

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

Block No.14, CGO Complex,  
Lodhi Road, New Delhi-110003

Dated: 18<sup>th</sup> November, 2024

**OFFICE MEMORANDUM**

**Subject: Revised Guidelines on Capital Restructuring of Central Public Sector Enterprises (CPSEs)-regarding.**

Comprehensive Guidelines on Capital Restructuring of Central Public Sector Enterprises (CPSEs) were issued by DIPAM on 27<sup>th</sup> May, 2016 to enable CPSEs to address the critical interlinked issues such as leveraging of assets for fresh investment, capital restructuring, financial restructuring and such other matters. The Guidelines stipulate eligibility conditions for CPSEs for payment of dividend, buy-back of shares, issue of bonus shares and splitting of shares.

2. A need was felt to holistically review the Guidelines so that the policy can be aligned to reflect the evolution in the capital market conditions and financial/capital restructuring of the CPSEs. Proposals were also received from some CPSEs/Administrative Ministries and Departments to modify some of the provisions of the extant Guidelines *inter-alia* in view of the changes in market conditions, company financials, requirement of operational flexibility and others.

3. Accordingly, after due deliberations and consultations with stakeholders, it has now been decided to modify certain provisions of the existing Guidelines on Capital Restructuring of Central Public Sector Enterprises (CPSEs). The Revised Guidelines on Capital Restructuring of Central Public Sector Enterprises (CPSEs) are enclosed. This is in supersession of Guidelines on Capital Restructuring of Central Public Sector Enterprises (CPSEs) issued by DIPAM vide OM No. 5/2/2016-Policy dated 27<sup>th</sup> May, 2016.

4. The Administrative Ministries/Departments are requested to take necessary action for compliance of the above guidelines by CPSEs under their respective administrative control. A copy of the Guidelines has also been uploaded on official website of DIPAM at <https://dipam.gov.in>.

5. These guidelines are issued with the approval of the Finance Minister.

  
18/11/2024  
(Dr. Alok Pande)

Additional Secretary to the Government of India  
Ph: 011-24368044

**Encl.: As above**

To

1. Secretaries to the Ministries/Departments of Government of India (As per List enclosed)
2. CMDs of CPSEs (As per List enclosed)

## Mailing List

1. **M/o Agriculture & Farmers Welfare**
  - (i) Secretary, D/o Agriculture & Farmers Welfare
  - (ii) Secretary, D/o Agricultural Research & Education
2. **Secretary, M/o AYUSH**
3. **Secretary, D/o Atomic Energy**
4. **M/o Chemicals & Fertilizers**
  - (i) Secretary, D/o Chemicals and Petrochemicals
  - (ii) Secretary, D/o Fertilizers
  - (iii) Secretary, D/o Pharmaceuticals
5. **Secretary, M/o Civil Aviation**
6. **Secretary, M/o Coal**
7. **M/o Commerce & Industry**
  - (i) Secretary, D/o Commerce
  - (ii) Secretary, D/o Promotion of Industry & Internal Trade
8. **M/o Communication**
  - (i) Secretary, D/o Posts
  - (ii) Secretary, D/o Telecommunications
9. **M/o Consumer Affairs, Food & Public Distribution**
  - (i) Secretary, D/o Consumer Affairs
  - (ii) Secretary, D/o Food & Public Distribution
10. **Secretary, M/o Cooperation**
11. **Secretary, M/o Corporate Affairs**
12. **Secretary, M/o Culture**
13. **M/o Defence**
  - (i) Secretary, D/o Defence
  - (ii) Secretary, D/o Defence Production
  - (iii) Secretary, D/o Defence Research & Development
  - (iv) Secretary, D/o Ex- Servicemen Welfare
14. **Secretary, M/o Development of North Eastern Region**
15. **Secretary, M/o Earth Sciences**
16. **M/o Education**
  - (i) Secretary, D/o Higher Education
  - (ii) Secretary, D/o School Education & Literacy
17. **Secretary, M/o Electronics & Information Technology**
18. **Secretary, M/o Environment, Forest & Climate Change**
19. **Secretary, M/o External Affairs**
20. **M/o Finance**
  - (i) Secretary, D/o Economic Affairs
  - (ii) Secretary, D/o Expenditure
  - (iii) Secretary, D/o Public Enterprises
  - (iv) Secretary, D/o Revenue
  - (v) Secretary, D/o Financial Services
21. **M/o Fisheries, Animal Husbandry & Dairying**
  - (i) Secretary, D/o Animal Husbandry & Dairying
  - (ii) Secretary, D/o Fisheries
22. **Secretary, M/o Food Processing Industries**
23. **M/o Health & Family Welfare**
  - (i) Secretary, D/o Health & Family Welfare
  - (ii) Secretary, D/o Health Research
24. **Secretary, M/o Heavy Industries**

