SHARE BUYBACK

When a Company Buys Back Its Own Shares

*An opportunity to unlock value—or a decision that needs **closer evaluation**?*

SHARES HELD BY SHAREHOLDERS

COMPANY BUYS BACK ITS OWN SHARES

SHAREHOLDERS RECEIVE PAYMENT

WHAT IS A SHARE BUYBACK?

A share buyback happens when a company purchases its own shares from existing shareholders. After the purchased shares are extinguished, the total number of outstanding shares reduces. Participation by an eligible shareholder is generally voluntary.

OUTSTANDING SHARES

Total number of outstanding shares reduces.

KEY FACTORS TO REVIEW

WHY DO COMPANIES ANNOUNCE BUYBACKS?

Return Surplus Cash

Companies may use excess cash to return capital to shareholders.

Reduce Outstanding Shares

The shares accepted in the buyback are cancelled, reducing the company's outstanding equity.

Improve Capital Efficiency

A lower share count may improve certain per-share financial ratios, although it does not automatically improve the underlying business.

Signal Management Confidence

A buyback may indicate that management considers capital allocation towards its own shares appropriate—but investors should independently evaluate the company's fundamentals.

WHAT COULD A BUYBACK OFFER YOU?

1 Potential Price Premium

In a tender offer, the announced buyback price is often higher than the prevailing market price when the offer is announced. However, market prices can change before the tender period opens.

2 Additional Exit Opportunity

Eligible shareholders receive an additional route to sell some or all of their shares, subject to the acceptance ratio.

3 Freedom to Choose

Participation is voluntary. An investor can:

- Tender eligible shares
- Tender only a portion
- Continue holding the shares

4 Reservation for Small Shareholders

Under the tender-offer route, at least 15% of the proposed buyback shares—or the entitlement based on their holdings, whichever is higher—is reserved for small shareholders.
A small shareholder is generally one whose holding has a market value of not more than ₹2 lakh on the record date.

5 Tax on the Actual Gain (from 1 April 2026)

Buyback proceeds are taxed as capital gains, allowing the cost of acquisition to be deducted from the buyback consideration.

Capital Gain = Buyback Consideration – Cost of Acquisition

This means the shareholder is taxed on the computed gain rather than the entire buyback proceeds being treated as dividend income.

LATEST BUYBACK UPDATES

What Changed in 2026?
Tax Reset from 1 April 2026

For non-promoter shareholders, buyback gains are now covered under the capital-gains framework. The applicable tax rate depends on factors such as holding period, whether the shares are listed or unlisted, investor category and residential status, and applicability of STT and other tax provisions.
For eligible listed-equity transactions, the commonly applicable special rates are 20% for short-term capital gains and 12.5% for long-term capital gains, subject to prescribed conditions, surcharge and cess.
Promoter shareholders are subject to an additional tax framework; the government has indicated an effective tax burden of 22% for corporate promoters and 30% for non-corporate promoters.

Open-Market Buybacks Return from 1 August 2026

SEBI has approved the reintroduction of open-market buybacks through stock exchanges from 1 August 2026.
Key safeguards include:

- Buyback size to be less than 15% of paid-up capital and free reserves
- Completion within 66 working days
- At least 40% of the buyback amount to be utilised during the first half of the offer period
- Promoter shareholdings to remain locked during the buyback period

This update gives companies greater flexibility alongside the tender-offer and book-building routes.

HOW TO PARTICIPATE IN A TENDER BUYBACK

01 Check Eligibility
You must generally hold the shares on the announced record date.

02 Review the Offer
Check the buyback price, entitlement ratio, tender dates and letter of offer.

03 Place Your Tender
Submit the request through your stockbroker during the tendering period.

04 Check Acceptance
Shares are accepted according to entitlement and subsripition. Unoccepted shores remain in your demat account.

A tender offer is made through a letter of offer and is generally completed on a proportionate basis.

BEFORE YOU TENDER, ASK THESE 5 QUESTIONS

- ☑ Is the buyback price attractive compared with the current market price?
- ☑ What is my expected entitlement and possible acceptance ratio?
- ☑ What will be my estimated capital-gains tax?
- ☑ Do I still believe in the company's long-term prospects?
- ☑ Where will I deploy the money received from the buyback?

NEED ASSISTANCE WITH A SHARE BUYBACK?

For support in understanding the buyback process, eligibility, tender timelines and other related queries, contact our Customer Support Team:

022 31019911
support@geplcapital.com

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Disclaimer: Share buyback participation is voluntary. The buyback price may not remain at a premium to the prevailing market price. Acceptance of tendered shares is subject to eligibility, entitlement, valid tender, category-wise reservation and the final subscrjotion received. Tax treatment may vary depending on the investor's status, holding period, residential status and applicable tax provisions. Investors should read the company's public announcement and letter of offer carefuly and consult their tax adviser before making a decision. This material is intended solely for investor awareness and should not be construed as investment, legal or tax advice.