Chapter-6

RECOMMENDATIONS

6.1 Based on various studies, presentations and deliberations of the Committee and after analyzing all the relevant information as discussed in chapters 4 and 5, the Committee makes following recommendations.

6.2 RECOMMENDATIONS

6.2.1 Relativity

The Committee recommends that the compensation package for executives of CPSEs should be decided independent of what is proposed for the government servants. Progressively executive compensations in CPSEs should be aligned with their counter parts in the Private Sector. The Committee is accordingly recommending compensation package for the executives of CPSEs independent of the recommendations made by the Sixth Central Pay Commission for the Central Government Employees.

6.2.2 Categorization and Classification of CPSEs:

The Committee recommends that CPSEs be grouped into 5 Categories namely A+, A, B, C and D, based on the Total Income, Size of Manpower and Geographical spread of their Operations for the purpose of deciding the ‘Fixed’ component of the package. Category wise list of companies is at **Annex-5.5**.

The Committee is also recommending a new Sectoral classification for CPSEs. While the Committee is not differentiating compensation packages based on the sectoral classification for the present, it recommends that once the CPSEs achieve performance standards prevailing in private companies and MNCs in their respective sectors, they should be able to align the compensation packages with such private companies & MNCs.

Apart from this, this classification should be used by the Government to bench mark performance standards for fixing MOU targets and by the Remunerations Committees, to decide Performance Related Payment (PRP). Sector wise list of CPSEs is at **Annex- 5.6.**

6.2.3 Components of Compensation:

The Committee considers that performance and affordability should be the key factors in deciding compensation payable to the executives. Keeping these guiding principles in mind, the Committee recommends following components of the compensation package.

(A) Fixed Pay

I. The Committee recommends **'Fixed Pay'** with two sub-components, i.e. **Basic Pay** and **Risk Pay.** All CPSEs that are making cash profits and will not incur cash loss by implementing these recommendations should pay the Basic Pay, HRA and linked statutory contributions to its executives. Risk Pay, other allowances, and PRP will be paid based on the financial position of the CPSEs.

II. For the purpose of deciding affordability, it is proposed that by implementing these recommendations, a dip in profit for the year 2007 – 08 of a CPSE should not exceed 20% in respect of executives.

III. The Companies that may not afford to pay entire package at one go, will implement it in the following stages;

i) Stage 1	Basic Pay + HRA + Statutory contributions
ii) Stage 2	Basic Pay + Risk Pay + HRA + Statutory contributions
iii)Stage3	Basic Pay + Risk Pay + HRA + Statutory contributions +Part allowances + Part PRP
iv)Stage 4	Full package

Before implementing the next stage, the dip in the profit should be fully recouped to the original level. Some examples as to how this has to be implemented are given at the end of these recommendations.

IV. The Committee recommends the following 5 sets of scales for five categories of CPSEs.

Table- 6.1 Fixed pay for Executives in Category "A +" Enterprises

S. No	Grade	Pre-revised Pay Scale	Revised Pay Scale (Basic Pay)	Risk Pay	Total Fixed Pay	
					Minimum	Maximum
1.	**E0**	6550-200-11350	14500-25000	1300	15,800	26,300
2	**E1**	8600-250-14600	19000-32100	1700	20,700	33,800
3	**E2**	10750-300-16750	24000-37000	2200	26,200	39,200
4.	**E3**	13000-350-18250	29000-40100	2500	31,500	42,600
5.	**E4**	14500-350-18700	33500-44000	3500	37,000	47,500
6.	**E5**	16000-400-20800	37000-48200	4500	41,500	52,700
7	**E6**	17500-400-22300	41000-52000	6000	47,000	58,000
8	**E7**	18500-450-23900	45000-58000	8000	53,000	66,000
9	**E8**	20500-500-26500	50000-64000	9000	59,000	73,000
10	**E9**	23750-600-28550	55000-70000	10000	65,000	80,000
11	**E10**	New Scale	65000-75000	15000	80,000	90,000
12	**Director**	25750-650-30950	80000 (Fixed)	20000	1,00,000	1,00,000
13	**CMD**	27750-750-31500	100000 (Fixed)	25000	1,25,000	1,25,000

