup> day of the month succeeding the month in which securities bought back which is verified by RTI or two directors - one shall be MD & statutory auditor

- maintain reg in SH-10.

Buy back from Open market.

✓ Through stock exchange  
- Book building

✓ Buy back through the stock exchange.

\* Pre-condition

- a. Buy-back Only on STX having nation wide trading terminals.
  - b. No buy back through promoter.
  - c. Order matching mechanism (except all or none).
  - d. Appoint MP & make PA within 2 working days from passing BR or SR. (postal Ballot).
  - e. No need to file LOG with SEBI in case of open market.
- Buy back offer period - open not later than 7 working days from filling of PA & shall be closed within 6 month from opening of the offer.
  - inform STX on a daily basis about the shares bought back.

\* Physical shares:

- A) Separate window for physical shares.
- B) Broker shall verify the identify proof & address proof.
- C) Price should be valoume weighted average price of the shares traded other than physical from during the calendar week.

\* Escrow Account

- Before opening of offer, Open escrow account & deposit in cash at least 25% total amount
- Amount in escrow account can be utilise for buy back payment Subject to 2.5% remaining in escrow account.
- After utilization 50% of the buy back amount the fund in escrow acc may be released to the company.
- In case of non-compliance SEBI may forfeit the escrow amount (max - 2.5%) except:
  - I Sell order was in adequate.
  - II Circumstances beyond the control of the co.
  - III merit consideration.
  - IV forfeited amount deposited in IEPF.

\* Complete the verification process within 15 days of payout.

- extinguish within 7 days from completion of buy back.
- extinguish & destroy on or before 15<sup>th</sup> day of succeeding month.

### \* Physical shares:

- A) separate window for physical shares.
- B) Broker shall verify the identify proof & address proof.
- C) Price should be volume weighted average price of the shares traded other than physical from during the calendar week.

### \* Escrow Account

- Before opening of offer, open escrow account & deposit in cash at least 25% total amount
- Amount in escrow account can be utilise for buy back payment subject to 2.5% remaining in escrow account.
- After utilization 50% of the buy back amount the fund in escrow acc may be released to the company.
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### \* Complete the verification process within 15 days of payout.

- extinguish within 7 days from completion of buy back.
- extinguish & destroy on or before 15<sup>th</sup> day of   
 reading month.

- Buy back through book building.
- Pass SR/BR.
- Appoint MB.
- make PA at least 7 days prior to commencement of buy back.
- PA contain information about Buy Back.
- filing with SEBI - Copy of PA file within 2 day to SEBI.

ESCROW :

- As applicable in tender offer from such announcement.
- offer procedure - at least 30 bidding centers & One electronically linked Computer terminal.
- offer period - 15 days & max 30 days
- MB & company determine the buy back price.
- Extinguishment - same as tender offer.

Obligation.

\* COMPANY

- I Loo/PA shall contain true & material information.
- II No further issue of securities till expiry of buyback.
- III Consideration by way of cash only
- IV Cannot withdraw the offer once Loo is filed with SEBI or PA is made.
- V Cannot raise further capital for a period of one year from expiry of buy back.
- VI PA within 9 days from expiry of buyback of disclosing
  - No of securities bought back

- Price.
- Total amount invested.
- change in capital structure.

### \* Merchant Banker

- I Due Diligence
- II Provision of escrow are duly complied.
- III Report to SEBI within 15 days from expiry of buy back offer.

### Buy back & SAST regulations.

- I. If because of Buy back shareholding is increased beyond 25% or 5% (creeping acquisition) the acquirer can get exemption.