Revised Dividend Guidelines for CPSEs

Source: TH

Recently, the Department of Investment and Public Asset Management (DIPAM) has introduced revised guidelines for Central Public Sector Enterprises (CPSEs), mandating a **minimum annual dividend payment of 30% of** profit after tax (PAT) or **4% of net worth**, whichever is higher.

- Earlier, the **2016 guidelines** stipulated that dividend payments must be **30% of profit after tax (PAT) or 5% of net worth,** whichever is greater.
    - The guidelines also extend to CPSE subsidiaries where the parent central public sector enterprise holds **over 51% stake.**
- The guidelines allow CPSEs whose market price has been below book value for six months, with a net worth of **at least Rs 3,000 crore,** to consider **share buybacks.** Additionally, they can issue **bonus shares** when reserves exceed 20 times their paid-up equity.
    - **Share Buybacks** is the reacquisition by a company of its own shares from the stock market.
    - **Bonus shares** are additional shares granted to existing shareholders at no extra cost, based on the quantity of shares they currently hold.
- DIPAM manages Central Government investments, including disinvestment and equity sales in Central Public Sector Undertakings.

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