25. **Secretary, M/o Home Affairs**
26. **Secretary, M/o Housing & Urban Affairs**
27. **Secretary, M/o Information & Broadcasting**
28. **M/o Jal Shakti**
  - (i) Secretary, D/o Drinking Water & Sanitation
  - (ii) Secretary, D/o Water Resources, River Development & Ganga Rejuvenation
29. **Secretary, M/o Labour & Employment**
30. **M/o Law & Justice**
  - (i) Secretary, D/o Justice
  - (ii) Secretary, D/o Legal Affairs
  - (iii) Secretary, D/o Legislative Department
31. **Secretary, M/o Micro, Small & Medium Enterprises**
32. **Secretary, M/o Mines**
33. **Secretary, M/o Minority Affairs**
34. **Secretary, M/o New & Renewable Energy**
35. **Secretary, M/o Panchayati Raj**
36. **Secretary, M/o Parliamentary Affairs**
37. **M/o Personnel, Public Grievances & Pensions**
  - (i) Secretary, D/o Personnel & Training
  - (ii) Secretary, D/o Administrative Reforms & PG
  - (iii) Secretary, D/o Pension & Pensioners Welfare
38. **Secretary, M/o Petroleum & Natural Gas**
39. **Secretary, M/o Ports, Shipping & Waterways**
40. **Secretary, M/o Power**
41. **Secretary, M/o Railways**
42. **Secretary, M/o Road Transport & Highways**
43. **M/o Rural Development**
  - (i) Secretary, D/o Land Resources
  - (ii) Secretary, D/o Rural Development
44. **M/o Science & Technology**
  - (i) Secretary, D/o Bio-Technology
  - (ii) Secretary, D/o Science & Technology
  - (iii) Secretary, D/o Scientific & Industrial Research
45. **Secretary, M/o Skill Development & Entrepreneurship**
46. **M/o Social Justice & Empowerment**
  - (i) Secretary, D/o Empowerment of Persons with Disabilities
  - (ii) Secretary, D/o Social Justice & Empowerment
47. **Secretary, M/o Statistics & Programme Implementation**
48. **Secretary, M/o Steel**
49. **Secretary, M/o Textiles**
50. **Secretary, M/o Tourism**
51. **Secretary, M/o Tribal Affairs**
52. **Secretary, M/o Women & Child Development**
53. **M/o Youth Affairs & Sports**
  - (i) Secretary, D/o Sports
  - (ii) Secretary, D/o Youth Affairs
54. **Secretary, D/o Space**

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

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**Subject: Revised Guidelines on Capital Restructuring of Central Public Sector Enterprises -Reg.**

**1. Background**

1.1 Since 2015-16, the Government has focused on prudent and efficient capital management of CPSEs with a view to enable companies to address critical, inter-linked issues such as leveraging of assets for fresh investment, capital restructuring, and financial restructuring. A Comprehensive guideline was laid down by DIPAM in 2016 (OM No 5/2/2016-Policy dated 27.5.2016) for capital restructuring of CPSEs outlining conditions for CPSEs for payment of dividend, buy-back of shares, issue of bonus shares and splitting of shares etc. The main objective of the guideline is to ensure optimal utilization of funds/resources by CPSEs. Advisories and clarifications have also been issued by the Department from time to time on certain specific aspects of the Guidelines.

1.2 The Government seeks to emphasize on creating value in the CPSEs in order to maximise returns for the Government and other shareholders. Value creation in the CPSEs is being prioritised through a balanced policy of capital management of CPSEs based on dividend pay-outs, buy-back, bonus shares, splitting of shares and improving the performance and efficiency of the CPSEs with reference to key parameters such as CAPEX, EBIDTA, Return on net-worth or Return on Capital Employed, Asset Turnover Ratio, and other financial ratios.

