

INDUCTION MATERIAL

I. Department of Investment and Public Asset Management

- The Department of Disinvestment was set up as a separate Department on 10th December, 1999 and was later renamed as Ministry of Disinvestment from 6th September, 2001. From 27th May, 2004, the Department of Disinvestment is one of the Departments under the Ministry of Finance. The Department of Disinvestment has been re-named as Department of Investment and Public Asset Management (DIPAM) with effect from 14th April, 2016.

II. Mandate

- DIPAM has Mandate on all matters relating to Central Public Sector Undertakings (CPSUs) for, -
 - (A) Management of Central Government investments in equity including disinvestment in CPSUs.
 - (B) Sale of Central Government equity through, -
 - i. Minority stake sale by various modes such as Offer for Sale (OFS), Initial Public Offer (IPO), Exchange-traded Fund (ETF), or private placement or,
 - ii. Strategic disinvestment- sale of entire or substantial Government shareholding of a CPSE along with transfer of management control
 - (C) Capital Management of CPSEs- bonus shares, dividends, buyback, etc.
 - (D) Advising Govt. in matters of financial restructuring of the CPSES and for attracting investment in CPSEs through capital market.

III. Disinvestment performance (FY 2014-15 to FY 2023-24)

- During the 10 years period (FY 2014-15 to FY 2023-24), an amount of Rs. 4.28 lakh crore has been realized as proceeds from disinvestment through 172 transactions using various modes/instruments as on 16.04.2024.

Disinvestment targets and receipts

Rs. In crore

| Year | Target (Rs. In Crore) | Actual Receipts (Rs. In Crore) | No. of Transactions |
|--------------|--|---|--------------------------------|
| 2014-15 | 26,353 | 24,349 | 8 |
| 2015-16 | 25,314 | 23,997 | 9 |
| 2016-17 | 45,500 | 46,246 | 21 |
| 2017-18 | 1,00,000 | 1,00,037 | 36 |
| 2018-19 | 80,000 | 84,972 | 28 |
| 2019- 20 | 65,000 | 50,300 | 15 |
| 2020-21 | 32,000 | 32,886 | 19 |
| 2021-22 | 78,000 | 13,534 | 11 |
| 2022-23 | 50,000 | 35,294 | 10 |
| 2023-24 | There is no specific estimate for disinvestment in 2023-24 RE | 16,507 | 15 |
| Total | | 4,28,122 | 172 |

* As on 16/04/2024

IV. Disinvestment Policy

- Government policy on disinvestment consists of (i) strategic disinvestment/privatization and (ii) minority stake sale in CPSEs.
- “**Strategic Disinvestment**” implies entire or substantial sale of Government shareholding of a CPSE along with transfer of management control. In case of **Privatization**, which is a sub-set of strategic disinvestments, the Government equity in CPSE and its management control is transferred to a private strategic buyer(s) and in other cases of strategic disinvestment, the Govt. equity is transferred to another CPSE along with control.
- “**Minority stake sale**” in certain CPSEs are carried out without transfer of management control through various SEBI-approved methods like Initial Public Offer (IPO), Offer for Sale (OFS), Buyback of shares etc. These methods play important role in strengthening the capital market through (a) increasing the float of well performing CPSEs (b) providing opportunity to retail investors to participate in an extended range of stocks and (c) increasing liquidity and depth of the capital market.
- The **New Public Sector Enterprise (“PSE”) Policy** for AtmaNirbhar Bharat, which also provides overall guidance on strategic disinvestment, was notified on 4th February, 2021 (Annexure I) with the approval of Cabinet. The policy intends to minimize the presence of Government in the PSEs across all sectors of economy.
- The New PSE policy delineates four Strategic sectors based on the criteria of national security, energy security, critical infrastructure, provision of financial services and availability of important minerals. Bare minimum presence of the existing public sector commercial enterprises at Holding Company level will be retained under Government control in the strategic sectors. The remaining will be considered for privatization or merger or subsidiarization with another PSE or for closure. All PSEs in non-strategic sectors shall be considered for privatization, where feasible, otherwise such enterprises shall be considered for closure. However, the policy does not apply to certain classes of public sector entities such as Not-for-profit companies, or CPSEs providing support to vulnerable groups, or having developmental/promotional roles etc.
- The Department of Public Enterprises has prepared guidelines (13 December 2021) to operationalize the New Public Sector Enterprise policy which inter-alia provides for the identification of the CPSEs either for closure or privatization in the non-

strategic sectors in consultation with the concerned Administrative Ministries/Departments, NITI Aayog, Department of Expenditure and DIPAM.

