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**Requirement of prior approval of  
Government by the State Public  
Sector Enterprises**

Government of Gujarat  
Finance Department  
GR No. JNV-1007-FM4-A(BPE)  
Sachivalaya, Gandhinagar  
Dated 14-03-2008

Read: Government Circular, Finance Department No. JNV-1480-224-A dated  
18.2.1980

**Preamble**

Instructions have been issued by the State Government vide Circular referred to in the preamble above, for obtaining prior approval of the Government for various activities/matters by the State Public Sector Enterprises (PSEs). As the economic scenario of the country, as also the environment in which PSEs are working, has changed considerably over the years, and to enable Government to effectively monitor the working of the PSEs in order to fulfill its development and financial objectives, the issue of obtaining prior approval of the Government for some additional matters/activities by the state PSEs, as also to modify the existing instructions in some aspects, was under the consideration of Government. After careful consideration, and in supersession of the instructions contained in the Circular referred to in the preamble above, Government is pleased to decide as under:

**Resolution**

The prior approval of the State Government in the Bureau of Public Enterprises, Finance Department must be obtained by the State Public Sector Undertakings (Boards, Corporations, Companies etc.) for the following matters/activities:-

**Corporate Affairs**

1. Amendment in the Memorandum of Association or Articles of Association;
  2. There is no need to take the prior approval for Directors appointed to the Board of Directors by financial institutions, debenture holders and organizations with whose assistance the project has been set up. Government is appointing Directors in case of companies totally owned by the State Government. But in PSEs not entirely owned by government, the appointment of Directors is done by the shareholders. In such case, the prior approval of the government should be obtained before selection of the Directors. In case a Memorandum of Understanding or Shareholders'
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Agreement entered into by a PSE authorizes it to appoint Directors, approval of the Government should be obtained before doing so. Prior approval of the Government should also be obtained by PSEs when appointing Directors in their subsidiary companies.

**Economy & Finance**

- 3. If the PSE is signing a new Memorandum of Understanding (MOU) or Shareholders' Agreement (SHA) or making amendment in an existing one, then Government approval must be taken after it is signed but before a formal legal agreement is entered into, if there is any financial implication as a result of the MOU or SHA.
- 4. Incurring capital expenditure on new projects, modernization, diversification, etc. in excess of Rs.100 crore, or equal to the PSE's net worth, whichever is lower.
- 5. Establishing new Companies in the public sector or joint/associate sector, joint ventures, subsidiaries and Special Purpose Vehicles (SPV) in India, where the equity investment of the PSE is in excess of Rs.100 crore in any one project, or exceeds 5% of the net worth of the PSE in any one project, or exceeds 15% of the net worth of the PSE in all joint ventures/subsidiaries put together. Establishing of new Companies/joint ventures/subsidiaries/SPV Abroad and opening of offices Abroad would require the prior approval of Government in all cases, irrespective of the amount involved.
- 6. Entering into technology joint ventures, strategic alliances and obtaining technology and know-how by purchase or other arrangement, subject to Government guidelines as may be issued from time to time.
- 7. Disinvestment of any nature leading to reduction in shareholding either in the PSE or in its subsidiary, whether such subsidiary is in India or outside;

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**Performance Related**

- 8. Quarterly results should be sent to Government in the standard prescribed format, if any. However, the results will not require prior approval of Government.
- 9. Declaration of dividend where the PSE has defaulted in the payment/repayment of loans/interest.

**Personnel Related**

- 10. Changes in the pay scale or service conditions of employees, where such changes are not within the guidelines of the Government, and overall modification in the pay scales of employees;
- 11. Paying bonus or any ex-gratia sum in lieu of bonus, where such payment is not in accordance with Government Guidelines or Instructions;

Policy Related

12. Matters concerning public policy of the state or concerning National Security;
13. Any proposal which is not in accordance with general or specific instructions of the Government;
14. Matters in which approval of Government is legally required.

