**Chapter-5**

# CLASSIFICATION

# &

# CATEGORIZATION

# OF CPSEs

# CLASSIFICATION AND CATEGORISATION

## 5.1 INTRODUCTION

CPSEs have been often criticized for following a “one size fits all” approach to managing their compensation and benefits, without reference to the size, profitability or nature of their business. This criticism does not appear totally unfounded. The 216 CPSEs in operation, vary widely in terms of nature of businesses they carry out, volume of operations, number of employees, profitability levels, product characteristics, technology levels, market behavior, levels of competition, geographical dispersal, significance to the national economy, strategic importance and most importantly, the demand for talent and the skill levels needed. In such a situation it would be difficult to set benchmarks / targets to evaluate performance vis-à-vis industry standards and decide appropriate salary levels unless the CPSEs are classified into homogeneous groups.

## 5.2 EXISTING CLASSIFICATION SYSTEMS

Currently, there are different systems of classification for CPSEs. Important among these are : (i) Cognate group-wise classification (ii) Grouping of CPSEs into 4 Schedules, namely A,B,C & D, for purposes of determining the pay scales of Board level executives and (iii) Classification of CPSEs into Navratna, Miniratna I, Miniratna II, etc. for the purpose of delegation of powers. The main purposes and the criteria chosen for these classification systems are summarized below:

### 5.2.1 Cognate group-wise Classification

The cognate group wise classification is based on the generic nature of work carried out by CPSEs and comes closest to the sectoral classification of industries in the private sector. As of 2005-06, there were 3 sectors and 21 cognate groups in this classification. The Mining sector had 2 cognate groups encompassing 19 CPSEs. The Manufacturing sector had 11 cognate groups and 122 CPSEs were covered by the sector. The Services sector had 8 cognate groups and 84 CPSEs were part of the sector. These classifications, however, were modified by DPE in the year 2006-07 (Public Enterprises Survey) into 5 sectors and 22 cognate groups. Two sectors, Agriculture and Electricity were added. The Agro-based industries are covered in the new Agriculture sector. The existing Power group is made as the Electricity sector, which is divided into two cognate groups called 'Power Generation' and 'Power Transmission'. The cognate group of Petroleum is split into two groups, namely, Petroleum (Refining & Marketing) and Crude oil. Crude Oil is now included in the Mining sector. CPSEs hitherto grouped as Section 25 companies are now distributed among other existing generic cognate groups.

### 5.2.2 A, B, C & D classification

This classification system, introduced in the year 1965, was essentially aimed at providing relativity between the compensation structures of Board level executives of CPSEs. The categorization of CPSEs into 4 Schedules, namely A, B, C & D was initially made by a Committee of Secretaries, on the basis of their importance to economy and complexities of problems. After 1967, the categorization of the new CPSEs was being decided by the concerned Administrative Ministry in consultation with DPE/BPE. From 1974, PESB also has been associated with the process. The Department of Public Enterprises has laid down certain criteria for categorization and revision (up gradation) of the schedule of CPSEs. The parameters adopted for this purpose are **quantitative factors** like investment (paid up capital + long term loans), capital employed (net block + net working capital), net sales, profit, number of employees, number of units, etc. and **qualitative factors** like national importance, complexities of problems, level of technology, prospects for expansion and diversification of activities and competition from other sectors. In addition, **other factors** like image of the CPSE (in terms of its share price, MOU ratings, classification as Navratna/Miniratna, ISO 9000/IS 14000 certification), productivity of the PSE (in terms of capacity utilization) and value added per employee are also taken into account. Comparison with other companies in the cognate group and with those under the administrative control of the Ministry / Department concerned is also made as a part of this exercise.

- Subsidiary companies are categorized at least one schedule below that of the schedule of the Holding company.
- The Public Enterprises Survey of DPE for the year 2006-07 reports that there are 54 Schedule 'A', 74 Schedule 'B', 48 Schedule 'C' and 6 Schedule 'D' operating CPSEs. With the merger of Indian Airlines with Air India the

number of Schedule ‘A’ CPSEs gets modified to 53. The remaining CPSEs, mostly small or under construction, are yet to be categorized.

