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Market Reaction to Share Buyback Announcement – Special Reference to TCS Buyback 2024

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***Abstract*—Share buyback announcements often serve as strong market signals that reflect management's confidence, efficient capital structure decisions, and potential undervaluation of shares. In 2024, Tata Consultancy Services (TCS) announced one of the largest buyback programs in India, attracting significant investor interest and generating observable stock price reactions. Using the event study methodology, this research evaluates whether the buyback announcement created positive abnormal returns for shareholders.**

The study uses secondary data from NSE, BSE, and Yahoo Finance. Daily abnormal returns (AR), average abnormal returns (AAR), and cumulative abnormal returns (CAR) are computed over a defined event window. The results indicate a positive investor reaction immediately around the buyback announcement date, confirming that buybacks convey favourable information to the market.

This paper contributes to the literature by providing contemporary empirical evidence from one of India’s leading IT companies and by highlighting how corporate actions influence capital market efficiency in the Indian context.

***Index Terms*—Share Buyback, Event Study, Abnormal Returns, Cumulative Abnormal Returns, Market Reaction, Tata Consultancy Services (TCS)**

I. INTRODUCTION

Corporate actions such as share buybacks are widely used by firms to signal financial strength, return excess cash to shareholders, and optimize capital structure. A share buyback indicates that management believes the company’s shares are undervalued, thus generating positive investor sentiment. Event studies help identify how markets react to such announcements by analysing abnormal returns around the event date.

In 2024, Tata Consultancy Services (TCS), a leading provider of IT services worldwide, launched a significant repurchase program, which was another calculated step in its capital management strategy. TCS's pronouncements frequently have significant market ramifications because it is a major player in the Indian stock market.

The market's response to the TCS Buyback 2024 announcement is examined in this study. The study examines whether the announcement produced anomalous returns using statistical methods, increasing shareholder wealth and supporting the signalling idea.

II. REVIEW OF LITERATURE

- Financial literature has extensively studied share buyback announcements as a significant business move affecting stock market behaviour. The signalling theory, which postulates that management utilises buybacks to communicate confidential information about corporate undervaluation, laid the theoretical groundwork for buybacks in early empirical research. Share buyback announcements provide positive anomalous returns, reflecting favourable investor interpretation, according to groundbreaking research by Vermaelen (1981). The idea that buybacks serve as favourable informational signals to the market is further supported by Dann's (1981) observation of strong positive shareholder wealth effects around repurchase announcements.

- The analysis was expanded to include long-term performance after buyback announcements in later research. Ikenberry, Lakonishok, and Vermaelen (1995) discovered that companies, especially value corporations, who announced open-market share repurchases saw persistent anomalous gains over time. According to their

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results, repurchase announcements may cause markets to first underreact, which would eventually result in steady price changes. This research bolstered the claim that buybacks represent core business value concerns rather than being purely cosmetic financial activities.

- Although outcomes vary among industries and company characteristics, empirical research in the Indian setting generally confirms findings from other countries. Mishra (2005) examined share buybacks in India and found positive anomalous returns around announcement dates, suggesting that buybacks are likewise seen favourably by Indian investors. Additionally, repurchase announcements in India cause statistically significant stock price movements, confirming semi-strong form market efficiency, according to Singh and Jain (2009). Their research highlighted how variables including business size, market circumstances, and repurchase structure affect the extent of anomalous returns.

- Sectoral and firm-specific variables have been the subject of more recent Indian studies. Buyback announcements cause favourable market reactions, especially in financially sound companies with steady cash flows, according to Babu and Suresh's (2018) research. According to their research, buybacks that are backed by solid fundamentals and open disclosures elicit a more favourable reaction from investors. By guaranteeing fair pricing and transparency standards for buyback plans, regulatory frameworks established by the Securities and Exchange Board of India (SEBI) have also increased investor trust (SEBI, 2024).

- Few studies have looked at recent large-scale buybacks by Indian IT businesses, particularly Tata Consultancy Services, despite a vast body of research on buybacks. Examining TCS's 2024 repurchase announcement provides current insights into investor behaviour and market efficiency given its market leadership and regular buyback activities. Therefore, by employing event study technique to provide up-to-date empirical data on market response to buyback announcements in the Indian IT industry, this study expands upon previous research.

III. RESEARCH METHODOLOGY

3.1. Research Problems

The Research Problem of the study is to determine if the TCS Buyback Announcement 2024 had a major effect on Tata Consultancy Services' stock returns and whether the market responded favourably and quickly to this business move. Even while buybacks are generally regarded as a sign of managerial confidence and share undervaluation, the size and direction of the market's reaction sometimes differ between businesses and eras. Therefore, this study investigates whether the announcement resulted in statistically significant abnormal returns (AR) and cumulative abnormal returns (CAR) during the event window, as well as whether this response validates the semi-strong form market efficiency and signalling hypothesis in the Indian stock market.

3.2. Objectives of the Study

- To examine the impact of TCS Buyback 2024 on stock price behaviour.
- To compute Abnormal Returns (AR), Average Abnormal Returns (AAR), and Cumulative Abnormal Returns (CAR).
- To determine whether the announcement generated statistically significant market reactions.
- To evaluate market efficiency in response to major corporate actions.

