GUJARAT GAS

GGL/SEC/1116/2023 **26th April, 2023**

BSE Limited, Phiroze Jijibhoy Tower, Dalal Street, Mumbai Company Code: BSE-GUJGAS	**National Stock Exchange of India Ltd,** Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Company Code: NSE-GUJGASLTD

Sub: Disclosure of information under Regulation 30(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 on Guidelines on Dividend Distribution and Capital Restructuring of State Public Sector Undertakings (SPSUs) issued by Finance Department, Government of Gujarat.

Respected Sir/Madam,

With reference to captioned subject, it is informed that Company has received “Guidelines on Dividend Distribution and Capital Restructuring of State Public Sector Undertakings (SPSUs)” issued by Finance Department, Government of Gujarat vide GR No. FD/OTH/e-file/2023/1504/A-BPE dated 24th April, 2023 on 25th April, 2023, copy of which is attached to this letter.

In view of which the Company will submit the said guidelines and necessary details to the Board of Directors. We will submit relevant updates from time to time to the Stock Exchanges in due course of time.

We request you to kindly take note of the above.

For, Gujarat Gas Limited

Sandeep Dave

Digitally signed by Sandeep Dave
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pseudonym=133062411707172077f1485Eh1r2od65,
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st=Gujarat,
serialNumber=2e730495face7cec9ce0617656a1b6b970
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Date: 2023.04.26 15:52:47 +05'30'

Sandeep Dave
Company Secretary

Place: Ahmedabad

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Guidelines for Dividend Distribution and Capital Restructuring of State Public Sector Undertakings

Government of Gujarat
Finance Department
GR No: FD/OTH/e-file/2023/1504/A-BPE
Date: 24/04/2023

Subject: Guidelines on Dividend Distribution and Capital Restructuring of State Public Sector Undertakings (SPSUs)

Background:

Government of Gujarat (GoG) has set up about 100 Public Sector Undertakings (PSUs) in different sectors. These PSUs have been set up for achieving specific objectives. However, it has been observed that most of the PSUs have been conservative in financial management. As a result, there is a need for strengthening the financial management of these PSUs in the form of Capital Restructuring as well as Dividend Distribution in order to realise the potential for Market Capitalisation, net worth, returns to the investors and prudent management of available financial resources.

In this regard, the Guidelines issued by Department of Investment & Public Asset Management, Department of Public Enterprise (DPE), Department of Expenditure & Department of Economic Affairs in the Ministry of Finance, Government of India from time to time on the subject matter of Capital Restructuring have been perused.

2. The resource management issues for State PSUs need to be looked into in the context of the focus of the Government to, inter-alia, spur economic growth through efficient management of State Government's investment in SPSUs. It is, therefore, imperative that Government of Gujarat's interest as a majority shareholder investor in a SPSUs are duly represented through the nominee 'official director' on the Board of the company. The nominee directors should discharge their responsibility effectively to ensure efficient allocation of GoG's investment in SPSUs for growth and economic development. It may also require that an appropriate view is taken by the Administrative Department in such financial matters before the board meetings in line with this approach.

3. Keeping in view the above background, the guidelines on these subjects need to be issued so as to comprehensively address the various aspects of capital restructuring of SPSUs. Accordingly, the following guidelines on general principles and mechanism for dividend distribution & capital restructuring of SPSUs are issued as below:

4. Applicability:

4.1 These guidelines shall apply to all corporate bodies where Government of Gujarat and/or Government controlled one or more body corporate have controlling interest [hereinafter would be referred to as State Public Sector Undertaking (SPSUs) for these guidelines].

4.1.1 Body corporate shall include body 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% 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 Gujarat and/or SPSUs 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 controlled by Government of Gujarat.

4.2 These guidelines for payment of dividend, issue of bonus shares and buyback of shares shall not apply 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 which has accumulated losses.

4.3 These guidelines for payment of dividend shall be applicable from financial year ending on or after 31st March, 2023 and the guidelines for issue of bonus shares, buyback and splitting of shares shall be applicable from financial year starting 1st April, 2023 or thereafter.

4.4 SPSUs 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 finalisation and approval of its annual accounts. Requisite approval of shareholders/ members shall be obtained in the AGM/EGM to be held immediately thereafter.

5. Payment of Dividend

5.1 It has been observed that SPSUs have not done enough exercise for restructuring their capital by issue of Bonus shares to maintain healthy balance in capital and net worth. Declaration of dividend at reasonable rate on a regular interval boosts investor's confidence. Although dividend is paid on paid up share capital, dividend payout should be seen with reference to return to shareholder's money, i.e. net worth. Hence, return on net worth in the form of dividend is a desirable parameter for increasing the investor's confidence in the company. Hence, there is a felt need for a clear Dividend policy and SPSUs need to take a decision on dividend within a clearly articulated framework/guidelines of the government.

5.2 Every SPSU would pay a minimum annual dividend of 30% of PAT or 5% of the net worth, whichever is higher subject to the maximum dividend permitted under the extant legal provisions.