Table-6.2 Fixed pay for Executives in Category ‘A’ Enterprises

S. No	Grade	Pre-revised Pay Scale	Revised Pay Scale (Basic Pay)	Risk Pay	Total Fixed Pay	
					Minimum	Maximum
1.	**E0**	6550-200-11350	13500-23000	1300	14800	24300
2	**E1**	8600-250-14600	17500-30000	1700	19200	31700
3	**E2**	10750-300-16750	22000-34000	2200	24200	36200
4.	**E3**	13000-350-18250	26500-37000	2500	29000	39500
5.	**E4**	14500-350-18700	30500-40000	3500	34000	43500
6.	**E5**	16000-400-20800	34000-44000	4500	38500	48500
7	**E6**	17500-400-22300	37000-47100	6000	43000	53100
8	**E7**	18500-450-23900	40000-52500	8000	48000	60500
9	**E8**	20500-500-26500	45000-58200	9000	54000	67200
10	**E9**	23750-600-28550	52000-64000	10000	62000	74000
11	**Director**	25750-650-30950	75000 (Fixed)	15000	90000	90000
12	**CMD**	27750-750-31500	80000 (Fixed)	20000	100000	100000

Table6.3 Fixed pay for Executives in Category ‘B’ Enterprises

S. No	Grade	Pre- revised Pay Scale	Revised Pay Scale (Basic Pay)	Risk Pay	Total fixed Pay	
					Minimum	Maximum
1.	**E0**	6550-200-11350	12900-22100	1250	14150	23350
2	**E1**	8600-250-14600	16625-28500	1600	18225	30100
3	**E2**	10750-300-16750	20900-32600	2100	23000	34700
4.	**E3**	13000-350-18250	25175-35500	2400	27575	37900
5.	**E4**	14500-350-18700	28975-38000	3200	32175	41200
6.	**E5**	16000-400-20800	32300-41800	4500	36800	46300
7	**E6**	17500-400-22300	35150-44800	5700	40850	50500
8	**E7**	18500-450-23900	38000-49700	7600	45600	57300
9	**E8**	20500-500-26500	42750-55100	8550	51300	63650
10	**Director**	22500-600-27300	65000 (Fixed)	10000	75000	75000
11	**CMD**	25750-650-30950	75000 (Fixed)	15000	90000	90000

Table 6.4 Fixed pay for Executives in Category 'C' Enterprises

S. No	Grade	Pre-revised Pay Scale	Revised Pay Scale (Basic Pay)	Risk Pay	Total fixed Pay	
					Minimum	Maximum
1.	**E0**	6550-200-11350	12200-20900	1200	13400	22100
2	**E1**	8600-250-14600	15300-27000	1500	16800	28500
3	**E2**	10750-300-16750	19800-30900	2000	21800	32900
4.	**E3**	13000-350-18250	23900-33600	2400	26300	36000
5.	**E4**	14500-350-18700	27500-36000	3200	30700	39200
6.	**E5**	16000-400-20800	30600-39600	4000	34600	43600
7	**E6**	17500-400-22300	33300-42300	5400	38700	47700
8	**E7**	18500-450-23900	36000-46800	7200	43200	54000
9	**Director**	20500-500-25000	55000 (Fixed)	8000	63000	63000
10	**CMD**	22500-600-27300	65000 (Fixed)	10000	75000	75000

Table 6.5 Fixed pay for Executives in Category 'D' Enterprises

S. No	Grade	Pre-revised Pay Scale	Revised Pay Scale (Basic Pay)	Risk Pay	Total fixed Pay	
					Minimum	Maximum
1.	**E0**	6550-200-11350	11500-19800	1100	12600	20900
2	**E1**	8600-250-14600	14900-25500	1500	16400	27000
3	**E2**	10750-300-16750	18700-29200	1900	20600	31100
4.	**E3**	13000-350-18250	22500-31800	2400	24900	34200
5.	**E4**	14500-350-18700	25900-34000	3200	29100	37200
6.	**E5**	16000-400-20800	28900-37400	4000	32900	41400
7	**E6**	17500-400-22300	31500-40000	5100	36600	45100
8	**Director**	18500-450-23900	50000 (Fixed)	8000	58000	58000
9	**CMD**	20500-500-25000	55000 (Fixed)	10000	65000	65000

V. The executives, who are brought into holding companies from subsidiary companies or vice-versa on deputation/transfer, will continue to draw their fixed pay drawn in the original company. They will, however, be entitled to draw the Allowances and Variable pay as applicable to the borrowing company.

VI. Government Officers on deputation to the CPSEs, will continue to draw the salary as per their entitlement in the parent department. Only those who come on permanent absorption basis will get the benefit of CPSE scales, perks & benefits.