Since the ultimate responsibility of companies that are subsidiaries to a PSE rests on Government and such subsidiary is also a public sector enterprise, it is resolved that the above instructions shall apply in equal measure to all subsidiaries of State PSEs and such subsidiaries will also be required to obtain the prior approval of Government in all the above-mentioned matters/activities.

It shall be the responsibility of the Government nominees on the Board of Directors of PSEs to support the policies of Government and to immediately draw Government's attention to any deviation in Board decisions, either in financial terms or in transparency, from the existing policies or instructions of Government.

All the concerned officers of all administrative departments and Public Sector Enterprises are directed to strictly follow the above-mentioned instructions.

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

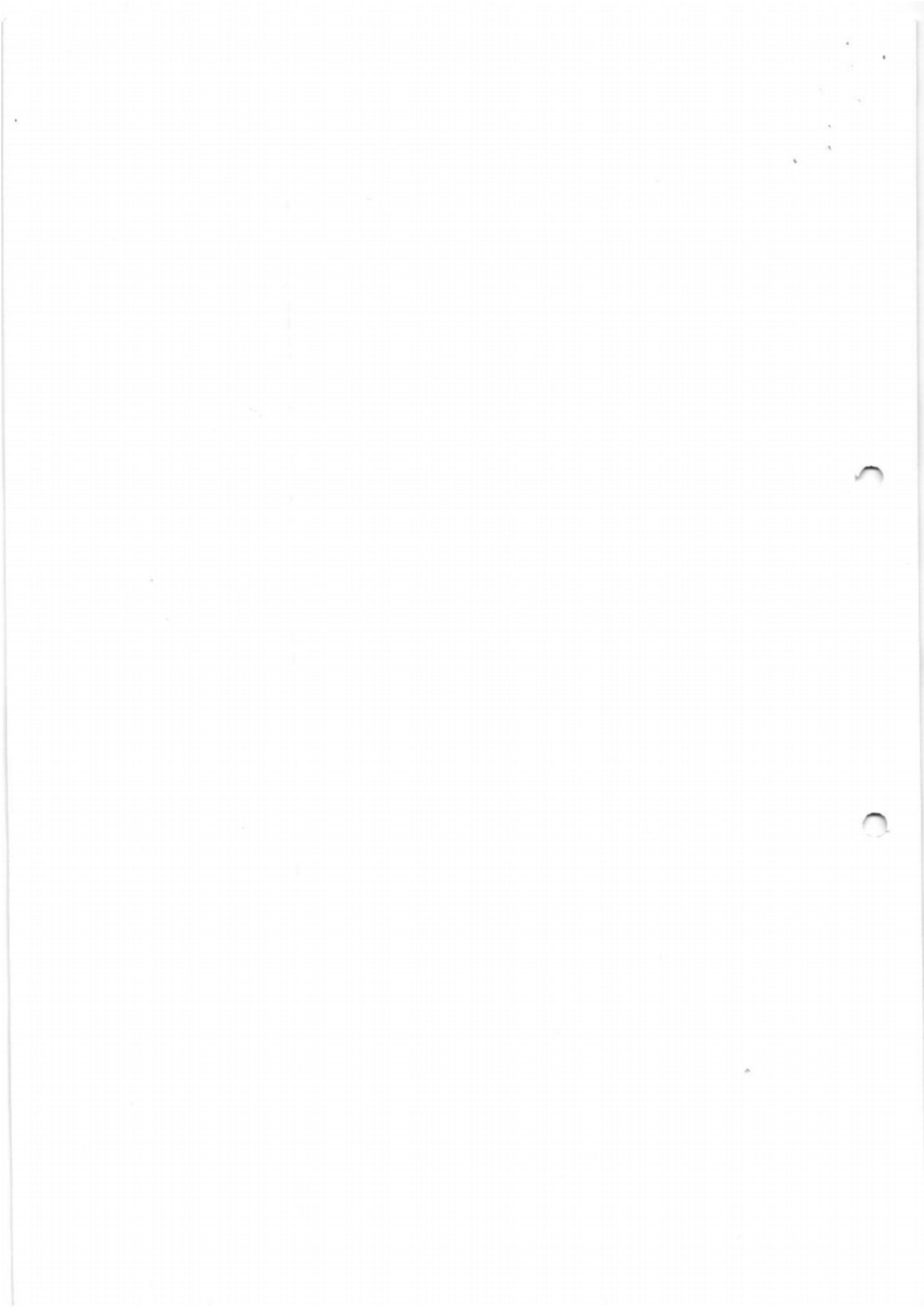
Arvind Agarwal  
Secretary, Finance Department

