

F. No.2 (34)/12-DPE-(WC)-GL-~~XX~~/12

Government of India

Ministry of Heavy Industries & Public Enterprises  
Department of Public Enterprises

Public Enterprises Bhawan  
Block No.14, CGO Complex, Lodi Road  
New Delhi, the 14<sup>th</sup> December, 2012

**OFFICE MEMORANDUM**

**Subject:-Finalization of terms & conditions including pay fixation in respect of Board level executives of CPSEs, revised procedure thereof.**

The undersigned is directed to state that at present the terms and conditions, including pay fixation, of Board level executives of CPSEs are finalized after vetting by DPE. In this regard para '15' of DPE O.M. dated 25.06.1999 (**Annex-I**) for 1997 pay revision and para '2' of DPE O.M. dated 30.12.2009 (**Annex-II**) standard terms & conditions for 2007 pay revision may be referred to. As per present procedure, the concerned Ministries/Departments propose the terms & conditions, including pay, to be fixed for the Board level executives of the CPSEs under their administrative control, with the approval of their Integrated Finance Wing (IFW), and refer the proposal to DPE. DPE while vetting the proposal ensures that it is as per the extant policy being followed uniformly in all CPSEs. Although the guidelines of DPE regarding terms & conditions, including pay fixation, have been simplified and are available on DPE website, it is noticed that the entire process takes considerable time in finalization. In order to reduce the time taken in issuing terms & conditions of Board level executives of CPSEs, the present procedure has been reviewed, and after due consideration a need is felt to revise it.

2. In CPSEs 96% (approx.) of the employees are on Industrial Dearness Allowance (IDA) pattern of pay scale and the remaining are on Central Dearness Allowance (CDA) pattern of pay scales. Almost all Board level appointees are on IDA pattern pay scale and they are inducted on a fixed tenure basis.

3. All appointments in CPSEs are on a permanent absorption basis. In rare and exceptional cases employees are appointed on deputation. Only in cases where a person from Government service, including Defence services, joins a CPSE on a permanent absorption basis, there is a need to protect his/her emoluments (Basic Pay + Grade Pay + DA). Pension, if any, drawn on account of service rendered in Government is regulated as per DoPT orders. As per Annex-IV (iv) referred to in para 12 of DPE O.M. dated 26.11.2008 (**Annex-III**), which relates to 2007 pay revision of IDA employees, all deputationists shall have to draw their parent cadre pay and allowances. All those who join a CPSE on deputation after 26.11.2008 cannot opt for CPSE pay scales, and have to draw their parent cadre pay and allowances, and are governed by the provisions contained in DPE O.M. dated 26.11.2008 and 08.06.2009 (**Annex-IV**). However, an exception has been made in the case



of CVOs and other officers on deputation to the Vigilance Department of CPSEs who have been given the option to draw CPSE pay scale, allowances and other benefits vide DPE O.M. dated 03.12.2010 (Annex-V).

The standard terms & conditions for those joining on deputation may be seen at Annex-VI. Officers of the level of Joint Secretary and above are not entitled for deputation duty allowance (Annex-VII).

4. CPSEs are following different IDA pay scales (i.e. as per pay revision in the years 1987, 1992, 1997 and 2007) based on their affordability. Besides, CPSEs are also classified into A, B, C and D schedules. CPSEs placed in a lower schedule may subsequently get upgraded to a higher schedule. While the scale of pay for each grade for below Board level executives is identical across all CPSEs, the scales of pay in respect of Board level executives vary according to the schedule of the CPSE. Board level executives of a CPSE in a higher schedule enjoy a higher pay scale. The scales of pay of Board level executives in the 1987, 1992, 1997 and 2007 pay scales may be seen at (Annex-VIII). The terms & conditions of Board level executives are specific to the pay scales of each CPSE depending on its schedule. The standard terms & conditions in respect of 2007 pay revision are available on DPE website. While the scale of pay of a Board level executive will depend upon the schedule of the CPSE, the pay fixation could vary depending on the following variations.