(B) Fitment: The **C**ommittee recommends a graded fitment benefit as per the following Tables :

Table 6.6 Fitment Benefit

	Category of CPSE				
	% benefit on the existing basic pay + DA				
Grade	A+	A	B	C	D
E0 to E3	30	20	15	9	3
E4 to E6	37	25	19	12	6
E7 to E9	42	30	23	15	9
Director	Fixed Pay				
CMD	Fixed Pay				

Table 6.7 Fitment Method

A		B		C		D
Basic Pay + Stagnation increments as on 1.1.2007 (Personal Pay / Special Pay not to be included)	+	Corresponding DA of 68.8% as on 1.1. 2007	+	Graded fitment benefit as per the Table above on (A+B)	=	Aggregate amount rounded off to the next Rs.10

I. Fitment benefit for 'C' and 'D' category has been deliberately kept low as most of companies in these categories are financially weak and will not be able to pay higher compensation. However, if Risk Pay and PRP are taken into account, executives of financially sound companies in these categories may get a total pay packet which is fairly high.

II. Since, there are no fixed stages in new scales and pay is revised based on fitment as proposed above, there would not be cases of bunching.

.

(C) Increment: The Committee recommends that annual increments may range from 2% to 4% of the Basic pay depending on the performance of the individual as determined by Performance Appraisal System and the capacity of the CPSE to pay. Since there is no fixed increment, management can use its discretion in fixing the pay when an executive is promoted from a lower grade to a higher grade. The individuals who have reached the maximum of the Scale may be allowed to draw maximum three stagnation increments every two years at 2% of Basic Pay provided they get a performance rating 'Good' or above.

(D) Dearness Allowance: The Committee is not recommending any change in the system of paying the Dearness Allowance. DA as on 01.01.2007 will become Zero. Link point will be All India Consumer Point Index (AICPI) 2001= 100, which is 126.33 as on 01.01.2007.

(E) House Rent Allowance: The Committee recommends the following rates of HRA.

Cities with population	Rates of HRA
50 lakhs and above	30% of Basic Pay
5 to 50 lakhs	20% of Basic Pay
Less than 5 lakhs	10% of Basic Pay

(F) Leased Accommodation: The Committee recommends that the Board of Directors may decide the level of executives who will be provided company leased accommodation and the size, type and locality of such accommodation. For purposes of CTC, 30% of basic pay may be considered as expenditure on Housing.

(G) **City Compensatory Allowance:** For the reasons elaborated in the Chapter on Paradigm Shift, the Committee recommends that the CCA may be dispensed with.

(H) **Other Allowances / Perks:** The Committee recommends that the Board of Directors may decide on the allowances and perks admissible to the different categories of executives subject to a maximum ceiling of 50% of the Basic Pay (i.e. without Risk Pay). Instead of having a fixed set of allowances, the CPSEs may follow 'cafeteria approach' allowing the executives to choose from a set of perks and allowances.

In places where CPSEs have created infrastructure such as hospitals, colleges, schools, clubs etc. these facilities should be monetized at replacement cost for the purpose of computing the perks and allowances. The following allowances will be outside the purview of 50% limit.

- North East Allowance limited to 12.5% of Basic Pay.
- Allowance for Underground Mines limited to 15% of Basic Pay.
- Special Allowance for serving in the difficult and far flung areas as approved by concerned Ministries in consultation with DPE from time to time up to 10% of Basic Pay.
- Non-practicing Allowance for Medical Officers limited to 25% of Basic Pay.

(I) **Variable Pay/Performance Related Pay (PRP):** The Committee recommends that Variable Pay or Performance Related Pay (PRP) be made an integral part of the compensation package and should progressively become major component of the executive compensation. The PRP should be directly linked to the profits of the CPSE/unit and performance of the executives. The percentage ceiling of PRP, progressively increasing from junior level to senior level executives, expressed as percentage of pay are indicated in Table 8 below.

Table 6.8 PRP as Percentage of Basic Pay

Grade	A+, A, B Categories	C & D Categories
E0 to E1	40	40
E2 to E3	40	40
E4 to E5	50	50
E6 to E7	60	60
E8 to E9	70	70
E10	100	--
Director	150	100
CMD	200	150

i. If the CPSE achieves 'Excellent' MOU rating, the PRP can be paid at 100% eligibility levels as outlined above. If the enterprise is rated 'Very Good', the eligibility should be scaled down to 80%. In respect of 'Good' and 'Fair' ratings, the eligibility levels could be brought down to 60% and 40% respectively. If the CPSE is rated 'Poor', there will be no eligibility for PRP irrespective of the profitability of the CPSE.