1.3 Against this backdrop, it was decided to holistically review the extant Guidelines on capital restructuring of CPSEs so that the policy can be aligned to reflect the evolution in the capital market conditions, regulatory and sectoral changes, and need for flexibility for CPSEs to undertake financial/capital restructuring. Accordingly, in supersession of Guidelines on Capital Restructuring of CPSEs issued

vide OM No 5/2/2016-Policy dated 27.05.2016, and subsequent advisories<sup>1</sup> issued on certain aspects of the Guidelines, the following Consolidated Guidelines on general principles and mechanism for Capital Restructuring of CPSEs are issued as below:

## **2. Objectives of the revised Guidelines**

- i. To enhance value of the CPSE and total returns for the shareholders
- ii. To improve performance and efficiency of CPSEs by providing them more operational and financial flexibility
- iii. Enable CPSEs to play effective role in economic growth of the country
- iv. Enable more investors to participate in value creation by CPSEs

## **3. Discussions and Exemptions:**

3.1 All issues regarding capital management/restructuring of CPSEs will be discussed in the Inter-Ministerial forum called Committee for Monitoring of Capital Management and Dividend by CPSEs (CMCDC) chaired by Secretary DIPAM. Composition of the CMCDC is placed at **Annexure**. In case, any CPSE is not able to comply with any of the above guidelines, specific exemption needs to be obtained from DIPAM, Ministry of Finance, Government of India through their Administrative Ministry/Department in the same financial year. It has been observed that some Ministries seek such exemptions on a post -facto basis, thereby presenting CMCDC with a fait-accompli. Such practices should not be followed. The Administrative Ministry will ensure the compliance of these guidelines and refer proposals for exemption(s) to the DIPAM alongwith their opinion/comments and concurrence of the Financial Adviser in the matter.

## **4. Applicability:**

4.1 These guidelines apply to corporate bodies where Government of India and/or Government controlled one or more body corporate have controlling interest except those which are excluded in para 4.2 [hereinafter would be referred to as Central

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<sup>1</sup> OM No 5/2/2016-Policy (Vol III) dated 18.10.2023, OM No 5/2/2020-Policy dated 9.11.2020, OM No 5/2/2016-Policy (Vol III) dated 9.10.2023, OM No 7/13/2018-Policy dated 18.1.2023

Public Sector Enterprises (CPSEs) for these guidelines], except those which are excluded in para 4.2.

4.1.1 Body corporate shall include an entity 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 corporate controlled by Government of India.

4.2 These guidelines do not apply to public sector banks, public sector insurance companies and also to the body corporate which is prohibited from distribution of profits to its members, e.g. companies set up under section 8 of the Companies Act, 2013 or under extant provisions of any other Act or if the body corporate is under closure or liquidation proceedings, or any other entity specifically exempted by DIPAM.

4.3 The guidelines shall be applicable from the current financial year 2024-25. It is clarified that for dividend payout decisions, current year financials are considered whereas for buyback, bonus shares and splitting of shares, financials of previous year are taken into account.

4.4 CPSEs shall ensure compliance of these guidelines by taking up this matter as an agenda item along with a compliance note in the Board meeting of the company convened for finalization and approval of its annual account. Requisite approval of shareholders/members shall be obtained in the AGM/EGM to be held immediately thereafter.

## **5. Payment of Dividend:**

5.1 Dividend from CPSEs form an important component of non-tax receipts. In supersession of earlier guidelines, **every CPSE would pay minimum annual dividend of 30% of PAT or 4% of the net-worth, whichever is higher subject to the limit, if any, under any extant legal provision. Financial sector CPSEs like NBFCs may pay minimum annual dividend of 30% of PAT subject to the limit, if any, under any extant legal provisions.**

5.2 The minimum dividend as indicated in para 5.1 above is only a minimum benchmark. CPSEs are advised to strive paying higher dividend taking into account relevant factors such as profitability, capex requirements with due leveraging, cash reserves and net worth.

5.3 It may be mentioned here that a predictable and staggered dividend regime would enable CPSEs to avoid end-loading of annual payments by freeing up resources payable during the last quarter. Payment of dividend at regular intervals helps to revive investor interest and improve market sentiment for CPSE stocks, as regular dividend attracts investors to CPSE stocks and retain them in the hope of a future dividend. Government also get predictable and periodic dividend as interim dividend before the Budget Estimate (BE) is firmed up. In view of the above, DIPAM had framed, in November 2020 a consistent dividend policy for the CPSEs to ensure a predictable dividend revenue stream throughout the year.

