

## CL Educate Limited

### Buyback – 2023: Frequently Asked Questions (FAQs)

**Ques: What is a share buyback?**

**Ans:** In a share buyback, the company buys its own shares from existing shareholders to reduce the number of shares available in the open market. In India, shares purchased by way of buyback are to be compulsorily extinguished by the company.

A Buyback is an investor-friendly measure as it tends to increase shareholder value by increasing the Earnings Per Share (EPS) of the stock (due to a reduction in the number of outstanding shares). Higher EPS gives a boost to Return on Equity and other return ratios.

**Ques: Why is CL Educate doing a share buyback (again)?**

**Ans:** Debt-free companies with excess cash in their books usually do buybacks. As of June 30, 2023, CL Educate had Rs 108cr of Net cash in their books with negligible working capital debt (Rs 8cr). We are doing a buyback again for up to Rs 15cr to continue to add shareholder value.

Last year (May-July 2022), we successfully completed a buyback for Rs 10cr at an average adjusted price of Rs 62.5 per equity share constituting about 2.81% of the shares (pre-buyback).

**Ques: Can you give details about your current buyback?**

**Ans:** CL Educate had approved a buyback of its fully paid-up equity shares amount aggregating up to Rs. 15cr at a price not exceeding Rs 94. At the maximum buyback size and the maximum buyback price, the indicative maximum number of equity shares bought back would be 15,95,744.

The Company commenced the buyback on Monday, August 21, 2023, and will be closing by November 28, 2023. So far, Rs 2.06cr worth of shares have been bought back by the company constituting 2,67,003 shares (as of 4<sup>th</sup> October 2023).

**Ques: What is the nature of the recent CL Educate share buyback?**

**Ans:** Share buybacks in India are of two types. The tender offer and the open market offer through stock exchanges. CL Educate has chosen the open market offer route. As against the

fixed price for tender offers, CL Educate under the open market offer route can buy back shares at any price from the stock exchanges. However, it must be below the maximum buyback price and in tune with new SEBI Buyback rules.

**Ques: Could you update us on the new rules (Amendment) about SEBI Buyback Regulations?**

**Ans:** There have been many modifications made to the Buyback regulations through an amendment. These rules became applicable from March 9, 2023.

1. The buyback offer period was reduced from six months to 66 working days
2. Companies should utilize at least 75% of the amount earmarked for buyback as against 50% earlier while undertaking at least 40% of the amount within half of the duration of the buyback period.
3. The company's purchase order price should be within the range of (+/-) 1% from the last traded price
4. The company shall not place bids in the pre-open market, first thirty minutes, and the last thirty minutes of the regular trading session.
5. Last but not least, create a separate window on the stock exchange to undertake buy-back through the stock exchange route.

For full details, click [here](#).

**Ques: How can I participate in your buyback under the new rules?**

**Ans:** For Buyback, the Stock Exchanges at which the Company's shares are listed- BSE and NSE- have created separate windows under Buyback Regulations, with scrip codes different from the company's normal scrip codes.

To participate in the company's buyback, the shareholders need to sell their shares using the following scrip symbols:

NSE:CLEDUCATE-BO

BSE: CLEDUCATE7 [Scrip Code: 543961]

**Ques: Is it mandatory for shareholders to tender shares in the buyback?**

**Ans:** No.

**Ques: Are all shares offered for buyback repurchased by the company?**

**Ans:** Not necessarily. Unlike tender offers in which the shares are offered on a proportionate basis in case of oversubscription (using the Acceptance ratio), in case of a market offer, there is no obligation to repurchase all shares offered in the market. However, at least 75% of the funds earmarked for buyback should be utilized for such purposes.

**Ques: What is the tax implication of a buyback for a shareholder tendering his or her shares? In addition, what are the tax consequences for the company?**

**Ans:** The company purchasing its own shares is liable to pay the Buyback Distribution Tax (BDT) at the rate of 20% (plus surcharge and cess) on distributed income. However, the receipt of the buyback price by the shareholders is exempt from tax under Section 10(34A) of the Act.

**Ques: CL Educate has earmarked up to Rs 15cr for the buyback. However, only about Rs 2cr worth of shares have been purchased so far. Are we on track to complete at least 40% by October 10 and 75% by the end of the offer period?**

**Ans:** We intend to complete the buyback at the earliest. However, as mentioned earlier, the company can buy back only those shares offered for buyback by the sellers under the above-mentioned exchange codes.

**Ques: Can we expect more buybacks in the future from CL Educate?**

**Ans:** We will continue to add value to shareholders, through various measures including by way of buybacks. However, this is not an exclusive route of corporate action, just last year we also went in for a stock split. We will continue to pursue multiple routes of corporate action to ensure that we maximize shareholder returns.