ii. The system of PRP must have an in-built mechanism for continuous improvement of the profitability. Towards this end, the Committee recommends the following method of computing the allocable profits for PRP payments.

iii. As the name suggests this Performance pay would be based on physical and financial performance and will come out of profits of the company. 60% of the Performance Pay, as recommended, will be given with a ceiling of 3% of PBT and 40% of PRP will come from 10% of incremental profit. Incremental profit is the increase in profit as compared to previous year's profit. The total PRP, however, will be limited to 5 % of the years PBT, exclusively for the Executives. Performance Pay for the year will be calculated latest by December of the following year based on the company's performance as per audited accounts. The proposed PRP scheme is recommended for implementation from the financial year 2007-2008. Since it will be the first year of introduction of PRP scheme, there will be no incremental profit and amount available for PRP for the executives will be 3% of PBT of 2007-08. For the purpose of calculating the incremental profit, the starting year would be 2007-08. The variable pay component coming from incremental profit for the first time will be after knowing the result of company's performance for the year 2008-09. Therefore, this portion of PRP will be payable w.e.f. 2009-10.

iv. The methodology proposed can be illustrated by the following example:

If a CPSE records Rs. 100 Cr. PBT in an year, the amount available for PRP will be Rs. 3 Cr. Further, if the PBT signifies an increase of Rs. 70 Cr over PBT of the previous year(ie. Previous year's profit was only 30 Cr.), there will be an additional amount of Rs.7 Cr (10% of 70 Cr) available for PRP making a total of Rs. 10 cr. However, in view of the cap of 5% of the PBT, amount available for PRP to the executives will be restricted to only Rs. 5 Cr for the year, instead of 10 Cr.

v. For deciding individual levels of PRP, the methodology could be finalized by the CPSE concerned, after putting in position a rational and transparent Performance Management System at the enterprise level, unit level and the individual level as found appropriate by the respective CPSEs. Balanced score cards have to be introduced to all executives to determine the eligibility of PRP for each executive.

vi. **Memorandum of Understanding:** The Committee recommends that all CPSEs must be required to sign the MOU with the parent department / Ministry, and the MOU rating will form the basis of PRP with all the Key Result Areas identified in the MOU. The CPSEs that do not enter into MOUs will not be eligible for PRP.

vii. **Performance Management System:** Since PRP to individuals and Groups will be based on performance against Key Result Areas, the Committee recommends that all CPSEs should develop a robust and transparent PMS system. CPSEs should adopt ''Bell curve approach'' in grading the officers so that not more than 10% to 15% executives are Outstanding / Excellent. Similarly 10% of executives should be graded as below par.

viii. **Remuneration Committee:** The Committee recommends that all Enterprises should have professional Boards with independent Directors. All the CPSEs should constitute a Remuneration Committee headed by an Independent Director. The Enterprise will not be eligible for PRP unless the independent Directors are on their Boards.

ix. **Examples of how the PRP has to be calculated are shown below.**

Illustration of methodology for implementation of PRP with reference to MOU Rating

(A) Case – 1

i)	**Category of CPSE**	**A**
ii)	**MOU rating**	**Very Good (80%)**
iii)	**Share of PBT from current year's profit available for PRP (3% of PBT for 2007-08)**	**Rs. 10 Cr**
iv)	**Amount required for current Years PRP**	**Rs. 12 Cr.**
v)	**Share of PBT available from incremental profit***	**Rs. 2 Cr.**
vi)	**Amount required for incremental PRP***	**Rs. 4 Cr.**

Example-1

i)	**Grade of executive**	**E-5 (50%)**
ii)	**Basic Pay (Annual)**	**Rs. 4,80,000**
iii)	**Performance rating**	**Good (60%)**

	1	2 (Rs)	3	4	5	6	7 (Rs)
PRP from current profit	**0.60**	**X 480000**	**X 0.80**	**X 0.50**	**X 0.60**	**X 10/12**	**57577**
PRP from incremental profit	**0.40**	**X 480000**	**X 0.80**	**X 0.50**	**X 0.60**	**X 1/2**	**23100**
Total PRP							**80700**

Example-2

i)	**Grade of executive**	**E-2 (40%)**
ii)	**Basic Pay (Annual)**	**Rs. 4,20,000**
iii)	**Performance rating**	**Outstanding (100%)**

	1	2 (Rs)	3	4	5	6	7 (Rs)
PRP from current profit	**0.60**	**X 420000**	**X 0.80**	**X 0.40**	**X 1.00**	**X 10/12**	**67173**
PRP from incremental profit	**0.40**	**X 420000**	**X 0.80**	**X 0.40**	**X 1.00**	**X 0.5**	**26880**
Total PRP							**94100**

(B) Case-2

i)	Category of CPSE	C
ii)	MOU rating	Outstanding (100%)
iii)	Share of PBT from current year's profit available for PRP (3% of PBT for 2007-08)	Rs. 5 Cr.
iv)	Amount required for PRP	Rs. 3 Cr.
v)	Share of PBT available from incremental profit*	Rs. 2 Cr.
vi)	Amount required for incremental PRP*	Rs. 1 Cr.

