

F. No. 5/2/2016-Policy
Government of India
Ministry of Finance
Department of Investment and Public Asset Management
(DIPAM)

Block No. 14, CGO Complex
Lodhi Road, New Delhi-110003
Dated the 1st February, 2018

OFFICE MEMORANDUM

Subject:- Enforcement and Monitoring of the Guidelines on Capital Restructuring of CPSEs dated 27.05.2016 by the subsidiaries/JVs of CPSEs.- regarding.

This Department issued "Guidelines on Capital Restructuring of CPSEs" dated 27.05.2016 which comprehensively deal with the inter-related issues on payment of dividend, buy back of shares, issue of bonus shares and splitting of shares. The objective of these guidelines is to optimize return from the investment made by the Government with emphasis on direct expenditure/ Capex by CPSEs for business activities and leveraging their net-worth & assets for higher investment in economic activities.

2. As per para 4.1 of the Guidelines, the guidelines are applicable to all 'corporate bodies' where Government of India and/or Government controlled one or more body corporate have 'controlling interest'. The relevant provisions related to definition of CPSEs covered the under the Guidelines are as under:

4.1.1 'Body corporate' shall include body incorporated under the provisions of the Companies Act, 1956 or the Companies Act, 2013, or under any other Act as may be applicable except Limited Liability Partnership.

4.1.2 'Controlling interest' means control over the composition of the Board of Directors; or exercise or control over more than one-half of the total share capital or able to exercise more than 50 per cent voting rights in the meeting of the members, Board of Directors or any other similar executive structure, e.g., Governing Body, Executive Committee, etc.

4.1.3 A body corporate in which Government of India and/ or CPSEs including their subsidiaries controls the composition of the Board of Directors; or exercises or controls more than one-half of the total share capital shall be deemed to be a body controlled by Government of India.

3. Regarding the payment of dividend by CPSEs, the following criteria have been stipulated under para 5 of the Guidelines:

"5.2 Every CPSE would pay a minimum annual dividend of 30% of PAT or 5 % of the net-worth, whichever is higher subject to the maximum dividend permitted under the extant legal provisions.

5.3 Nonetheless, CPSEs are expected to pay the maximum dividend permissible under the Act under which a CPSE has been set up, unless lower dividend proposed to be paid is justified after the analyses of the following aspects on a case to case basis at the level of Administrative Ministry/Department with the approval of Financial Advisers.

(i) Net-worth of the CPSE and its capacity to borrow;

- (ii) Long-term borrowings;
- (iii) CAPEX/Business Expansion needs;
- (iv) Retention of profit for further leveraging in line with the CAPEX needs; and
- (v) Cash and bank balance.

5.4 The analysis should confirm that the retention of funds augmenting its net-worth is being optimally leveraged to ensure higher investment by the CPSEs. The report for exemption, if any, in this regard will be submitted by the CPSEs through their Administrative Ministry to Secretary, Department of Economic Affairs and Secretary, Department of Investment and Public Asset Management (DIPAM) before the end of second quarter of the financial year.”

4. At present, as per para 9.3 of the Guidelines, the Administrative Ministry are responsible for ensuring the compliance of the guidelines. In case the CPSEs are unable to comply with any of the provisions, they approach DIPAM through their Administrative Ministry/Department for exemption.

5. Some proposals for exemption by subsidiaries of CPSEs have also been received from Administrative Ministries/Departments. Such proposals were examined by the CMGIC and it was decided that considering the subsidiaries status, concerned Administrative Ministry/Department may suitably advise the parent companies (holding CPSEs) to ensure compliance of the guidelines by the subsidiary companies.

6. However, there is no specific provision under the Guidelines for ensuring the enforcement of guidelines and monitoring of payment of dividend by the subsidiaries/JVs of CPSEs as stipulated under the Guidelines.

7. In the above background, it is requested that all Administrative Ministries/Departments may take the following steps for ensuring the enforcement and monitoring of provisions related to payment of dividend by the subsidiaries/JVs of CPSEs as stipulated under the “Guidelines on Capital Restructuring of CPSEs” dated 27.05.2016:

- (a) To ensure payment of dividend by subsidiaries of CPSEs, in accordance with the Guidelines on “Capital Restructuring of CPSEs dated 27.05.2016”.
- (b) To also ensure payment of optimum dividend even by subsidiaries/JVs in which CPSEs have minority stake, in accordance with the Guidelines on “Capital Restructuring of CPSEs dated 27.05.2016” before the decision of the dividend payment by the CPSE in the AGM.
- (c) Administrative Ministries/Departments to be responsible for regular monitoring and suitably advising the respective parent companies (holding CPSEs) accordingly.
- (d) A quarterly report regarding compliance of the Guidelines by subsidiaries/JVs of CPSEs may be shared by the Administrative Ministries/Departments with DEA/DIPAM, as per the enclosed format.