**5.2.3 Classification as Navratna, Miniratna and Other Profit making companies**

**5.2.3.1** In order to delegate higher financial and operational powers to CPSEs that have comparative advantages and the potential to become global players, 9 CPSEs were identified in 1997 and were classified as Navratna. Subsequently three more in 2007and four more in 2008 were added to this list, bringing up the total of Navratna CPSEs to 16. The criteria for classifying a CPSE as Navratna are (i) The CPSE should be a Miniratna I and Schedule A company, (ii) The CPSE should have obtained **‘excellent’** or **‘very good’** rating in three of the last five MOUs and (iii) The CPSE should have obtained a composite score of 60 or more, calculated with reference to seven specified parameters / ratios.

**5.2.3.2** Similarly, enterprises that have been making profits continuously during the preceding three years and fulfilling a few other conditions like positive net worth, non-dependence on budgetary support, not defaulting in repayments of loans and interest on loans etc. are categorized as Miniratna. In case the pre-tax profit is Rs. 30 crore or more in any one of the three years, the CPSE is classified as Miniratna I. Otherwise it is Miniratna II. As on 30.05.2008 there were 41 Miniratna I and 13 Miniratna II CPSEs.

**5.2.3.3** The basis on which this status is accorded is relatively more structured and well defined than in the case of A, B, C and D classification. However, the status of Navratna or Miniratna of a CPSE has no direct bearing on the compensation structures. This classification also cuts across sectors and does not provide for sectoral specificity.

**5.2.4 Other Classification Systems**

The Public Enterprises Survey of CPSEs brought out every year by the Department of Public Enterprises, classifies and ranks CPSEs under various heads – Ministry and Department-wise, in terms of profit and loss making categories, relative performance during the year, sales wise, geographical/region wise, etc. Based on the information available for 2006-07, there are 156 profit making CPSEs and 58 loss making CPSEs. One CPSE did not make any profit/loss while another did not furnish information. The profit making CPSEs have recorded a net profit of Rs.89773 crore during 2006-07 as against the loss of Rs. 8223 crore incurred by the loss making CPSEs.

**5.2.5 Some Observations on A, B, C & D classification**

**5.2.6.1** As far as A, B, C & D categorisation is concerned, though quantitative criteria exist, standard values have not been spelt out for each parameter. In the absence of clear cut quantitative standards and the inherent subjectivity in the qualitative criteria, there are large differences in the sizes, and other attributes of CPSEs grouped within the same schedule. To illustrate, both Indian Oil Corporation Ltd with an income of Rs.2,18,934 crore and Mumbai Railway Vikas Corporation Ltd. with income of Rs.17 crore (in the year 2006-07) fall in the Schedule 'A' Category. Similarly, while Rail Tel Corporation with an income figure of Rs.114 crore falls in the Schedule A category, companies like Chennai Petroleum Corporation with an income of Rs.25,207 crore, Numaligarh Refinery with an income of Rs.7,155 crore, Bongaigaon Refinery with an income of Rs.5,866 crore, South Eastern Coal Field with an income of Rs.5, 958 crore, Northern Coal Field with an income of Rs.5, 188 crore, are in the Schedule B.There are some CPSEs in Schedule C, like MSTC, National Handloom Development Corporation, Airline Allied Services etc. which have recorded higher income levels than some of the Schedule A companies. Even a Schedule D company like Karnataka Antibiotics recorded an income level (Rs.124 crore), higher than some of the Schedule A companies. **Annex- 5.1** indicates the levels of income of the CPSEs in various Schedules, as at end 2006-07.

**5.2.6.2** As a matter of principle, the Subsidiaries are placed at schedules lower than the Holding companies, even though individually each Subsidiary may merit a higher status by direct application of the qualitative and quantitative parameters chosen for categorization. Almost all coal companies, stand alone refinery companies like Chennai Petroleum, etc. though merit higher classification, have been placed in a lower category.

