

**A Study on Mandatory Offer Announcements and Its Impact on Stock Return  
in Colombo Stock Exchange**

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**Abstract**

This study attempts to examine the impact of mandatory offer announcements on stock return on the Colombo Stock Exchange and highlights the mandatory offers and its grounds in the legal system in Sri Lanka. Although there are number of studies done on mandatory offers, it is hard to find the studies on impact of mandatory offers on stock return in Sri Lankan context. The primary aim of this study is to study the impact of mandatory offers on stock return in Colombo Stock Exchange using the sample from year 2010 to 2014. The study used secondary data for the purpose of analysis employing the event study methodology. More specifically, it employs the market model in generating abnormal returns surrounding mandatory offer announcement. The findings of this study demonstrated that on average market reacts positively to mandatory offer announcements. The market takes considerable time to fully incorporate information contained in mandatory offer announcements by the bidder firms and considerable anticipatory effect reflect the target firms. This research will be important to all those take interest in the share market. Especially it is more important to the investors, managers of the companies' stock exchange regulatory agencies in their decision making.

**Keywords:** *Colombo Stock Exchange, mandatory Offer, Event Study, Stock Return, Market model*