- The Cabinet, in its meeting held on 18.05.2022 had given approval for empowering the Board of Directors of the Public Sector Enterprises (PSEs) to recommend and undertake the transactions for Disinvestment (both strategic disinvestment and minority stake sale) or closure of any of their subsidiaries or units or sale of stake in JVs. It was also approved that based on proposal of Board of CPSE and Administrative Ministry, DIPAM will obtain an " in-principle" approval of Alternative Mechanism. Thereafter, the Board of CPSEs can undertake the process of disinvestment or closure of subsidiaries/units/JVs based on DIPAM or DPE guidelines.

V. Methods of Disinvestment

- **Initial public offer (IPO):** When an unlisted company makes either a fresh issue of shares or convertible securities or offers its existing shares or convertible securities for sale or both for the first time to the public, it is called an IPO. This paves way for listing and trading of the issuer's shares or convertible securities on the Stock Exchanges.
- **Further public offer (FPO):** When an already listed company makes either a fresh issue of shares or convertible securities to the public or an offer for sale to the public, it is called FPO.
- **Offer for sale (OFS)** is a simpler method of sale of shares through the exchange platform for listed companies. The mechanism was first introduced by SEBI in 2012, to make it easier for promoters of publicly-traded companies to cut their holdings and comply with the minimum public shareholding (MPS) norms. The method was largely adopted by listed companies, both state-run and private, to adhere to the SEBI norms of minimum public shareholding. Government has often used this route to divest its shareholding in CPSEs to achieve MPS and further dilution beyond MPS. However, Government is competent to extend time for achieving MPS for Public Sector under Rule 19 A of SCRR, 1957. Salient features of OFS are as under:
 - a. simple to execute
 - b. market-driven
 - c. Govt. continues to retain management control
 - d. Cost-effective
 - e. Time efficient (completed in 2 trading days)

f. Transparent allocation based on price-parity basis.

- **Buyback of Shares:** Buyback is the repurchase by a company of its shares from the existing shareholders that reduces the number of its shares in the open market. Companies buy back their shares for a number of reasons: (i) To increase the value of shares held by promoters. (ii) To eliminate any threats by minority shareholders who may be looking for a controlling stake. (iii) For CPSEs, buyback is a tool for Govt. of India to disinvest the equity held by GoI in CPSEs and to make proper utilization of idle cash left with CPSEs. As per DIPAM guidelines dated 27.05.2016 the criteria for identifying potential buyback cases (subject, of course, to specific circumstances of each case) are as under:

(a) CPSE with net worth of Rs. 2,000 crore and cash and bank balance of Rs. 1,000 crore should consider for buyback.

(b) Other CPSEs may also go for buyback, based on the merits of each case. It's the CPSE Board which has to initiate for the Buyback and DIAPM has no role in decision for Buyback on behalf of the CPSE. GoI may or may not participate in buyback offer of the CPSE Board. If GoI, being the majority shareholders of the CPSE, intends to participate in the buyback, then DIPAM seeks Alternative Mechanism (AM) approval on HLC recommendations for subscribing to the buyback offer.

- **Exchange Traded Funds:** An ETF is a basket of stocks that reflects the composition of an Index, like Nifty-50 or BSE Sensex. Govt. introduced ETF as a method of disinvestment of CPSEs in 2014 by launching CPSE-ETF comprising of 10 CPSEs (with 67% weight in favour of energy sectors). Later another ETF, i.e. Bharat-22 was launched in 2017 comprising of 16 CPSEs, 3 PSBs and 3 private sector companies (where SUUTI had stake).