Example-1

i)	Grade of executive	E-4 (50%)
ii)	Basic Pay (Annual)	Rs. 4,08,000
iii)	Performance rating	Outstanding (100%)

	1	2 (Rs)	3	4	5	6	7 (Rs)
PRP from current profit	0.60	X 408000	X 1.00	X 0.50	X 1.00	X 1.00	122400
PRP from incremental profit	0.40	X 408000	X 1.00	X 0.50	X 1.00	X 1.00	81600
Total PRP							204000

Example-2

i)	Grade of executive	E-6 (60%)
ii)	Basic Pay (Annual)	Rs. 4,80,000
iii)	Performance rating	Fair (40%)

	1	2 (Rs)	3	4	5	6	7
PRP from current profit	**0.60**	**X 480000**	**X 1.00**	**X 0.60**	**X 0.40**	**X 1.00**	**69120**
PRP from incremental profit	**0.40**	**X 480000**	**X 1.00**	**X 0.60**	**X 0.40**	**X 1.00**	**46100**
Total PRP							**115200**

Example-3

i)	**Grade of executive**	**CMD (150%)**
ii)	**Basic Pay (Annual)**	**Rs. 7,80,000**
iii)	**Performance rating**	**Outstanding (100%)**

	1	2 (Rs)	3	4	5	6	7 (Rs)
PRP from current profit	**0.60**	**X 780000**	**X 1.00**	**X 1.50**	**X 1.00**	**X 1.00**	**7,02,000**
PRP from incremental profit	**0.40**	**X 780000**	**X 1.00**	**X 1.50**	**X 1.00**	**X 1.00**	**4,68,000**
Total PRP							**1170000**

Column-1 :	**Component of PRP (60% from Current Profit and 40% from Incremental Profit)**
Column-2 :	**Annual Basic Pay**
Column-3 :	**MOU Rating (Excellent-100%, Very Good-80%, Good-60%, Fair-40%)**
Column-4 :	**Grade Incentive (E0 to E3- 40%, E4 to E5- 50%, E6 to E7- 60%, E8 to E9- 70%, E10- 110%, Directors-150 % for A+,A,B and 100% for C &D, CMD- 200% for A+,A &B and 150% for C &D.**
Column-5 :	**Executive Performance Rating**
Column-6 :	**Ratio of Required amount to available amount**
Column-7:	**Annual PRP Amount IS Product of Col.1 to 6.**

Note:

X: means multiplication

***: The PRP from incremental Profit will be based on the Annual Performance of the Company for 2008-09 and will be payable in 2009-10**

(J) **Conveyance:** The Company Car should be provided to the Directors and CMD only. All other Executives should use their own transport to commute to the office. For purposes of CTC, the expenditure on Car provided to Directors & CMD, should be excluded.

(K) **Superannuation Benefits:** The Committee recommends that CPSEs should allow 30% of the Basic Pay as superannuation benefit which should include CPF, gratuity, pension and post-superannuation medical benefits. The Enterprises should make their own schemes to manage these funds or operate through insurance companies on fixed contribution basis. The amount of Pension, gratuity and post retirement benefits will be decided based on the returns from the schemes to be operated. For purpose of paying the gratuity or post-superannuation benefits, the Committee recommends that there should not be any upper ceiling limit. Pension and Medical Benefits, as Superannuation benefits, are aimed at ensuring the loyality of the Executives to the CPSEs and extended tenure of services. The Committee recommends that these two benefits can be extended to those executives who superannuate from the CPSE and who have put in a minimum of 15 years of service in the CPSE prior to superannuate.

(L) **Long term incentives:** The Committee recommends that all Enterprises should formulate Employee Stock Option Plan (ESOP) and 10% to 25% of the PRP should be paid as ESOPs. In order to see that Enterprises are able to operate ESOP schemes, the Government should encourage companies to get listed on the stock exchange.