**(A) Appointment from Board level to Board Level**

- i) Within the same CPSE (Appendix – example 1)
- ii) Between different CPSEs (of the same schedule and with the same pay scales) (Appendix – example 1)
- iii) Between different CPSEs (of different schedules but the same pay scales) (Appendix – example 2)
- iv) Between different CPSEs (of the same schedule but in different pay scales) (Appendix – example 3)
- v) Between different CPSEs (of different schedules and in different pay scales) (Appendix – example 4)

**(B) Appointment from Below Board level to Board Level**

- i) Within the same CPSE (Appendix – example 5)
- ii) Between different CPSEs (of the same schedule and with the same pay scales) (Appendix – example 5)
- iii) Between different CPSEs (of different schedules but the same pay scales) (Appendix – example 6)
- iv) Between different CPSEs (of the same schedule but in different pay scales) (Appendix – example 7)



- v) Between different CPSEs (of different schedules and in different pay scales)  
(Appendix – example 8)

**(C) Employees coming from Government service to CPSE at Board level on permanent absorption, and other cases of dissimilar pay scales.**

Dissimilar cases are generally those where an executive moves from a higher pay scale to a lower pay scale. Cases of Government employees joining CPSEs at Board level posts on permanent absorption basis, and cases of fixation of pay on posting in a CPSE with lower (pre-revised) pay scales are examples which fall in this category. DPE OM dated 05.03.2010 (**Annex IX**), deals with protection of emoluments in such cases (Appendix, example 9).

5. While fixing the pay of Board level executives of CPSEs, the following points will have to be taken into consideration:-

- i) The last pay drawn by the incumbent should have been drawn as per DPE guidelines. If any stagnation increments were given to the executive, either in 1997 or in 2007 pay revision, the same should have been granted only after reaching the maximum of the prescribed scale and once in two years, with a maximum of three such stagnation increments only. It may be clarified that there was no such concept of stagnation increment in 1987 and 1992 pay revisions.
- ii) Any Personal Pay, Special Pay, additional increment(s), or any increase in pay granted in any pay scales are not to be taken into consideration for pay fixation as they are aberrations from DPE O.Ms. Similarly, no such benefits can be extended after 2007 Pay Revision. No amount can be given as pay which is in contravention of the approved pay scales. However, protection of emoluments as specified in para 4 (C) above is permissible vide DPE O.M. dated 05.03.2010. Flexibility in grant of benefits is restricted to different forms of Perks & Allowances, Superannuation benefits, PRP, within the parameters laid down in DPE O.Ms. dated 26.11.2008, 09.02.2009 and 02.04.2009.
- iii) Increment, if any, due on 01.01.2007 should be granted first in the pre-revised scale (1997 pay revision) and only thereafter should fitment be granted, and pay fixed in the revised scale as on 01.01.2007 (Appendix, example 10).
- iv) Stagnation increment will be permissible only after reaching the maximum of the scale. As there are no fixed stages of increment in 2007 pay scales, the last increment due in a scale before reaching the maximum of the scale, may be less than 3%. Stagnation increment will be provided once after every two years, and there can be a maximum of three stagnation increments in a grade (Appendix, example 11).



v) On appointment to dissimilar pay scales, for example from 2007 to 1997). There would be no notional increment on pay fixation in such situations, but only protection of emoluments (refer Appendix, examples 3,4,7, 8 and 9).

vi) As per the formula for fixation of pay in 2007 pay scales, the pay is fixed by adding one notional increment equal to the increment being drawn in the pay of the lower scale and pay fixed in the higher scale by rounding off the amount to the next 10 rupees. If the amount so arrived at is less than the minimum of the higher scale then the pay will be fixed at the minimum of the higher scale, and if the amount so arrived at is more than the maximum of the scale then the pay will be fixed at the maximum of the scale. (Appendix, example 12)

vii) On promotion, the pay fixed should not exceed the maximum of the scale to which the employee is promoted.