**5.2.6.3** Further, the present system of categorisation, in practice, has so far led to only upward revision of the schedules of CPSEs and not the other way round. Over the years, after initial categorization in a particular schedule, CPSEs may record growth in performance and size of operations or may decline in size and performance. While those recording faster growth are upgraded to the next higher schedule, those showing even steep decline in performance / size continue to retain the status once conferred. This situation needs review.

**5.2.6 Sectoral Classification in MNCs and Private Sector Companies.**

**5.2.6.1** The nomenclature typically in vogue in India in terms of sectoral classification of various industries is : i) Fast Moving Consumer Goods (FMCG), (ii) Automotive, (iii) IT, (iv) Telecom, (v) Banking, (vi) Petro-chemicals, (vii) Pharmaceuticals, (viii) Consumer durables, (ix) Core, (x) ITES/BPO, (xi) Real estate, (xii) Retail, (xiii) Engineering and (xiv) Textiles.

**5.2.6.2** The sequence of the sectors outlined above is a ranked sequence in terms of compensation packages at all management levels – Junior Management, Middle Management and Senior Management (below Board level).

**5.2.6.3** With respect to correlation between sectors in CPSEs and sectors in MNCs / private companies, there are comparable sectors and there are sectors, which are not relevant to CPSEs.

- FMCG, Automotive, IT, Consumer durables, ITES / BPO, Real Estate and Retail sectors are not directly comparable with CPSEs.

- Telecom, Petro-Chemicals, Pharmaceuticals, Engineering and Textiles have directly comparable equivalents among CPSEs. The 'Core' sector broadly covers Oil Exploration and Refining, Mining, Metals, Power and Infrastructure – which have equivalents in the CPSEs.

## 5.3 PROPOSED CLASSIFICATION

In the changed business environment and also in the absence of clear yardsticks for measuring quantitative and qualitative criteria adopted for categorization there is a need to improve upon the existing schemes of categorisation and classification. **The Committee is of the view that categorization and ranking based on certain rational parameters, which reflect the management complexities of the enterprises can be adopted for deciding fixed component of the compensation, while sectoral classification can be used for deciding the Performance Related Payments (PRP), by bench marking performance of CPSEs with performance of similar companies in their respective sectors.**

## 5.3.1 Sectoral Classification.

The existing cognate group-wise classification is essentially a sectoral classification. It is proposed to make some minor modifications based on the exact nature of work being done by the CPSE concerned. The existing broad classification of CPSEs into 5 Sectors namely Agriculture, Electricity, Manufacturing, Mining and Services to be modified into two Segments i.e. (a) Industry and (b) Services. Modification / merger of the existing 22 cognate groups into 14 sectors under these two major Segments.

**5.3.1.1** The Classification in **Industry Segment (IS)** is as follows;

- **i.** In the Industry segment, the cognate groups consisting of Coal & Lignite and other Minerals are proposed to be called the **Mining Sector (IS-1).**
- **ii.** The CPSEs dealing with Copper, Aluminium, Steel and allied products are clustered to form the **Metals Sector (IS-2).** The cognate groups of Crude Oil under the Mining Sector which is very different from Mining of Coal and other Minerals is proposed for inclusion in the **Petroleum Sector (IS-3) .**
- **iii.** The Electricity sector comprising Power Generation and Power Transmission is proposed to be called **Power Sector (IS-4)**.
- **iv.** The Cognate groups Heavy Engineering, Light & Medium Engineering and Transportation Equipment are clubbed together to form the **Engineering Sector (IS- 5).**
- **v.** The cognate groups **Fertilisers and Chemicals & Pharmaceuticals** retain their original identity (**IS-6 and IS-7).**
- **vi.** The cognate groups Consumer Goods, Agro based Industries and Textiles are clubbed together to be called **Consumer Goods Sector (IS-8).**