Encl: As above


(G. Parthasarathi)

Deputy Secretary to the Government of India
Tele. No. 24366523

To,
Secretaries to the Ministries/Departments of Government of India
(As per list)

	F. No. 5/2/2016-Policy (Vol.II)	2.	F. No. 5/2/2016-Policy (Vol.II)
	To, Secretary, Department of Agricultural Research and Education, Ministry of Agriculture and Farmers Welfare, Room No.107, Krishi Bhawan, New Delhi.		To, Secretary, Department of Agriculture, Co-operation & Farmers' Welfare, Ministry of Agriculture and Farmers Welfare, Room No.115, Krishi Bhawan, New Delhi.
3.	F. No. 5/2/2016-Policy (Vol.II)	4.	F. No. 5/2/2016-Policy (Vol.II)
	To, Secretary, Department of Animal Husbandry, Dairying & Fisheries, Ministry of Agriculture and Farmers Welfare, Room No.229, Krishi Bhawan, New Delhi.		To, Secretary, Ministry of AYUSH, Ayush Bhawan, B-Block, GPO Complex, INA, New Delhi- 110023.
5.	F. No. 5/2/2016-Policy (Vol.II)	6.	F. No. 5/2/2016-Policy (Vol.II)
	To, Secretary, Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilizers, Room No. 501, A-Wing, Shastri Bhawan, New Delhi.		To, Secretary, Department of Fertilizers, Ministry of Chemicals and Fertilizers, Room No. 217, 'A' Wing, Shastri Bhawan, New Delhi.
7.	F. No. 5/2/2016-Policy (Vol.II)	8.	F. No. 5/2/2016-Policy (Vol.II)
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11.	F. No. 5/2/2016-Policy (Vol.II)	12.	F. No. 5/2/2016-Policy (Vol.II)
	To, Secretary, Department of Industrial Policy & promotion, Ministry of Commerce and Industry, Udyog Bhawan, New Delhi-110011.		To, Secretary, Department of Posts, Ministry of Communications, Dak Bhawan, Sansad Marg, New Delhi-110001.
13.	F. No. 5/2/2016-Policy (Vol.II)	14.	F. No. 5/2/2016-Policy (Vol.II)
	To, Secretary, Department of Telecommunications, Ministry of Communications, Sanchar Bhawan, Rafi Marg, New Delhi-110001.		To, Secretary, Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution, 49, Krishi Bhawan, New Delhi-110001.

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23.	F. No. 5/2/2016-Policy (Vol.II)	24.	F. No. 5/2/2016-Policy (Vol.II)
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	To, Secretary, Department of Health & Family Welfare, Ministry of Health and Family Welfare, A-Wing, Nirman Bhawan, Maulana Azad Road, New Delhi - 110 011.		To, Secretary, Department of Health Research, Ministry of Health and Family Welfare, 2nd Floor, IRCS Building Red Cross Road, New Delhi, Delhi 110001.
35.	F. No. 5/2/2016-Policy (Vol.II)	36.	F. No. 5/2/2016-Policy (Vol.II)
	To, Secretary, Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Udyog Bhawan, New Delhi-110011.		To, Secretary, Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, Room No. 305, CGO Complex, Block-14, Lodhi Raod, New Delhi-110003.
37.	F. No. 5/2/2016-Policy (Vol.II)	38.	F. No. 5/2/2016-Policy (Vol.II)
	To, Secretary, Ministry of Home Affairs, North Block, New Delhi-110001.		To, Secretary, Ministry of Housing and Urban Affairs, Nirman Bhawan, Maulana Azad Road, New Delhi-110011.
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	To, Secretary, Ministry of Information and Broadcasting, Room No. 654, 'A' Wing, Shastri Bhawan, New Delhi.		To, Secretary, Ministry of Labour and Employment, Shram Shakti Bhawan, Rafi Marg, New Delhi-110001.