viii) Unlike 1997 pay scales, which had fixed increment and defined stages, there are no pre-determined fixed stages of increment in the 2007 pay scales. (Appendix, example-13)

ix) Benefit of bunching of increment would be provided in terms of para 2 (iii) of DPE O.M. dated 26.11.2008 read with para 3 (i) of DPE O.M. dated 24.09.2010 (Appendix, example 14), while benefit of stepping up of pay would be provided in those cases covered in DPE O.M. dated 27.11.2012 (Appendix, example 15).

x) All perks and allowances admissible to executives, which have a Cost to the Company (CTC) would be within the ceiling of 50% of basic pay of individual executives. Only four specified allowances (para 10 of O.M. dated 26.11.08 refers) have been kept outside this ceiling. All other perks & allowances are to be kept within the limit of 50% (in this regard DPE O.Ms. dated 02.04.2009, 01.06.2011 and 29.06.2012 also refer, **Annex X, XI, XII**).

6. Some Board level executives in CPSEs are re-employed Government pensioners. They would be allowed to draw pay only in the prescribed pay scale of the post in which they are re-employed. No protection of the pay of the post held by them prior to re-employment would be given. In all such cases of re-employment at Board level posts in CPSEs, the initial pay shall be fixed at the minimum of the pay scales as applicable to the post in the concerned CPSE. The pension admissible to the retired would be subtracted from admissible pay. The fixation of pay of re-employed pensioners at Board level in CPSEs will be governed by provisions of DPE O.Ms. issued from time to time. In case of any difficulty in fixation of pay of Board level executives in CPSE, who happen to be re-employed Government pensioners pay fixation results in an unviable financial proposition, administrative Ministry/Department may refer such case to DPE for advice

7. In case a person from a private organization is appointed in a CPSE, his/her pay would be fixed at the minimum of the prescribed pay scale without any pay protection.



8. The following DPE O.Ms. are also annexed for ready reference, which are self-explanatory:-

S.No.	Date of Issue	Subject	Annex.
i.	14.03.2002	Fixation of Pay of Board Level Executives	XIII
ii.	24.09.2010	Bunching of increments to Board Level – Leave Encashment during service and on superannuation	XIV
iii.	03.06.2011	Fixation of Pay of Board Level - % rate of Notional/Stagnation increment	XV
iv.	27.11.2012	Stepping up the pay of a CMD/MD in a CPSE in special circumstances	XVI

9. The pay fixation principles, which apply in respect of Board level executives of CPSEs would also be applicable mutatis mutandis in respect of below Board level executives and non-unionized supervisors of CPSEs. However, the date of accrual of next increment in respect of Board level executives of CPSEs, who are contractual appointees and appointed on fixed tenure basis, will be the anniversary date of their appointment as already provided in DPE model terms and conditions pertaining to them. The date of annual increment in respect of below Board level executives of CPSEs would be as per rules and regulations of the respective CPSEs.

10. As required vide DPE O.Ms. dated 15.05.2008 and 08.08.2012 (**Annex-XVII & XVIII**), the CPSE shall secure a Bond from the incumbent for an appropriate sum of money payable by him/her as damages for any violation of the restrictions imposed on him/her regarding his/her joining private commercial undertakings after retirement. Standard terms & conditions would stand modified to include the requirement of this Bond.