**5.3.1.2** In respect of the **Services Segment (SS)**, the Classification is as follows;

i. The cognate group Telecom & IT is designated as **Telecom Sector (SS-1).**

ii. The **Financial services** retains the same identity **(SS-2).**

iii. The cognate groups Transportation Services and Tourist services are clubbed together to be called **Transportation & Tourism Services Sector (SS-3).**

iv. The Trading and Marketing services is renamed as **Trading & Warehousing Sector (SS-4).**

v. The Industrial Development & Technical Consultancy services is re-named as **Consultancy Sector** (**SS-5).**

vi. The Contract & Construction services is renamed as **Construction Sector (SS-6).**

**5.3.1.3** Some of the CPSEs are proposed to be relocated from the existing cognate groups as detailed below:

- Hindustan Copper Ltd. and National Aluminium Co. Ltd. to be shifted from other Minerals & Metals sector to the Metals sector.
- Neyveli Lignite Corporation, which is essentially a power generating company and mines lignite almost entirely for its captive consumption, currently included in the Coal & Lignite group of the Mining Sector to be shifted to Power Sector.
- HMT Chinar Watches & HMT Watches to be shifted from Light & Medium Engineering group to Consumer Goods sector.
- IDPL (Tamilnadu) to be shifted from Medium & Light Engineering group to the new Chemicals & Pharmaceuticals sector.
- Antrix Corporation to be shifted from Medium & Light Engineering group to Consultancy sector.
- Hindustan Salts and Sambhar Salts to be shifted from Chemicals and Pharmaceuticals group to Consumer Goods sector.
- Project & Development India to be shifted from Chemicals & Pharmaceuticals group to Consultancy sector.
- North Eastern Regional Agricultural Marketing Corporation to be shifted from Agro-based group to Trading & Warehousing sector.
- Mineral Exploration Corporation to be shifted from Contract and Construction group to Consultancy Sector.

**5.3.1.4** The proposed sectoral break up in the Industry and Services Divisions will be as summarized below:

| Sector code | Name of the Sector | No. of CPSEs |
|---|---|---|
| **(A) Industry Segment** | | |
| IS 1 | Mining | 16 |
| IS 2 | Metals | 8 |
| IS 3 | Petroleum | 11 |
| IS 4 | Power | 10 |
| IS 5 | Engineering | 40 |
| IS 6 | Fertilizers | 8 |
| IS 7 | Chemicals and Pharmaceuticals | 12 |
| IS 8 | Consumer Goods | 25 |
| | **Subtotal** | **130** |
| **(B) Services Segment** | | |
| SS 1 | Telecom | 4 |
| SS 2 | Financial Services | 16 |
| SS 3 | Transportation & Tourism Services | 20 |
| SS 4 | Trading & Warehousing | 18 |
| SS 5 | Consultancy | 18 |
| SS 6 | Construction | 10 |
| | **Subtotal** | **86** |
| | **Total** | **216** |

The individual lists of the CPSEs falling into the proposed sectors in the Industry and Services Segments are indicated in **Annex- 5.2**.

## 5.3.2 Generic Description of the Proposed Sectors

### 5.3.2.1 Industry Segment

**i. IS-1: Mining Sector**

The enterprises falling in this sector are mainly engaged in mining of Coal and other minerals. Enterprises engaged in the manufacture of Fire/Silica bricks etc are also included in this sector.

ii. **IS-2: Metals Sector**

The enterprises falling in this sector are mainly engaged in processing the ores, scrap and slag into finished and saleable metal products such as Steel, copper, aluminium and other special alloys. Some of the enterprises may also have their own captive mines and carry out mining activities.

iii. **IS-3: Petroleum Sector**

The enterprises falling in this sector are mainly engaged in exploration, extraction & transportation of crude oil and natural gas refining and selling of petroleum products such as petrol, diesel, LPG, aviation fuel, kerosene, naphtha, greases, chemical additives, lubricants, etc.

iv. **IS-4: Power Sector**

The enterprises falling in this sector are mainly engaged in generation, transmission or distribution of Hydel, Thermal and Nuclear power.

v. **IS-5: Engineering Sector**

The enterprises falling in this sector are engaged in the design, engineering, manufacturing, sales and servicing of various types of capital goods, industrial and strategic products covering Defence equipment, telecommunication equipment, transportation equipment, ship building, power generation equipment, machine tools, various types of instruments, process plants, cryogenics, combustion systems, wagons, cranes, structural fabrications and products, industrial packaging, optical equipment, electrical switch gear, electrical and telecommunication cables, ball & roller bearings, aircrafts and helicopters, ships, submarines, ship repair, pumps, compressors, etc.

vi. **IS-6: Fertiliser Sector**

The enterprises falling in this sector are mainly engaged in the production and selling of fertilizers and allied products like urea, phosphates, complex fertilizers, DAP, phosphoric acid, ammonia, sulphuric acid, etc.

