

F. No. 5/2/2016-Policy (Vol III) Part 1
Government of India
Ministry of Finance
Department of Investment & Public Asset Management

Block No. 11 CGO Complex,
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OFFICE MEMORANUM

Subject: Decisions by the administrative ministries and CPSE management having a bearing on the Market price of shares of Listed CPSEs - regarding

The Department of Investment and Public Asset Management is responsible for capital management of CPSEs and for this purpose has issued comprehensive guidelines in matters such as Dividend-payout, Buyback of shares, issue of Bonus shares and Splitting of shares. DIPAM also launches IPO transactions for Listing of unlisted CPSEs and Public Financial Institutions. In addition, transactions for disinvestment of Government equity from time to time through either minority stake sale by SEBI approved methods such as Offer for Sale (OFS), or strategic sale of CPSEs with transfer of management control.

2. Effective capital management of CPSEs and their professional corporate management helps in value maximization of Government stakes in the Listed CPSEs, by generating positive investors' sentiments regarding not only the concerned CPSE stock but also about overall PSU stocks. This has a direct financial bearing for the Government as a higher market price of the stock ensures higher yield for the Government while disinvesting same number of shares. It is necessary that before taking any policy/operational decision that may have a bearing upon a Listed CPSE's stock in the capital market, administrative ministries and the CPSE management take into consideration the market sentiments it might evoke.

Any decision that is perceived by the market as defying investment logic, or in the nature of arbitrary intervention by the Government in the day to day business operations of a Listed CPSE, is likely to bring down not only the concerned stock price suddenly but may as well adversely affect the sentiments about overall PSU stocks. This is not in the financial