(M) Current CTC and recommended CTC for different categories of companies at different levels of executives are shown in **Table 6.13 to 6.17.**

Table-6.13: Statement of CTC for Category ‘A+’ Enterprise

S. No.	Grade	Pre-revised annual CTC Rs. Lakhs.		Proposed Scale	Risk Pay	Total fixed Pay at the minimum of Scale	Revised annual CTC at Min Basic without Perks and PRP Rs. Lakhs	Revised annual CTC with full Perks and Maximum PRP Rs. Lakhs	
		At min.	At max.					At the Min. of the Scale	At the Max. of the Scale
1.	E0	2.17	3.80	14500-25000	1300	15800	2.61	4.51	7.66
2.	E1	2.88	4.88	19000-32100	1700	20700	3.42	5.90	9.80
3.	E2	3.72	5.60	24000-37000	2200	26200	4.32	7.46	11.36
4.	E3	4.35	6.11	29000-40100	2500	31500	5.22	9.00	12.30
5.	E4	4.85	6.26	33500-44000	3500	37000	6.03	10.89	14.17
6.	E5	5.35	6.96	37000-48200	4500	41500	6.66	12.08	15.52
7.	E6	5.86	7.46	41000-52000	6000	47000	7.38	14.00	17.57
8.	E7	6.19	8.00	45000-58000	8000	53000	8.10	15.54	19.75
9.	E8	6.86	8.87	50000-64000	9000	59000	9.00	17.88	22.58
10.	E9	7.95	9.55	55000-70000	10000	65000	9.90	19.68	24.72
11.	E10	---	----	65000-75000	15000	80000	11.70	26.76	30.60
12.	Director	8.61	10.35	80000	20000	100000	15.36	36.96	36.96
13.	CMD	9.28	10.89	100000	25000	125000	19.20	52.20	52.20

Table-6.13: Statement of CTC for Category 'A' Enterprise

S. No.	Grade	Pre-revised annual CTC Rs. Lakhs.		Proposed Scale	Risk Pay	Total fixed Pay at the minimum of Scale	Revised annual CTC at Min Basic without Perks and PRP Rs. Lakhs	Revised annual CTC with full Perks and Maximum PRP Rs. Lakhs	
		At min.	At max.					At the Min. of the Scale	At the Max. of the Scale
1.	E0	2.17	3.80	13500-23000	1300	14800	2.43	4.21	6.23
2.	E1	2.88	4.88	17500-30000	1700	19200	3.15	5.45	8.12
3.	E2	3.72	5.60	22000-34000	2200	24200	3.96	6.86	9.25
4.	E3	4.35	6.11	26500-37000	2500	29000	4.77	8.25	10.07
5.	E4	4.85	6.26	30500-40000	3500	34000	5.49	09.96	11.48
6.	E5	5.35	6.96	34000-44000	4500	38500	6.12	11.15	12.69
7.	E6	5.86	7.46	37000-47100	6000	43000	6.66	12.71	13.69
8.	E7	6.19	8.00	40000-52500	8000	48000	7.20	13.92	15.94
9.	E8	6.86	8.87	45000-58200	9000	54000	8.10	16.20	17.78
10.	E9	7.95	9.55	52000-64000	10000	62000	9.36	18.67	19.63
12.	Director	8.61	10.35	75000	15000	90000	14.40	34.21	34.21
13.	CMD	9.28	10.89	80000	20000	100000	15.36	41.76	41.76

Table-6.13: Statement of CTC for Category 'B' Enterprise

S. No.	Grade	Pre-revised annual CTC Rs. Lakhs.		Proposed Scale	Risk Pay	Total fixed Pay at the minimum of Scale	Revised annual CTC at Min Basic without Perks and PRP Rs. Lakhs	Revised annual CTC with full Perks and Maximum PRP Rs. Lakhs	
		At min.	At max.					At the Min. of the Scale	At the Max. of the Scale
1.	E0	2.17	3.80	12900-22100	1250	14150	2.32	4.17	6.97
2.	E1	2.88	4.88	16625-28500	1600	18225	2.99	5.18	8.74
3.	E2	3.72	5.60	20900-32600	2100	23000	3.76	6.52	9.94
4.	E3	4.35	6.11	25175-35500	2400	27575	4.53	7.84	10.83
5.	E4	4.85	6.26	28975-38000	3200	32175	5.22	9.43	12.23
6.	E5	5.35	6.96	32300-41800	4500	36800	5.81	10.52	13.48
7.	E6	5.86	7.46	35150-44800	5700	40850	6.33	12.07	15.15
8.	E7	6.19	8.00	38000-49700	7600	45600	6.84	13.22	16.92
9.	E8	6.86	8.87	42750-55100	8550	51300	7.70	15.39	19.54
12.	Director	7.53	9.13	65000	10000	75000	12.48	29.28	29.28
13.	CMD	8.61	10.35	75000	15000	90000	14.40	38.70	38.70