**vii. IS-7: Chemicals & Pharmaceuticals Sector**

The enterprises falling in this sector are mainly engaged in producing pharmaceuticals, surgical instruments, pesticides, insecticides, Ayurvedic intermediaries, etc.

**viii. IS-8: Consumer Goods Sector**

The enterprises falling in this sector are mainly engaged in producing goods for mass consumption like textiles, watches, contraceptives, seeds and other agricultural products, paper, edible oils, common salt, cement, films, tyres, lenses, etc.

### 5.3.2.2 Services Segment

**i. SS-1: Telecom Services**

The enterprises falling in this sector are mainly engaged in providing telecommunication and internet services.

**ii. SS-2: Financial Services**

The enterprises falling in this sector are mainly engaged in rendering financial services.

**iii. SS-3: Transportation and Tourism Services**

The enterprises falling in this sector are engaged in providing transport services, including freight, by surface, sea and air, management of national and international airports, creating and maintaining required depth in ports and rivers, providing helicopter services, construction and management of hotels, restaurants, tourist bungalows, duty free trade, etc.

**iv. SS-4: Trading & Warehousing Sector**

The enterprises falling in this sector are mainly engaged in international as well as domestic trade, trade promotion, warehousing and providing support prices for agricultural commodities.

**v. SS-5: Consultancy Sector**

The enterprise falling in this sector are mainly engaged in rendering engineering, technical, and educational consultancy services for construction of various projects, plants, installations, and certification in various engineering disciplines including space.

vi. **SS-6: Construction Sector**

The enterprises falling in this sector are mainly engaged in construction of houses, railway lines, roads, bridges and also providing consultancy services in allied fields.

## 5.3.3 Classification Based on Size, Man power and Geographical spread

CPSEs have large variation in size of operations, manpower employed and geographical spread of activities. Size of operations determined by the income is internationally used as major factor in determining fixed component of compensation packages of the senior executives. The Committee considered several parameters for a rational classification of CPSEs for the purpose of deciding fixed component of executive compensation. Committee is of the view that income levels, size of manpower and geographical spread of company's operations are the factors that should, if not entirely, to a large extent define complexities involved in management of an organization. Use of these parameters, may not completely eliminate, but will substantially reduce subjective element in classification of CPSEs. The Committee also examined a suggestion that profit should also be considered as a parameter for Classification of CPSEs for deciding fixed pay. Giving weightage to profit did not make any significant change to overall ranking of the CPSEs except relegating two Coal companies, namely BCCL and ECL to a lower category. It would, however, be very irrational to classify these most difficult to manage Coal companies to a lower category for determining fixed pay. Since Committee is proposing a significant component of compensation as PRP, which is entirely based on profit, it would be irrational to include profit as a consideration in deciding fixed component of compensation also. Classification based on income level, size of manpower and geographical spread of companies operations is, therefore, proposed to be used in determining fixed component of executive compensation, while efficiency, productivity and profitability should be major consideration in determining variable component of compensation in the CPSEs.

After detailed deliberations the Committee decided to assign following weightage to above parameters for classification of the CPSEs.

| | |
|---|---|
| Total Income (including work-in-progress and other income) | 75% |
| Size of Manpower | 15% |
| Physical dispersal of operations | 10% |

- In order to take into consideration the year-to-year undulations in the turnover, the average of the 3 years (2004-07) has been considered.
- The manpower data is as per 2006-07 statistics. The physical dispersal is as per details contained in the PE Survey, 2006-07.
- The criteria values chosen for the three parameters are indicated in **Annex-5.3**. The relevant working details, sector-wise, are appended as **Annex- 5.4**.