VI. Disinvestment Achievements in 2023-24

a) Initial Public/Further Offer (IPO/FPO)

Public Offer: When an issue / offer of shares or convertible securities is made to new investors for becoming part of shareholders' family of the issuer, it is called a 'public issue'. Public issue can be further classified into Initial public offer (IPO) and further public offer (FPO).

Achievements: Listing of IREDA in November 2023 yielded an amount of Rs. 858.36 crore.

b) Offer for Sale (OFS)

Offer for sale (OFS) is a simpler method of share sale through the exchange platform for listed companies. The mechanism was first introduced by SEBI in 2012, to make it easier for promoters of publicly-traded companies to cut their holdings and comply with the minimum public shareholding norms by June 2013. The method was largely adopted by listed companies, both state-run and private, to adhere to the SEBI norms of minimum public shareholding. Government often used this route to divest its shareholding in CPSEs.

Achievements: OFS transactions carried out in Coal India Limited, RVNL, SJVN, HUDCO, IRCON, NHPC, NLC Limited and HAL (Employee OFS) in F.Y. 2023-24 yielded Rs.13,770.13 crore.

In HUDCO 0.17% of GoI Shares were sold through open market sale to achieve MPS norms as per SEBI Guidelines which yielded receipts of Rs. 68.47 Cr. During this year, RVNL, NLCIL and HUDCO have achieved Minimum Public Shareholding (MPS) norms prescribed by SEBI.

The CCEA on 25.05.2022 has approved DIPAM's proposal for stake sale of Governments residual (29.54 %) in Hindustan Zinc Limited (HZL) through SEBI approved methods in the open market. Thereafter, DIPAM has appointed Merchant Bankers (MBs) and Legal Adviser (LA) to undertake the transaction of stake sale in HZL. During current financial year, Roadshows were conducted on 12th and 13th March, 2024 at Mumbai with domestic investors along with the Merchant Bankers.

c) Other Transactions

In F.Y. 2023-24, Remittance from SUUTI yielded Rs. 1810.33.

Disinvestment Receipts in FY 2023-24

(Rs. In crores)

| S. No | Name of CPSEs | Method of Disinvestment | Receipts (in Rs. Crore) |
|--------------|---|--------------------------------|--------------------------------|
| 1 | Others (Remittance from SUUTI) | OTHERS | 1810.33 |
| 2 | HAL | EMP OFS | 9.30 |
| 3 | COAL INDIA LTD. | OFS | 4185.31 |
| 4 | COAL INDIA LTD. | EMP OFS | 0.38 |
| 5 | RAIL VIKAS NIGAM LTD. | OFS | 1365.61 |
| 6 | SJVN LTD. | OFS | 1348.47 |
| 7 | SJVN LTD. | EMP OFS | 0.8 |
| 8 | HOUSING & URBAN DEV. CORPN. LTD. | OFS | 1049.95 |
| 9 | INDIAN RENEWABLE ENERGY DEVELOPMENT AGENCY LTD. | IPO | 858.36 |
| 10 | IRCON INTERNATIONAL LTD. | OFS | 1191.13 |
| 11 | IRCON INTERNATIONAL LTD. | EMP OFS | 2.09 |
| 12 | NHPC LTD. | OFS | 2452.59 |
| 13 | NHPC LTD. | EMP OFS | 35.86 |
| 14 | HOUSING & URBAN DEV. CORPN. LTD. | Open Market Sale | 68.47 |
| 15 | NLC INDIA LTD. | OFS | 2128.64 |
| Total | | | 16507.29 |