11. DPE does not vet/finalize the terms & conditions of CVOs in CPSEs. This practice would continue.

12. It is observed that IFW of concerned administrative Ministry/Department invariably examines and approves the terms & conditions including pay fixation case of a Board level executive, before sending it to DPE for vetting. As stated in para 1 above, there is a need to review the present procedure in order to minimize the time taken in finalization of the terms & conditions, including pay fixation cases of Board level executives of CPSEs. It is, therefore, decided that henceforth, the practice of sending the proposals for pay fixation and terms & conditions of appointment of Board level executives of CPSEs for vetting by DPE will be discontinued. All proposals for framing the terms & conditions, including pay fixation, of Board level executives of all CPSEs, will be finalized by their respective administrative Ministries/Departments with the concurrence of their IFW. Consequently,

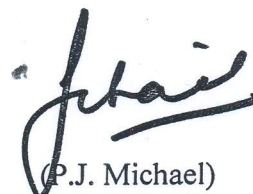
Para 3 of Standard Terms & Conditions for 2007 Pay Scales in respect of board level executives of CPSEs circulated vide DPE O.M. dated 30.12.2009 (Annex II) and Para 2 of Annex-VI regarding Standard Terms & Conditions for those joining on deputation and similar clauses under 1987, 1992 and 1997 stand modified accordingly.

13. In case of any difficulty, or need for clarification, in the implementation of the above provisions, reference may be made to DPE along with all relevant documents through the administrative Ministry/Department, with the approval of an officer not below in the rank of Joint Secretary and with the concurrence of the IFW.

14. This mechanism of finalization of Terms & Conditions including pay fixation in respect of Board level executives by respective administrative Ministry/Department as provided in para 12 above will be reviewed by DPE after one year.

This issues with the approval of Minister (HI & PE).

Encl. As above



(P.J. Michael)  
Under Secretary to the Government of India

To  
Administrative Ministries/Departments (Secretary by name) of the Government of India.

Copy to:-

1. Copy to Chief Executive of CPSEs.
2. Financial Advisors in the Administrative Ministries/Departments.
3. Office of the Comptroller & Auditor General of India, Commercial Audit Wing, 9, Deen Dayal Upadhyay Marg, New Delhi.
4. Department of Expenditure, E-II Branch, North Block, New Delhi.
5. Secretary, PESB, Block-14, CGO Complex, Lodhi Road, New Delhi.
6. All Officers in DPE.
7. NIC, DPE for uploading this O.M. on to the DPE website. (Guidelines/wage policy-IV/@ wage policy/pay revision HPPC recommendation).



(P.J. Michael)  
Under Secretary to the Government of India



**Appendix**

**Examples**

1. Appointment from a Board level post to another Board level post (like appointment from Director's post to CMD) within the same CPSE, or a different CPSE, but within the same schedule and same pay scales of same pay revision. [Para 4 (A) (i), and (ii) refer].

Lower post prior to appointment	Director, Schedule 'A'
Lower scale	₹ 75000 – 100000
Basic Pay in lower scale as per LPC	₹ 90000
Higher Post after appointment	CMD, Schedule 'A'
Higher scale of the appointed post	₹ 80000 - 125000
Pay fixation in the higher scale on selection as CMD	
Pay plus one notional increment @ 3%	₹ 2700
Pay to be fixed in the higher scale on promotion (Pay + one notional increment	₹92700 (90000 + 2700)

2. Appointment from a Board level post to a Board level post in a different CPSE in different schedule but same pay scales of same pay revision. [Para 4 (A) (iii) refer]

Lower post prior to appointment	Director in Schedule 'A'*
Lower scale	₹ 75000 – 100000
Pay in lower scale	₹ 80000
Higher post after appointment	CMD in Schedule 'B' CPSE*
Scale of pay in schedule 'B' CPSE	₹ 75000 – 90000
Pay as CMD schedule 'B'	₹80000
(i) No change in basic pay as the scale of pay of CMD schedule 'B' is lower than that of Director schedule 'A'.	
(ii) If the basic pay, which may or may not include stagnation increment, exceeds the maximum of the scale of pay the residual amount would be payable as personal pay.	
(iii) This Personal Pay (PP) would be absorbed during fixation of pay in higher scale/pay revision. PP would not be counted for any purpose including DA.	
*It can be vice-versa also i.e. from a CMD in schedule 'B' CPSE to a Director in schedule 'A' CPSE.	