43.	F. No. 5/2/2016-Policy (Vol.II)	44.	F. No. 5/2/2016-Policy (Vol.II)
	To, Secretary, Department of Justice, Ministry of Law and Justice, Jaisalmer House 26, Mansingh Road, New Delhi-110011.		To, Secretary, Department of Legal Affairs, Ministry of Law and Justice, 'A' Wing, Shastri Bhawan, New Delhi.
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	To, Secretary, Legislative Department, Ministry of Law and Justice, Room No. 405, A Wing, 4th Floor, Shastri Bhawan, New Delhi-110001.		To, Secretary, Ministry of Micro Small & Medium Enterprises, Udyog Bhawan, Rafi Marg, New Delhi-110001.
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	To, Secretary, Ministry of Mines, Room No.320, 'A' Wing, Shastri Bhawan, New Delhi.		To, Secretary, Ministry of Minority Affairs, 11 th Floor, Pandit Deendayal Antyodaya Bhawan, CGO Complex, Lodhi Road, New Delhi - 110003.
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	To, Secretary, Ministry of New & Renewable Energy, Block No. 14, CGO Complex, Lodhi Road, New Delhi.		To, Secretary, Ministry of Panchayati Raj, Krishi Bhawan, Dr. Rajendra Prasad Road, New Delhi - 110001.
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	To, Secretary, Ministry of Parliamentary Affairs, Parliament House, Sansad Marg, New Delhi - 110001.		To, Secretary, Department of Administrative Reforms and Public Grievances, Ministry of Personnel, Public Grievances and Pensions, North Block, New Delhi - 110001.
53.	F. No. 5/2/2016-Policy (Vol.II)	54.	F. No. 5/2/2016-Policy (Vol.II)
	To, Secretary, Department of Pension & Pensioner's Welfare, Ministry of Personnel, Public Grievances and Pensions, Lok Nayak Bhawan, Khan Market, New Delhi.		To, Secretary, Department of Personnel and Training, Ministry of Personnel, Public Grievances and Pensions, North Block, New Delhi - 110001.
55.	F. No. 5/2/2016-Policy (Vol.II)	56.	F. No. 5/2/2016-Policy (Vol.II)
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	To, Chairman, Ministry of Railways, Rail Bhawan, Rafi Marg, New Delhi.		To, Secretary, Ministry of Road Transport and Highways, Transport Bhawan, Sansad Marg, New Delhi.
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	To, Secretary, Department of Land Resources, Ministry of Rural Development, 6th floor, Block -11, CGO Complex, Lodhi Road, New Delhi -110003.		To, Secretary, Department of Rural Development, Ministry of Rural Development, Krishi Bhawan, New Delhi - 110001.
61.	F. No. 5/2/2016-Policy (Vol.II)	62.	F. No. 5/2/2016-Policy (Vol.II)
	To, Secretary, Department of Biotechnology, Ministry of Science and Technology, 7th Floor, Block No. 2, CGO Complex, Lodhi Road, New Delhi - 110003.		To, Secretary, Department of Science and Technology, Ministry of Science and Technology, Technology Bhawan, New Mehrauli Road, New Delhi - 110016.
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	To, Secretary, Ministry of Skill Development & Entrepreneurship, 2nd Floor, Annexe Building Shivaji Stadium, Shaheed Bhagat Singh Marg, Connaugh Place, New Delhi 110001.		To, Secretary, Department of Empowerment of Persons with Disabilities, Ministry of Social Justice and Empowerment, Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi.
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	To, Secretary, Department of Social Justice & Empowerment, Ministry of Social Justice and Empowerment, Room No.604, 'C' Wing, Shastri Bhawan, New Delhi.		To, Secretary, Ministry of Statistics and Programme Implementation, Sardar Patel Bhawan, Sansad Marg, New Delhi - 110001.
69.	F. No. 5/2/2016-Policy (Vol.II)	70.	F. No. 5/2/2016-Policy (Vol.II)
	To, Secretary, Ministry of Steel, Udyog Bhawan, New Delhi - 110011.		To, Secretary, Ministry of Textiles, Udyog Bhawan, Dr. Maulana Azad Road, New Delhi - 110011.

71.	F. No. 5/2/2016-Policy (Vol.II) To, Secretary, Ministry of Tourism, Transport Bhawan, Sansad Marg, New Delhi - 110001.	72.	F. No. 5/2/2016-Policy (Vol.II) To, Secretary, Ministry of Tribal Affairs, Room No.738, 'A' Wing, Shastri Bhawan, New Delhi.
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77.	F. No. 5/2/2016-Policy (Vol.II) To, Secretary, Department of Youth Affairs, Ministry of Youth Affairs and Sports, 'C' Wing, Shastri Bhawan, New Delhi.	78.	F. No. 5/2/2016-Policy (Vol.II) To, Secretary, Department of Atomic Energy, Anushakti Bhawan, Chatrapathi Shivaji Maharaj Marg, Mumbai-400001.
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