VII. Capital Management of CPSEs

- Apart from scaling up of divestment efforts, in terms of both minority stake sale and strategic disinvestment, Government has made a paradigm shift in the capital management of CPSEs as part of a conscious strategy to manage government investment in CPSEs, and to enable companies to address critical, inter-linked issues such as leveraging of assets for fresh investment, capital restructuring, and financial restructuring. Comprehensive guidelines have been laid out by DIPAM for capital restructuring of CPSEs through a consistent dividend policy, ensuring buyback of shares, issue of bonus shares and splitting of shares. This has encouraged companies to leverage net-worth for higher investment and use funds judiciously and in a focused manner.
- Consistent Dividend Policy framed: Consistent Dividend Policy was framed by DIPAM in November 2020 for ensuring predictability in dividend payment by companies. A predictable dividend regime helps to revive investor interest and improve market sentiments for CPSE stocks as predictability in regular dividend payment also attracts quality investors to CPSE stocks and retain them in the hope of a future dividend. Government also gets predictable and periodic dividends as interim dividend. This has encouraged investors to invest in CPSE stocks.
- Investment of Surplus Funds: The Guidelines for Investment of Surplus Funds of CPSEs were revised and issued by DIPAM in F.Y. 2022-23.

VIII. Bharat Bond ETF

Bharat Bond ETF comprising of AAA rated CPSEs, was launched in December 2019 which was the first instrument of its kind based on high-quality public-sector bonds. So far, four Tranches were launched and Govt realized Rs. 32,400 crore. All these tranches received huge response from all sections of investors especially retail investors. Bharat Bond ETF has given opportunity to retail investors to access bonds with smaller amount (as low as Rs. 1,000) while helping CPSEs to mobilize debt at reduced cost. Bharat Bond ETF also helped in deepening the bond market. Asset Under Management (AUM) for the Bond ETF market has grown to Rs. 70,652 crore (as on Feb, 2024) out of which about 85% is accounted for Bharat Bond ETF (around Rs 60,064 crore).

IX. Asset Monetization (Non-core land of CPSEs)

The Alternative Mechanism in October 2020 decided that assets having a value of Rs 100 crore and above would be monetized by DIPAM and assets below the value of Rs 100 crore would be monetized by the concerned Administrative Ministry/Custodian of Enemy Property/CPSE following their extant sale process. However, the work related to enemy properties and assets monetization was subsequently transferred on 21 March 2022 to the Department of Public Enterprises.

X. Sale of Enemy Property

Cabinet in its meeting on 8th November, 2018 approved the procedure and mechanism for disposal of Enemy Shares, which is also being handled by DIPAM. As per the enemy shares provided by CEPI MHA, more than 99.4% shares have been sold. As on date, total shares of value of Rs. 2709.15 crore have been sold and the proceeds have come back to GoI.

A significant part of the balance 0.6% of shares pending for disposal are of shares of unlisted companies. A separate methodology for sale of these shares as recommended by HLC was approved by AM on 01.10.2023. Accordingly, for inviting bids from the interested bidders for the sale of these shares an advertisement was published in the newspapers. The bids so received were scrutinized by an Inter-Ministerial Committee w.r.t the financial evaluation and handed over to TA for further necessary action. At present TA is in the process of collection of bid amount from the eligible bidders and will transfer shares in the account of the eligible bidders in consultation with CEPI.

XI. Dividend Payments by CPSEs

- The work related to dividends has been transferred from Department of Economic Affairs to DIPAM from Financial Year 2020-21 onwards. Accordingly, an Inter-Ministerial Committee namely Committee for monitoring of Capital Management and Dividend in CPSEs (CMCDC) for discussing/approving proposals relating to capital management/restructuring and dividend payouts, including exemption proposals of CPSEs has been set up. An advisory regarding Consistent Dividend Policy for ensuring predictability in dividend payments by CPSEs issued.
- Total dividend receipts from CPSEs in FY 2023-24 stood at Rs 63749 crore, which exceeds the Revised Estimate (RE) of Rs 50,000 crore, and is more than actual dividend receipts (Rs 59,533 crore) during the previous financial year.

