

No.W-02/0004/2018-DPE (WC)-GL- X/20  
Government of India  
Ministry of Heavy Industries & Public Enterprises  
Department of Public Enterprises

Public Enterprises Bhawan,  
Block No.14, CGO Complex,  
Lodhi Road, New Delhi-110003.  
Dated, the 1<sup>st</sup> July, 2020

**OFFICE MEMORANDUM**

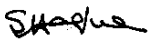
**Subject:- Pay revision of Board level and below Board level Executives and Non-Unionised Supervisors of Central Public Sector Enterprises(CPSES) w.e.f. 01.01.2017- Examples on Payment of PRP - regarding.**

The undersigned is directed to refer DPE's OM No W-02/0028/2017-DPE(WC)- GL-XIII/17 dated 03.08.2017 regarding Pay revision of Board level and below Board level Executives and Non-Unionised Supervisors of CPSEs w.e.f. 01.01.2017.

2 DPE guidelines on 2017 pay revision which, inter-alia, includes new methodology for calculation of PRP are applicable to all the Board level and below Board executives. Accordingly, the kitty factor with restriction of 100% of basic pay explained for calculating PRP is applicable to all the executives including Board level executives.

3. For the sake of more clarity and unambiguity, DPE has framed one more example of PRP Pay-out in case of CMD, Schedule A CPSE, which is illustrative in nature. All CPSEs are requested to review their PRP calculations in conformity to para 2 above and in line with example annexed to this OM. Deviations in past, if any may also be corrected.

4. All administrative Ministries/Departments of the Government of India are requested to bring the above to the notice of CPSEs under their administrative control and to comply with the DPE's guidelines strictly.

  
(Samsul Haque)  
Under Secretary

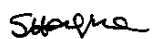
**Encl: As above**

**To**

All administrative Ministries/Departments of the Government of India.

**Copy also to:**

1. The Chief Executives of Central Public Sector Enterprises.
2. The Comptroller & Auditor General of India, 9, Deen Dayal Upadhyay Marg, New Delhi.
3. Financial Advisers in the Administrative Ministries.
4. Department of Expenditure, E-III-A, Branch, North Block, New Delhi.
5. NIC, DPE with the request to upload this OM on the DPE website.

  
(Samsul Haque)  
Under Secretary

## Annexure

### Performance Related Pay (PRP): Examples for calculating Kitty factor/Allocable profit

- **PRP Kitty Distribution : within 5% of profit accruing from core business activities**  
(hereinafter, for brevity, referred to as Profit).
- **Ratio of relevant year's profit : incremental profit = 65 : 35**

Sl.	Parameters	Amount (Rs.)/ %age
1	FY 2016-17	Profit = 5000 crore
2	FY 2017-18 [for which PRP is to be distributed]	Profit = 6000 crore
3	Incremental profit	1000 crore
4	5% of the year's profit	300 crore
5	<i>Allocable profit out of current year's 5% of profit based on distribution in the ratio of 65:35 towards the year's profit and incremental profit:</i>	
a.	PRP payout from year's profit	195 crore [i.e. 65% out of 300 crore]
b.	PRP payout from incremental profit	105 crore [i.e. 35% out of 300 crore]: [105 crore can be fully utilized as incremental profit is 1000 crore.]
6	Full PRP Payout requirement (computed for all executives based on Grade-wise ceilings, CPSE's MOU rating, Team rating & Individual performance rating) – <i>but without applying kitty factor related to year's profit or Incremental profit</i>	300 crore
7	<i>PRP payout break-up based on 65:35 distribution out of year's profit and incremental profit:</i>	
a	PRP amount required out of year's profit (i.e. 65% of Sl. No. 6)	65% of 300 crore = 195 crore
a1	Cut-off factor(1) (in %age) for year's PRP payout with reference to Sl. No. 5(a) & 7(a)	195 crore / 195 crore = 100.00%
b	PRP amount required out of incremental profit (i.e. 35% of Sl. No. 6)	35% of 300 crore = 105 crore
b1	Cut-off factor(2) (in %age) for incremental PRP payout with reference to Sl. No. 5(b) & 7(b)	105 crore / 105 crore = 100.00%
8	Thus, total Profit amount allocated for distribution	195 crore + 105 crore = 300 crore [i.e. 5% of Core business / operating profit]
9	Kitty factor for respective Grade (in %age)	[65% x Grade PRP ceiling (%) x Cut-off factor(1)] <b>Plus (+)</b> [35% x Grade PRP ceiling x Cut-off factor(2)] = <b>Kitty factor</b>

**PRP Pay out to CMD Schedule A, CPSE, 2017 Pay Scales**

SI	Parameter	Amount(Rs)/%age Payout
A	CPSE's MOU Rating [Weightage = 50%]	100%
B	Team's Ratings [Weightage = 30%]	100%
C	Individual's performance ratings [Weightage = 20%]	100%
D	Grade Ceilings(CMD) (Max 150% of BP)	150% of BP
E	Cut-off factor(1)	100.0%
F	Cut-off factor(2)	100.0%
G	Kitty factor for CMD ie [65% * D(grade PRP ceiling * E(Cut off factor(1))] Plus [35%* D(Grade PRP Ceiling) * F(Cut -Off factor(2)) ]	[65% x 150%x 100%] + [35% x 150%x 100%]  =97.5 % + 52.5% <b>= 150 %. But as per guidelines, Kitty factor is restricted to 100%.</b>
H	Net PRP	
I	Factor –X [Company's Performance component]	Wtg (50%) x A x G = 50 x100x 100 = 50%
ii	Factor – Y [Team's Performance component]	Wtg (30%) x B x G = 30x 100 x 100= 30 %
iii	Factor –Z [Individual's Performance component]	Wtg (20%) x C x G = 20x 100 x 100= 20 %
I	PRP Payout distribution	<b>Factor X +Factor Y +Factor Z = 100 % of Basic Pay</b>
J	Total PRP payment (Minimum Annual Basic Pay for CMD Schedule A CPSE)	100% of Rs 24,00,000/- = Rs 24,00,000/-