

Restricted Circulation

F.No.7/13/2018-Policy
Government of India
Ministry of Finance
Department of Investment and Public Asset Management (DIPAM)

Block-14, CGO Complex,
Lodhi Road, New Delhi.
Dated: December 26, 2018

CIRCULAR

Subject: Mandate of DIPAM as per the Government of India (Allocation of Business) Rules, 1961

As per the Government of India (Allocation of Business) Rules, 1961, all matters relating to management of Central Government investments in equity (including disinvestment of equity in CPSEs) are vested in DIPAM. In particular, the mandate of DIPAM relating to government investment in equity covers capital restructuring, bonus, dividend and other related issues.

2. Of late, some instances have come to light where Administrative Departments have initiated proposals pertaining to revision of the capital structure of some CPSEs without consulting DIPAM. Any such proposal needs to be examined from a perspective of protecting shareholders' value, that is, Government of India and other minority shareholders, and the response that capital markets may have which would eventually affect market capitalisation of the company.

3. Under the Government of India (Allocation of Business) Rules, 1961 Amendment series no.323 dated 14.4.2016 and Amendment series no.330 dated 16.1.2017, CPSE Equity is a subject-matter of Ministry of Finance (DIPAM). All proposals of CPSEs/Administrative Departments that have a bearing on capital structure or networth of a CPSE e.g. issue of bonus/rights shares or bonus debentures, merger or demerger, formation of a subsidiary or an associate company, payment of dividend, etc. are required to be referred to DIPAM for prior consultation/consent.

4. Administrative Ministries /Departments are requested to advise the CPSEs through the Government nominee Directors or otherwise to ensure prior consultation/consent of DIPAM on all matters relating to their capital restructuring, buyback, payment of dividend or for any proposal that has a bearing on networth of the CPSE and comply with Guidelines dated 27.5.2016 on Capital Restructuring of CPSEs laid down by DIPAM. Administrative Ministries/Departments are also advised to similarly consult DIPAM by sending a note before moving any proposal for CCEA on the above matters, containing, *inter alia*, the background, advantages, mode of funding, impact on capital structure of CPSE, etc.

5. Administrative Ministries are also advised to instruct the CPSEs under their administrative control not to enter into agreements that in future restricts any capital restructuring. If at all, there is any such covenant proposed by lenders then prior approval of DIPAM should be obtained. Based on the above, approval of the competent authority will be taken by DIPAM or administrative authority, accordingly.

6. This issues with the approval of Hon'ble Finance Minister.

Sd/-

(Suresh Pentakota)
Director
Tel:-24368521

To,

- 1. Secretaries to Government of India (as per list enclosed)
- 2. Financial Advisers of Administrative Ministries/Departments
(as per list enclosed).

✓ Copy to : Ms. Rachna Shah, Joint Secretary, Cabinet Secretariat, Rashtrapati Bhawan, New Delhi.

P. Jhu 26/12/2018
(Suresh Pentakota)
Director

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