To,

1. Personal Secretary to Hon'ble Chief Minister
2. Personal Secretary to Hon'ble Finance Minister
3. Personal Secretary to all Hon'ble Ministers
4. Personal Secretary to Hon'ble Minister of State, Finance
5. Personal Secretary to all Hon'ble Ministers of State
6. Under Secretary to Chief Secretary
7. Additional Chief Secretary, Finance Department
8. Principal Secretary (Exp.), Finance Department
9. Principal Secretary (EA), Finance Department
10. Additional Chief Secretary/Principal Secretary/Secretary (All)
11. Officer of Special Duty (BPE), Finance Department
12. All Departments
13. All State Public Sector Enterprises
14. Accountant General Ahmedabad/Rajkot
15. Select File

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**Requirement of prior approval of Government  
by the State Public Sector Enterprises**

**GOVERNMENT OF GUJARAT  
Finance Department  
G.R. No. JNV-1007-FM4-A  
Sachivalaya, Gandhinagar  
Dated 27 July 2008**

- Read:** (1) Government Circular, Finance Department, No. JNV-1480.224-A dated 18-2-1980  
(2) G.R., Finance Department, No. JNV-1007-FM4-A(BPE) dated 14-3-2008

**Preamble**

In supersession of the instructions contained in Government Circular referred to at Sr. No.1 above, the State Government, vide G.R. referred to above at Sr. No.2, issued fresh instructions for obtaining prior approval of the State Government, for various matters/activities carried out by the State Public Sector Enterprises, as narrated in the said G.R.

It was under consideration of Government to prescribe monetary limits for approval of the proposals covered under the Head "Economy & Finance" of the said G.R.

**Resolution**

After careful consideration, Government is pleased to decide that the appraisal and approval of the matters covered under the head "Economy & Finance" of the G.R. at Sr. No.2 should be done at the following levels:-

	<b>Amount</b>	<b>Level of appraisal and approval</b>
(i)	Less than Rs.25 crore	Secretary of the concerned Department under which the PSE falls
(ii)	Rs.25 crore and above but less than Rs.50 crore	Secretary of the concerned Department and Additional Chief Secretary, Finance Department
(iii)	Rs.50 crore and above but less than Rs.100 crore	Minister of the concerned Department
(iv)	Rs.100 crore and above	Chief Minister

For proposals of Rs.25 crore and above but less than Rs.50 crore, in case the Secretary of the concerned Department and Additional Chief Secretary, Finance

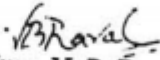
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Department are not unanimous in their decision, then the final decision should be taken by the Minister of the concerned Department.

For proposals of less than Rs.25 crore, if the Hon'ble Minister of the concerned Department would like to keep the subject with himself under the allocation of work of the Department, then the Hon'ble Minister could decide accordingly.

This G.R. is issued with the approval of the Government dated 19-7-2008 obtained on file No.JNV-10-2002-FM-4-A of Finance Department.

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

  
(Kum. V. B. Raval)

Under Secretary to Government  
Finance Department

1. Personal Secretary to Hon'ble Chief Minister
2. Personal Secretary to Hon'ble Finance Minister
3. Personal Secretary to all Hon'ble Ministers
4. Personal Secretary to Hon'ble Minister of State, Finance
5. Personal Secretary to all Hon'ble Ministers of State
6. Under Secretary to Chief Secretary
7. Additional Chief Secretary, Finance Department
8. Principal Secretary (Exp), Finance Department
9. Principal Secretary (EA), Finance Department
10. Additional Chief Secretary/Principal Secretary/Secretary (All)
11. Officer-on-Special Duty (BPE), Finance Department
12. All Departments of Sachivalaya
13. All State Public Sector Enterprises
14. The Principal Accountant General, Ahmedabad/Rajkot
15. Select File
16. System Manager, (TCS), Finance Department for F.D's website.