3. Appointment from a Board level post to a Board level post in a different CPSE in different pay scales of different pay revisions but same schedule. [Para 4 (A) (iv) and (C) refer]

Lower Post prior to appointment	Director in 2007 pay scale, Schedule 'A'
Lower Scale	₹ 75000 – 100000
Pay in lower post	₹ 80000/-
Higher Post after appointment	CMD in 1997 pay scale Schedule 'A' CPSE
Scale of pay of CMD in 1997 scale	₹ 27750-750-31500
Plus DA ( %)	₹ 80000 + DA = X
Maximum of the pay scale to which promoted	₹ 31500/-
Emoluments to be protected	₹ 31500 + DA + PP* = X
* This Personal Pay would be absorbed during fixation of pay in higher scale/pay revision. PP would not be counted for any purpose including DA.	

4. Appointment from a Board level post to a Board level post in different CPSE in different pay scales of different pay revisions and in different schedule. [Para 4 (A) (v) and (C) refer].

Lower Post prior to appointment	Director in 2007 pay scale, Schedule 'B'
Lower Scale	₹ 65000 – 75000
Pay in lower post	₹ 70000/-
Higher Post after appointment	CMD in 1997 pay scale Schedule 'A' CPSE
Scale of pay of CMD in 1997 scale	₹ 27750-750-31500
Plus DA ( %)	₹ 70000 + DA = X
Maximum of the pay scale to which promoted	₹ 31500/-
Emoluments to be protected	₹ 31500 + DA + PP* = X
* This Personal Pay would be absorbed during fixation of pay in higher scale/pay revision. PP would not be counted for any purpose including DA.	



5. Appointment from a below Board level post to a Board level post within the same CPSE or different CPSE but within the same schedule and same pay scales of same pay revision. [Para 4 (B) (i) and (ii) refer]

Lower Post prior to appointment	Executive Director (E-9), Schedule 'A'
Lower scale	₹62000 – 80000
Pay in the lower scale	₹78000
Higher Post after appointment	CMD, Schedule 'A'
Higher scale of the appointed post	₹ 80000 - 125000
Pay fixation in the higher scale on selection as CMD	
Basic Pay in lower scale	₹78000
Plus one notional increment @ 3%	₹2340
Pay in the higher scale on promotion (Pay + one notional increment)	₹80340 (78000 + 2340)

6. Appointment from a below Board level post to a Board level post in different CPSE in different schedules but same pay scales of same pay revision. [Para 4 (B) (iii) refer]

Lower post prior to appointment	General Manager (E-8) (Sch-A)
Lower scale	₹ 51300 – 73000
Pay in lower scale	₹ 69000
Higher post after appointment	CMD in Schedule 'C' CPSE
Scale of pay in schedule 'C' CPSE	₹ 65000 – 75000
Notional increment @ 3%	₹ 2070
Pay as CMD schedule 'C' (Pay + one notional increment)	₹ 71070 (69000 + 2070)

7. Appointment from a below Board level post to a Board level post in different CPSE in different pay scales of different pay revisions but same schedule. [Para 4 (B) (iv) and (C) refer]

Lower Post	General Manager (E-8), Schedule 'B' (2007)
Lower scale prior to appointment	₹ 51300 – 73000
Pay in the lower scale	₹ 58000
Higher Post after appointment	Director (Schedule B) (1997)
Higher scale of the appointed post	₹ 22500-600-27300
Pay in the higher scale on selection of Director	
Basic Pay in lower scale	₹ 58000
No notional increment as it is dissimilar, only emoluments will be protected	
Pay + DA	₹ 58000 + DA = X
Maximum of the scale to which promoted	₹ 27300
Emoluments to be protected	₹ 27300 + DA + PP* = X
*This Personal Pay would be absorbed during fixation of pay in higher scale/pay revision. PP would not be counted for any purpose including DA.	