**5.3.3.2 Categorization of Holding Companies**

For categorization of holding companies, income and manpower of all the subsidiaries has been considered

**5.3.3.3 Higher categorization of CPSEs relating to Consultancy Sector (SS-5)**

Based on the nature of the business of the CPSEs falling in the Consultancy sector, which are mainly engaged in rendering engineering, technical, and educational consultancy services, the volumes of their income, the number of employees that are engaged by them, would obviously be much lower as compared to the CPSEs in the other sectors. However, nature of their business being consultancy, these companies require bright executives who are abreast with the latest technologies and managerial practices. Thus, talent and skills required by the executives of these CPSEs would be of substantially higher order compared to other enterprises coming in the same group. It is, therefore, proposed that consultancy companies should be upgraded by one category above their categorization based on the specified parameters, for the purpose of deciding fixed component of compensation. While six CPSEs falling under the category-3, thus get classified in Category-2, four CPSEs falling under category 4, and eight CPSEs falling under categery-5 also get upgrade by one category.

**5.3.3.4** Based on above criteria, CPSEs have been categorized into five groups. Group scores and categorization of 216 CPSEs based on such scores is summarized in the **table-5.1**

**Table -5.1**

| Category No. | Range of Score | No. of CPSEs | Present Schedule | | | | | Present Status | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | A | B | C | D | U | NR | MR1 | MR2 |
| | | | | | | | | | | |
| 1. | Above 85 | 11 | 11 | - | - | - | - | 8 | 2 | - |
| 2. | 55 – 84 | 39 | 23 | 14 | - | - | 2 | 8 | 24 | 1 |
| 3. | 30 – 54 | 53 | 16 | 32 | 2 | - | 3 | - | 13 | 1 |
| 4. | 15 – 29 | 49 | 1 | 22 | 21 | 1 | 4 | - | 2 | 6 |
| 5. | Below 15 | 64 | 2 | 6 | 25 | 5 | 26 | - | - | 5 |
| **Total :** | | **216** | **53** | **74** | **48** | **6** | **35** | **16** | **41** | **13** |

**5.3.3.5** Eleven companies in the first group include the Food Corporation of India. For the reasons mentioned elsewhere in this report, the Committee proposes that the Food Corporation of India may be excluded from the compensation package recommended by this Committee. Remaining ten CPSEs (eight Navratna and two Miniratna-1) are Mega companies in core areas of Energy, and Infrastructure. These companies need to be supported and nourished by the Government in order to enable them to become major international players in their respective sectors. Compensation package for these companies need to be attractive enough for them to recruit and retain talented executives. These companies are proposed to be classified as A+ category companies

**5.3.3.6** The CPSEs falling under category 2 are large industrial undertakings or major consultancy organizations. These are proposed to be classified as “A” category companies. Most of these are profit making, and should be able to pay the proposed compensation package without any problem. Eastern Coal Fields Limited, Bharat Coking Coal Limited, Air India and ITI Ltd may find it difficult to implement package proposed for this category of companies. These are big companies, employing a large work force and are capable of quick turn around, provided adequate political and managerial support is available to them for closing loss making operations, rationalizing manpower and upgrading technology. Government should see that these companies are revived as early as possible, so that these are able to pay the compensation packages recommended.

**5.3.3.7** Companies in category 3 and 4 to be called “B” and “C” category are relatively small companies, and include some perennially sick companies. Committee is proposing slightly lower scales of pay for these companies, so that weaker among these companies are not overburdened with wage bill. However, same level of variable compensation has been suggested for all the companies, so that benefits of improved productivity, efficiency and profitability are available to executives of all CPSEs. With the introduction of proposed Performance Related Payments (PRP), it may be possible for an executive of a better performing company in a lower category to get a higher total pay packet than that of a poorly performing company in a higher category.

**5.3.3.8** CPSEs in group 5 to be called category “D” companies are very small companies. Though the Committee is recommending a set of separate scales for the executives of these companies, for the reasons mentioned elsewhere in the report, Committee suggests that Government may consider withdrawing from such small companies, except those that have been set up for implementing some specific Government programmes.