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Requirement of prior approval of  
Govt. by the State Public Sector  
Enterprises.'

Government of Gujarat,  
Finance Department,  
Circular No. JNV-1007-FM4-A,  
Sachivalaya, Gandhinagar.  
Dated : 30<sup>th</sup> December, 2008.

Read : (1) G.R., Finance Department No. JNV-1007-FM4-A(BPE),  
Dated 14.3.2008.  
(2) G.R. of even number dated 28.7.2008.

**CIRCULAR :-**

Under the G.R. at Sr. No. (1) above, the matters/activities for which prior approval of the State Government shall be required by the State Public Sector Undertakings have been determined, Under the G.R. at (2) above, the levels in Government at which appraisal and approval of matters covered under the head 'Economy and Finance' of the G.R. dated 27<sup>th</sup> July, 2008 at Sr.No. (1) is determined.

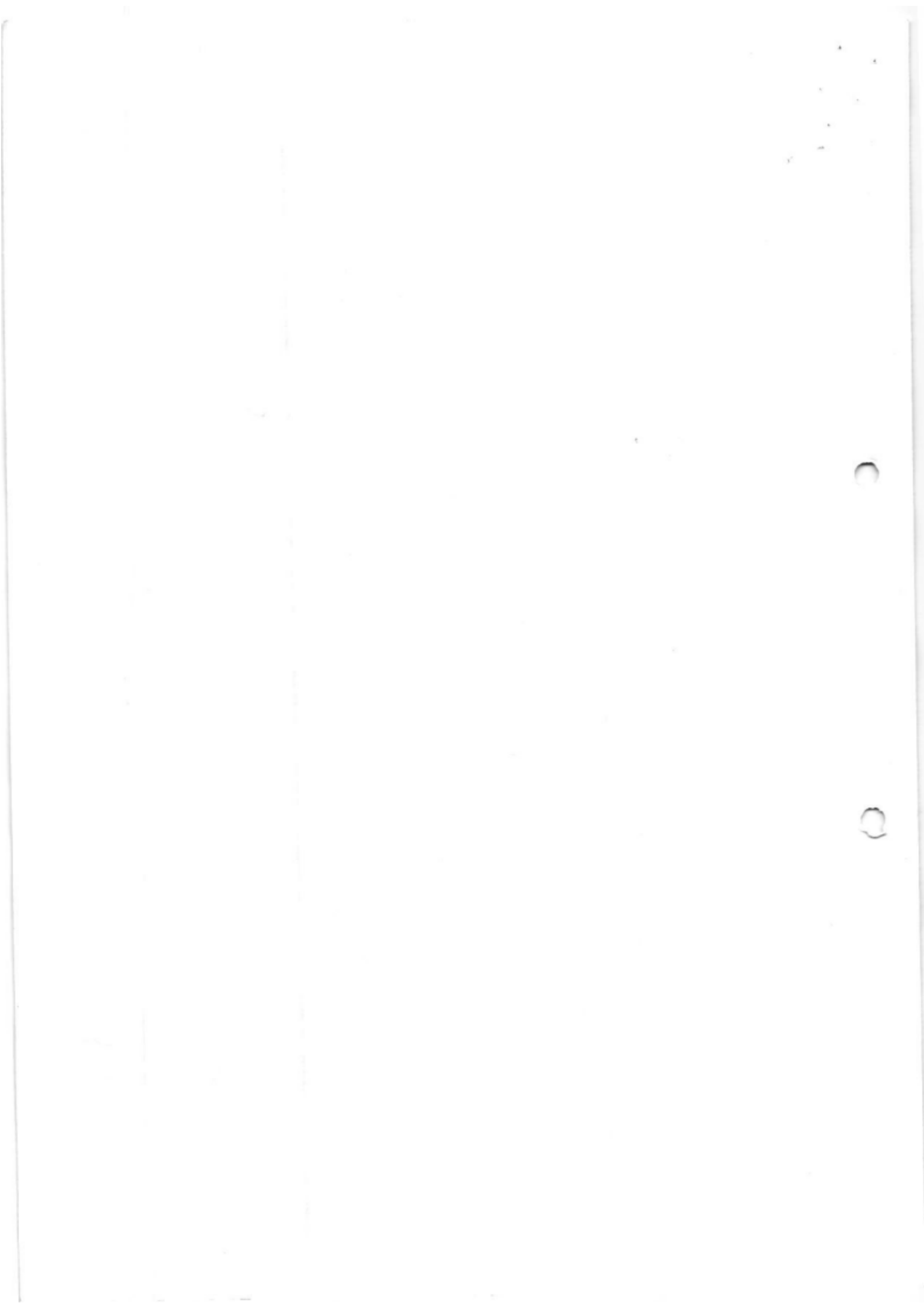
Paragraphs 4 and 5 under the head 'Economy and Finance' of the G.R. at Sr.No. (1) above indicate the financial limits beyond which the State Public Sector Enterprises would be required to obtain prior approval of Government for matters contained therein. However, the levels in Government at which such approvals would be given was not specified in that G.R. at Sr. No.(1) is determined under the G.R. at Sr.No. (2) above.

