01/139/2016-Vig. 1768
National Institute of Fashion Technology
Vigilance Department, Head Office
New Delhi-110016

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05th August, 2016

Subject: **Investment of Surplus funds of Central Public Sector Enterprises (CPSEs).**

During Inspection it has been found that the campuses are calling for EOI/seeking interest rates details for investment of surplus funds of the campuses. However, as per circular issued by DoFS, MoF(Copy enclosed for ready reference), it has been clarified that CPSEs shall not deploy their funds through a bidding process with any Bank or Withdraw the funds from any Bank pre-maturely for depositing them elsewhere.

You are therefore advised to bring these instructions immediately to the notice of all concerned with the directions that the above guidelines be followed in 'letter and spirit'.

(Sushma Singh)
CVO-NIFT

To,
The Director (Finance and Accounts)
NIFT Head Office

Copy to:

- **Director, All NIFT Campuses**
- **Registrar, NIFT Head Office**

Director (IT)- for uploading the same on official website of NIFT under vigilance corner with an hyperlink as stated in the subject.

G/F

Encl: As above.

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F.No. 7/118/2005-BOA
Government of India
Ministry of Finance
Department of Financial Services

New Delhi, dated 16th July, 2012

To

CEOs of all Scheduled Commercial Banks
CEOs of Public Sector Financial Institutions
CEOs Public Sector Insurance Companies

Sub: Investment of Surplus Funds of Central Public Sector Enterprises (CPSEs)

Sir,

Based on the discussions in the meetings of the then Financier Minister with the CMDs of Public Sector Banks (PSBs), CMDs of major Central Public Sector Enterprises (CPSEs) and the Secretaries of the Administrative Ministries in November, 2008 and in order to moderate the cost of credit, instructions were issued by this Department vide letter of even number dated 3rd December, 2008 to be followed by all CPSEs and PSBs. However, it has been observed that the said instructions are not being followed by PSBs and CPSEs in their 'letter and spirit'. It is reiterated that the instructions are still relevant and are required to be followed not only by CPSEs and PSBs but also by all other Banks and Public Sector Financial Institutions (PSFI) and Public Sector Insurance Companies (PSIC).

2 For convenience the instructions are appropriately modified and reproduced hereunder:

(i) All Banks are advised to publish their card rates for bulk deposits of Rs. 1 crore and above. In order to bring about a level playing field, banks may consider uniform card rates for bulk deposits for different maturities at least up to one year across banks.

(ii) In order to broaden the coverage of availability of surplus funds, all CPSEs/PSFIs/PSICs are advised that surplus funds may be placed with one or more banks, subject to their internal exposure guidelines as this would be in the larger interest of the system and spread the resources among the banks.

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(iii) CPSEs/PSFIs/PSICs shall not deploy their funds through a bidding process with any Bank or withdraw the funds from any Bank pre-maturely for depositing them elsewhere.

(iv) It is clarified that placing of deposits with banks at Card rates will be deemed to be a transparent process in terms of DPE OM NO. 4/6/94-Fin. Dated 14th December, 1994, as amended from time to time.

3. You are requested to bring these instructions to the notice of all concerned with the directions that the above guidelines be followed in 'letter and spirit'. Further, all concerned may also be appropriately advised that deviation from the above instructions may be treated as violation of instructions of the Government.

Yours faithfully,

Sd/-
(M.M. Dawla)
Under Secretary to the Government of India
Tel. No. 23748731

Copy to :

1. Secretaries of all administrative Ministries/Departments.
2. Chief Executives of CPSEs
3. All Financial Advisers of the Administrative Ministries/Departments
4. Department of Expenditure / Department of Economic Affairs
5. Chairman, Indian Banks' Association, Mumbai.
6 Chief General Manager, DBOD, RBI, CO., Mumbai.
7 All Joint Secretaries/Deputy Secretaries/Directors of DFS

CHAPTER III
FINANCIAL POLICIES

10. DPE/Guidelines/III/10

Guidelines for Investment of Surplus Funds by Public Sector Enterprises

The Joint Parliamentary Committee [JPC] which enquired into the irregularities in securities transactions had adversely commented on certain investment decisions made by certain PSEs. The Committee had desired that Government should lay down clear guidelines governing investment of surplus funds by Public Sector Enterprises to avoid recurrence of instances of misuse of funds.

Principles concerning investments

2. The Government have considered the observations of the Committee. The undersigned is directed to advise that PSEs should observe the following guidelines in regard to investment of surplus funds:

i. Investments should be made only in instruments with maximum safety.
ii. There should be no element of speculation on the yield obtaining from the investment.
iii. There should be a proper commercial appreciation before any investment decision of surplus funds is taken. The surplus availability may be worked out for a period of minimum one year at any point of time.
iv. Funds should not be invested by the PSE at a particular rate of interest for a particular period of time while the PSE is resorting to borrowing at an equal or higher rate of interest for its requirements for the same period of time.
v. Investment decision should be based on sound commercial judgement. The availability should be worked out based on cash flow estimates taking into account working capital requirements, replacement of assets and other foreseeable demands.
vi. The remaining period of maturity of any instrument of investment should not exceed one year from the date of investment where the investment is made in an instrument already issued. Where investment is made in an instrument newly issued, the final maturity of the instrument should not exceed one year. However, only in the case of term deposits with banks, it can be up to three years.

Eligible Investments

3. Investments may be made in one or more of the following instruments, subject to principles outlined in the previous paragraph:

i. Term deposits with any scheduled commercial bank [i.e., banks incorporated in India] and with a paid up capital of atleast Rs. 100 Crores, fulfilling the capital adequacy norms as prescribed by the R.B.I. from time to time. These adequacy norms should be reflected in the last published balance sheet.
ii. Instruments which have been rated by an established Credit Rating Agency and have been accorded the highest credit rating signifying highest safety e.g. certificates of deposits, deposits schemes or similar instruments issued by scheduled commercial banks/term lending institutions including their subsidiaries, as well as commercial paper of corporates.
iii. Inter-corporate loans are permissible to be lent only to Central PSEs, which have obtained highest credit rating awarded by one of the established Credit Rating Agencies for borrowings for the corresponding period.
iv. Any debt instrument, which has obtained highest credit rating from an established Credit Rating Agency.

4. Authority Competent to Invest

i. Decisions on investment of surplus funds shall be taken by the Public Sector PSU Board. However, decisions involving investing short-term surplus funds up to one year maturity may be delegated up to prescribed limits of investment, to a designated group of Director[s], which should invariably include CMD & Director (Finance)/Head of Finance internally. Where such delegation is made, the delegation order should spell out the levels of approval and the powers of each official, which should be strictly observed. Where such delegation is exercised, there should be a proper system of automatic internal reporting to the Board at its next meeting in all cases.
ii. PSEs should ensure that all investment decisions are in accordance with the regulations as per the Company Law & Government of India instructions and any other relevant legislation and rules as applicable. Any investment already

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made, which is not in conformity with the above guidelines should not be renewed after maturity.

5. Every PSE should arrange to place the above guidelines at its next Board Meeting and evolve a suitable procedure to cover investment of surplus funds to be followed by company.

6. Necessary instructions may be issued for strict compliance of these guidelines.

7. These guidelines issue in consultation with the Ministry of Finance.

(DPE O.M. No.4/6/94-Fin. dated 14th December, 1994)

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