Actual Dividend receipts vis-a-vis Target from CPSEs & other investments

| Year | (Rs. In Crore) |
|------|----------------|
|------|----------------|

| | Target | Actual |
|---------|---------------|---------------|
| 2015-16 | 44,366 | 30,616 |
| 2016-17 | 77,051 | 51,852 |
| 2017-18 | 54,810 | 46,499 |
| 2018-19 | 45,124 | 43,052 |
| 2019-20 | 48,256 | 35,543 |
| 2020-21 | 34,717 | 39,750 |
| 2021-22 | 46,000 | 59,294 |
| 2022-23 | 43,000 | 59,533 |
| 2023-24 | 50,000 | 63,749 |

XII. Value creation in CPSEs

- Government has endeavored to create value in CPSEs through balanced capital management policy (based on consistent dividend payout policy, buyback of shares, bonus shares and splitting of shares) and planning disinvestment transactions at right price and right time only without value erosion. Prudent policies and initiatives have seen market cap of CPSE stocks rise significantly over the last 2-3 years, which has increased the wealth of investors holding the stocks.
- In the past one year while the SENSEX and Nifty 50 increased by 21.46% and 24.93% respectively, the BSE CPSE index and NSE CPSE index rose by 109.60% and 101.31% respectively (as on 15.04.2024).

- Similarly, during the last 2 years, the BSE CPSE and NSE CPSE indices rose by 115.76% and 124.26% respectively in comparison to SENSEX and Nifty 50 which rose by 25.82% and 27.45% respectively (as on 15.04.2024).
- During the last 3 years, the SENSEX and Nifty 50 witnessed rise of 51.20% and 53.55% respectively while BSE CPSE and NSE CPSE indices rose by 200.74% and 249.59% respectively (as on 15.04.2024).
- M-Cap of Listed 62 CPSEs as on 15.04.2024 stands at Rs. 37.49 lakh crore and that of 16 listed PSBs and PSICs stands at 24.10 lakh crore.

XII Budget Allocation (Demand No. 34)

The Department of Investment and Public Asset Management (DIPAM) has no plan or non-plan scheme. The entire budget of the Department (Demand No. 34) is under non-plan for Secretariat General Services covering the establishment budget for the Department of Investment & Public Asset Management. BE 2023-24, RE 2023-24 and BE 2024-25 are Rs.94.92 crore, Rs.60.03 crore and Rs.49.74 crore respectively.

Details of Sanctioned Strength of DIPAM as on 22.04.2024

| o No. | Name of the Post | Cadre | No. of Sanctioned Post | In-position | Vacancy |
|-------|---|-------------------------|------------------------|--------------------|---------|
| 1. | Secretary | Central Staffing Scheme | 1 | 1 | 0 |
| 2. | Additional Secretary | Central Staffing Scheme | 0 | 1# | 0 |
| 3. | Joint Secretary | Central Staffing Scheme | 4 | 2 | 1 |
| | | CSS in SITU | 0 | 1^ | 0 |
| 4. | Economic Adviser | IES | 1 | 1 | 0 |
| 5. | Adviser Cost | ICoAS | 1 | 1 | 0 |
| 6. | Director/ Deputy Secretary/Joint Director | Central Staffing Scheme | 6+10 | 5 | 11 |
| | | CSS | 5 | 4^ | 0^ |
| | | IES | 3 | 2 | 1 |
| 7. | Under Secretary | CSS | 10 | 9 | 1 |
| 8. | PSO/Sr. PPS | CSSS | 1 | 1 | 0 |
| 9. | DD | IES | 3 | 1 ^s | 1 |
| 10. | PPS | CSSS | 2 | 6 ^{&} | 0 |
| 11. | AD(OL) | OL | 1 | 0 | 1 |
| 12. | AD | IES | 3 | 2 ^{\$} | 2 |
| 13. | Section Officer | CSS | 5 | 6 [%] | -1% |
| 14. | PS | CSSS | 9 | 0 ^{&} | 5 |
| 15. | ASO | CSS | 12 | 11 | 1 |
| 16. | Steno Grade 'C' | CSSS | 5 | 1 | 4 |
| 17. | Sr. Translation Officer | OL | 1 | 1 | 0 |
| 18. | Jr. Translation Officer | OL | 1 | 1 | 0 |
| 19. | Steno Grade 'D' | CSSS | 3 | 3 | 0 |
| 20. | Staff Car Driver | CSCS | 2 | 2 | 0 |
| 21. | MTS | CSCS | 9 | 7 | 2 |

| | | | | |
|--------------|--|-----------|-----------|-----------|
| TOTAL | | 98 | 69 | 29 |
|--------------|--|-----------|-----------|-----------|

