

BUYBACK OF SHARES



vEcoSys

**Understanding Buyback of Shares**  
– By Prof. *Simply Simple*™



## BUYBACK OF SHARES

We normally hear of promoters raising capital by issuing shares in the market.





## BUYBACK OF SHARES



But there are times when the promoter wishes to buy back his shares from the investors.

At such times he offers a buy back at a price which is better than the market price.



**There are several reasons for  
him to buy back shares...**



## BUYBACK OF SHARES

No promoter likes to see the prices of his company falling.

Therefore if he feels that the price of shares is falling in the market, he may decide to buy back shares to shore up the prices.





## BUYBACK OF SHARES

Another reason the promoter might offer a buy back is to increase his share-holding if he feels that someone in the market is buying a large number of shares of his company in a bid to takeover the company.



## BUYBACK OF SHARES

To protect himself from such a takeover bid, the promoter offers a buy back of his shares to his investors at an attractive price.

The promoter may also buy back shares from the market, if he feels that the price of the share is lower than its intrinsic value.





## BUYBACK OF SHARES

In other words, for the promoter,  
it is another way of giving back  
money to the investors.



## BUYBACK OF SHARES



**We hope through this lesson,  
you've got an idea of buyback of  
shares by the promoter of a company.**



## BUYBACK OF SHARES

**We look forward to your feedback  
as it helps us improve our product  
offering**





Thinking of Investment

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