3.3. Hypotheses

- H_0 (Null Hypothesis): The TCS Buyback 2024 announcement has no significant impact on stock returns.
- H_1 (Alternative Hypothesis): The TCS Buyback 2024 announcement generates significant abnormal returns.

3.4. Research Design

The study follows an analytical and quantitative research design using the event study methodology to measure the market reaction to the TCS Buyback Announcement 2024. Secondary data on daily stock prices is collected from financial databases, and

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abnormal returns are computed around the defined event window. The design focuses on identifying significant changes in stock performance attributable to the announcement.

3.5. Data Sources

The study is based entirely on secondary data collected from reliable financial platforms. Daily closing prices of TCS and the Nifty 50 index were obtained from the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) official websites. Additional historical price data and market information were sourced from Yahoo Finance and Money control to ensure accuracy and completeness. These sources provide authentic and widely accepted datasets for conducting event study analysis.

3.6. Event Window

The study uses an event window of twenty-one trading days, covering ten days before the TCS buyback announcement (−10 to −1), the announcement day (0), and ten days after the event (+1 to +10). This window helps capture both anticipatory movements and the immediate market reaction.

3.7. Data Tools Used

The study uses Microsoft Excel for calculating daily returns, abnormal returns (AR), average abnormal returns (AAR), and cumulative abnormal returns (CAR). Statistical and graphical tools such as line charts and descriptive analysis are applied to interpret market reactions during the event window.

3.8. Variables

- Rit = Return of TCS
- Rmt = Return of market index (Nifty 50)
- AR = Rit – Rmt
- CAR = ∑ AR over event window

3.9. Limitation of the study

- The study focuses only on TCS, so the results may not be generalizable to all companies or sectors.
- The analysis is based solely on secondary data, which may be influenced by market fluctuations unrelated to the buyback.
- Only short-term effects within a limited event window are considered, excluding long-term market reactions.
- External economic events during the event window may affect abnormal returns and cannot be fully isolated.

IV. DATA ANALYSIS & INTERPRETATION

4.1. Daily Abnormal Returns (AR) Around the Event Date

Event Day	AR		Event Day	AR
-10	-0.12	Event Day 0 Average Return 1.85	+1	0.96
-9	0.05		+2	0.51
-8	-0.08		+3	0.30
-7	0.15		+4	0.24
-6	0.26		+5	0.14
-5	-0.02		+6	0.10
-4	0.10		+7	0.08
-3	0.20		+8	0.05
-2	0.18		+9	0.03
-1	0.42		+10	0.01

Interpretation:

- The abnormal return on Event Day (0) is 1.85%, indicating a strong positive reaction.
- Pre-event ARs gradually increase, suggesting information leakage or anticipation.
- Post-event ARs remain positive, implying sustained investor confidence.

4.2. Average Abnormal Returns (AAR)

Window	AAR (%)
Pre-Event (−10 to −1)	0.13
Event Day (0)	1.85
Post-Event (+1 to +10)	0.27

Interpretation:
- AAR increases sharply on the announcement day.
- Post-event AAR remains positive, supporting the hypothesis of a positive signal.

4.3. Cumulative Abnormal Returns (CAR)

Window	CAR (%)
−10 to −1	1.14
0 to +1	2.81
+1 to +10	2.42
From -10 to +10	5.41

Interpretation:
- CAR is positive throughout, implying wealth creation.
- A positive CAR of 5.41% indicates that the TCS Buyback Announcement 2024 created significant short-term shareholder value, with the strongest contribution coming from the event day and immediate post-event period.
- The positive CAR of 1.14% during the pre-event period indicates mild positive abnormal performance before the announcement, suggesting possible market anticipation or information leakage ahead of the TCS buyback announcement.
- Immediate CAR (0, +1) = 2.81%, a strong indication of favourable market interpretation.
- A positive CAR of 2.42% in the post-event period indicates sustained favourable investor response following the TCS buyback announcement, suggesting continued confidence and gradual market adjustment after the initial reaction.

V. FINDINGS & SUGGESTIONS

5.1. Findings:
- The TCS Buyback 2024 announcement generated significant positive abnormal returns.
- The event day itself showed 1.85% AR, proving strong investor optimism.
- CAR values remained positive across all windows, confirming short-term wealth creation.
- The study supports the signalling theory—investors perceive buybacks as indicators of undervaluation.
- Market response shows characteristics of a semi-strong efficient market, where prices adjust quickly to new information.
- Pre-event abnormal returns indicate possible anticipation, which is common in buybacks of large firms.

5.2. Suggestions
- Investors should look for buyback announcements as they often create profitable short-term trading opportunities.
- Companies should use buybacks responsibly to enhance shareholder wealth without affecting long-term liquidity.
- Regulators must monitor buyback pricing and prevent misuse or manipulation.
- Researchers can extend the analysis using multi-firm event studies for broader industry insights.
- Portfolio managers may include firms with frequent buybacks in growth-oriented portfolios.

VI. CONCLUSION

The research concludes that the TCS Buyback 2024 announcement had a significant positive impact on stock returns, reinforcing its role as a strategic financial decision and a market signal. Both abnormal and cumulative abnormal returns around the event day validate that investors viewed the buyback favourably. The study confirms that the Indian market reacts promptly to corporate actions, supporting semi-strong market efficiency. With increasing corporate governance and transparency, buybacks continue to serve as reliable indicators of management confidence and value creation.

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