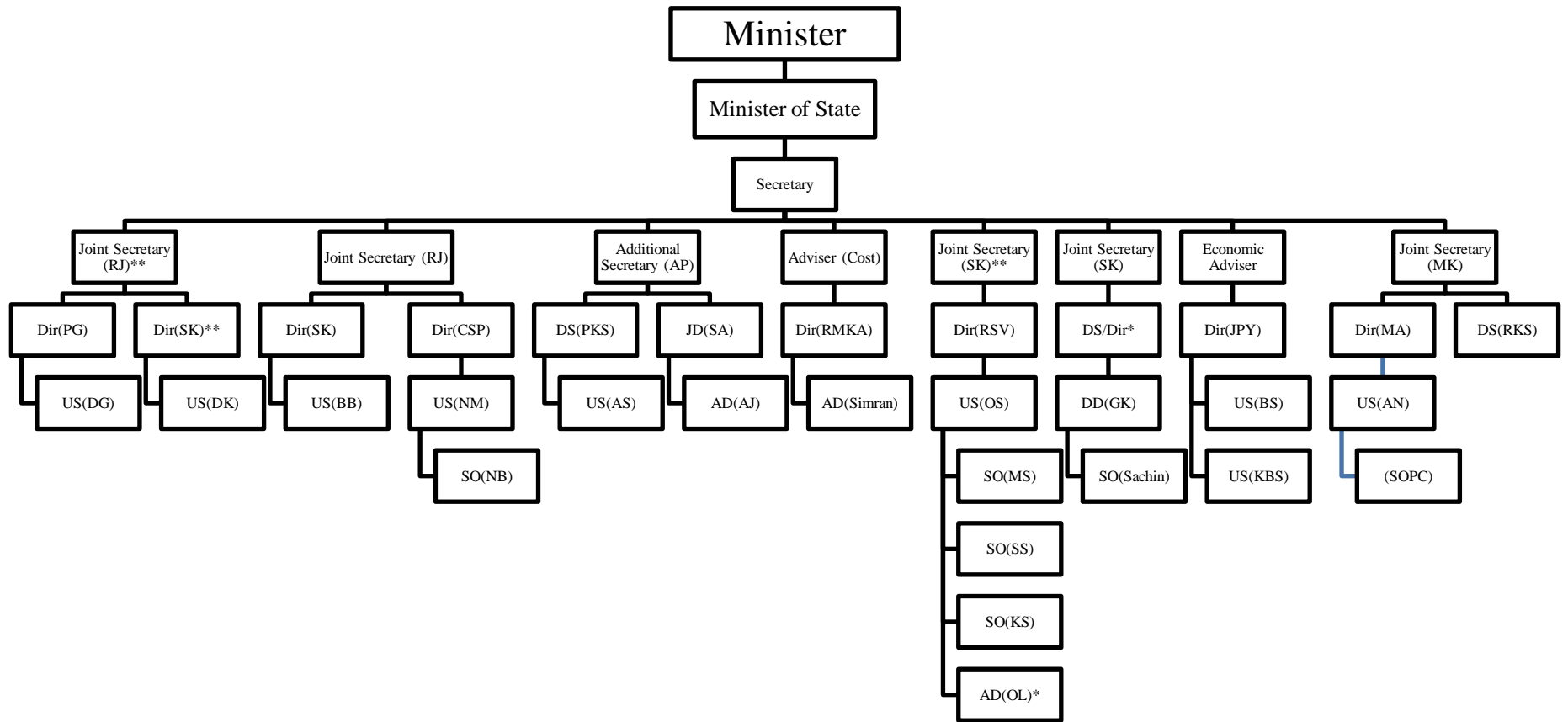
#1 Additional Secretary has been posted by temporarily upgrading the post of Joint Secretary

^1 Joint Secretary has been posted by temporarily upgrading the post of Director as a measure personal to the Officer.

\$ 1AD has been posted against the Post of DD.

& 4 PPS have been posted against 4 posts of PS.

% 3 ASOs have been promoted recently



* Vacant Posts.

** Officers with additional charges.