5.3 Nonetheless, SPSUs are expected to pay the maximum dividend permissible under the Act under which a SPSU has been set up, unless lower dividend proposed to be paid is justified after the analysis of the following aspects on a case to case basis at the level of Administrative Department with the approval of the Finance Department.

(i) Net worth of the SPSU and its capacity to borrow;
(ii) Long term borrowing
(iii) Capital Expenditure (CAPEX)/Business Expansion needs;
(iv) Retention of profit for further leveraging in line with the CAPEX needs; and
(v) Cash and Bank balance.

5.4 The Analysis should confirm that the retention of funds augmenting its net worth is being optimally leveraged to ensure higher investment by the SPSUs. The report for exemption, if any, in this regard will be submitted by the SPSUs through their Administrative Department to Finance Department, Government of Gujarat before the end of second quarter of the concerned financial year.

6 Buybacks of Shares:

6.1 It has been noticed that listed State Public Sector Undertakings (SPSUs) are not exercising the option to buyback their shares as private companies do to provide for sustained investor interest in the company and protect their market capitalization in the long term interest of the company's ability to raise funds from the market. In order to provide level playing field to SPSUs vis-à-vis private companies, the following guidelines are issued:

6.1.1 SPSUs will amend their Articles of Association to provide for buyback of shares, provided such provision does not exist in their articles of association.

6.1.2 SPSUs are not looking into the merit based capital restructuring including the option of buyback of shares if they do not have plans to deploy surplus funds optimally for business purposes. Although SPSUs have been set up for specific purpose, some of them are not able to deploy the cash/bank balances for viable Business expansion. In such cases, Buyback of shares improves investors' confidence in the company and is likely to help the company to raise capital in future when it requires funds for expansion/diversification for growth. Thus, it supports their market capitalization, which is in the overall long term interest of the company.

6.2 Every SPSU shall look into and analyse/deliberate in 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.

6.3 Based on this analysis, it needs to be clearly brought out that surplus cash and bank balance with the SPSU shall be considered for restructuring of capital through buyback. However, every SPSU having net worth of at least **Rs 2000 crore** and cash and bank balance of **Rs 1000 crore** shall exercise the option to buy-back of their shares.

7. Issue of Bonus Shares:

7.1 It has come to the notice of the Government that a number of State Public Sector Undertakings are carrying substantial reserves in their Balance Sheet against a relatively small paid up capital base. The question of need for these undertakings to capitalize a portion of their reserves by issuing Bonus Shares to the existing shareholders has been under consideration of the Government.

The issue of bonus shares helps in bringing about a balance between paid up capital and accumulated reserves and elicit good public response to equity issues of public enterprises and its market capitalisation.

7.2 It has been decided that every SPSU should look into and analyse/ deliberate in their Board meeting/Finance Committee, the issue of Bonus shares when their defined reserves and surplus are equal to or more than **5 times** of its paid up equity share capital. In case, if it is decided not to issue bonus shares, the nominee 'official director' shall ensure that the board analyses the justification for the decision, and reasons for the same the recorded specifically.

7.3 However, every SPSU shall issue bonus shares if their defined reserves and surplus is equal to or more than **10 times** of its paid up equity share capital.

7.4 Defined reserves and surplus would mean free reserves, the premium account, and the capital redemption reserve account.

8 Splitting of Shares:

8.1 It has been endeavor of the State & Union 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 SPSUs needs to discuss and decide on the desirability of splitting the share.

8.2 Nonetheless, a SPSU, where market price or book value of its shares exceeds **50** times of its face value, will split-off its shares appropriately provided its existing face value of the share is equal to or more than rupees 1.

9 Miscellaneous Provisions:

9.1 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.

9.2 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 SPSU has been set up, as amended from time to time and any other extant regulations/rules.

9.3 In case, any SPSU is not able to comply with any of the above guidelines, specific exemption has to be obtained from the Finance Department, Government of Gujarat through their Administrative Department. The Administrative Department will ensure the compliance of these guidelines and refer proposals for exemption(s) to the Finance Department.

9.4 The Finance Department may conduct an annual survey and consider an appropriate modification, if required, in their existing format to adequately capture various aspects of the above guidelines for the efficient management of GoG's investment in SPSUs. The findings of the Survey may also be suitably incorporated.

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

By order and in the name of the Governor of Gujarat,

Mona

(Mona Khandhar)
Principal Secretary
Finance Department

Copy to:
The Chief Principal Secretary to Hon'ble Chief Minister, Sachivalaya, Gandhinagar
The PS to Hon'ble Minister (Finance), Sachivalaya, Gandhinagar
The PPS to Chief Secretary, Sachivalaya, Gandhinagar
The PS to ACS, Finance Department, Sachivalaya, Gandhinagar
Concerned Department of Secretariat, Sachivalaya, Gandhinagar
The Accountant General (Audit), Ahmedabad/Rajkot
The Accountant General (A&E), Ahmedabad/Rajkot
All Officers of the Finance Department
The Managing Director to all PSUs and Corporations
The Company Secretary to all PSUs and Corporations
All Corporation/PSUs
System Manager, Finance Department for necessary action to upload this resolution on GSWAN/Finance Department website
Select File