Table-6.13: Statement of CTC for Category ‘C’ Enterprise

S. No.	Grade	Pre-revised annual CTC Rs. Lakhs.		Proposed Scale	Risk Pay	Total fixed Pay at the minimum of Scale	Revised annual CTC at Min Basic without Perks and PRP Rs. Lakhs	Revised annual CTC with full Perks and Maximum PRP Rs. Lakhs	
		At min.	At max.					At the Min. of the Scale	At the Max. of the Scale
1.	E0	2.17	3.80	12200-20900	1200	13400	2.20	3.80	6.35
2.	E1	2.88	4.88	15300-27000	1500	16800	2.75	4.77	8.28
3.	E2	3.72	5.60	19800-30900	2000	21800	3.56	6.18	9.42
4.	E3	4.35	6.11	23900-33600	2400	26300	4.30	7.45	10.27
5.	E4	4.85	6.26	27500-36000	3200	30700	4.95	8.96	11.61
6.	E5	5.35	6.96	30600-39600	4000	34600	5.51	9.98	12.79
7.	E6	5.86	7.46	33300-42300	5400	38700	5.99	11.44	14.35
8.	E7	6.19	8.00	36000-46800	7200	43200	6.48	12.53	16.03
12.	Director	6.86	8.36	55000	8000	63000	10.56	21.42	21.42
13.	CMD	7.53	9.13	65000	10000	75000	12.48	29.28	29.28

Table-6.13: Statement of CTC for Category 'D' Enterprise

S. No.	Grade	Pre-revised annual CTC Rs. Lakhs.		Proposed Scale	Risk Pay	Total fixed Pay at the minimum of Scale	Revised annual CTC at Min. Basic without Perks and PRP Rs. Lakhs	Revised annual CTC with full Perks and Maximum PRP Rs. Lakhs	
		At min.	At max.					At the Min. of the Scale	At the Max. of the Scale
1.	E0	2.17	3.80	11500-19800	1100	12600	2.07	3.58	5.98
2.	E1	2.88	4.88	14900-25500	1500	16400	2.68	4.65	7.83
3.	E2	3.72	5.60	18700-29200	1900	20600	3.36	5.84	8.90
4.	E3	4.35	6.11	22500-31800	2400	24900	4.05	7.04	9.73
5.	E4	4.85	6.26	25900-34000	3200	29100	4.66	8.47	10.99
6.	E5	5.35	6.96	28900-37400	4000	32200	5.20	9.53	12.18
7.	E6	5.86	7.46	31500-40000	5100	36600	5.67	10.82	13.57
12.	Director	6.19	8.00	50000	8000	58000	9.60	19.56	19.56
13.	CMD	6.86	8.36	55000	10000	65000	10.56	24.96	24.96

(N) It may be seen from CTC statements that the ratio of CTC between the Entry level Executives and the CMD level is less than 1: 10 in all categories, except in the solitary case of A+ Category company computed at the minimum of the scale with perks and maximum PRP. Since many of the A+ CPSEs do not operate E-0 scale, this ratio may not touch 1:10 in most of A+ CPSEs also. CTC recommended are the maximum limits and actual package could vary for each executive depending upon the affordability of the company and the performance of the individual. CTC does not include DA, cost of cars provided to CMDs and Directors, stagnation increments, cost of leased accommodation over and above the 30% of Basic Pay and special allowances mentioned at Para 6.2.3.(H) above.

(O) Examples of how the pay revision has to be effected by the companies with different profitability are given below;

Illustration of methodology for implementation of Pay revision

Case I:

a) Profit before tax in 2007-08 before Implementing the Pay revision — Rs. 1000.00 Cr.

b) 20% of PBT — Rs. 200 Cr.

Different elements of compensation before Pay Revision and after Pay Revision

Rs. Cr.