5.4 CPSEs are expected to follow a consistent dividend policy as suggested above. Further, bunching of interim dividend payouts by listed CPSEs in February-March may compete with their cash availability for year-end payments to suppliers as well as towards advance tax. In view of this, these CPSEs may consider paying interim dividend every quarter after quarterly results, or at least twice a year. Only listed companies which do not have the possibility of dividend payout as per the minimum prescribed are advised to consider paying interim dividend annually, with the declaration of second quarter (Q2) results. Further, all listed CPSEs should consider paying at least 90% of projected annual dividend, in one or more instalments as explained above, as Interim dividend. The final dividend of last FY may be paid soon

after the AGM is over in September of every year in cases where the interim dividend has not been already paid out fully during the last FY and there is a balance to be paid out as final dividend

5.5 Unlisted CPSEs may pay dividend once in a year as final dividend based on previous year Audited financials.

## 6. **Buyback of shares:**

6.1 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. CPSEs may consider buyback of their shares to make proper utilization of idle cash and to improve investors' confidence in the company which is likely to help the company to raise capital in future when it requires funds for expansion/ diversification for growth. In order to make the use of idle cash lying with CPSEs and for improving the Earning per share, buyback has proved to be an effective tool.

6.2 In supersession of earlier guidelines, **CPSE, whose market price of the share is less than the book value consistently for the last six months, and having net-worth of atleast Rs. 3000 crore and cash & bank balance of over Rs. 1500 crore may consider the option to buy-back their shares.** It is clarified that Cash and bank balances of some CPSEs may be high due to receipt of advance and milestone payments. Therefore, cash and bank balances for the purpose of buyback, shall mean *own cash* i.e. cash holdings minus the advances received from clients for project work. For assessing the net worth of a CPSE, general Reserves and Surplus plus paid-up share capital of the CPSE are required to be used.

6.3 CPSEs should look into and analyse/ deliberate in the first Board meeting after the closure of the financial year, the following parameters for the purpose of buyback:

- (i) Cash and Bank balance;
- (ii) Capital Expenditure and business expansion as committed with reference to the CAPEX incurred in the last 3 years;
- (iii) Net-worth [Free reserves and paid-up capital, including other reserves (if any)];

- (iv) Long term borrowing and further capacity to borrow on the basis of its 'Net worth';
- (v) Any other financial commitments in the near future;
- (vi) Business/other receivables and contingent liabilities, if any; and
- (vii) Market price/book value of share.

6.4 If buyback is not considered desirable for a CPSE with excess cash, but no committed expenditure, company may consider paying higher or special dividend to the shareholders.

## **7. Issue of Bonus Shares:**

7.1 The Government has from time to time underlined the desirability that CPSEs should capitalize a portion of their large reserves by issuing bonus shares to the existing shareholders. Bonus shares provide investors with additional shares which increase their appetite for future investments in the company. Bonus shares increase the number of outstanding shares in the market. This can enhance liquidity and marketability by making the shares more affordable and attractive to a broader range of investors.

7.2 In supersession of all guidelines issued earlier, **every CPSE may consider the issue of bonus shares when their defined reserves and surplus are equal to or more than 20 times of its paid-up equity share capital.** If any CPSE seeks an exemption from issuing bonus shares, the proposal will be examined by CMCDC for advice.

7.3 For assessing the eligibility for issue of bonus shares, *defined reserves and surplus* would mean free reserves, the securities premium account, and the capital redemption reserve account. However, this would exclude such portion of general/overall reserves that may be earmarked by the CPSE for specific purposes and, therefore, may not be available for utilisation of issue of bonus shares.

## **8. Splitting of Shares:**

8.1 It has been the endeavor of the Government to encourage participation of small investors in the capital market so as to increase the depth of the market, liquidity

and trading volume of the shares. However, high price of shares sometimes acts as a deterrent for the investors to invest in the company. In view of this, the Board of the CPSEs needs to discuss and decide on the desirability of splitting the share.