**5.3.3.9** In view of the rationale of classification proposed by the Committee, it is not proposing any separate package for the executives of Navratna and Miniratna companies. Navratna and Miniratna classification is essentially for the purpose of delegation of financial powers and has nothing to do with the pay package. In any case in the proposed classification, all the Navratna companies and most of the Miniratna companies are falling in “A+” and “A” category and therefore will get a relatively higher compensation package.

**5.3.3.10** **Table -5.2** summarizes the total income of CPSEs falling into different slots. The percentage contribution of these groups of CPSEs to the average total income of all the CPSEs is also indicated, to highlight the relative importance of CPSEs. It is seen that the top 50 CPSEs (constituting around 24% of the total number of CPSEs in operation) are contributing around 95% of the total income and cover about 87% of the total manpower of all the CPSEs. The remaining166 CPSEs are contributing around 5% of the total income and cover 13% of the total manpower of all CPSEs.

**Table-5.2**

| **Category** | **No. of CPSEs** | **Total Income (Rs. Cr.)** | **% to aggregate income of all CPSEs** | **Manpower number** | **% to aggregate manpower of all CPSEs** |
|---|---|---|---|---|---|
| 1 or A+ | 11 | 563467 | 68.15 | 659454 | 40.86 |
| 2 or A | 39 | 221924 | 26.84 | 740479 | 45.88 |
| 3 or B | 53 | 33694 | 4.08 | 153751 | 9.53 |
| 4 or C | 49 | 6719 | 0.81 | 52308 | 3.24 |
| 5 or D | 64 | 995 | 0.12 | 7997 | 0.50 |
| | **216** | **826799** | **100** | **1613989** | **100** |

**5.3.3.11** **A** lists of CPSEs under various categories, (including the categorization of the CPSEs in the Consultancy Sector as explained in Para 5.3.3.3) is at **Annex- 5.5.**

**5.3.3.12** **Annex-5.6** and **Annex- 5.7** outline the relativity of CPSEs across and within the 14 sectors explained earlier. **Annex-5.8** shows the details of CPSEs under construction.

**5.3.3.13** The proposed categorization based on Total Income, Manpower and Geographical dispersal, adequately reflect the size of company and management complexities of the enterprise. These parameters are definitive and are not amenable to any skewed interpretation. The weightage proposed for the three parameters are considered balanced and this methodology has resulted in a fairly rational classification of CPSEs. Therefore this classification is proposed to be used for deciding fixed component of compensation package.

**5.3.3.14** Categorization of CPSEs should be reviewed by the Government once in three years, based on the criteria suggested in this report and companies should be upgraded or downgraded after such review. Since rationalization and reduction of manpower my be necessary to improve productivity and profitability, no company should be downgraded if its score comes down solely on account of reduction in manpower. It may also become necessary to revise the base values for income, depending upon the rate of inflation and growth in industrial production.

**5.3.3.15** Needless to say that the executives of the companies that are upgraded will automatically get into higher scales of pay. It may, however, not be easy to deal with companies that get down graded. Committee proposes that in case of such companies initially, part or whole of the risk pay may be withdrawn and companies given some time to recover. If the companies are not able to recover even by the next review, company executives will have to shift to appropriate lower grades.

### 5.3.4 CPSEs Under Construction

**5.3.4.1** The PE Survey reports that there are 30 CPSEs under construction (**Annex- 5.8**) involving a total manpower of 308. The entire manpower, as reported, is dispersed in 4 CPSEs viz. (i) Bharatiya Nabhikiya Vidyut Nigam (227), (ii) Sethusamudram Corporation (39), (iii) Guru Gobind Singh Refineries (28) and (iv) Bihar Drugs and Organic Chemicals (15).

**5.3.4.2** In respect of CPSEs currently under construction, the classifications can be based on the projections made in the respective Cabinet Notes/Project Reports. Alternatively, an interim special status can be considered till the CPSE becomes fully operational.

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