S. No.	Component of Pay	Pre-Revised	After Revision	Additional cost due to Revision	% Increase
1.	Basic plus DA	98.64	137.28	38.64	39
2.	HRA	17.53	41.18	23.65	135
3.	Risk Pay	--	12.84	12.84	--
4.	Perks & Allowances	38.67	68.64	29.97	77
5.	Retiral Benefits	23.38	41.84	18.46	76
6.	PRP / Variable Pay	13.12	30.00	16.88	129
7.	**Total**	**191.34**	**331.78**	**140.44**	**73**

The additional cost of the Pay revision is about 14% of the Profit before tax which is less than stipulated limit and in view of this the Enterprise can implement the revision in all the components of the Pay.

Case II:

a) Profit before tax in 2007-08 before Implementing the Pay revision — Rs. 550 Cr.

b) 20% of PBT — Rs. 110 Cr.

The Enterprise will not able to implement revision to the full extent in all the components. The additional cost due to increase in Basic Pay plus Risk Pay plus DA plus HRA and Retiral benefits will add up to Rs. 93.59 Crores (Rs.38.64+23.65+18.46+12.84) and this can be accommodated with in the provision of Rs. 110 Cr. The remaining amount of Rs. 16.41 Cr. can be utilized towards additional Allowances and Part Payment of PRP.

Case III:

a) Profit before tax in 2007-08 before Implementing the Pay revision — Rs. 450 Cr.

b) 20% of PBT — Rs. 90 Cr.

The Enterprise will not able to implement revision to the full extent in all the components. The additional cost due to increase in Basic Pay plus DA plus HRA and Retiral benefits will add up to Rs. 80.75 Crores (Rs.38.64+23.65+18.46) and this can be accommodated with in the provision of Rs. 90 Cr. The remaining amount of Rs.9.25 Cr. can be utilized towards the Part Payment of Risk .

Case IV:

a) Profit before tax in 2007-08 before Implementing the Pay revision — Rs. 250 Cr.

b) 20% of PBT — Rs. 50 Cr.

The Enterprise will not able to implement revision to the full extent in all the components. Since the enterprise is making Cash Profit, they can only pay Basic Pay + DA + HRA and statutory benefits.

(P) **Retirement Age:** The Committee is not recommending any increase in the retirement age for the reasons stated in the Chapter on Paradigm shift.

6.2.4 SICK COMPANIES

The Committee recommends that Sick Enterprises that are making cash profit may be allowed to implement the pay revision without Risk Pay or Variable Pay. CPSEs that are not making cash profit should be examined by BRPSE in a period of six months for revival or closure. Enterprises that are recommended for revival should include the proposal for revised Pay scales. If Enterprises are recommended for closure, the executives should be compulsorily retired by paying compensation based on the revised basic pay recommended. They may be paid compensation at the rate of 2 months Basic Pay plus DA for every year of service completed or amount equal to the salary for the remaining period of service which ever is less. The Committee also recommends that where a sick company has been brought to the level of earning cash profits on account of the efforts made by the Chairman/Managing Director/Director, such officials should be allowed to continue up to the age of 60 years in order to enable them to continue the good work in reviving the CPSE.

6.2.5 OTHER RECOMMENDATIONS

a) The Committee recommends some of the Enterprises listed at **Annex- 4.1,** which are not strictly operating on commercial lines or incorporated under Section 25 of the Companies Act, 1956 to implement Government programmes in specific sectors or to service specific Government Departments may be taken out of the recommendations of this Committee. In case this is not considered feasible, the enterprises concerned will implement scales applicable to their respective categories.

b) Enterprises in Category D having income levels of less than Rs. 50 Crores are too small to be managed by the Central government for the reasons stated in the

Paradigm shift Chapter. The Government may withdraw from these Enterprises through merger, privatization or otherwise.

c) The Committee recommends that CPSEs may create a corpus by contributing 1% to 1.5 % of PBT to create a fund in order to take care of medical and any other emergency needs of retired executives and also those who are not adequately covered by the Pension scheme

d) Non-unionized Supervisory Staff

Since Non-Unionised Supervisory staff are not uniformly present in all CPSEs, the Committee recommends that appropriate compensation packages for this segment may be decided by the respective Board of Directors of the CPSE where this category of employees are functioning.

6.2.6 All recommendations to be read in conjunction with the chapter on Paradigm Shift.

The detailed reasons on the basis of which recommendations have been made are contained in the chapter on Paradigm Shift. These recommendations should therefore, be read in conjunction with the contents of that chapter.

Justice (Retired) M. Jagannadha Rao
Chairman

Nitish Sengupta,	**P.C.Parakh,**	**R.S.S.L.N. Bhaskarudu,**
Member	**Member**	**Member**

R. Bandyopadhyay,
Ex-Officio Member

****