8.2. In supersession of all guidelines issued earlier splitting of shares will be considered on case to case basis. However, **a listed CPSE where market price exceeds 150 times of its face value consistently for the last six months may consider split-off its shares. Further, there should be a cooling off period of at least three years between two successive share splits.**

#### **9. Miscellaneous Provisions:**

- i. **Unlisted CPSEs:** Unlisted CPSEs are not required to follow the provisions regarding buyback, bonus shares and splitting of shares as mentioned in this Guideline, unless there is a proposal to list them.
- ii. **Strategic disinvestment:** In case of the CPSEs under strategic disinvestment, all specific capital management/restructuring issues will be discussed in the CMCDC on a case-to-case basis.
- iii. **Subsidiaries:** Subsidiaries of CPSEs with more than 51% shareholding by the parent CPSEs, need to follow these Guidelines which may be monitored by the parent companies. Proposals for exemption are to be sent to DIPAM through the Administrative Ministry for deliberation in the CMCDC.
- iv. **Standalone basis:** Dividend payouts of holding CPSEs and other capital management indicators (buyback, bonus shares, etc.) shall be based on their standalone financials.

Net-worth as referred to in the above guidelines would have the same meaning as defined in the Companies Act, 2013, as amended from time to time.

- v. **Consultation with DIPAM:** Administrative Ministries/Departments and their CPSEs should ensure prior consultation/consent of DIPAM on all matters relating to their capital restructuring including any proposal that have a bearing on the net worth of the CPSE, and comply with this Guideline. It is clarified that while all proposals involving minor changes in the capital restructuring of CPSEs may be considered by the Administrative Ministries/Departments, proposals involving major changes in capital restructuring of the CPSEs may be forwarded by the Administrative Ministry/Department with their comments to DIPAM for prior consultation and

clearance. It may be mentioned here that matters relating to merger/demerger, and formation of a subsidiary/associate companies/JVs<sup>2</sup> and Qualified Institutional Placement of shares (QIP) which dilutes the stake of Central Government are also major changes requiring prior consultation and clearance by DIPAM as indicated in the DIPAM OM dated 7/13/2018-Policy dated 18.01.2023. Further, disinvestment by parent/holding companies in subsidiaries/Units/JVs/ Associate companies will continue to be guided by the DIPAM OM No. 3/34/2017-DIPAM-II-B(E) dated 14.09.2022.

- vi. **Review:** The Revised Guidelines on Capital Restructuring of Central Public Sector Enterprises will be duly reviewed not later than three years for aligning the policy with advancements in the Capital Market/regulatory and sectoral changes and for addressing any other concerns of CPSEs.
- vii. The above guidelines on payment of dividend, bonus shares, buyback and splitting of shares would be subject to the provisions of the Act under which a CPSE has been set up as amended from time to time and any other extant regulations/rules.

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<sup>2</sup> The procedural details are available in DIPAM's OM NO. 7/13/2018-policy dated 23.08.2023.

## Annexure

### Composition of the Inter-Ministerial forum called Committee for Monitoring of Capital Management and Dividend in CPSEs (CMCDC)

|                                                                                      |                                                                                                            |                 |
|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------|
| 1                                                                                    | Secretary, DIPAM                                                                                           | Chairman        |
| 2                                                                                    | Financial Adviser, DIPAM                                                                                   | Member          |
| 3                                                                                    | Representative from DEA (not below the rank of Joint Secretary)                                            | Member          |
| 4                                                                                    | Representative from DPE (not below the rank of Joint Secretary)                                            | Member          |
| 5                                                                                    | Financial Adviser of the Administrative Ministry/Department dealing with the concerned CPSEs               | Member          |
| 6                                                                                    | Additional Secretary/Joint Secretary of the Administrative Ministry/Department dealing with concerned CPSE | Member          |
| 7                                                                                    | Additional Secretary/Joint Secretary, DIPAM, dealing with concerned CPSE                                   | Member          |
| 8                                                                                    | Economic Adviser, DIPAM                                                                                    | Member          |
| 9                                                                                    | CMD of the concerned CPSE                                                                                  | Special Invitee |
| 10                                                                                   | Director (Finance) of the concerned CPSE                                                                   | Special Invitee |
| Other members can be co-opted by the Committee with the approval of Secretary, DIPAM |                                                                                                            |                 |

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