Some State at Sr.No. (1), Public Sector Enterprises have taken a view that the G.R. at Sr.No. (2) above has modified the G.R. at Sr.No. (1) above and that, now, prior approval at the levels specified in the G.R. at Sr.No. (2) above would have to be obtained for all expenditures. This is not a correct interpretation of the G.R. at Sr.No. (2) above.

Accordingly, it is clarified as under :-

- I. The intent of the G.R. at Sr.No. (2) above is merely to specify the levels in Government at which prior approval would have to be obtained only for those items of expenditure which exceed the financial limits specified under the G.R. at Sr.No. (1) above.

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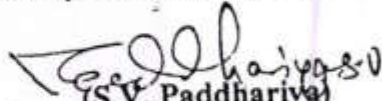




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Expenditures below the limit at which prior approval of Government is required, as stipulated in the G.R. at Sr.No. (1) above, would not attract the directions given in the G.R. at Sr.No. (2) above.

2. Paragraph 4 under the head 'Economy and Finance' of the G.R. at Sr.No. (1) above provides that incurring capital expenditure on new projects, modernization diversification etc. in excess of the limits specified therein will require prior approval of the Government. It is clarified that if the capital expenditure is not on a new project or is not related to modernization, diversification etc., but is towards normal maintenance or replacement of an existing asset, it would not require prior approval even if the expenditure is in excess of the limits specified in the G.R. at Sr.No. (1) above.

  
(S.V. Paddhariya)  
Under Secretary,  
Finance Department.

To

1. Personal Secretary to Hon'ble Chief Minister.
2. Personal Secretary to Hon'ble Finance Minister.
3. Personal Secretary to Hon'ble Minister.
4. Personal Secretary to all Hon'ble Minister of State Finance.
5. Personal Secretary to Hon'ble Ministers of State.
6. Under Secretary to Chief Secretary.
7. Additional Chief Secretary, Finance Department.
8. Principal Secretary (Exp), Finance Department.
9. Principal Secretary (EA), Finance Department.
10. Additional Chief Secretary/Principal Secretary/Secretary (All)
11. Officer-on-Special Duty (BPE), Finance Department.
12. All Departments of Sachivalaya.
13. All State Public Sector Enterprises.
14. The Principal Accountant General, Ahmedabad/Rajkot.
15. Select file.
- ✓ 16. System Manager, (TCS), Finance Department FOR F.D.'s website.

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